

GOVERNANCE AND AUDIT COMMITTEE

**MEETING TO BE HELD AT 11.00 AM ON THURSDAY, 14 JANUARY
2021**

**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)**

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 27 NOVEMBER**
(Pages 1 - 4)
- 5. TREASURY MANAGEMENT**
(Pages 5 - 6)
- 6. INTERNAL AUDIT PROGRESS REPORT**
(Pages 7 - 34)
- 7. EXTERNAL AUDIT PROGRESS REPORT**
(Pages 35 - 54)
- 8. COMPLIANCE AND MONITORING**
(Pages 55 - 84)
- 9. MAYORAL COMBINED AUTHORITY PREPARATIONS -
DECISION-MAKING AND COMMITTEE ARRANGEMENTS**
(Pages 85 - 90)

Signed:



**Managing Director
West Yorkshire Combined Authority**



MINUTES OF THE MEETING OF THE GOVERNANCE AND AUDIT COMMITTEE HELD ON FRIDAY, 27 NOVEMBER 2020 AS A REMOTE MEETING

Present:

Councillor Jane Scullion (Substitute)	Calderdale Council
Joanna Wardman	Independent Member
Councillor Peter McBride (Substitute)	Kirklees Council
Councillor Steven Leigh MBE	Calderdale Council

In attendance:

Councillor Peter Harrand	Leeds City Council
Angela Taylor	West Yorkshire Combined Authority
Bronwyn Baker	West Yorkshire Combined Authority
Jonathan Sheard	West Yorkshire Combined Authority
Khaled Berroum	West Yorkshire Combined Authority
Ian Pegg	West Yorkshire Combined Authority
Ben Kearns	West Yorkshire Combined Authority

11. Apologies for Absence

Apologies had been received from Andy Clayton, Councillor Swift, Councillor Pandor and Councillor Hinchcliffe.

12. Declarations of Disclosable Pecuniary Interests

Councillor Scullion declared that she was a beneficiary of the West Yorkshire Pension Fund.

13. Exclusion of the Press and Public

There were no items that required the exclusion of the press and public.

14. Minutes of the Meeting of the Governance and Audit Committee held on 30 July

Resolved: That the minutes of the meeting held on the 30 July be approved

15. Internal Audit Progress Report

Members considered a report which provided an update on internal audit

performance to date.

Members noted that audit work had been focussed on advice and guidance on the MCA workstream and that it was important that controls and good governance were embedded in the new structures. It was also noted that there was still assurance audit work underway and so an audit opinion would be provided with sufficient balance.

The internal audit team was much more resilient and flexible following recent recruitment.

The internal audit plan was attached at appendix 1 to the submitted report and set out the work currently underway and scheduled for the new year.

Resolved: That the internal audit progress to date be noted.

16. External Audit Progress Report

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

Members noted the update regarding the Public Sector Audit Appointments and an executive summary and recommendations from the Redmond Review were attached at appendix 1. Members welcomed the conclusions of the review, citing the recommendations regarding a regulator for quality and the emphasis on training and understanding of local authority requirements.

A PSAA consultation in fee variations was attached at appendix 2 to the submitted report.

Mazars had advised the Combined Authority that the Engagement Lead for the Combined Authority from next year will be Mark Dalton. Mark Kirkham had 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. Members thanked Mark Kirkham for his work with the Combined Authority over the last 5 years.

Resolved: That the report be noted

17. Annual Accounts 2019/20

Members considered a report which presented the annual accounts to the Committee for 2019/20 financial year.

The bulk of the audit work had been completed in advance of this meeting, but approval of the accounts had been deferred due to a delay in an external audit assessment around the pension fund.

Members asked about the progress to finalise the pension audit work and whether there was cause for concern. It was noted there had been no change

to the figures which were within the boundary of acceptance.

Mazars provided an unqualified opinion on the accounts and an unqualified opinion on the value for money conclusion.

The outstanding areas of work had been cleared without any issues.

Resolved:

- (i) That the Treasury Management Statement be approved.
- (ii) That Mazars Audit Completion Report be noted.
- (iii) That the annual accounts for the year ended 31 March 2020 be approved.

18. Mayoral Combined Authority Preparations

The Committee considered a report which provided an update on the work underway to become a Mayoral Combined Authority.

A programme had been set up which contained 20 workstreams and was set out in appendix 1 to the submitted report. Work had progressed on the adult education budget and the order which had been approved or was in the process of being approved by the constituent authorities as well as the Combined Authority.

Work was underway to develop internal systems, such as finance and Human Resources to become Mayoral Combined Authority ready. Members noted that the police and crime commissioner transfer was also in progress and that proposals for decision making and committee arrangements would be brought to the Committee at a future meeting.

Members asked what contingency plans had been made if the May elections was disrupted by the pandemic. It was noted that the Mayoral and PPC elections were running in tandem with the local elections and that there had been a very clear message from Government that those elections will happen. Officers from the Combined Authority had been in contact with the Electoral Commission about the measures they recommend. Contingencies were also in place in the event that the position of Mayor became vacant for any reason.

Members asked that the Mayoral Combined Authorities Preparations be a standing item at future meetings.

Resolved: That the Committee note the work to date

19. Overview and Scrutiny Committee Update

Members considered a report which provided an update on the work of the Overview and Scrutiny Committee.

The report set out the work completed to date by the Overview and Scrutiny Committee and outlined the work underway to change how Scrutiny would function in the Mayoral Combined Authority.

It was noted that the Overview and Scrutiny Committee had chosen to pursue an enhanced select committee approach which would be supported by permanent sub-groups.

Members discussed the importance of ensuring a robust scrutiny function within the Mayoral Combined Authority and the benefits of it being aligned with the work of the Governance and Audit Committee to ensure complimentary but independent assurance.

Resolved: That the report be noted.

20. Compliance and Monitoring

Members considered a report which set out changes to internal controls within the Combined Authority.

There had been no significant changes to internal controls since the last meeting.

Members noted that the Combined Authority's Treasury Management arrangements included a £5 million exposure to London Borough of Croydon. A section 114 notice had been issued by Croydon, but the Combined Authority's loan did not fall under the notice and no issues with the repayment of the loan were envisaged. Members requested reassurance over the Treasury Management arrangements, and it was agreed that an in depth look at Treasury Management would be brought to the next meeting.

The pandemic had left a gap in the Combined Authority's revenue budget. Work was underway to close the funding gap and a report on the budget would be brought to the Committee at a future meeting.

Resolved: That the report be noted.

21. Assurance Framework Review 2020

Members considered a report which provided and update on proposed changes to the Assurance Framework.

Resolved: That the progress and changes made to the Assurance Framework be noted.

Report to: Governance and Audit Committee

Date: 14 January 2021

Subject: **Treasury Management**

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

Author(s): Angela Taylor

1 Purpose of this report

- 1.1 To provide members with information on the treasury management arrangements in place for the West Yorkshire Combined Authority.

2 Information

- 2.1 At a previous meeting of this Committee members requested another presentation on the treasury management arrangements in place. The Combined Authority undertakes its treasury arrangements in conjunction with Leeds City Council, with responsibilities set out in a service level agreement.
- 2.2 A presentation will be given at the meeting setting out the treasury management framework, the responsibilities of Governance and Audit Committee members in that regard, and the treasury management strategy in place. Officers from Leeds City Council will be in attendance – Bhupinder Chana, Head of Finance, Technical and David Brown, Senior Treasury Manager.

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 Committee note the presentation and consider what further information it wishes to receive on treasury management.

8 Background Documents

None.

9 Appendices

None.

Report to: Governance and Audit Committee

Date: 14 January 2021

Subject: **Internal Audit Progress Report**

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

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

1. Purpose of this report

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

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, there are no finalised reports to share. One report is out in draft and two more are nearing completion, Internal Audit continues, however, to provide significant support to the MCA workstreams as previously highlighted.

Customer Feedback

- 2.3 Feedback on the completed report on Local Transport Plan Block Funding that was shared at the last Committee has now been received and is included in the Progress Report at Appendix 1.

Fraud/ Whistleblowing/ Money Laundering

- 2.4 Details of any referrals are included in Appendix 1.

Initial considerations for the audit plan for 2021/22

- 2.5 Internal Audit has undertaken some initial work around audit planning for 21/22 that is detailed in Appendix 1. This work will continue and will include consultation with the business, in particular the Senior Leadership Team, with a view to providing the Committee with a draft plan for approval at the March Committee meeting. There will be continuous reference to the changes and risks arising in relation to becoming a Mayoral Combined Authority and this will be a focus for discussion with the business when pulling the proposed plan together.

Draft Internal Audit Charter

- 2.6 Internal Audit has updated the IA Audit Charter to ensure full compliance with Public Sector Internal Audit Standards, see Appendix 2. This now sees completion of the outstanding actions in relation to the Charter from the External Quality Assessment recommendations from last year.
- 2.7 The updated version sets out the role and place of Internal Audit within the Combined Authority and identifies its mission and purpose, authority and scope of activities. It further explains its remit in managing whistleblowing reports, anti-money laundering, fraud prevention and consulting engagements. There is also reference to the Internal Auditors Code of Ethics and explicit reference to compliance with the Committee on Standards of Public Life's Seven Principles of Public Life. The move to becoming a Mayoral Combined Authority should not require further amendments to the Charter, but this will be kept under review as required.

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 and the revised Internal Audit Charter.

7.2 That the Committee provide input to the areas under consideration for inclusion in the 2021/22 audit plan.

8. Background Documents

None.

9. Appendices

Appendix 1 – Internal Audit Progress Report January 2021

Appendix 2 – Internal Audit Charter

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Governance & Audit Committee Internal Audit Progress Report

January 2021

Key Headlines / Index

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

Reports/updates issued- Summaries of the scope and findings of these reviews can be found at pages 2-4

- MCA Workstreams Update
- Adult Education Budget (AEB)
- Counter Fraud, Anti Money Laundering and Whistleblowing

Progress against 2020/21 Audit Plan and any planned changes - detailed at pages 5-10. Given the issues faced during the course of this plan year, remaining reviews will be more focused and streamlined to ensure adequate completion of the plan.

Outstanding actions- There are currently no overdue agreed actions.

Feedback from clients – Page 10 details the feedback received from one auditee since the last Governance and Audit Committee report.

Initial considerations for the audit plan for 2021/22 – detailed at pages 11-13

Planning for the next financial year is now underway with some initial consideration being undertaken against the key risks for the organisation, deferred work from 2020/21 and external horizon scanning. These initial thoughts will be further developed as discussions are held with the business and further to any early comments the Committee would like to make at this stage.

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 majority of the updates are as per the paper that went to the Committee in November, however some additional progress on two of the workstreams is noted below.

MCA Workstream - Integrated Corporate Systems (ICS) 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. The ICS project has now completed the first phase of its procurement and is continuing the preparatory work needed to establish how processes will be developed for the new system.

MCA Workstream – Police and Crime Commissioner (PCC) Preparations: Internal Audit are currently working with the legal team to develop the proposed audit governance arrangements in relation to PCC functions and will provide further updates at the March Committee meeting.

Adult Education Budget (AEB)

Further to the last update to the Governance and Audit Committee the following work to prepare for AEB devolution has taken place:

- The AEB Governance Strategy was approved by the Combined Authority on 27 November 2020.
- The laying of the Order before Parliament for the wider devolution deal took place in December 2020.
- Providers have now been assessed and accepted onto the Dynamic Purchasing System (DPS) for contracts of services.
- The 'mini- competition' documents for the second stage of the DPS are being prepared in preparation for the 'go-live' date of 29 January 2021

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-** drafting what roles and responsibilities will be undertaken by Internal Audit regarding compliance and assurance once AEB is live and developing resource plans in line with this and preparing for work to be carried out by other team members to provide assurance the DPS stage of the procurement has been carried out appropriately.
- **Procurement-** advising on the review of the DPS and preparation of the mini-competition documents as required
- **Legal and governance-** developing workstream tasks with the core Project team and advising on various governance and organisational matters.

- **ICT and data-** compiling data and system requirements for audit and assurance and reviewing systems to meet these.

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

- The approval of the Order by Parliament as part of the wider devolution deal (January/February 2021).
- 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)

Counter Fraud, Anti Money Laundering (AML) and Whistleblowing

	Total number of referrals 20/21	Investigation completed - No breach/no further action	Investigation completed – further action taken	Still under investigation
Fraud - External	1			1
Fraud - Internal	0			
Whistleblowing	1	1		
AML	0			

A combined and updated Whistleblowing Policy for the Combined Authority and the LEP has been drafted and considered by the senior management team (SMT). Relevant approval will then be asked for from the Managing Director (under the Combined Authority Scheme of Delegation) and the LEP Board once this consultation has concluded.

2020/21 Internal Audit Plan

15

	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 – Advice and Guidance
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 – Advice and Guidance
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	Quarter 3-4

		directorate but has been delayed due to the focus on COVID-19 response and MCA readiness.	
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 and was reported to the last GAC.	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 (RFD) process and Corporate Technology Project (CTP) workstreams.	Ongoing – Advice and Guidance
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.	Ongoing – Advice and Guidance, nearing completion via development of the App
11	Climate change	To cover the Combined Authority's commitment to 'Tackling the Climate Emergency' and how we propose to	At Draft Report Stage

		do this, including how this feeds into our project evaluation and relates to the Devolution workstreams on this area.	
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- Two projects that were on hold from Quarter 1 are in the process of being reviewed.
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.	In progress - to be completed in Quarter 4

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 – Advice and Guidance
18	Equalities, including bus station safety and accessibility	A review of the Combined Authority’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 – equalities baseline review is now being scoped
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 the checks due to be carried out in Q3 and Q4.
20	Contract management	Follow up on IA work from 2019/20.	Quarter 4
21	HR Strategy implementation	See 13 above.	Quarter 4
22	Devolution	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 To consider other workstreams as part of relevant assurance areas as detailed elsewhere (Corporate Governance- currently 2, Climate Change- currently 11	Ongoing – Advice and Guidance

		and HR Strategy/ Compliance- currently 13) - see MCA Workstreams Update above	
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 (currently 10) 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, however it may need expanding after considering new responsibilities after devolution, such as vulnerable adults receiving adult education.	Deferred
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	Ongoing – Advice and Guidance

		guidance on controls and governance - see MCA programmes update above.	
29	Various grant certifications	See grants progress update above.	Ongoing in each quarter
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 – draft report completed

20

Client Feedback

One client feedback report has been sent out and received since the last Governance and Audit Committee with an overall positive score arising from the review, details of narrative comments have been shared below for the Committee's oversight.

Review name & report issue date	What did we do well?	What could we have done better?
Corporate Services- Local Transport	The audit team was keen to understand the funder's requirements, the information we had	There seemed to have been some misunderstanding between Internal Audit and Finance as to what checks should be done by whom, which seemed to

Capital Block Funding (LTP) Submission November 2020	available, and how the latter could be used to satisfy the former. We had a deadline from the funder, that the audit team worked hard to successfully meet, taking a both robust and pragmatic approach.	cause some delay in checks being carried out. However, I am under the impression that those issues have now been resolved.
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2021/22 Internal Audit Plan

21

WYCA Key Risks

An initial review of the latest Corporate Risk Register, as per the strategic risk paper brought to the last Audit Committee, has identified the following key (very high) risks for consideration in Internal Audit work planning:

- **CRR- SD1-** Failure to fully deliver projects and programmes (ie. Growth Deal & LPTIP) within timescales or budget, or with the anticipated level of benefits.
- **CRR- SD2-** Challenges and disruption to the way in which the Combined Authority provides services and the resources available to deliver those due to Brexit.
- **CRR- SD5-** Change in government policy that result in a major impact on achievement of organisational objectives and/or a need to reconsider objectives.
- **CRR- SD6-** Corporate objectives cannot be met due to the long term impacts of the COVID-19 pandemic on the regional economy and on travel habits.
- **CRR- FR3-** The financial health of the Combined Authority will be adversely affected due to the financial impacts of the COVID-19 pandemic.
- **CRR- SD8-** A significant increase in unemployment across the region, due to the ongoing economic disruption caused by the COVID-19 crisis and the end of the national Job Retention Scheme (furlough).

- **CRR- FR4-** The Combined Authority is placed under pressure to fund the reinstatement of commercial bus services threatened with withdrawal, due to premature withdrawal of emergency government funding support.

Deferred Work from 2020/21

A requirement of the Public Sector Internal Audit Standards (PSIAS) is to keep the Audit Plan under regular review so resources are used effectively and to report any changes to Committee throughout the year. This section highlights the following pieces of work that have been deferred from the current year's plan and asks Committee members to consider whether these areas are still the most significant risks that Audit should be focused on as part of the planning process for 2021-22. Internal Audit will also invite Management's consideration of these audit areas to help determine whether these remain necessary and relevant. The audits currently deferred to 2021-22 are as follows;

- Strategic Planning
- Culture – working together
- Financial – access to future funding streams
- Construction (Design and Management) CDM
- Safeguarding

In addition, Committee will be aware of an external arrangement for the provision of ICT audits. These reviews have been awaiting start dates, pending completion of agreed contracts, and whilst at the time of writing there is an expectation that some work will be delivered in the current year, particularly Vulnerability Management, a full complement of ICT audit work is likely to fall into 2021-22.

It is worth noting at this point that these deferred audits would not impact on the ability of the Head of Internal Audit to give an annual opinion on the adequacy and effectiveness of the system of internal control. An analysis of each audit shows that apart from Financial – access to future funding streams, the corporate risk (as reported to Committee in March) is covered within another review to be completed in the current year.

External Horizon Scanning

As part of audit planning work and in a similar approach to that taken last year, the following information is currently informing thinking for 2021/22. The Chartered Institute of Internal Auditors publishes a report every year called 'Risk in Focus'. This report

gathers intelligence on those areas of risk that Heads of Audit and Audit Committee Chairs, from across Europe and the United Kingdom, believe will be the most significant for the year ahead.

The top 15 risks are compared to last year (in brackets) and are ranked in perceived significance:

1. Cybersecurity (UP)
2. Regulatory Change and Compliance (SAME)
3. Digitisation (DOWN)
4. Financial (UP)
5. HR and Talent Management (UP)
6. Disasters and Crisis Response (NEW)
7. Macroeconomic and Geopolitical Uncertainty (UP)
8. Supply Chains/Outsourcing/Third Party Risk (DOWN)
9. Corporate Governance and Reporting (DOWN)
10. Communications, Management and Reputation (UP)
11. Corporate Culture (DOWN)
12. Bribery/Fraud/Financial Crime (UP)
13. Climate Change/Environmental Sustainability (UP)
14. Health and Safety (UP)
15. Mergers and Acquisitions (DOWN)

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WEST YORKSHIRE COMBINED AUTHORITY

INTERNAL AUDIT CHARTER (DRAFT)

December 2020 – Draft v.6

Contents

1. Introduction	2
2. Statutory basis for Internal Audit	2
3. Purpose and Mission	2
4. Key Roles and Lines of Reporting.....	3
5. Authority.....	3
6. Independence and Objectivity.....	4
7. Responsibility.....	5
8. Scope of Internal Audit Activities.....	6
9. Consulting	6
10. Audit Delivery and Communicating Results	7
11. Quality Assurance and Improvement Programme	8
12. Fraud and Corruption.....	8
13. Code of Ethics.....	9

1. Introduction

- 1.1 West Yorkshire Combined Authority's Internal Audit Charter sets out the purpose, authority and responsibility of the Internal Audit department in accordance with the Public Sector Internal Audit Standards 2017 (PSIAS).
- 1.2 The Charter also covers the reporting arrangements of the Head of Internal Audit and delivery of internal audit work, identifies the key stakeholders and describes safeguards to protect objectivity and independence.
- 1.3 This Charter will be appropriately updated following any changes to the Public Sector Internal Audit Standards and reviewed by the Head of Internal Audit and presented to the Governance and Audit Committee on an annual basis.

2. Statutory basis for Internal Audit

- 2.1 The requirement for an Internal Audit function is contained in Regulation 6 of the Accounts and Audit Regulations, which requires the Combined Authority to:
“undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control”.
- 2.2 The internal audit activity will govern itself by adherence to Public Sector Internal Audit Standards (PSIAS). The PSIAS includes mandatory guidance including the Definition of Internal Auditing and the International Standards for the Professional Practice of Internal Auditing.
- 2.3 The PSIAS defines internal auditing as *“an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objective's by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”*
- 2.4 Further, the Chartered Institute of Public Finance (CIPFA) has published “The Role of the Head of Internal Audit in Public Service Organisations”. The Head of Internal Audit must also comply with these requirements in addition to those set out in the PSIAS.
- 2.5 Alongside the regulatory requirements, the code of ethics stipulates the conduct of Internal Auditors which all auditors must abide by.

3. Purpose and Mission

- 3.1 The purpose of the West Yorkshire Combined Authority's Internal Audit department is to provide independent, objective assurance and consulting services designed to add value and improve the Combined Authority's operations.

- 3.2 The mission of Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight.
- 3.3 The Internal Audit department helps the Combined Authority accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.
- 3.4 The Standards also include ten Core Principles of Internal Audit, as follows:
- Demonstrates integrity
 - Demonstrates competence and due professional care
 - Is objective and free from undue influence (independent)
 - Aligns with the strategies, objectives, and risks of the organisation
 - Is appropriately positioned and adequately resourced
 - Demonstrates quality and continuous improvement
 - Communicates effectively
 - Provides risk-based assurance
 - Is insightful, proactive, and future-focused
 - Promotes organisational improvement.

4. Key Roles and Lines of Reporting

- 4.1 For the purposes of the Standards the Head of Internal Audit is defined as the 'Chief Audit Executive' for the organisation, and will report periodically to senior management (Senior Leadership Team), Managing Director (Head of Paid Service), and Director of Corporate Services (Section 73 Officer) and the Governance & Audit Committee (the Board) regarding the Internal Audit department's conformance to the Code of Ethics and the Standards.
- 4.2 The Head of Internal Audit will hold a full, professional qualification, defined as CCAB, CMIIA or equivalent professional membership and adhere to the professional values and the Code of Ethics.

5. Authority

- 5.1 The Head of Internal Audit will report functionally to the Governance & Audit Committee and administratively (i.e. day-to-day operations) to the Director, Corporate Services (Section 73 Officer). For more detailed overview of WYCA's governance arrangements please refer to the organisation's Governance Structure diagram.
- 5.2 To establish, maintain, and ensure that the Combined Authority's Internal Audit department has sufficient authority to fulfil its duties, the Governance & Audit Committee will:
- Approve the Internal Audit Charter and risk-based Internal Audit Plan
 - Receive communications from the Head of Internal Audit on the Internal Audit department's performance relative to its plan and other matters.

- Ensure the remuneration and performance of the Head of Internal Audit is not unduly influenced.
 - Make appropriate inquiries of management and the Head of Internal Audit to determine whether there is inappropriate scope or resource limitations.
- 5.3 The Head of Internal Audit will have unrestricted access to, and communicate and interact directly with, the Governance & Audit Committee including in private meetings without management present.
- 5.4 The Internal Audit department remit will cover the whole organisation and:
- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information
 - Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports
 - Obtain assistance from the necessary personnel of the Combined Authority, as well as other specialised services from within or outside the Combined Authority as required.

6. Independence and Objectivity

- 6.1 The Head of Internal Audit will ensure that the Internal Audit department remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content.
- 6.2 The Head of Internal Audit will ensure that Internal Audit are suitably resourced in order to achieve its overall mission and will aim to maintain a suitable mix of experienced and qualified staff.
- 6.3 Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.
- 6.4 Internal auditors will have no direct operational responsibility or authority over any of the activities audited.
- 6.5 Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:
- Assessing specific operations for which they had responsibility within the previous year
 - Performing any operational duties for the Combined Authority or its affiliates
 - Initiating or approving transactions external to the Internal Audit department

- Directing the activities of the Combined Authority employees not employed by Internal Audit, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.
- 6.6 Where the Head of Internal Audit has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity. For example, The Head of Internal Audit is the organisation's Anti-Money Laundering Officer and the Responsible Officer under the Whistleblowing Policy. The Internal Audit department also includes a counter-fraud specialist. Internal Audit counter-fraud activities are defined in Counter-Fraud Policy.
- 6.7 The Head of Internal Audit will confirm to the Governance & Audit Committee, at least annually, the organisational independence of the Internal Audit department.
- 6.8 The Head of Internal Audit will disclose to the Governance & Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

7. Responsibility

- 7.1 The Head of Internal Audit has the responsibility to:
- Submit, at least annually, to senior management and the Governance & Audit Committee a risk-based internal audit plan for review and approval
 - Communicate to senior management and the Governance & Audit Committee the impact of resource limitations on the internal audit plan
 - Review and adjust the internal audit plan, as necessary, in response to changes in the Combined Authority's business, risks, operations, programmes, systems, and controls
 - Communicate to senior management and the Governance & Audit Committee any significant interim changes to the internal audit plan
 - Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties
 - Follow up on engagement findings and corrective actions, and report periodically to senior management and the Governance & Audit Committee any corrective actions not effectively implemented
 - Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld
 - Ensure the Internal Audit department collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter
 - Ensure trends and emerging issues that could impact the Combined Authority are considered and communicated to senior management and the Governance & Audit Committee as appropriate

- Ensure emerging trends and successful practices in internal auditing are considered
- Establish and ensure adherence to policies and procedures designed to guide the Internal Audit department
- Ensure adherence to the Combined Authority's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to senior management and the Governance & Audit Committee
- Ensure conformance of the Internal Audit department with the Standards.

8. Scope of Internal Audit Activities

- 8.1 The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Governance & Audit Committee, Senior Leadership Team, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for the Combined Authority.
- 8.2 Internal audit assessments include evaluating whether:
- Risks relating to the achievement of the Combined Authority's strategic objectives are appropriately identified and managed
 - The actions of the Combined Authority's officers, directors, employees, and contractors are in compliance with the Combined Authority's policies, procedures, and applicable laws, regulations, and governance standards
 - The results of operations or programs are consistent with established goals and objectives.
 - Operations or programs are being carried out effectively and efficiently
 - Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the Combined Authority
 - Information and the means used to identify, measure, analyse, classify, and report such information are reliable and have integrity
 - Resources and assets are acquired economically, used efficiently, and protected adequately.
- 8.3 The Head of Internal Audit also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed.

9. Consulting

- 9.1 Internal Audit work includes the provision of assurance on the accuracy of grant claims, undertakes assurance and advisory work in respect of regulatory compliance and may facilitate the production of relevant policy documentation. In addition, the service may provide, at the request of management, a consultancy service which evaluates policies, procedures, systems and operations put in place by management.

- 9.2 The Head of Internal Audit must consider the effect the request may have on compromising the delivery of the plan and whether the work will contribute to the overall opinion before accepting consultancy work.

10. Audit Delivery and Communicating Results

- 10.1 For each audit engagement, a scoping document will be prepared, discussed and agreed with relevant managers. The scoping document should establish the objectives, scope and timing for the audit assignment and its resources and reporting requirements. Audit work is undertaken using a risk-based audit approach, which will consider the probability of significant errors, fraud and non-compliance.
- 10.2 Auditors are required to identify, analyse, evaluate and document sufficient information to achieve the engagement's objectives. This evidence supports their conclusions, professional judgments and recommendations and therefore must be factual and accurate.
- 10.3 The results of all audit engagements are reported, including the objective, scope, all material facts, conclusions, recommendations, action plans, any limitations and where appropriate contain the internal auditors' opinion.
- 10.4 Contents of draft reports are discussed with managers for factual accuracies. It is important to bring significant issues to the attention of management during the course of engagement to allow for immediate action. Managers are required to give responses to each recommendation, detailing the responsible officer for each action and the target date for completion.
- 10.5 Where there is disagreement over the actions to be taken, this is recorded in the action plan. Where these risks are deemed to be high, they are reported to the relevant Director and the Governance and Audit Committee.
- 10.6 Annually the Head of Internal Audit will prepare the Annual Audit Opinion. This opinion is used to inform the Annual Governance Statement. This report must conclude on the overall adequacy and effectiveness of the Combined Authority's framework of governance, risk management and control giving an overall opinion, summary of the work undertaken to support this opinion (including any reliance placed on work by other assurance providers), a statement on the conformance with the PSIAS, the results of the QAIP and any external assessors improvement recommendations, disclosure of any impairments or limitations. If a qualified opinion is given, the reasons for this must be specified.
- 10.7 Internal Audit tracks progress made on agreed recommendations (actions). It is the responsibility of the manager to implement and provide relevant evidence of the agreed actions to Internal Audit. Progress with implementation of recommendations is reported to the Governance and Audit Committee and if necessary managers will be asked to provide an explanation in cases where overdue recommendations have not been implemented. If the matter is still unresolved the Governance and Audit

Committee will be informed. The findings and follow up reviews inform future audit planning.

11. Quality Assurance and Improvement Programme

- 11.1 The Internal Audit department will maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. This will include an evaluation of the Internal Audit department's conformance with the Standards and an evaluation of whether internal auditors apply the IIA's Code of Ethics. The programme will also assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement.
- 11.2 Staff performance reviews are undertaken for individual auditors and service objectives agreed.
- 11.3 Yearly performance indicators are agreed as part of the business planning process and are updated in line with Combined Authority reporting requirements.
- 11.4 Feedback will be sought following completion of each audit engagement.
- 11.5 Annual certification confirming compliance with the Code of Ethics contained within the Audit Charter; and
- 11.6 External assessment conducted at least once every five years by a qualified, independent assessor or assessment team from outside the Combined Authority. The most recent external assessment was performed in March 2019.
- 11.7 The Head of Internal Audit will communicate to Senior Management and the Governance & Audit committee annually on the internal audit department's quality assurance and improvement programme, including results of internal and external assessments.

12. Fraud and Corruption

- 12.1 The Combined Authority has counter fraud policies that contribute towards its sound corporate governance arrangements. Managing the risk of fraud and corruption is vital to the success of the Combined Authority in achieving its corporate objectives and to safeguard its reputation.
- 12.2 Whilst Internal Audit is not solely responsible for the prevention or detection of fraud and corruption, it will, however, remain alert to risk and exposures both internal and external to the organisation. Close involvement with the national anti-fraud agencies and participation in the National Fraud Initiative will assist this process. Any evidence or suspicion of an irregularity regarding combined authority funds, property or any other asset or interest should be reported immediately using the Whistleblowing Policy.

13. Code of Ethics

- 13.1 Internal Audit will operate within the definition of Internal Auditing and the Institute of Internal Auditors Code of Ethics to maintain high levels of integrity, objectivity, confidentiality, and competence and ensure it underpins the internal audit service provided to the organisation.
- 13.2 In addition, Internal auditors will also be required to comply with the relevant requirements of their own professional bodies and to the Committee on Standards of Public Life's Seven Principles of Public Life [The Seven Principles of Public Life - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/organisations/committee-on-standards-in-public-life/about-us/our-7-principles)

Report to: Governance and Audit Committee

Date: 14 January 2021

Subject: External audit progress report

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

Author(s): Jon Sheard

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 The annual accounts for 2020/21 were approved at the meeting on 27th November 2020. These accounts were subsequently signed and published by the deadline of 30th November 2020.
- 2.2 For information and attached at Appendix 1 is the final Annual Audit Letter from the external auditor.
- 2.3 Reference is made to an additional fee of £3,000 for additional work that was required during the annual audit. Members should note that this increase relates to additional regulatory work the auditors were required to carry out and that it is subject to agreement / approval through a formal Public Sector Audit Appointments Ltd (PSAA) process and will not be actually paid until that process concludes.

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 – Annual Audit Letter

Annual Audit Letter

West Yorkshire Combined Authority

Year ending 31 March 2020





Contents

- 01** Executive summary
- 02** Audit of the financial statements
- 03** Value for money conclusion
- 04** Other reporting responsibilities
- 05** Our fees
- 06** Forward look

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the West Yorkshire Combined Authority. No responsibility is accepted to any member or officer in their individual capacity or to any third party. Our written consent must first be obtained before this document, or any part of it, is disclosed to a 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.

1. EXECUTIVE SUMMARY

Purpose of the Annual Audit Letter

Our Annual Audit Letter summarises the work we have undertaken as the auditor for West Yorkshire Combined Authority (the Authority) for the year ended 31 March 2020. Although this letter is addressed to the Authority, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (the NAO). The detailed sections of this letter provide details on those responsibilities, the work we have done to discharge them, and the key findings arising from our work. These are summarised below.

Area of responsibility	Summary
Audit of the financial statements	<p>Our auditor's report issued on 30 November 2020 included our opinion that the financial statements:</p> <ul style="list-style-type: none">• give a true and fair view of the Authority's financial position as at 31 March 2020 and of its expenditure and income for the year then ended; and• have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
Other information published alongside the audited financial statements	<p>Our auditor's report included our opinion that:</p> <ul style="list-style-type: none">• the other information in the Statement of Accounts is consistent with the audited financial statements.
Value for money conclusion	<p>Our auditor's report concluded that we are satisfied that in all significant respects, the 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.</p>
Reporting to the group auditor	<p>In line with group audit instructions, issued by the NAO on 4th November, we reported to the group auditor in line with the requirements applicable to the Authority's WGA return.</p>
Statutory reporting	<p>Our auditor's report confirmed that we did not use our powers under s24 of the 2014 Act to issue a report in the public interest or to make written recommendations to the Authority.</p>



2. AUDIT OF THE FINANCIAL STATEMENTS

Opinion on the financial statements

Unqualified

The scope of our audit and the results of our work

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Authority and whether they give a true and fair view of the Authority's financial position as at 31 March 2020 and of its financial performance for the year then ended.

Our audit was conducted in accordance with the requirements of the Code of Audit Practice issued by the NAO, and International Standards on Auditing (ISAs). These require us to consider whether:

- the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management in the preparation of the financial statements are reasonable; and
- the overall presentation of the financial statements provides a true and fair view.

Our auditor's report, stated that in our view, the financial statements give a true and fair view of the Authority's financial position as at 31 March 2020 and of its financial performance for the year then ended.

Our report included emphasis of matter paragraphs to highlight material valuation uncertainty due to the coronavirus pandemic in relation to the Authority's property assets, and property assets held by West Yorkshire Pension Fund, linked to the Authority's pension fund liability.

Our approach to materiality

We apply the concept of materiality when planning and performing our audit, and when evaluating the effect of misstatements identified as part of our work. We consider materiality in particular when determining the nature, timing and extent of our audit procedures, and when evaluating the effect of uncorrected misstatements. An item is considered material if its misstatement or omission could reasonably be expected to influence the economic decisions of users of the financial statements.

Judgements about materiality are made in the light of surrounding circumstances and are affected by both qualitative and quantitative factors. As a result we have set materiality for the financial statements as a whole (financial statement materiality) and a lower level of materiality for specific items of account (specific materiality) because of the nature of these items or because they attract public interest. We also set a threshold for reporting identified misstatements to the Governance and Audit Committee. We call this our trivial threshold.

The table below provides details of the materiality levels applied in the audit of the financial statements for the year ended 31 March 2020:

Financial statement materiality	Our financial statement materiality is based on a percentage of Gross Operating Expenditure.	£5.0 million
Trivial threshold	Our trivial threshold is based on 3% of financial statement materiality.	£0.152 million



2. AUDIT OF THE FINANCIAL STATEMENTS

Our response to significant risks

As part of our continuous planning procedures we considered whether there were risks of material misstatement in the Authority's financial statements that required special audit consideration. We reported significant risks identified at the planning stage to the Governance and Audit Committee within our Audit Strategy Memorandum and provided details of how we responded to those risks in our Audit Completion Report. The table below outlines the identified significant risks, the work we carried out on those risks and our conclusions.

Identified significant risk	Our response	Our findings and conclusions
<p>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. Because of 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</p>	<p>We addressed this risk by performing audit work in the following areas:</p> <ul style="list-style-type: none"> • 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. 	<p>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.</p>
<p>Property, plant and equipment valuation 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.</p>	<p>We 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:</p> <ul style="list-style-type: none"> • 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. 	<p>Other than the points highlighted in relation to the material valuation uncertainty and the 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.</p>



2. AUDIT OF THE FINANCIAL STATEMENTS

Our response to significant risks (continued)

Identified significant risk	Our response	Our findings and conclusions
<p>Defined benefit liability valuation</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>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:</p> <ul style="list-style-type: none"> 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. 	<p>Other than the points highlighted in relation to the material valuation uncertainty and the Emphasis of Matter paragraph within our auditor's report, we identified no significant matters to report in relation to defined benefit liability valuations.</p>



2. AUDIT OF THE FINANCIAL STATEMENTS

Internal control recommendations

As part of our audit we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls. We identified the following deficiency in internal control as part of our audit.

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	<p>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.</p> <p>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.</p> <p>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.</p>



3. VALUE FOR MONEY CONCLUSION

Value for money conclusion	Unqualified
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Our audit approach

We are required to consider 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.

Our auditor’s report, stated that that, in all significant respects, the Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31st March 2020.

Sub-criteria	Commentary	Arrangements in place?
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>	Yes



3. VALUE FOR MONEY CONCLUSION

Our audit approach (continued)

Sub-criteria	Commentary	Arrangements in place?
Informed decision making (continued)	<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 Authority ensures its Corporate Governance Code and Framework reflects changes made to arrangements in the year.</p>	
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>	Yes



3. VALUE FOR MONEY CONCLUSION

Our audit approach (continued)

Sub-criteria	Commentary	Arrangements in place?
Sustainable resource deployment (continued)	<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"> • 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; • 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 • 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. <p>In July 2020, the Authority has communicated these risks and the options available to the Authority to the Governance and Audit Committee.</p>	



3. VALUE FOR MONEY CONCLUSION

Our audit approach (continued)

Sub-criteria	Commentary	Arrangements in place?
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



3. VALUE FOR MONEY CONCLUSION

Significant audit risks

The NAO’s guidance requires us to carry out work to identify whether or not a risk to our 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>Risk heading</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"> 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. 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 the arrangements in place to monitor progress in delivering a balanced budget for 2020/21 and the MTFS up to 2023. 	<p>The Authority has a good track record of delivering its financial plans. There are no matters which gave rise to VFM reporting issues in 2019/20 but members may need to revisit priorities to ensure spending plans are affordable.</p>



4. OTHER REPORTING RESPONSIBILITIES

Exercise of statutory reporting powers	No matters to report
Completion of group audit reporting requirements	Consistent
Other information published alongside the audited financial statements	Consistent

The NAO's Code of Audit Practice and the 2014 Act place wider reporting responsibilities on us, as the Authority's external auditor. We set out below, the context of these reporting responsibilities and our findings for each.

Matters on which we report by exception

The 2014 Act provides us with specific powers where matters come to our attention that, in our judgement, require reporting action to be taken. We have the power 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 statutory reporting powers.

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. We did not receive any such objections or questions.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data,. We submitted this information to the NAO on 30 November 2020.

Other information published alongside the financial statements

The Code of Audit Practice requires us to consider whether information published alongside the financial statements is consistent with those statements and our knowledge and understanding of the Authority. In our opinion, the other information in the Statement of Accounts is consistent with the audited financial statements.



5. OUR FEES

Fees for work as the Authority's auditor

We reported our proposed fees for the delivery of our work in the Audit Strategy Memorandum, presented to Governance and Audit committee in November 2020.

Having completed our work for the 2019/20 financial year, we can confirm that our final fees are as follows:

Area of work	2019/20 proposed fee	2019/20 final fee
Delivery of audit work under the NAO Code of Audit Practice	25,964	25,964
Fee variations* for costs relating to, but not limited to:		3,000
<ul style="list-style-type: none">• additional considerations relating to our going concern assessment and value for money conclusion;• consideration of the impact of McCloud and Goodwin legal cases on the pension liability; and• property and pension fund valuations.		
*Fee variations subject to PSAA approval		
Total fees	25,964	28,964

Fees for other work

We confirm that we have not undertaken any non-audit services for the Authority in the year.



6. FORWARD LOOK

Changes to the Code of Audit Practice

The Code of Audit Practice (the Audit Code), issued by the Comptroller and Auditor General, prescribes the way we carry out our responsibilities as external auditors. On 1st April 2020 a new Code came in to force and will apply to our work from 2020/21 onwards.

The new Audit Code continues to apply the requirements of International Standards on Auditing (ISAs) to our audit of the financial statements. While there are changes to the ISAs that are effective from 2020/21 the Audit Code has not introduced any changes to the scope of our audit of the financial statements. We will continue to give our opinion on the financial statements in our independent auditor's report.

There are, however, significant changes to the work on value for money arrangements, and the way we report the outcomes of our work.

The auditor's work on value for money arrangements

From 2020/21 we are still required to satisfy ourselves that the Authority has made proper arrangements for securing the economy, efficiency and effectiveness in the use of resources, however unlike under the 2015 Audit Code, we will no longer report in the form of a conclusion on arrangements. Instead, where our work identifies significant weaknesses in arrangements, we are required to report those weaknesses to the Authority, along with the actions that need to be taken to address those weaknesses.

Our work on value for money arrangements will focus on three criteria, specified in the revised Audit Code:

- financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;
- governance: how the body ensures that it makes informed decisions and properly manages its risks; and
- improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

Under the new Audit Code we will be expected to report and make recommendations as soon as we identify a significant weakness in arrangements, as opposed to reporting our conclusion on arrangements at the end of the audit cycle as has previously been the case.

Reporting the results of the auditor's work

From 2020/21 the Annual Audit Letter will be replaced by the Auditor's Annual Report. This will continue to provide a summary of our work over the year of audit but will also include a detailed commentary on arrangements in place to achieve economy, efficiency and effectiveness. This commentary replaces the conclusion on arrangements that was previously provided and will include details of any significant weakness identified and reported, follow up of any previous recommendations made, and our view as to whether recommendations have been implemented satisfactorily.

The guidance supporting the new Audit Code is being developed by the National Audit Office and we will provide further updates to our approach arising from this guidance when it is released.



6. FORWARD LOOK

Redmond Review

In September 2020, Sir Tony Redmond published the findings of his independent review into the oversight of local audit and the transparency of local authority financial reporting. The report makes several recommendations that, if implemented, could affect both the financial statements that local authorities are required to prepare and the work that we as auditors are required to do.

The report and recommendations are wide-ranging, and includes:

- the creation of the Office of Local Audit and Regulation (OLAR), be created to manage, oversee and regulate local audit;
- reviewing reporting deadlines;
- reviewing governance arrangements in local authorities, including the membership of the Audit Committee; and
- increasing transparency and reducing the complexity of local authority financial statements.

The recommendations and findings are being considered by the Ministry of Housing, Communities and Local Government and we look forward to working with all stakeholders to implement changes to ensure the development and sustainability of local audit.

The full report is available here: <https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review>



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Report to: Governance and Audit Committee

Date: 14 January 2021

Subject: **Compliance and Monitoring**

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

Author(s): Jon Sheard

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 2020/21 and 2021/22 financial positions.

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.

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 A separate item on the agenda provides further information on treasury management and will include detail on the arrangements in place for determining whether to place funds short term with other local authorities, as highlighted at the last meeting.

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 No further RIDDOR incidents have been reported since the previous meeting, leaving the total for the year at 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 The approved revenue budget for 2020/21 was a balanced position at the start of the year. During the year the impact of the national pandemic has been reported and has been showing an emerging deficit position throughout, though the forecasts have been improving as support grants have been received from government. As at November 2020 the forecasted deficit is £3 million. Work underway is establishing that the Combined Authority has been successful in receiving further support grants from government for Covid-19 losses. Taken together with other savings being made across the directorate budgets, it is hoped that a balanced outturn for the year can be achieved, although it may be necessary to use a small sum from reserves to do this.
- 2.11 These figures will be kept under regular review, especially if further Covid-19 restrictions are introduced and which could affect income levels. There is still a high level of risk and uncertainty for the coming months.
- 2.12 A summary of the 2020/21 current revenue spend to budget as at November 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

- 2.13 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.

Business planning and budget 2021/22

- 2.14 Work is continuing to finalise the detailed business plan for 2021/22 and the accompanying budget, to be set within the context of a revised medium-term financial strategy.
- 2.15 The draft budget and corporate business plan on a page were considered by the Combined Authority on 10th December. Each directorate is also producing a business plan based on delivering corporate priorities in the coming year. The budget will then show the costs of delivering these activities.
- 2.16 The draft revenue budget reported to the Combined Authority meeting on 10 December 2020, available [here](#), showed at that point a budget deficit for 2021/22 of £3 million, with some of the key headlines covered in the report. Members were asked to note and comment on the progress made to date, in recognition that further work is needed between now and when the budget is approved in February 2021. **Appendix 3** summarises the draft position reported to date.
- 2.17 This further work now underway is seeking to achieve a balanced position for 2021/22 through considering the significant number of risks and challenges ahead, including the recovery from the national pandemic, any additional responsibilities and functions of the new mayoral combined authority, actions that may be required to respond to the UK bus operations, the uncertainty around future funding streams and the impact of Brexit. In addition, the Combined Authority recognises the difficult decisions being made by its local authority partners in order to provide a balanced budget. The focus in the Combined Authority on value for money must continue and previously agreed savings and reductions built into the baseline for 2020/21 will continue going forward, along with additional savings to be identified.
- 2.18 Work continues on the capital budgets, with a particular focus on the challenges of achieving expenditure on key programmes – Leeds Public Transport Investment Programme and Growth Deal, both of which are due to spend in full by March 2021. The programmes are being reviewed to ensure all funding is maximised, any risks of not delivering by this date are mitigated and to understand the risks around the timing of individual projects which may result in commitments beyond the funding availability. A final three year indicative capital programme and any projected borrowing costs will be included as part of the budget approval process in February 2021.

- 2.19 **Appendix 4** sets out the latest draft forecast budget for capital expenditure and funding by programme for up to 2023/24. These figures are indicative at this stage and will be revised further for February 2021, including revised estimates for any borrowing requirements.
- 2.20 The full budget report is in preparation for the meeting of 4 February 2021. This will include the reserves policy and the treasury management statement and strategy. These are included at **Appendix 5** and comments on the draft statements are invited from members. Members are asked to note that the treasury management statement and arrangements will be kept under review as the arrangements for the transfer of the policing and crime functions in May 2021 progress. Any revisions required will be brought back to this Committee.

Risk management

- 2.21 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.
- 2.22 A summary of the headline strategic risks is included at **Appendix 6** to this report. Since the last reporting period work to monitor key risks associated with both the COVID-19 pandemic and the EU exit has continued and the strategic risks and actions related to both of these areas are presented within the corporate risk register.
- 2.23 In addition to the strategic risks presented by both the COVID-19 pandemic and the EU exit, the more specific operational risks associated with both of these issues have also been identified and are being managed by the relevant individual directorates. The Combined Authority's Gold command incident response structure continues to be used to provide strategic oversight of the organisation's ongoing response to the COVID-19 pandemic and is also actively monitoring any risks associated with the implementation of the EU exit.

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 – Revenue budget spend 2020/21 as at November 2020.

Appendix 2 – Capital spend 2020/21 as at November 2020.

Appendix 3 – Revenue budget 2021/22 (draft)

Appendix 4 – Capital budget estimates 2021/22 – 2023/24 (draft)

Appendix 5 – Treasury Management Statement & Reserve Policy (draft)

Appendix 6 – Corporate risk register

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66.6%

West Yorkshire Combined Authority Revenue Budget 2020/21	Annual Budget £	November Actuals £	%	Notes / Commentary	RAG Rating
Employee Costs	27,296,771	15,805,106	57.9%	Reflects level of staffing vacancies during the year.	
Indirect Employee Costs	1,359,584	805,303	59.2%	Spend to date - as expected due to timing of pension invoice.	
Premises Costs	6,088,828	3,487,672	57.3%	Spend to date - as expected due to premises invoices paid in arrears	
Supplies and Services	5,639,485	1,289,997	22.9%	Spend to date - lower than expected due to Covid 19 and invoices in arrears	
ICT Related Costs	2,669,678	1,954,231	73.2%	Spend to date - as expected due to certain ICT costs paid in advance	
Travel, Subsistence & Transport Costs	362,280	157,905	43.6%	Less staff travel due to Covid-19 plus also claims are in arrears	
Tendered Services	25,435,452	20,295,422	79.8%	Spend in line with Government requirements during lockdown - though expecting additional costs due to Covid-19	
Concessions	55,157,492	36,417,118	66.0%	Spend in line with Government requirements during lockdown	
Prepaid Tickets Costs	35,800,000	5,418,820	15.1%	Mcard payment significantly reduced - Covid-19 - offset by Mcard sales ## below	
Grants and Agency costs	2,247,352	963,421	42.9%	Spend as expected	
Consultancy and Professional Services	3,344,578	1,579,704	47.2%	Spend as expected	
Financing Charges	6,676,400	1,549,595	23.2%	Spend as expected - final figures accrued at the Year End	
Total Expenditure	172,077,900	89,724,293	52.1%		
Income - Transport	(11,786,000)	(2,443,117)	20.7%	Covid19 - Impact on bus station & bus services income	
Funding - Grants	(13,705,145)	(6,937,283)	50.6%	Grants received as expected and additional support grants expected re Covid19	
Enterprise Zone Receipts	(2,307,000)	(70,564)	3.1%	EZ receipts are expected - though will be received in arrears towards Year End	
Interest Received	(1,386,000)	(80,132)	5.8%	Investment Interest in arrears - however expecting Covid19 impact on returns	
Income - Operational	(1,754,011)	(1,086,377)	61.9%	As expected - revenue project claims in arrears	
Capitalisation / Internal Recharges	(13,141,745)	(5,752,488)	43.8%	Income as expected (in arrears) - also offsets against some staff vacancy savings	
Pre Paid Ticket Income	(35,800,000)	(5,418,820)	15.1%	Mcard sales significantly reduced - Covid-19 - offsets by payments ## above	
Transport Levy	(92,198,000)	(61,465,333)	66.7%	Levy receipts as expected	
Total Income	(172,077,900)	(83,254,114)	48.4%		
Net Expenditure Total	(0)	6,470,179			

69

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Capital Programme - Expenditure Estimates 2020/21

	Revised Budget	Actual November	%
Growing business	14,809,439	3,283,334	22.2%
Skilled People and Better Jobs	667,110	0	0.0%
Clean Energy	741,887	470,368	63.4%
Housing and Regeneration	6,500,000	0	0.0%
Economic Resilience	4,181,524	259,054	6.2%
Enterprise Zone Development	12,337,000	7,428,934	60.2%
West Yorkshire plus Transport Fund	112,670,000	11,615,782	10.3%
Leeds Public Transport Investment Programme	88,233,338	1,277,847	1.4%
Local Transport Capital / Highways Maint / Challenge Fund	65,070,332	46,274,673	71.1%
Transforming Cities (small & Core)	57,961,068	3,362,401	5.8%
Getting Building Fund	26,300,000	12,662	0.0%
Brownfield Housing	600,000	12,022	2.0%
Broadband	2,608,437	85,135	3.3%
City Connect	0	682,751	No Spend Estimated
Corporate projects	5,503,000	3,034,484	55.1%
Legacy Rail Schemes	0	84,334	No Spend Estimated
Low Emission Vehicles	0	60,750	No Spend Estimated
Land Release Fund & One Public Estate	0	151,529	No Spend Estimated
Grand Total	398,183,135	78,096,060	

Funding

Growth Deal

Growth Deal

Growth Deal

Growth Deal

Growth Deal

Growth Deal

Growth Deal / GD Gainshare

LPTIP

Local Transport Capital grants

TCF (SIF)

GBF

Brownfield Housing (Grant TBC)

ESIF

City Connect Unapplied Grant

Borrowing

Reserves

ULEV/ULEV Unapplied Grant

LRF / OPE Unapplied Grant

West Yorkshire Combined Authority	2021/22 (draft)							Total
	Corporate £	Corporate Services £	Mayor's Office / Election £	Delivery £	Economic Services £	Policy, Strategy & Comms £	Transport Services £	
Revenue Budget								
Employee Costs	1,051,178	4,907,392	500,000	6,398,038	4,506,214	6,803,797	6,729,478	30,896,097
Vacancy / Turnover Target	(1,500,000)	0	0	0	0	(449,989)	(400,000)	(2,349,989)
Indirect Employee Costs	936,300	386,584	0	10,306	4,872	20,000	10,900	1,368,962
Premises Costs	0	0	0	0	0	0	6,100,405	6,100,405
Supplies and Services	500	470,450	1,000,000	500	4,688,606	683,336	784,913	7,628,304
ICT Related Costs	0	1,447,898	0	50,000	0	0	1,162,034	2,659,932
Travel, Subsistence & Transport Costs	115,000	163,700	0	2,750	30,250	20,000	33,490	365,190
Tendered Services	0	0	0	0	0	0	26,566,000	26,566,000
Concessions	0	0	0	0	0	0	54,657,492	54,657,492
Prepaid Tickets Costs	0	0	0	0	0	0	35,800,000	35,800,000
Grants and Agency costs	316,017	23,700	0	0	3,677,453	44,281	149,078	4,210,529
Consultancy and Professional Services	44,790	189,800	0	400,000	1,972,728	761,000	237,100	3,605,418
Brownfield Housing (revenue)	2,950,000							2,950,000
Financing Charges	6,421,000	0	0	0	0	0	148,400	6,569,400
Total Expenditure	10,334,785	7,589,523	1,500,000	6,861,594	14,880,122	7,882,425	131,979,290	181,027,739
Pre Paid Ticket Income	0	0	0	0	0	0	(35,800,000)	(35,800,000)
Tenants Income	0	0	0	0	0	0	(1,744,476)	(1,744,476)
Departure Fees Income	0	0	0	0	0	0	(1,543,224)	(1,543,224)
Sales and Advertising Income	0	0	0	0	(514,656)	0	(688,300)	(1,202,956)
Education Income	0	0	0	0	0	0	(7,290,500)	(7,290,500)
Capitalisation	(2,500,000)	(811,357)	0	(6,861,594)	(47,986)	(732,021)	(95,358)	(11,048,316)
Admin Recharges	(500,000)	0	0	0	0	(74,000)	(2,220,074)	(2,794,074)
Interest Received	(802,000)	0	0	0	0	0	0	(802,000)
Other Miscellaneous Income	0	(18,919)	0	0	(962,474)	(277,747)	(849,002)	(2,108,142)
Income	(3,802,000)	(830,276)	0	(6,861,594)	(1,525,116)	(1,083,768)	(50,230,934)	(64,333,689)
Net Expenditure Total (before funding)	6,532,785	6,759,247	1,500,000	0	13,355,006	6,798,657	81,748,356	116,694,051
Funding Available								
Bus Service Operator Grant (BSOG)								(2,060,000)
Rail Admin Grant								(878,000)
LEP Funding								(1,159,600)
Transport Levy								(92,198,000)
Enterprise Zone Receipts								(2,307,000)
Other Grants - Projects								(12,147,625)
Brownfield Housing (revenue)								(2,950,000)
Total Funding								(113,700,225)
Net Expenditure Total								2,993,826

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Capital Budget Estimates

<u>Capital Expenditure</u>	2020/21	2021/22	2022/23	2023/24
	£	£	£	£
Growth Deal - Economic Development	51,542,134	0	0	0
West Yorkshire plus Transport Fund CIP	80,273,172	97,055,893	131,050,039	154,054,773
Leeds Public Transport Investment Programme	68,492,090	57,595,374	0	0
Transforming Cities Fund	12,325,731	65,224,365	241,846,996	137,548,223
Integrated Transport Block / Highways Maintenance / Challenge Fund	66,223,502	57,461,017	43,101,000	43,101,000
Corporate Projects	5,690,578	5,438,709	1,000,000	0
Broadband	2,274,633	4,363,915	1,007,792	0
Land Release Fund & One Public Estate	1,070,522	0	0	0
Low Emission Vehicles	1,058,434	0	0	0
Getting Building Fund	9,832,043	42,767,957	0	0
Brownfield Housing Fund	600,000	20,000,000	29,178,719	14,000,000
Emergency Active Travel Fund (Revenue and Capital)	2,513,000	10,053,000	0	0
Other (inc. Clean Bus)	3,741,293	38,500,000	0	0
City Connect (Ph 1 & 2)	193,154	0	0	0
<i>Investment Strategy (still in development - could be revenue not capital - see note)</i>	<i>25,500,000</i>	<i>25,500,000</i>	<i>25,500,000</i>	<i>25,500,000</i>
A - Total Capital Spend	331,330,285	423,960,231	472,684,546	374,203,996

<u>Capital Funding</u>	2020/21	2021/22	2022/23	2023/24
	£	£	£	£
Growth Deal	(51,827,225)	0	0	0
Leeds Public Transport Investment Programme	(88,760,803)	0	0	0
Broadband	0	(1,948,112)	(1,007,792)	0
Getting Building Fund	(26,300,000)	(26,300,000)	0	0
Emergency Active Travel Fund	(12,566,000)	0	0	0
West Yorkshire Transport Fund	(48,510,837)	(48,300,000)	(48,300,000)	(48,300,000)
Integrated Transport Block	(13,104,000)	(13,104,000)	(13,104,000)	(13,104,000)
Highways Maintenance / Pothole (DfT) / Challenge Fund	(50,347,000)	(29,997,000)	(29,997,000)	(29,997,000)
Transforming Cities Fund	(39,995,010)	(123,248,290)	(137,519,145)	0
Brownfield Housing Fund	(600,000)	(20,000,000)	(29,178,719)	(14,000,000)
<i>Gainshare - capital - TCF Commitment</i>	<i>(9,500,000)</i>	<i>(9,500,000)</i>	<i>(9,500,000)</i>	<i>(9,500,000)</i>
<i>Gainshare - revenue (could be used for capital)</i>	<i>(25,500,000)</i>	<i>(25,500,000)</i>	<i>(25,500,000)</i>	<i>(25,500,000)</i>
	(367,010,875)	(297,897,402)	(294,106,656)	(140,401,000)
Balance Funded by Unapplied Capital (prev year), capital receipts or borrowing	(35,680,590)	126,062,829	178,577,890	233,802,996

NB

Figures have been included for WY Investment Strategy / Gainshare - spend and income - for reference/completeness. However further development work is required on the use of these fund secured in the devolution deal.

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PRUDENTIAL FUNDING STATEMENT

- 1 This statement has been prepared in accordance with the CIPFA Code of Practice 'Treasury Management in Local Authorities' which is re-adopted each year by Members of the Authority. The statement and its implementation are currently updated twice annually in the final accounts and budget reports and also reviewed quarterly at Treasury Management meetings with Leeds City Council, with any key findings reported to the Governance and Audit Committee.

- 2 The Local Government Act 2003 and Local Authorities (Capital Finance and Accounting) Regulations 2003 set out the system of capital finance to be followed by all local authorities from 2004. This appendix is intended to take account of the requirements of the regulations and to set them in the context of the Treasury Management Code of Practice.

- 3 The borrowing is required to support the delivery of the full West Yorkshire plus Transport Fund and to support corporately determined schemes for which no capital resource other than borrowing has been identified. Estimates of the likely funding required are set out in the capital annex below and further work is underway to ensure there is a full robust programme of delivery for all schemes that will enable the borrowing requirements for future years to be fully understood. The short term borrowing requirement is likely to be offset as external investments are internalised to reduce counterparty risk implicit within external investments.

Treasury management activity – borrowing and investments

Total Loans outstanding at 01/04/2020	£m
Fixed Term	75.0
Activity during 2020/21:	
Loan Repayment	0.0
Net movement in temporary loans	0.0
Net borrowing	0.0
Anticipated loans outstanding at 31/03/2021	75.0
Activity expected during 2021/22	
New Borrowing	0.0
Borrowing Repaid	0.0
Anticipated loans outstanding at 31/03/2022	75.0
Total Investments	
Investments at 01/04/2020	186.0
Net new investments in year	169.0
Anticipated investment placed at 31/03/2021	355.0

- 4 At the start of 2020 there had been a continuation of the previous overall economic situation but the Covid-19 pandemic that emerged during March 2020 has continued with greater impact anticipated for 2020/21 and continuing into 2021/22. Interest rates remain low and are not expected to increase for the foreseeable future with any increase in bank base rate expected to be slow and measured. The bank base rate was 0.75% for the majority of 2019/20 however 2 emergency cuts were made in March 2020 to the current level of 0.1% on 11

March 2020. The impact of Brexit continues to be an additional source of uncertainty to markets in forecasting GDP growth, inflation and bank base rate movements. Opportunities to refinance loans remains limited and the returns available on investments remains low due to the current low level of base rate.

- 5 Leeds City Council undertakes the monitoring of the financial markets on behalf of the Combined Authority. The agreed policy is to seek to minimise the rates at which the Combined Authority borrows and to continue to refinance any longer term loans if rates appear advantageous.
- 6 No such opportunities have arisen so far in 2020/21. The Combined Authority has a loan portfolio with historically competitive rates and the economic climate has been such that there have been no suitable opportunities identified for refinancing.
- 7 The business planning and budget report sets out the estimated requirement for borrowing to supplement the capital grants received. The calculations in the annex demonstrate how this works through the capital financing requirement and set out the financing costs which are then included within the revenue budget.
- 8 The Combined Authority has continued with its accountable body responsibilities for the Leeds City Region Enterprise Partnership (LEP). This means increased funding being paid to the Combined Authority for example Growth Deal, Leeds Public Transport Investment Programme (LPTIP) and Transforming City Fund (TCF) at the start of the financial year has led to the changes agreed during previous years to enable these larger sums to be better managed. Over the past three years the limits and counterparties have been kept under regular review to ensure the sums available for investment are able to be placed appropriately. The Combined Authority has continued to utilise call arrangements in place with Svenska and Leeds City Council rather than leave money overnight in the main NatWest account whose rate is lower at 0.01%. For longer term deposits the selected counterparties are constantly monitored and meet the strict eligibility criteria stipulated under Leeds City Council's investment policy which has been adopted by the Combined Authority. This approach will continue during 2021/22 with an expectation that the Combined Authority will continue to have high cash balances to invest due to the advance payment of capital and other grant funding. Within the existing policy the Combined Authority can also invest in money market funds and this opportunity may also be taken to enable effective management of what is expected to be further significant cash advances of TCF, Brownfield Housing, Getting Building Funds, Adult Education Budget and other capital funding initiatives under the Mayoral Combined Authority in 2021/22, including the £38 million annual gainshare payment.
- 9 The general level of borrowing and investments is handled efficiently by Leeds City Council and has produced a situation where the Combined Authority has, in relative terms, very low borrowing costs. Regular meetings are held with the Leeds City Council staff who undertake treasury work for the Combined Authority under the terms of a signed service level agreement, and these meetings ensure a satisfactory level of control and monitoring is achieved. These meetings also consider the overall treasury management strategy and

ensure that the policies in place continue to be appropriate to ensure that the Combined Authority's funds are managed in the most effective and secure way.

- 10 The Combined Authority has strict rules on investment criteria which are set out in paragraphs 11 to 13 for consideration and re-approval. These are set to minimise the risk to the Combined Authority's funds but does also mean that interest earned on deposits is lower than it could be. It is therefore in the Combined Authority's interest to seek to utilise any cash balances to reduce the costs of long term borrowing and this policy will continue to be pursued if possible. The increase to the Public Works Loan Board (PWLB) rates, initially announced in October 2010, reduced the opportunities to repay long term debt without incurring extra cost. The PWLB rates were later improved through the introduction of a certainty rate reduction but discount rates have not changed and it is these rates that are used to determine premiums and discounts on loan repayments. The Combined Authority would incur significant premiums by repaying borrowing but will review this situation as and when interest rates start to rise. Further the PWLB introduced a 1% increase in its borrowing costs in September 2019 pending a review and consultation on PWLB rates undertaken during Summer 2020. This consultation concluded and new rules were implemented which effectively prevents borrowing from the PWLB if borrowing for invest for yield schemes are undertaken. The Authority has no such schemes and can now access PWLB rates at the pre September 2019 levels after the 1% increase was removed by HM treasury as a result of the Consultation.

Treasury Management Activity – Investments Criteria

- 11 In general it is intended there should be no long term investments by the Combined Authority with any surplus cash being invested short term up to a maximum term of one year. The level of future investments will fluctuate on a short-term basis due to cash flow requirements but will be maintained as low as possible. Any investments undertaken by the Combined Authority follow the guidance of the Ministry for Housing, Communities and Local Government ((MHCLG) having regard to the concept of security, liquidity and then yield with emphasis being placed on the "return of funds" rather than the "return on funds".
- 12 It is proposed that the existing policy of utilising the expertise of the Treasury Management Team in Leeds City Council be reaffirmed for 2021/22.
- 13 The Combined Authority has several rules in place for short term investments/borrowing, as set out below and that these should continue to be applied, with changes highlighted in bold below: -
- a. The Chief Financial Officer shall determine the amounts and periods.
 - b. The procedural document as approved for their Treasury Management Division by Leeds City Council shall be adopted in relation to the Combined 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.

- c. No investment will be for a period exceeding 12 months other than with 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 2021/22, 2022/23 and 2023/24.
 - d. 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.
 - e. Investments with any one counterparty should not exceed £15 million
 - f. Investments with the Combined Authority's bankers are specifically excluded from the limits set out, in recognition of the fluidity of such arrangements.
- 14 The proposals above would provide the flexibility for the Combined Authority to invest its surplus funds which, as they are expected to continue to increase, will become increasingly difficult to place on the market. As the Capital programme progresses and new borrowing requirement increases it is anticipated that external investments will be internalised to fund this borrowing requirement pending locking into long term funding. The proposals are deemed low risk and are in accordance with the criteria applied by Leeds City Council to its treasury arrangements.

PRUDENTIAL FUNDING ARRANGEMENTS

- 15 The principal purpose of the prudential system is to allow authorities as much financial freedom as possible whilst requiring them to act prudently. There will be no government borrowing approvals issued but restrictions are imposed through the CIPFA Prudential Code which requires every authority to set prudential indicators and limits and thus be satisfied that it can afford the results of its borrowing. These limits, which must not be exceeded, must be formally agreed by the authority before the start of each financial year. The government has retained the power to, if it so wishes, limit the level of borrowing incurred by authorities.
- 16 The applicable codes governing our arrangements are the "Treasury management in the Public services – Code of Practice and the "Guidance notes 2017" and "The Prudential Code - for capital finance in Local Authorities 2017". In summary these codes emphasise that local authorities must ensure that all its capital and investment plans and borrowing are prudent and sustainable. In doing so it will consider its arrangements for the repayment of debt and consideration of risk and the impact, and potential impact, on the authority's overall fiscal sustainability. While indicators for sustainability are required to be set over a minimum three year rolling period, indicators should be set in line with a capital strategy and asset management plan that is sustainable over the longer term.
- 17 A capital strategy is to demonstrate that the Combined Authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence,

sustainability and affordability. The Capital Strategy, last approved in May 2020, is reviewed and updated annually, and will be submitted for approval to the Combined Authority in April 2021.

- 18 The Code requires full capital and revenue plans to be prepared for at least three years forward in order to assess the financial effects of the planned capital investment. In the Combined Authority the three year financial strategy is considered by Members on a regular basis and to ensure a level of affordability it is currently the policy that borrowing to meet capital expenditure will be limited to proposed levels. Restricting borrowing in this way ensures that all debt charges are covered by the Combined Authority through its levy on the Districts.
- 19 The capital programme is considered in detail earlier in this report. It should be noted that in accordance with the above, overall capital expenditure will be met firstly by grants and other resources leaving the balance to be met by borrowing.
- 20 There are significant levels of grant provided to the Combined Authority under a range of programmes and with the prospect of future funds through any successor programmes. Recognising the demands upon infrastructure investment it is proposed that other alternative methods of financing during the year remain under consideration as and when appropriate. The financial viability and value for money of such methods will require investigation and savings found within the budget to accommodate the costs involved. Members will be asked to approve any such methods before they are implemented.
- 21 The Combined Authority has in place a facility with the European Investment Bank (EIB) which could provide a flexible financing offer to support the West Yorkshire Plus Transport Fund. Many of the schemes in the Fund meet the EIB funding criteria and this provides an attractive alternative to the traditional PWLB lending. A contract is in place for a four year borrowing facility. The UK's withdrawal from the European Union does not preclude utilising this arrangement.
- 22 It is not proposed at this stage that the Combined Authority enter any credit arrangements as defined by the regulations (examples being Finance Lease' or PFI schemes), other than as described above. If and when these are to be progressed then it should be recognised that they would be classified as other long term liabilities and would need to be recognised and reported on/managed against separate limits for the operational boundary and authorised limit. Should any such arrangements be required these will be expected to be funded within the approved strategy.
- 23 When Leeds City Council and the Combined Authority last reviewed the borrowing limits in the light of market rates they determined that they would allow the limit to be set at a level sufficient for the current year plus the equivalent of two years anticipated borrowing requirement which is derived from the capital allocations. This was intended to provide flexibility for fund management allowing borrowing to take place when rates are low rather than being tied into strictly annual borrowing.
- 24 The Annex initially creates limits set at the required level of borrowing for 2021/22 and 2022/23. To provide more flexibility in managing the funding

operation it was previously agreed that approval be given to borrow to cover loan requirements for the current plus the following two years. In view of the previous change to the Local Transport Plan allocation from borrowing to grants this is now irrelevant and will only be applied if any new major schemes are approved. Such approval will therefore be sought at that time.

- 25 The attached Annex shows the calculation of the following prudential indicators:
- a. The ratio of debt charges to overall expenditure. This is not significant to the Combined Authority as it is effectively controlled through the level of the levy (as referred to above).
 - b. Gross external Borrowing requirement (Gross Debt and CFR) The gross borrowing requirement should not exceed the Capital Financing Requirement (CFR).
 - c. The operational boundary should reflect the maximum anticipated level of external debt consistent with budgets and cash flow forecasts. It should be seen as a management tool for on-going monitoring of external debt, and may be breached temporarily due to unusual cash flow movements.
 - d. The authorised limit represents the legislative limit on the Combined Authority's external debt under the Local Government Act 2003. It should be set with sufficient headroom above the operational boundary to allow flexibility for planned borrowing to be undertaken, in order for prudent treasury management decisions to be taken and temporary cash flow fluctuations to be managed.
 - e. The Combined Authority is required to set upper and lower limits for the maturity structure of its borrowings. This is designed to limit the risk of exposure to high interest rates by restricting the level of maturing debt in any given year. The limits represent the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. It is proposed that these limits remain unchanged.
- 26 The Prudential Code requires Members to have an approved Treasury Management Policy (this is set out above) and to agree limits for variable and fixed rate loans. It is recommended that the maximum limit for variable rate loans continues to be set at 40% and the limit for fixed rate loans remains at 200%. This reflects the current position that arises from the increase in cash balances and investments resulting from an increase in advance grant funding.

Indicative Capital Estimates

Capital Expenditure	2020/21	2021/22	2022/23	2023/24
	£	£	£	£
Growth Deal - Economic Development	51,542,134	0	0	0
West Yorkshire plus Transport Fund CIP	80,273,172	97,055,893	131,050,039	154,054,773
Leeds Public Transport Investment Programme	68,492,090	57,595,374	0	0
Transforming Cities Fund	12,325,731	65,224,365	241,846,996	137,548,223
Integrated Transport Block / Highways Maintenance / Challenge Fund	66,223,502	57,461,017	43,101,000	43,101,000
Corporate Projects	5,690,578	5,438,709	1,000,000	0
Broadband	2,274,633	4,363,915	1,007,792	0
Land Release Fund & One Public Estate	1,070,522	0	0	0
Low Emission Vehicles	1,058,434	0	0	0
Getting Building Fund	9,832,043	42,767,957	0	0
Brownfield Housing Fund	600,000	20,000,000	29,178,719	14,000,000
Emergency Active Travel Fund (Revenue and Capital)	2,513,000	10,053,000	0	0
Other (inc. Clean Bus)	3,741,293	38,500,000	0	0
City Connect (Ph 1 & 2)	193,154	0	0	0
<i>Investment Strategy (still in development - could be revenue not capital - see note)</i>	<i>25,500,000</i>	<i>25,500,000</i>	<i>25,500,000</i>	<i>25,500,000</i>
A - Total Capital Spend	331,330,285	423,960,231	472,684,546	374,203,996

Capital Funding	2020/21	2021/22	2022/23	2023/24
	£	£	£	£
Growth Deal	(51,827,225)	0	0	0
Leeds Public Transport Investment Programme	(88,760,803)	0	0	0
Broadband	0	(1,948,112)	(1,007,792)	0
Getting Building Fund	(26,300,000)	(26,300,000)	0	0
Emergency Active Travel Fund	(12,566,000)	0	0	0
West Yorkshire Transport Fund	(48,510,837)	(48,300,000)	(48,300,000)	(48,300,000)
Integrated Transport Block	(13,104,000)	(13,104,000)	(13,104,000)	(13,104,000)
Highways Maintenance / Pothole (DfT) / Challenge Fund	(50,347,000)	(29,997,000)	(29,997,000)	(29,997,000)
Transforming Cities Fund	(39,995,010)	(123,248,290)	(137,519,145)	0
Brownfield Housing Fund	(600,000)	(20,000,000)	(29,178,719)	(14,000,000)
<i>Gainshare - capital - TCF Commitment</i>	<i>(9,500,000)</i>	<i>(9,500,000)</i>	<i>(9,500,000)</i>	<i>(9,500,000)</i>
<i>Gainshare - revenue (could be used for capital)</i>	<i>(25,500,000)</i>	<i>(25,500,000)</i>	<i>(25,500,000)</i>	<i>(25,500,000)</i>
	(367,010,875)	(297,897,402)	(294,106,656)	(140,401,000)
Balance Funded by Unapplied Capital (prev year), capital receipts or borrowing	(35,680,590)	126,062,829	178,577,890	233,802,996

NB

Figures have been included for WY Investment Strategy / Gainshare - spend and income - for reference/completeness. However further development work is required on the use of these fund secured in the devolution deal.

Calculation of Prudential Indicators:

	2020/21	2021/22	2022/23	2023/24
AFFORDABILITY	£000	£000	£000	£000
Ratio of financing costs to net revenue stream				
Debt Charges	4,844	6,104	6,413	7,022
Levy	98,375	98,375	98,375	98,375
Resultant ratio:	4.9%	6.2%	6.5%	7.1%

PRUDENCE

Net external borrowing does not exceed the total of capital financing requirement in previous year plus the estimate of any additional financing requirement for the current and later years.

	2020/21	2021/22	2022/23	2023/24
	£000	£000	£000	£000
Loans outstanding at 1 April	75,000	75,000	75,000	75,000
Estimate of Capital Financing Requirement (CFR)	77,116	123,111	201,157	366,911
Additional borrowing requirement in year	5,591	49,499	81,640	169,163
Less debt repayments in year	-3,515	-3,504	-3,594	-3,409
Estimate of (CFR) 31 March	79,192	169,106	279,203	532,665
Calculated Operational Boundary	100,000	100,000	100,000	283,847
Safety factor	300,000	369,000	287,000	118,000
Forecast Authorised Limit	400,000	469,000	387,000	401,847

Maturity of Loan Structure	Minimum	Maximum	Authority	Projected 31/03/2021	
Loans up to 1 year	0%	30%	0	0%	
Loans between 12 and 24 months	0%	20%	0	0%	
Loans between 24 months and 5yrs	0%	50%	0	0%	
Loans between 5 and 10 years	0%	75%	0	0%	
Loans between 10 and 20 years			0	0%	
Loans between 20 and 30 years			0	0%	
Loans between 30 and 40 years	25%	100%	50,000,000	67%	100%
Loans between 40 and 50 years			15,000,000	20%	
Loans 50 years +			10,000,000	13%	
			75,000,000	100%	

Reserves Policy Calculation

The reserves calculation is used to set a level of reserves required to support the core functions of the Combined Authority and known emerging financial risks, including for 2021/22 the potential further impact of Covid19. The % contingency on key budget lines was designed to represent the risk of factors such as inflation, implementation of new capital projects and the risk of not realising savings.

Reserves Policy	Budget 2021-22 £m	Reserves 2021-22 £m
Risk on Concessions	53.80	
5% contingency for volatility of payments and bus operator landscape risks (up to 2020/21 had been 3% but increased to 5% until more information known)		2.69
Risk on Subsidised Bus services (gross)	25.86	
5% contingency due to inflationary and market conditions due to Covid19		1.29
50% Risk of not reducing budget/unintended reactions from operators & Covid19		0.50
Risk (general) on other areas of spend		
Passenger & Bus Station Services (net)	7.17	
Trade and Inward Investment	0.99	
Policy, Strategy and Communications	5.49	
Financing (net)	5.65	
Corporate Services	7.14	
	<u>26.44</u>	
Risk of inflation increases/capacity demands etc at 5% (previously 3%)		1.32
Other Risks 2021/22 (Covid19, Brexit, devolution, operational matters)		1.00
Risk on income		
Risk that income falls short of expectations (eg Enterprise Zone receipts, Covid19)		1.00
Total reserves required		<u>7.81</u>

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Corporate Risk and Performance Summary

Corporate risk summary

		Probability	Impact	Mitigation summary	
79 Very high	CRR-SD1	There is a risk that we fail to fully deliver projects and programmes (i.e. Growth Deal) within timescales or budget, or with the anticipated level of benefits, due to over-optimistic profiles, capacity within both the Combined Authority and District partners and recruitment and retention challenges.	Possible 3	Critical 5	<ul style="list-style-type: none"> • Significant monitoring and controls in place through PMO • Continuing support through 'District Pool' project resource • Ongoing Review of WY+TF portfolio with Chief Highways Officers
	CRR-SD2	There is a risk that there are challenges and disruption to the way in which the Combined Authority provides services and the resources available to deliver those, due to uncertainty surrounding the UK's future relationship with the EU.	Possible 3	Critical 5	<ul style="list-style-type: none"> • Organisation wide Brexit action plan in place • Ongoing liaison with Bus Operators for reassurance on preparation for fuel or labour shortages • Communications and media campaign focusing on effective signposting and support • Monitoring of legislative developments • Additional grant funding available to support local businesses • 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. • Continuing to monitor projects which may be vulnerable to shortages in skilled labour or supply chain disruption
	CRR-SD5	There is a risk that there will be a major impact on achievement of organisational objectives and/or a need to reconsider objectives and divert resources, due to a major unanticipated change in national policy (Brexit; major change in govt policy).	Possible 3	Critical 5	<ul style="list-style-type: none"> • Continued dialogue with Government • Policy and Strategy directorate continuing to monitor emerging national trends • Continued work with local LEPs and Combined Authorities
	CRR-SD6	There is a risk that key corporate objectives cannot be met due to the long term impacts of the COVID-19 pandemic on the regional economy and on travel habits.	Possible 3	Critical 5	<ul style="list-style-type: none"> • Research and Intelligence team modelling potential impacts and long term scenarios • Working closely with partners and representative groups to identify possible long term impacts and develop joint responses • Updating business plans to identify key areas for re-prioritisation

			Probability	Impact	Mitigation summary
	CRR – FR3	There is a risk that the immediate, medium and long term financial health of the Combined Authority will be adversely affected due to the financial impacts of the COVID-19 pandemic	Possible 3	Critical 5	<ul style="list-style-type: none"> • Financial scenario planning undertaken and being continually updated • Continued liaison with Government to understand funding opportunities • Budget Working Group meeting to oversee response
	CRR-SD8	There is a risk that there will be a significant increase in unemployment across the region, due to 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"> • Joint intelligence gathering on the employment impacts– including the demographic, sectoral and geographical impact • Current programmes – particularly the Employment Hub and [re]boot – have been flexed to support redundant and furloughed workers • Lobbying government for Combined Authorities to be resourced to support people into work and for a national job creation/wage subsidy scheme. • Recovery Plan developed including a focus on creating employment and self-employment opportunities.
	CRR-FR4	There is a risk that the Combined Authority is placed under pressure to fund the reinstatement of commercial bus services threatened with withdrawal, due to premature withdrawal of emergency government funding support	Possible 3	Critical 5	<ul style="list-style-type: none"> • Continued liaison with Government on funding • Close liaison with bus companies to identify cost neutral/effective solutions • Review and adapt current mechanism to appraise social and commercial value of threatened services

		Probability	Impact	Mitigation summary	
81 High	CRR-DR1	There is a risk that 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, due to current uncertainties within the construction industry.	Possible 3	Serious 4	<ul style="list-style-type: none"> Contractual KPIs & penalty clauses Agreed escalation routes in contracts Ability to de-scope via change requests with partner buy-in Embed security measures into as many contracts as possible e.g. bond, legal charge, priority in lending hierarchy Regular financial checks in place through Procurement & contract/loan monitoring External consultants procured to advise on future investment strategy/due diligence processes for more commercial deals
	CRR-FR2	There is a risk that there is insufficient floorspace to generate projected business rates income, due to 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"> Progress policy gap workstreams in parallel with Delivery Progress detailed due diligence & potential funding/overage agreement negotiations Identify other potential land/property income streams for GD monies
	CRR-SS1	There is a risk that a major accident or injury occurs at a Combined Authority facility, due to 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"> Health and safety policies, procedures and processes in place Staff training Ongoing review of Health and Safety risks Working with district emergency planning units to share knowledge and develop joint plans Continued working with police on preventative measures Business Continuity and Disaster Management workshops taking place at corporate level
	CRR-DR2	There is a risk that significant travel disruption arises from the implementation of major transport investment programmes, due to their intrusive nature, and a lack of effective communication or co-ordination.	Possible 3	Serious 4	<ul style="list-style-type: none"> Close working with programme sponsors on phasing out of construction Mitigating travel arrangements Creation of a 'travel demand management plan' to inform and influence travel behaviours Economic analysis taking place to further assess current situations and potential future risks
	CRR-SD3	There is a risk that there is a substantial reduction or alternation of services to customers, due to the business failure, sale, or substantial change in bus/rail providers.	Possible 3	Serious 4	<ul style="list-style-type: none"> Close relationships with operators to obtain early warnings Dialogue with DFT, TFN Work commissioned and in progress to consider future bus options
	CRR-SD7	There is a risk that frontline services and business as usual activities cannot be adequately provided due to staffing availability issues as a result of the Covid pandemic	Possible 3	Serious 4	<ul style="list-style-type: none"> Staffing levels being monitored and individual circumstances being regularly reviewed Additional staff trained and redeployed into frontline positions Productivity being actively monitored

			Probability	Impact	Mitigation summary
	CRR-SS2	There is a risk that a cyber security malware infection could infiltrate the organisation, due to the growth of cyber crime and organisation targeting which is increasing due to covid19	Possible 3	Serious 4	<ul style="list-style-type: none"> • Systems protected through firewalls • Additional cyber security software in place • Increased training for ICT staff • Regular testing
	CRR-SD11	There is a risk that the corporate processes, systems and structures needed to support the MCA will not be in place by May 2021, due to 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"> • Comprehensive resource mapping exercise taken place across the Corporate Services directorate, and action taken to address key pressure points • Areas identified where consultancy support can be used to relieve pressure on staff

Corporate Performance Report 2020 - 2021

West Yorkshire Combined Authority - Corporate Performance Report 2020 - 2021 (Apr - Nov 2020)					RED AMBER GREEN	Significantly off track and at risk of not being achieved at risk of not being fully achieved. Intervention measures in place considered to be correction track to be comprehensive
Indicator / Measure	Target	Previous RAG status in Q2 and direction of travel	Current YTD results (Apr - Nov 2020)	Progress update and RAG status		
Boosting Productivity: Helping businesses to recover from the COVID-19 pandemic and helping people find and retain good jobs						
1. Develop and implement our COVID-19 Economic Recovery Plan	Successfully work with the West Yorkshire Economic Recovery Board to develop long term plans using robust economic and labour market intelligence, and to inform Government on investment required to drive the region's recovery	Economic Recovery plans supported by market intelligence and endorsed by Combined Authority at meeting in July. Secure £60m funding for delivery of 3 stages of the Economic Recovery Plan	↔	On track		The West Yorkshire Economic Recovery Plan has been developed in partnership with the West Yorkshire Economic Recovery Board, bringing together local authority leadership, public partners, trade unions and the private and third sector and was endorsed in first version form by the Combined Authority in September. Plans and Performance Indicators are being developed as part of the Rescue stage, to support Action Area: Good Jobs & resilient businesses. Skills and Infrastructure - as detailed in the Economic Recovery Plan. The plan has been published on the Economic Recovery Board website. Leaders, with the chair of the LEP, have sent a letter to the Chancellor asking to meet to discuss the plan and how it can be taken forward. The funding asks were also submitted as part of the Comprehensive Spending Review (CSR) submission. A refresh of the plan is taking place ahead of a January meeting of the Recovery Board and February Combined Authority Board, including the addition of a proposition on culture.
2. Support business to respond to the challenges & opportunities of Brexit & COVID-19. Providing intensive support to over 1,000 businesses	Number of businesses receiving intensive support for growth and/or business resilience - supported through Growth Service/BOP/SGDR/Brexit voucher	Increased from 1000 to 2000	↔	1,818		872 businesses have received intensive support from Local Authority based Growth Managers. 525 businesses have received capital investment grants, 330 businesses have received business resilience advisory support through the Strategic Business Growth and Investment Readiness programmes and 291 businesses have been supported to join a membership organisation.
3. Take forward the Future Ready Skills Commission, delivering better skills and training opportunities to local people	Skills Commission: Complete delivery and agree recommendations. Publish/launch final report (September 2020)	Publish/launch final Skills Commission report by end of September 2020 then goes on to be influencing campaign	↔	Completed		The Future Ready Skills Commission is an independent, national Commission supported by the West Yorkshire Combined Authority and made up of experts and leading thinkers from business, education, local government and think tanks. Its primary scope is to understand how the skills system, from post-16 education through to adult skills and career development, could be shaped to better meet the needs of local economies with greater devolution across England, while meeting future challenges and opportunities in the workplace. Launched on 24 September, work is now underway on a post launch implementation plan.
4. Develop specialised business support programmes tailored to COVID-19 recovery	Alignment of programmes to the long term Economic Recovery Plan with support from West Yorkshire Economic Recovery Board and success demonstrated through market intelligence and consultation with local businesses and enterprise	Adaptable teams able to respond to the needs of businesses and local economy recovery, advising Government on regional business support requirements and managing, facilitating the issuing of grants and signposting businesses to available support	↔	On track		Increased capacity of the Business Support Service has been made at pace, to accommodate 80% increase in business enquiries. Business Coaching scheme introduced for small firms to gain free access to coaching support from private sector intermediaries. Developed a new Digital Resilience Voucher scheme to provide funding of up to £2k for small firms that need to invest in ICT to enable secure and effective remote working - over 500 applications received in its first week. Adapted the Investment Readiness programme to incorporate webinars on key recovery topics, such as access to finance, cashflow management and customer/supplier relations. Extended Strategic Business Growth programme by two months to provide additional intensive COVID-19 recovery support to 300 high growth SMEs. Further products are in development, including Peer to Peer Network, small firms membership scheme and cyber security support.
5. Invest in digital connectivity	Digital Infrastructure: developing a full fibre infrastructure programme across the region, focusing on hard to reach areas	External funding secured Working with Department for Digital, Culture, Media & Sport (DCMS) Building Digital UK (BDUK) on the new Outside In Programme to ensure the priorities of our region are represented and delivery of 100% coverage of gigabit capable broadband by 2025 (in line with national targets)	↔	On track		Collaboration is ongoing with Department for Digital, Culture, Media & Sport (DCMS) Building Digital UK (BDUK) with initial meetings taking place in August and September 2020, which gave local partners the opportunity to highlight local priorities that should be taken into account in the new national programme.
6. Deliver another 170,000 square footage of commercial space through the Enterprise Zone programme.	Square footage of commercial floor space created through the Enterprise Zone programme	170,400 sq ft	↔	72,400 sq ft		Construction progress ahead of programme at South Kirkly with a further 46,000 sq ft of accommodation to be completed by December 2020. Activity also continues at Gain Lane, with delivery of 72,000 sq ft of accommodation on programme to be completed by March 2021.
Enabling Inclusive Growth: Enabling as many people as possible to contribute to, and benefit from economic growth especially those disproportionately affected by the pandemic						
1. Provide a bus network that meets the needs of local communities in the context of COVID-19 recovery	The Bus Strategy contains measurements of accessibility to a bus service, patronage levels, modal and market share, and environmental standards	The pre COVID headline target is to grow bus patronage by 25% from a 2014 baseline	↔			Bus services continue to operate under emergency funding which is expected to extend until March 2021, delivering largely the pre-pandemic network managed through the Bus Alliance (Voluntary Partnership) with bus operators. Initiatives in development to transform bus network to meet the changed economy (Network Navigation), MCard Mobile app and flexible seating introduced. Bus network review which informed the Connectivity Plan, will undertake public consultation during winter 2021. Proposition to Government Planning Review and National Bus Strategy to devolve emergency bus funding to the Combined Authority - outcome anticipated late January/February, when government 'recovery funding' package is expected. An 'in principle' agreement is being developed for an Enhanced Partnership, to manage bus network jointly with bus operators in the region.
2. Support people to access employment & retrain, particularly those affected by the COVID-19 crisis	No. of people reached with information on careers linked to labour market information to promote better informed choices.	250,000	↔	1,044,628		The FutureGoals website has continued to accelerate in reach throughout November. The most visited page of the website is the jobpost page which equates to 12% of all the website's traffic.
3. Work closely with schools and colleges to support our most disadvantaged young people	Disadvantaged schools and colleges from deprived areas engaged to improve performance towards good careers benchmarks.	92	↔	66		Supporting our schools and colleges by completing actions plans which will improve performance towards good careers benchmarks is still positive. Schools and colleges have remained open during the November lockdown, and the team have been able to remain in contact virtually. External visits and students accessing IT equipment for virtual career packages is still somewhat problematic. The focus is on curriculum catch up, preparing for mock exams in anticipation of any GCSE/A level exam changes or challenges.
4. Continued delivery of (re)boot & Employment Hub	Individuals supported to upskill through (re)boot, Employment Hub and teacher Continuing Professional Development (CPD) sessions.	1,000	↔	1,045		Employment Hub - Resource is currently stretched due to increased workload with the additionality of 'all age' delivery and difficulties in progressing participants into learning, apprenticeships and employment means increased caseloads for advisors (re)boot continues to deliver virtually, providing online course remedy. The majority being digital as construction courses have been more challenging to adapt to the current climate. Our new delivery partner Go-Train have been inducted and will commence delivery shortly. School Partnership - virtual CPD has taken place in November.
5. Connect homes & businesses to superfast broadband	Number of premises connected to Superfast Broadband as a direct result of the Broadband programme	44,623	↔	1,083		The West Yorkshire and York Broadband Contract 2 is on track for delivery despite Covid-19 impact causing some minor slowdown on the fibre delivery by our supplier. Outreach - However the Combined Authority broadband team and supplier have worked together to address issues and Q1 2020-21 split was on target and we are looking to successfully achieve our next contractual milestone which is end Q2 2020-21. 1,025 premises connected with in 2021 as part of the current Broadband Programme, in total across this contract 39,716 premises have been connected. It is expected that the cumulative target will be achieved within the financial year.
6. Embed inclusive growth in all our policies	Ensure our pipeline of (new and existing) interventions, covering all policy areas, draws on and deliver against the Inclusive Growth Framework (once adopted).	Adoption of the Inclusive Growth Framework by Combined Authority and LEP in July 2020	↔	On track		The Inclusive Growth Framework is going to the LEP Board for adoption as part of the Strategic Economic Framework in January 2021. The Plan has a strong focus on addressing socio-economic inequalities and delivering an inclusive economic recovery. It is proposed interventions are aligned with the Framework's strategic ambitions and goals. Revised target date: January 2021.
Delivering 21st Century Transport: Ensuring our transport network recovers to provide the services that people need, while laying the foundations for future improvements						
1. Restore the bus network to meet changing demand in light of the COVID-19 pandemic and adapt to a new financial environment	Bus mileage is a measure of the level of provision Bus patronage is a measure of the level of bus use	To return the bus network to 100% of 2019 mileage and patronage	↔			While bus mileage has been restored to 2019 levels, demand for bus travel remains constrained by COVID-19 restrictions and bus capacity is constrained by COVID-19 safety/social distancing. The funding gap created by the missing fare revenue is partly covered by DfT and the Combined Authority paying contractors at 2019 levels. DfT funding is on a rolling 8 week notice period now expected to continue at least until the end of the financial year. Details of Government 'recovery funding' is expected in late January/February. There is a risk to the current bus network provision, if emergency recovery funding does not match the revenue gap caused by reduced patronage.
2. Refresh travel information to reflect changing travel behaviour	Adapt the travel information system and data provided to passengers to include occupancy information	Bus occupancy data on real time system available by September 2020	↔	Completed		Functionality was delivered in November 2020 and now provides information for the travelling public for all stops with real time information displays fitted across West Yorkshire.
3. Introduce a Fare Deal for under 19s with a simple fare structure	Approval of Fare Deal for Young People under 19 approach and scheme by Combined Authority in March 2020, implementation September 2020	Combined Authority approval in March 2020, implementation September 2020	↔			COVID-19 related restrictions on bus capacity have delayed the implementation of the 'Fare deal for young people', the objective of which is to grow bus patronage in this market. The fares arrangements were notified by the Transport Committee in November 2020 and in the case of the multi-operator ticket gone, agreed by the West Yorkshire Ticketing Company (responsible for the MCard) in December 2020. A 2021 implementation is anticipated at such time as COVID-19 restrictions have been relaxed.
4. Launch an MCard mobile ticketing app offering new products to a changed market	Launch a new MCard app	Launch a new MCard app by May 2020	↔			The App was launched for bus only products in October 2020. Delay to acceptance of the App at voluntary stations have resulted in a delay to implementation across the whole MCard (bus and rail) product range. It is now anticipated that this will go live in January 2021. Development work will be undertaken in Q1 and Q2 of 2021 to deliver further functionality within the App including the ability for parents to 'gift' tickets to their children's mobile phones.
5. Continue to develop plans for a Mass Transit system for West Yorkshire.	Mass Transit: Secure sufficient funding and develop effective plans	Mission Statement funding from Combined Authority (June 2020), Strategic Outline Business Case (June 2021)	↔	On track		In December, the Combined Authority agreed in principle to the launch of the engagement of the Connectivity Plan, including the approach to Mass Transit and the Mass Transit Vision. Work is progressing on the Strategic Outline Business Case (SOBC), Government reaffirmed funding for Mayoral Combined Authorities for a Transport Settlement from 2022. We await the process to access the funding from Government. The procurement of a Development Partner has completed and inception meeting held. Platform on system client side support nearly complete.
6. Work with our partners to secure HS2 and Northern Powerhouse Rail for our region.	Strategic Rail: Influence Government to deliver HS2 Phase 2b in full and Northern Powerhouse Rail with a City Centre station in Bradford	Milestone (Government announcement dependent) - Agree pecking approach and work with Transport for the North (TFN) on Strategic Outline Business Case for March 2021 (subject to the review of HS2)	↔	In progress		Transport for the North (TFN) board meeting in November agreed an initial preferred route for NPI, including a new line from Leeds, Bradford city centre to Manchester. We are deeply concerned about the National Infrastructure Commission's conclusions in its Rail Needs Assessment of the North and Midlands. It does not reflect the rail needs of our region and we are making representations to Government to express our opposition. Further engagement is planned for the new year to make our case.
7. Start delivery of the Transforming Cities Fund (TCF), to reduce reliance on the car and promote public transport, cycling and walking.	TCF 2020/21 spend achieved in accordance with agreed target	All projects underway in FY 2021 / spend targets TBD	↔	On track		The majority of Transforming Cities Fund Programme projects selected Decision Point 2 approval (Strategic Outline Case) in Quarter 2, with 2 further projects progressing through Decision Point 3. Spend has been against scheme development costs and design. Forecast indicates spend will increase over the next two quarters. YTD spend £4,148,418. The TCF programme has a dedicated communications and engagement team who are developing public and stakeholder engagement schedules of consultation, on a scheme by scheme basis, taking into consideration constraints of COVID-19 restrictions and forthcoming local and Mayoral elections. Programme/project reviews ongoing to determine latest forecasts and milestones for each project. A Strategic Development Partner has been procured to enable Outline Business Case work to progress at pace.
Tackling the Climate Emergency: Ensuring a green recovery and accelerating our plans for a net zero carbon economy by 2038 at the latest						
1. Publish a roadmap setting out how we achieve our ambition of becoming a net zero carbon economy by 2038 at the latest	Tackling the Climate Emergency: Sectoral pathways agreed and delivery plans developed	Mission Statement / Progress measure: Draft pathways produced (May 2020), final pathways produced (June 2020), number of delivery plans in place (by)	↔	On track		Carbon Emission Reduction Pathways (CERP) study split into 3 tasks: 1. Pathways; 2. Implementation Roadmap; 3. Policy Recommendations / Actions. Task 1 completed and endorsed by Combined Authority 27 July. Currently engaging with West Yorkshire Councils and internally on the recommendations of Tasks 2 and 3 with a view to taking to the 4th February Combined Authority to acknowledge the recommendations and to approve their use in engagement with wider stakeholders.
2. Deliver priority projects in the Energy Strategy	Energy Strategy: Performance against the Energy Strategy and Delivery Plan (performance dashboard capturing progress of projects in development and will be amalgamated into an overall RAG)	The dashboard of progress on projects to be Green and on track RAG	↔	On track		Of the 39 projects highlighted on the performance dashboard over half are either in progress or have been completed. A further 6 projects are pending the outcomes of the CERP. 11 projects have started and are not being progressed at the time. Resources to deliver the full programme of activity outlined in the dashboard continues to be the factor limiting progress. Extensive engagement with partners and stakeholders has led to being undertaken to shape the outcomes of the projects highlighted in the dashboard. Significant progress is being made to develop a long term plan to improve energy efficiency across the City Region's homes. The Combined Authority has also started a new project to strengthen decision making in the light of the Climate Emergency. A new carbon impact assessment tool is being developed.
3. Help 150 businesses to lower their carbon impact through the Travel Plan Network and the RE.Biz resource efficiency programme.	No. of businesses intensively supported through TPN and RE.Biz	150	↔	108		The Travel Plan Network's (TPN) ability to support business's intensively continues to be affected by both the number of employees working from home across West Yorkshire and key contacts (workplace co-ordinators) within business's either being pulled into different departments or been placed on the furlough scheme. As a result we remain behind on our overall target but in response to this we have developed TPN connections to include more contacts and developed a new online platform on LinkedIn in order that members can communicate more regularly and access business support effectively moving ahead. As a result we predict we will be able to work more intensively with business's in the coming months. The Innovation Growth Managers are now working with a pipeline of businesses and are working to complete diagnostics with all the referrals this should continue to gather pace during the coming months.
4. Enable 8 schemes to enter the Energy Accelerator	Number of Low Carbon Projects supported through the Energy Accelerator to Gateway 2 (achieving signed Sponsorship Agreement) by 2021	8	↔	10		10 agreements have been supported through The Gateway. 3 of these projects have completed.
5. Establish a connectivity plan & pipeline, promoting active & decarbonised travel for all communities	Establish a connectivity plan and pipeline promoting active and decarbonised travel	Mission Statement: Input into Spending Round (July 2020), Road Map and Action Plan is finalised Spring 2021.	↔	On track		West Yorkshire Emission Reduction Pathway Study Road Map and Action Plan is in development. It was agreed in principle at the Combined Authority meeting in December to start engagement on the Connectivity Plan in January 2021. Work progresses on communications and engagement plan. Spending Round 2020 reaffirmed Government plans for a Transport Settlement for Mayoral Combined Authorities (MCAs) from 2022 - the process for agreeing the funds is still to be announced.
6. Reduce carbon from the Combined Authority's assets	Carbon Reduction Initiatives in Bus Stations, Travel Centres and Offices	Bus Station/Travel Centres: to reduce energy and water consumption by 3% against 2019/20 baseline and increase recycling by 10%. Offices: Reduce energy and water consumption by a further 10%, increase recycling by a further 30% and switch to green/sustainable energy suppliers by April 2021	↔	On track		Carbon reduction and increased recycling measures are being incorporated into schemes and contracts in Bus Stations for delivery during 2021 and Transforming Cities Fund projects. Unfortunately recycling has been hit by Covid-19 impacts as many recycling plants closed. However, this has been offset by a reduction in waste production generally and hence the overall environmental impacts have been positive. Office targets will be revised as the workforce have been remote working during lockdown, with a phased return planned for 2021. Refurbishment works at Wellington House have commenced with carbon reduction measures being implemented and the Safety, Accessibility and Environmental Improvements project will see the CA's ageing diesel fleet replaced with electric vans in 2021. The Combined Authority has also committed to purchase 100% renewable energy from April 2021.

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Report to:	Governance and Audit Committee
Date:	14 January 2021
Subject:	Mayoral Combined Authority preparations – decision-making and committee arrangements

Director:	Angela Taylor, Director of Corporate Services
Author:	Liz Davenport Lead Lawyer, (MCA Governance)

1. Purpose of this report

- 1.1 To update the Governance and Audit Committee on progress by the Decision-making and Committee Arrangements workstream of the Mayoral Combined Authority (MCA) Ready Programme Board.

2. Information

- 2.1 At their meeting on 27 November 2020, the Committee received an update on work underway under the MCA Ready Programme to ensure that the Combined Authority's governance, assurance process and internal systems and processes are ready for becoming an MCA. This report focusses on work under the Decision-making and Committee Arrangements workstream.
- 2.2 The Combined Authority will technically become an MCA as soon as an Order is made which provides for a mayor to be elected. The draft Order was laid in Parliament in December 2020, and is anticipated to be made in February 2021, although the exact date is not yet known. The Order will provide for the mayor to be elected, new functions to be conferred on the Combined Authority, and will change the Combined Authority's governance arrangements to reflect the Mayor's role¹.
- 2.3 The draft Order provides that the **new functions** will be conferred in two phases:
- **Non-mayoral functions** (functions which are not the responsibility of the Mayor) will be exercisable by the Combined Authority as soon as the Order is made, and

¹ for example, by amending voting arrangements at Combined Authority meetings in some respects.

- **Mayoral functions** (functions which are the responsibility of the Mayor and include police and crime functions) will be exercisable by the Mayor once in office.
- 2.4 Decision-making arrangements are currently under review through the workstream. The immediate focus is on ensuring that arrangements are in place for exercising the new Non-Mayoral functions as soon as the Order is made, in February. These are adult education functions, functions relating to housing regeneration and planning, transport-related functions and a duty to prepare an assessment of economic conditions. The Combined Authority at its meeting in November 2020 approved the governance arrangements for adult education functions, (including a Conflicts of Interest Policy related specifically to these functions), and arrangements for the other new functions are being finalised – see further below.
 - 2.5 In tandem with this, work is being carried out to ensure that arrangements are fit for purpose once the Mayor is office, that is, reflecting the Order and underlying statutory provisions relating to the Mayor.
 - 2.6 Becoming an MCA also provides an opportunity for the Combined Authority to carry out a more general review of decision-making arrangements, including (for example) whether new portfolio arrangements should be introduced, and/or committee or panel arrangements (structure and membership) revised. Timelines for updating and reviewing decision-making arrangements are challenging but options are currently being considered.
 - 2.7 The diagram attached as appendix 1 sets out a provisional timeline for changes to governance arrangements, subject to the Order being made.
 - 2.8 In relation to readiness for the new Non-Mayoral functions being conferred in February, notwithstanding any proposals which may follow from the general review, these functions may in any event be exercised under existing decision-making arrangements without any substantive changes to these being required. That is, no substantive changes are required to current arrangements in the interim period between the Order being made and the Mayor coming into office. Some minor amendments to standing orders to embed new statutory consent provisions relating to some of the new functions and for clarification will need to be approved. A protocol in respect of the exercise of concurrent functions and the statutory consents is also currently being finalised for agreement by the Combined Authority and Constituent Councils. As shown on the diagram, it is anticipated that the protocol and any other amendments will be considered by the Combined Authority at its meeting in March, further to its approval by Constituent Councils. Training and guidance for Members and officers about the changes is currently also being prepared.
 - 2.9 The workstream has interdependencies with a number of other workstreams under the MCA Ready Programme, and also with the review of scrutiny arrangements currently being undertaken by the Overview and Scrutiny

Committee, reported to this committee on 27 November. Key interdependencies relate to:

- **The Deepening Partnerships workstream:** this workstream led by Chief Executives from the five West Yorkshire councils is looking in parallel at means of strengthening the current relationships between the Combined Authority and the five partner councils. Recommendations from the workstream may have a bearing on the proposals for both formal structures and informal structures going forward.
- **The transfer of police and crime commissioner functions:** as reported to this committee at its meeting on 27 November, preparatory work is underway for the transition of these functions to the Combined Authority, (to be exercised by the Mayor). This is led by 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. In broad terms, the governance model provided by the draft Order preserves the existing governance arrangements which relate to the Police and Crime Commissioner, whilst making some modifications to provide for the transfer to the Combined Authority. It is proposed that a more detailed report on the governance implications of the transfer is considered by this committee at its next meeting in March.

3. Financial Implications

3.1 There are no financial implications directly arising from this report.

4. Legal Implications

4.1 The Combined Authority's governance arrangements will be updated further to the Order, and again once the Mayor is in office.

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

7.1.1 That the Governance and Audit Committee notes the progress made to date, and

7.1.2 Requests an update to this report at its next meeting in March, to include further details on the implications for this committee and on governance arrangements arising to the transfer of police and crime commissioner functions to the Combined Authority.

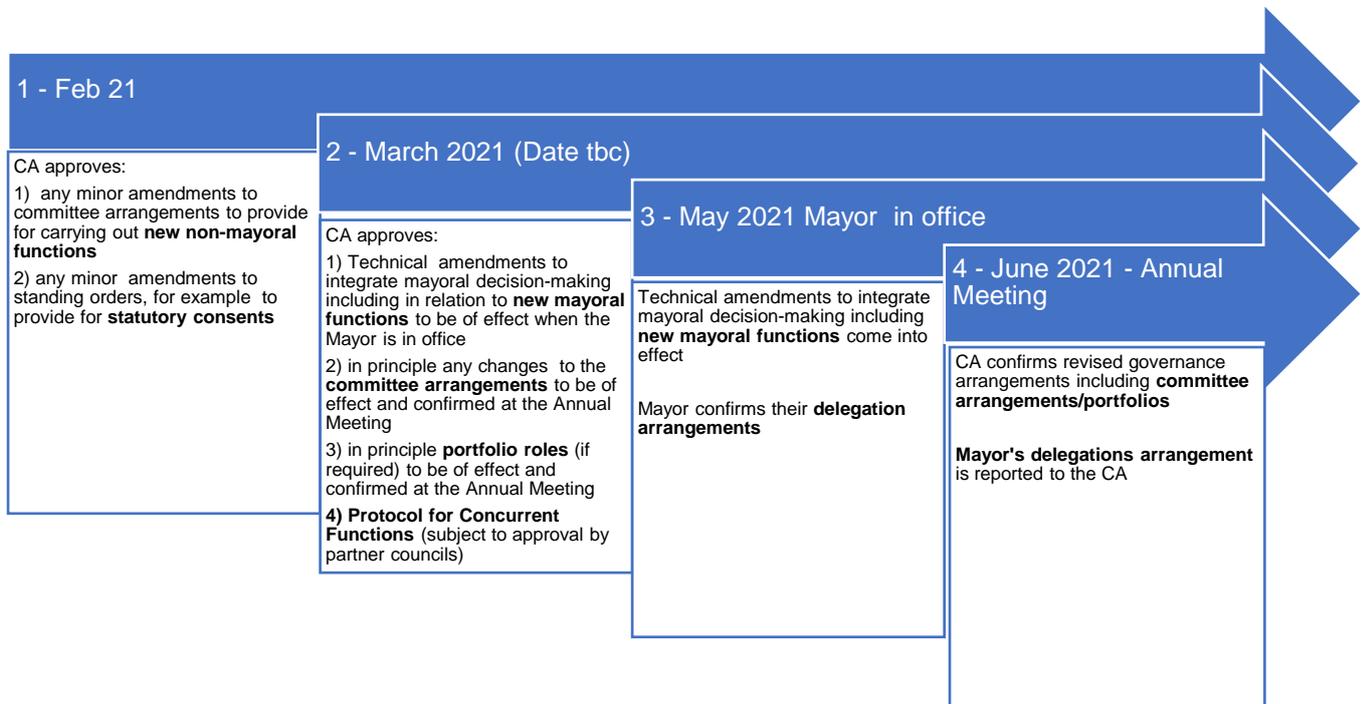
8. Background Documents

None.

9. Appendices

Appendix 1 – Timeline

Appendix 1: Timeline for changes to governance arrangements



Note re Step 1: Assumption is that the Order will be made in February – date not yet known.

The Head of Legal and Governance Services has delegated authority to make amendments to reflect legislative changes.

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