

GOVERNANCE AND AUDIT COMMITTEE

**MEETING TO BE HELD AT 11.00 AM ON THURSDAY, 18 MARCH 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)**

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Signed:



**Managing Director
West Yorkshire Combined Authority**



MINUTES OF THE MEETING OF THE GOVERNANCE AND AUDIT COMMITTEE HELD ON THURSDAY, 14 JANUARY 2021

Present:

Councillor Susan Hinchcliffe	Bradford Council
Joanna Wardman	Independent Member
Councillor Shabir Pandor	Kirklees Council
Councillor Jane Scullion (Substitute)	Calderdale Council
Councillor Steven Leigh MBE	Calderdale Council

In attendance:

Bronwyn Baker	West Yorkshire Combined Authority
David Brown	Leeds City Council
Bhupinder Chana	Leeds City Council
Jonathan Sheard	West Yorkshire Combined Authority
Angela Taylor	West Yorkshire Combined Authority
Ben Kearns	West Yorkshire Combined Authority

22. Apologies for Absence

An apology for absence was received from Councillor Swift.

23. Declarations of Disclosable Pecuniary Interests

There were no declarations of pecuniary interests at the meeting.

24. Exclusion of the Press and Public

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

25. Minutes of the Meeting of the Governance and Audit Committee held on 27 November

Resolved: That the minutes of the meeting held on the 27 November be approved.

26. Treasury Management

Bhupinder Chana and David Brown from Leeds City Council were in attendance and gave a presentation to the Committee regarding the Combined Authority's treasury management arrangements.

Members had the following questions and comments:

- Members asked whether the arrangement with Leeds City Council represented value for money. It was noted that Leeds Council provided a highly skilled and mature treasury management function at a competitive rate and was far more cost effective than the Combined authority developing the skills in house.
- Members asked whether the level of debt held by the Combined Authority was manageable. Members noted that the loans dated from the Passenger Transport authority and servicing the debt was built into the budget on a yearly basis and was manageable and controlled.
- Members asked why investment in local authorities was assessed as a lower risk than banks given that some local authorities have experienced financial difficulties. Members noted that the underlying logic to this was whether the Government would let a local authority go bankrupt and therefore investment was considered as a low risk.
- That the role of Treasury Management was primarily to secure the Combined Authority's resources and to ensure that the money is available when it was required.
- Members requested more information regarding the risk management approach to Treasury management and that the approach to risk was highlighted at future meetings.

Resolved: That the presentation be noted.

27. Internal Audit Progress Report

The Committee considered a report which provided an update on the work of internal audit.

Members noted that the revised internal audit charter had been updated to ensure full compliance with Public Sector Internal Audit Standards.

Members noted the risk around MCA deadlines and the various workstreams, particularly around the possible delays to the elections in May due to the pandemic.

Progress on the integrated systems for HR and finance was encouraging and was progressing well through the procurement process and would improve compliance and monitoring across the organisation.

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

28. External Audit Progress Report

Members consider a report that provided an update on external audit matters that had occurred since the last meeting.

The final annual audit letter was attached at appendix 1 to the submitted

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

Members noted the new code of audit practice for 2020/21. The main changes included a move away from a binary audit conclusion and replaced by an annual narrative commentary in relation to value for money arrangements. The code meant that any concerns would be raised as and when they were identified. A more detailed briefing would be brought to the Committee meeting in March.

Resolved: That the report be noted.

29. Compliance and Monitoring

The Committee considered a report which set out any changes to arrangements for internal controls since the last meeting as well as the financial positions for 2020/21 and 2021/22.

There had been no significant changes or breaches in the arrangements for internal controls and no RIDDOR incidents in the period.

It was noted that the Combined Authority was close to achieving a balanced budget for this year and next year and the financial position would be finalised and brought to the Combined Authority on 4 February.

Members noted the low risk appetite in the Combined Authority's treasury management arrangements and asked for information on how that approach to risk compared with those of the constituent authorities.

Resolved: That the report be noted.

30. Mayoral Combined Authority Preparations - Decision-Making and Committee Arrangements

Members considered a report which updated the Committee on progress on the decision making and committee arrangements workstream of the Mayoral Combined Authority Ready Programme Board.

Members noted the work underway on the transfer of police and crime commissioner functions which was led by a transition working group with good involvement from the PCC office.

Members asked whether transition of the PCC would have an impact on the workload of internal audit. It was noted that there was already an internal audit function within the PCC and discussions were underway as to how the two would work together in the future.

Resolved:

- (i) That the progress to date be noted.

- (ii) That an update be brought to the next meeting to include further information on the implications for the committee and on governance arrangements arising to the transfer of police and crime commissioner functions to the Combined Authority.

Report to: Governance and Audit Committee

Date: 18 March 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 current internal audit plan and to approve the proposed audit plan for 2021/22.

2. Information

Audit Delivery for 2020/21

- 2.1 As the Committee is aware, the internal audit team made advice and guidance, particularly in relation to Mayoral Combined Authority (MCA) readiness, a major priority for the greater part of the 2020/21 plan year. Updates on this work are contained in Appendix 1.

Completed reviews since the last Governance and Audit Committee

- 2.2 This work has, however, for the final two quarters been balanced with more assurance and compliance pieces. There are a number of reviews currently in progress with two finalised reports to share since the last Governance and Audit Committee meeting. These cover Adult Education Budget procurement and Climate Change. Further details on the outcome of this work is included in Appendix 1.

Customer Feedback

- 2.3 Feedback on the advice and guidance work for MCA readiness will be sought at the end of the plan year and due to the fact that feedback reports for the recently completed assurance reviews are not yet due back, there is no update to share at this point.

Fraud/ Whistleblowing/ Money Laundering

- 2.4 There have not been any further whistleblowing referrals since the last report and the external fraud referral first highlighted in the November set of Committee papers is still currently under investigation. Total numbers for the year remain as reported to the last Committee which is confirmed in the progress update at Appendix 1.

Proposed Audit Plan for 2021/22

- 2.5 Internal Audit have completed the proposed audit plan for next year and this is included in Appendix 1 for the Committee to review and approve.

3. Financial implications

- 3.1 The plan has been developed in line with current budgeted resourcing, but should any significant changes need to be made during the plan year, resources will be reviewed accordingly.

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.
- 7.2 That the Committee review and approve the proposed internal audit plan for 2021/22.

8. Background Documents

None.

9. Appendices

Appendix 1 – Internal Audit Progress Report March 2021

Appendix 1

Governance & Audit Committee Internal Audit Progress Report

March 2021

Key Headlines / Index

Top three issues – Mayoral Combined Authority (MCA) readiness due to impending elections, ensuring PCC transfer arrangements are all in place and current Covid impacts including transport and business support

Reports/updates issued- Summaries of the scope and findings of these reviews can be found at Pages 3-7

- Climate Change (Tackling the Climate Emergency)
- AEB Procurement DPS Stage One
- MCA Workstreams Update
- Adult Education Budget (AEB)
- Counter Fraud, Whistleblowing and Anti Money Laundering
- Grant certification

Progress against 2020/21 Audit Plan and any planned changes - detailed at pages 8-13

Outstanding actions- There are currently no overdue agreed actions.

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The proposed audit plan for 2021/22 – detailed at pages 14-17

Planning for audit work for next year has now been completed following consultation with this Committee, the Senior Leadership Team and the Regulatory and Compliance Board. The plan, as highlighted at the Governance and Audit Committee in January also considered the most significant corporate risks and risks identified in the wider audit sector.

Reports Issued/ Progress against Plan

Audit Report – Climate Change (Tackling the Climate Emergency)

Climate Change, (Tackling the Climate Emergency (TCE)) was included in the Internal Audit Plan for 2020-21 as climate change risk had been recorded on the corporate risk register and taken as one of the Combined Authority's priorities. This review focused on the **internal** climate change action plan only.

Internal Audit have provided an opinion of **LIMITED** Assurance for this review, based on the assessment of the adequacy of systems and processes to implement initiatives and to deliver against targets set out in the tackling climate emergency (TCE) internal action plan.

Whilst the team had notably been recognised at the recent MJ Awards ceremony in the “Leadership in Tackling the Climate Emergency” category for their work to tackle the climate emergency on a wider regional level, the audit found that governance and reporting arrangements, reviewing and updating of the internal TCE action plan and, communication and raising awareness of internal TCE initiatives required improvement and have made recommendations to address these. The findings have been accepted and Internal Audit are working with Management to agree a timeframe for implementation of the recommendations, but in the interim Management have confirmed the following: *It is also recognised that in order to drive forward delivery of the action plan there is a need to provide more focused resource. As part of the proposed restructure which has been agreed by the Combined Authority, there will be a new strategy team whose responsibilities would include ownership of the corporate policy and co-ordination of implementation of the organisational climate action plan.*

Audit Report - AEB Procurement DPS Stage one

Internal Audit has given an audit opinion of **REASONABLE** assurance to the stage one procurement exercise for Adult Education Budget using the Dynamic Purchasing System to determine eligibility of providers. We highlighted some minor improvements to administrative processes and recommendations have been made to address these.

Overall, the process appeared to be robust with some good collaboration between the Procurement team and the AEB staff to ensure the exercise was completed in a timely manner.

MCA Workstream Updates

Internal Audit has been providing advice and guidance to various MCA workstreams as part of its planned work for 2020/21. The following are updates against that work:

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

Head of Internal Audit sits on the Steering Committee for this work which oversees progress against milestones, management of risks and strategic direction of the project. The project is now working to develop the implementation plan for the new system and has begun preparatory work in order to ensure that the teams involved can make good progress when the work begins in earnest. Internal Audit is being asked to consider relevant information and to feed in guidance as appropriate in addition to the work on the Steering Committee.

MCA Workstream – **Police and Crime Commissioner (PCC) Preparations:** Head of Internal Audit has been leading the Governance Sub Group considering the Audit implications of transfer and a separate report on progress to date is included in the pack of Committee papers.

MCA Workstream – **Decision Making and Committees:**

Head of Internal Audit sits on the project delivery team that is progressing proposals for the MCA Board and Combined Authority to consider. The 9 March Combined Authority meeting will be considering a report on MCA Preparations – Governance Arrangements which sets out progress to date and an indicative outline of a new Constitution.

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:

- On 29 January Parliament approved the West Yorkshire Combined Authority (Election of Mayor and Functions) Order (2021, No 112) and on the 30 January it came into law meaning we are now a Mayoral Combined Authority with immediate additional functions regarding the devolution of the adult education budget (AEB). The Combined Authority has considered governance arrangements that include member oversight and engagement.
- On 3 February the Combined Authority received a Funding Letter from Department for Education (DfE) outlining the devolved funding allocation for West Yorkshire. This is now to be £65 million due to additional Level 3 uplift funding of £2

million being added. We are still awaiting a Memorandum of Understanding that will detail how our relationship will operate in future.

- The government's Lifetime Skills Guarantee funding for the first level 3 qualification of anyone aged 24+ for West Yorkshire of £4.6 million will also be delegated to the Combined Authority and will complement the AEB programme.
- The 'mini- competition' (second stage of the Dynamic Purchasing System procurement process) went live on 29 January 2021. All queries should be raised by 22 February and assessment begins after it closes on 1 March 2021.
- Planning is underway for permanent staff resources to deliver AEB. Temporary staff are being recruited to assess bids, advise on implementation and adapt the AEB Payments IT system being purchased from Liverpool City Region (DAPS) to our needs and interdependent systems.

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-** developing the potential coverage of a compliance visit and other necessary assurances and tasks to be carried out by Internal Audit staff to support AEB delivery in line with the proposed post implementation operational resources model.
- **Procurement-** advising on the preparation of the mini-competition documents and tender queries raised as required.
- **Legal and governance-** developing workstream tasks with the core Project team and advising on various governance and organisational matters as they arise.
- **ICT and data-** compiling data and system requirements for audit and assurance and reviewing systems to meet these.
- **Operational provider management-** working with the AEB and Finance teams to develop a risk scoring matrix to cover all our providers, based on various information sources, to assist in their management operationally once we go live.

A review has been completed by the main Internal Audit Team on Stage 1 of the Dynamic Purchasing System (DPS) process (see above for summary).

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

- Memorandum of Understanding agreement with the Department for Education (March 2021)
- Contract allocation announcements (April/ May 2021)
- Funding rules, and contracts and grant agreement wording final approval (April 2021)
- Delivery and management begin (1 August 2021)

Counter Fraud, Whistleblowing and Anti Money Laundering

The fraud referral that was referenced in the last progress update to GAC is still under formal investigation. The table below provides a summary of referrals reported during 2020-21.

	Total number of referrals 2020/21	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			

The revised Whistleblowing policy for the Combined Authority and the LEP has now been fully approved. This will now be uploaded to the relevant webpages and publicised internally.

The Anti Money Laundering Policy has been refreshed and is currently with the senior management team for approval. The revised policy reflects requirements of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (amendment 2018 & 2020), identifies the Head of Internal Audit as the Money Laundering Reporting Officer and sets out the required procedures which should be followed for reporting suspicions of money laundering activity.

A new, combined Anti-Fraud and Corruption Policy has also been drafted and is awaiting feedback and comment. A counter fraud workplan is being developed for 2021/22 which will include a timetable for awareness raising and training that will also incorporate whistleblowing and anti-money laundering content.

Grant certification

Internal Audit resource continues to provide certification in accordance with the funding bodies grant determination letter requiring the Head of Internal Audit to sign off expenditure incurred. During quarter 3 and 4 we have reviewed and certified the following grants.

Grant	Period	Value certified £
Investment Readiness	Quarter 3	112,304
Access Innovation	Quarter 3	619,392
Connecting Innovation	Quarter 3	67,346
Rebiz (REF2)	Quarter 3	212,916
Strategic Business Growth	Quarter 3	13,250
Investment Readiness	Quarter 4	139,652
Connecting Innovation	Quarter 4	115,257
Rebiz (REF2)	Quarter 4	171,668
Strategic Business Growth	Quarter 4	267,211
BSOG	Annual	2,063,592
CBSSG Tranche1	One off	781,448
Emergency Travel	One off	In progress
Share North	6 monthly	In progress

No significant matters arose during the certification of these grants.

2020/21 Internal Audit Plan

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	Assurance Area	Proposed scope and any changes	Update
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	Reports from the project team to MCA Board and Combined Authority to inform future arrangements
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 and lessons learned from the current crisis.	Review underway to assess current arrangements and to report on how effectively lessons have been learned.
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.	This work is ongoing with advice and guidance on the project itself in addition to processes and controls – this will continue throughout the implementation of the new system.
5	GDPR and data privacy	Working with the Information Governance Team the review focuses on examining policies and procurements to determine compliance with Data Protection Impact Assessments (DPIA) and the extent of completion of	This work has been scoped and is currently underway.

		mandatory Data Protection and Information Security Training.	
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 a previous GAC.	Quarter 3 - Advice and guidance risk assessment completed, an agreed audit schedule now in place for 21/22. Some additional guidance work being supplied on data analytics in Q4
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.	Audit will continue to support this work as part of the MCA Digital programme.
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 to help to improve the reliability and adequacy of reporting incidents.	This work is near completion with some proposed testing of the app in the field that will then inform any changes that may be required.

11	Climate change	To cover the CA's commitment to 'Tackling the Climate Emergency' and how we propose to do this, including how this feeds into our project evaluation and relates to the Devolution workstreams on this area.	LIMITED ASSURANCE
12	Risk management	Annual health check to inform the audit opinion and follow up work from 2019/20.	Audit scope has been agreed and work is underway
13	HR compliance follow up review	This is to be combined with the work on the HR Strategy Implementation (currently line 21) and the Workforce Development Devolution workstream (currently line 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.	Review will commence in March 2021.
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.	Two projects are currently being reviewed against compliance with the Assurance Framework.
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.	See 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.	This review is ongoing and is focused on recording and safeguarding land and property assets.
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	Audit has contributed to the 'as is' and 'to be' process work undertaken in the run up to the procurement of the new

		<p>system project board (see 4 above) where processes will be broken down and examined.</p> <p>Other work to be done using data analytics to detect non-compliance/ potential duplicate payments.</p>	enterprise system – this will continue throughout the implementation of the system ensuring early advice on controls
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. Given work around bus stations is on hold due to Covid situation the focus of this review is to assist with benchmarking and gathering evidence to support an internal assessment against the LGA Equality Framework for Local Government.	The review is ongoing and includes an assessment against the LGA Equalities framework for local government.
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.	At draft report stage
20	Contract management	The review focuses on the Web3 project to redevelop the Combined Authority’s websites and examines how well the contract was monitored and managed.	This review is ongoing.
21	HR Strategy implementation	See 13 above.	Review will commence in March 2021
22	Devolution	<p>An initial focus on Adult Education Budgets (AEB) by significant involvement on their project board and the development of an Audit and Assurance framework - see AEB progress update above</p> <p>To consider other workstreams as part of relevant assurance areas as detailed elsewhere (Corporate Governance- currently 2, Climate Change- currently 11 and HR Strategy/ Compliance- currently 13) - see MCA Workstreams Update above.</p>	This is all ongoing work with regular reports to this Committee on progress and involvement of audit.

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 Combined Authority 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 guidance on controls and governance - see MCA programmes update above.	This advice and guidance work has formed part of the MCA readiness work undertaken by audit, however an assurance piece has been added to the audit plan for 2021/22.
29	Various grant certifications	See grants progress update above.	Grant certifications completed in accordance with set

			requirements and agreed timelines.
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 ASSURANCE
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.	At Draft Report Stage
32	AEB Procurement DPS Stage one - NEW	This review focused on the process of assessing applications received at Stage One of the Adult Education Budget procurement exercise using a Dynamic Purchasing System framework.	REASONABLE ASSURANCE

Proposed 2021/22 Internal Audit Plan

	Assurance Area	Provenance	Link to Corporate Risks/Priorities
1	Integrated Corporate System (HR, Finance, Payroll)	Corporate Risk Register	Transformational Change (CRR-TC1)
2	Covid: grants and recovery	Corporate Risk Register, External Horizon Scanning (Risk in Focus)	Service Delivery and Operational; Finance and Resources (NEW)
3	GDPR and data privacy	Corporate Risk Register, External Horizon Scanning (Risk in Focus)	Legal and Compliance risk (CRR-LC1)
4	ICT – various, including Cyber Security	Corporate Risk Register, External Horizon Scanning (Risk in Focus)	Safety and Security (CRR-SS2)
5	Health & Safety including processes around claims	Corporate Risk Register, External Horizon Scanning (Risk in Focus)	Legal and Compliance risk (CRR-LC1), Safety and Security (CRR-SS1)
6	Climate Change	Corporate Risk Register, External Horizon Scanning (Risk in Focus)	Environmental (CRR-E1)

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7	Project and Programme Assurance (various reviews)	Corporate Risk Register, External Horizon Scanning (Risk in Focus)	Service Delivery and Operational (CRR-SD1)
8	Equalities	Corporate Priorities	Legal and Compliance (CRR – LC1)
9	Procurement	Combined Authority Financial Regulations, External Horizon Scanning (Risk in Focus)	Corporate Priorities
10	Contract Management	Corporate Risk Register	Service Delivery and Operational (CRR-SD1)
11	MCA Workstreams	Corporate Risk Register	Transformational Change (CRR-TC1)
12	Risk Management	Annual health check to inform the audit opinion	Corporate Priorities
13	HR	Corporate Risk Register, External Horizon Scanning (Risk in Focus)	Transformational Change (CRR-TC1)
14	AEB	Various reviews in line with newly developed assurance framework for AEB	Corporate Priorities
15	Counter Fraud work including a review of business support Covid grants	Combined Authority Financial Regulations	Corporate Priorities

16	Security of Assets	Combined Authority Financial Regulations	Corporate Priorities
17	Compliance with Contracts Standing Orders & Financial Regulations	Combined Authority Financial Regulations	Transformational Change (CRR – TC1)
18	Complaints Handling/Casework	Corporate Risk Register	Transformational Change (CRR – TC1)
19	Safeguarding	Corporate Risk Register	Corporate Priorities
18	Grant Audits	In line with funding applications and funding agreements	Corporate Priorities
19	Attendance on Boards	Advice and guidance to inform the control framework	Transformational Change (CRR – TC1)
20	Various grant certifications	In line with funding applications and funding agreements	Corporate Priorities
21	Commercial	SLT request – value add review	Corporate Priorities
22	Bus Funding Model	SLT request – probity and monitoring of contracts	Service Delivery and Operational (CRR – SD3)

23	Insolvencies	SLT request – our response to insolvencies	Development and Regeneration CRR – DR1
24	Inter Directorate Working - Use of SLAs/MOUs	SLT request – benchmarking/advice and guidance	Corporate Priorities

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Report to: Governance and Audit Committee

Date: 18 March 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 2020/21

- 2.1 The interim external audit work has commenced for the 2020/21 annual accounts. The work is progressing well, with nothing substantial to report at this stage.

Public Sector Audit Appointments Limited (PSAA)

2020/21 External Audit

- 2.2 The PSAA has consulted recently on changes to fee variations arrangements, with proposals for introducing a new approach for national variations where changes in audit requirements relate to the conduct of all or most audits and where a standard cost can reasonably be estimated across groupings of bodies. The consultation also set out a proposed increase in the fee rates for additional work.

- 2.3 As a result and nationally:

- a programme of research is under way to consider the likely impact on audit work and fees of some expected changes in audit requirements.;
- the new approach to national variations will apply for the first time in relation to audits of 2020/21 financial statements and value for money arrangements; and

- all variations - both national and local - arising in relation to audits of 2020/21 financial statements and value for money arrangements will be calculated in accordance with a new rate card reflecting increased hourly rates for different categories of audit staff.
- 2.4 For the Combined Authority and the 2020/21 external audit, no fee variations are currently being proposed, as there were no fee variations for 2018/19 audit work and this is what forms the basis for the assessment for 2020/21. Therefore, the standard fee has been set at £25,694 (as in previous years). However, it is understood through discussions with the auditors that a fee variation in relation to the new Code of Audit Practice / VFM arrangements approach is likely for 2020/21.
- 2.5 Members are reminded that a fee variation of £3,000 is currently under consideration by the PSAA for the additional work required on the 2019/20 annual accounts and this may impact future standard audit fees.

Audit Strategy Memorandum (Audit Plan) for 2020/21

- 2.6 This is attached at **Appendix 2** and Mark Dalton, Engagement Lead for Mazars, will be at the meeting to present the plan and discuss further with Members. It sets out the approach to the audit for the 2020/21 year end, highlighting the scope of their work and the significant risks and key judgement areas.

2021/22 Audit Fees (early notification)

- 2.7 The PSAA is currently consulting on the fee scale for 2021/22 audits of opted-in bodies. Until the conclusion of the consultation and consideration of the additional fees in 2019/20, the PSAA are proposing the standard fee for the Combined Authority remains at the same level, ie £25,694. It should be noted that the change to the functions, powers and budget of the Combined Authority following the devolution deal may necessitate a review of the audit fee for 2021/22.
- 2.8 For information, the Combined Authority did respond to the PSAA consultation which had a deadline of 19th February 2021. A summary of the proposal and response is attached at Appendix 1. Members will be kept informed at a future meeting on the conclusions from the consultation.

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 – PSAA Audit Fee Consultation and WY Combined Authority response.

Appendix 2 – Audit Strategy Memorandum (Audit Plan) for 2020/21

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Summary of the PSAA Consultation Document

1. The PSAA introduced factors that needed to be considered as part of the fee consultation. These were:
 - a. The ongoing audit fee variation work and implications stemming from the 2018/19 and 2019/20 audit work.
 1. Due to lots of fee variation submissions to the PSAA, it is suggesting this work should be baselined through revised fee scales and potentially recognised as ongoing work each year.
 2. The enhanced regulatory checks required around Property, Plant, and Equipment (PPE) and Employer Pension schemes.
 - b. Further work coming from audit work developments, such as changes to the code of audit practice – eg VFM opinion and IFRS16 – accounting treatment of Lease.
 - c. Redmond Review recommendations (reported previously to this committee).
 - d. Inflation impacts
2. There are lots of unknown impacts of the above, in terms of work involved.....but PSAA recognise the need to change the fee scales as they expect more work rather than less.
3. The PSAA proposal stemming from above is to use:
 - a. 2020/21 fees as a base;
 - b. PLUS - relevant additional work from previous audit (eg PPE, Pension plus other)
 - c. PLUS - Additional work coming from audit code changes and new reporting requirements (IFRS16)
 - d. PLUS - inflation
4. Audited bodies were asked to comment on the proposals.

Response from the WY Combined Authority

1. Largely agree the proposal seems a sensible approach.
2. However, it needs a clear rationale for assessing the additional work and to ensure that all work is / was necessary - ie did all auditors take the same approach or were some 'lighter' touch but still acceptable / thorough?
3. Consideration also needed of CIPFAs work on 'Clarity & Streamlining' of accounts.....for example is there any impact on less complicated the accounts that are subject to audit?

- a. Also, would further standardisation (if planning any plans to do this?) would have an impact on audit workloads?
4. Redmond Review - other findings to consider in the review such as;
- a. Audit firms to have and demonstrate they have public sector skilled staff (this impacts the work they have to do to 'catch up / read up' on public sector accounting arrangements, regulations etc..).
 - b. Ensure audit firms with the requisite capacity, skills and experience are not excluded from bidding for local audit work.
 - c. External audit to recognise that Internal Audit work can be a key support in appropriate circumstances where consistent with the Code of Audit Practice. Potentially can save external audit time and effort.

Audit Strategy Memorandum

West Yorkshire Combined Authority

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Year ending 31 March 2021



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This document is to be regarded as confidential to West Yorkshire Combined Authority. It has been prepared for the sole use of the Governance and Audit Committee as the appropriate sub-committee charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

Governance and Audit Committee
West Yorkshire Combined Authority
Wellington House
Leeds
LS1 2DE

March 2021

Dear Governance and Audit Committee Members

Audit Strategy Memorandum – Year ending 31 March 2021

We are pleased to present our Audit Strategy Memorandum for West Yorkshire Combined Authority for the year ending 31 March 2021. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 7 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing West Yorkshire Combined Authority which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion around our audit approach, any questions, concerns or input you may have on our approach or role as auditor. This document also contains an appendix that outlines our key communications with you during the course of the audit,

Client service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 0113 394 5316.

Yours faithfully

Mark Dalton
Mazars LLP

Mazars LLP
5th Floor
3 Wellington Place
LS1 4AP

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Section 01:

Engagement and responsibilities summary

1. Engagement and responsibilities summary

Overview of engagement

We are appointed to perform the external audit of West Yorkshire Combined Authority (the Authority) for the year to 31 March 2021. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.



Audit opinion

We are responsible for forming and expressing an opinion on the financial statements. Our audit does not relieve management or Those Charged With Governance, as those charged with governance, of their responsibilities.



Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. This includes establishing and maintaining internal controls over reliability of financial reporting.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance, including key management as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However our audit should not be relied upon to identify all such misstatements.



Going concern

The Authority is required to prepare its financial statements on a going concern basis by the Code of Practice on Local Authority Accounting. The Director of Corporate Services is responsible for the assessment of whether it is appropriate for the Authority to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on the appropriateness of the Director of Corporate Service's use of the going concern basis of accounting in the preparation of the financial statements and the adequacy of disclosures made.



Value for money

We are also responsible for forming a view on the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in section 5 of this report.



Reporting to the NAO

We report to the NAO on the consistency of the Authority's financial statements with its Whole of Government Accounts (WGA) submission.



Electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Authority and consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom

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Section 02:

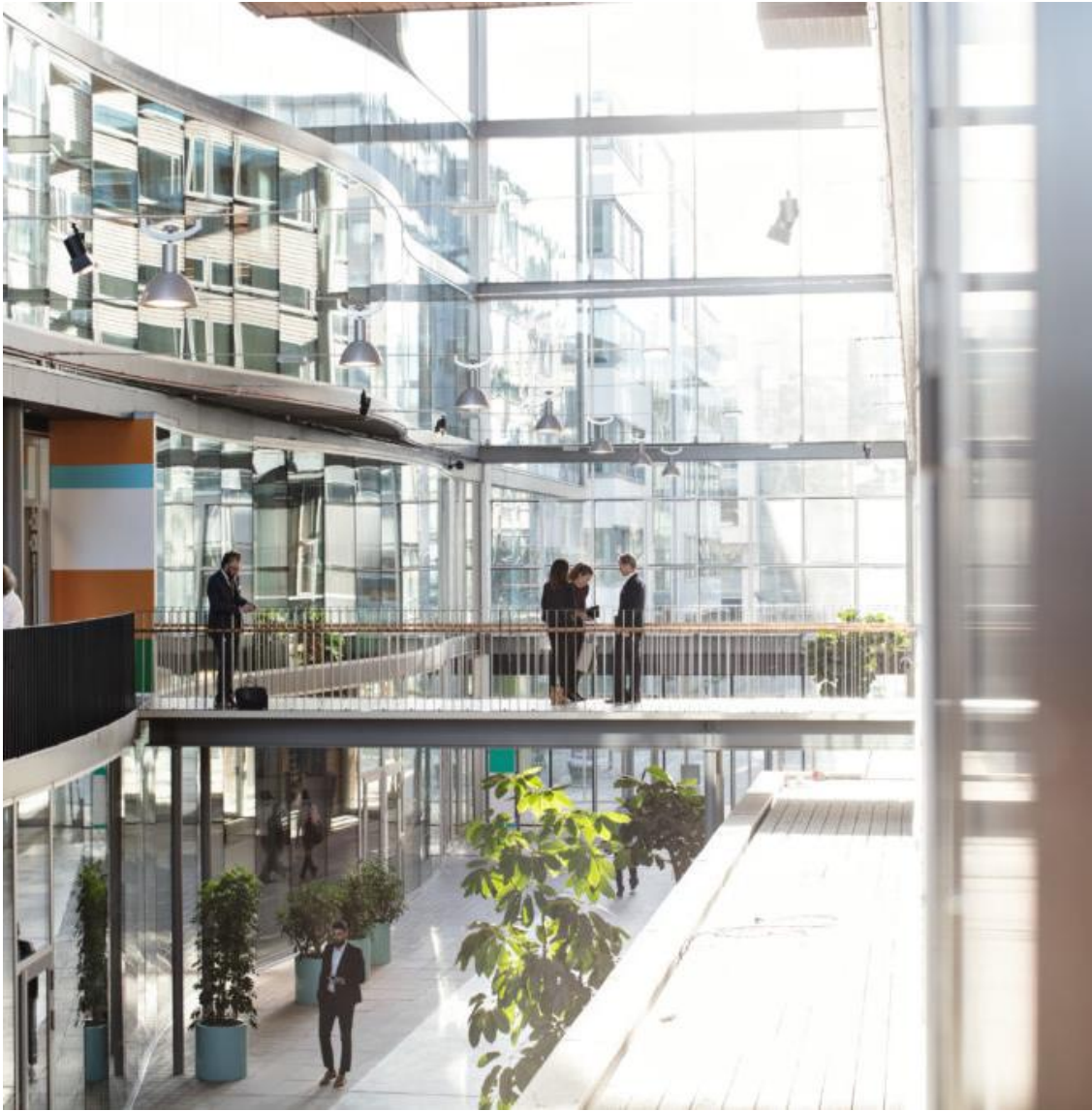
Your audit engagement team

2. Your audit engagement team

Your external audit service will be led by Mark Dalton.

Who	Role	E-mail
Mark Dalton	Engagement Lead	mark.dalton@mazars.co.uk
Mark Outterside	Engagement Manager	mark.outterside@mazars.co.uk
Mousa John	Engagement team leader	mousa.john@mazars.co.uk

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Engagement and responsibilities summary	Your audit engagement team	Audit scope, approach and timeline	Significant risks and key judgement areas	Value for money	Fees for audit and other services	Our commitment to independence	Materiality and misstatements	Appendices
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03

Section 03:

Audit scope, approach and timeline

3. Audit scope, approach and timeline

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

Audit approach

Our audit approach is a risk based approach primarily driven by the risks we consider to result in a higher risk of material misstatement of the financial statements. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

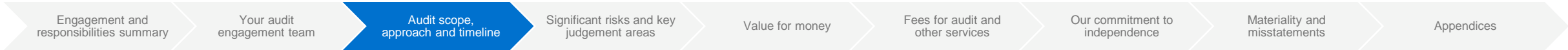
If we conclude that appropriately designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise: tests of details (of classes of transactions, account balances, and disclosures); and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

The diagram on the next page outlines the procedures we perform at the different stages of the audit.

COVID-19 working arrangements and impact on our auditor’s report

The accounts preparation and audit will once again be significantly impacted by the COVID-19 remote working arrangements and it is important that we continue to keep in close contact with the finance team and are able to respond to emerging issues. The outline timetable on the following page is based on our current understanding of the national deadlines and the current working arrangements.



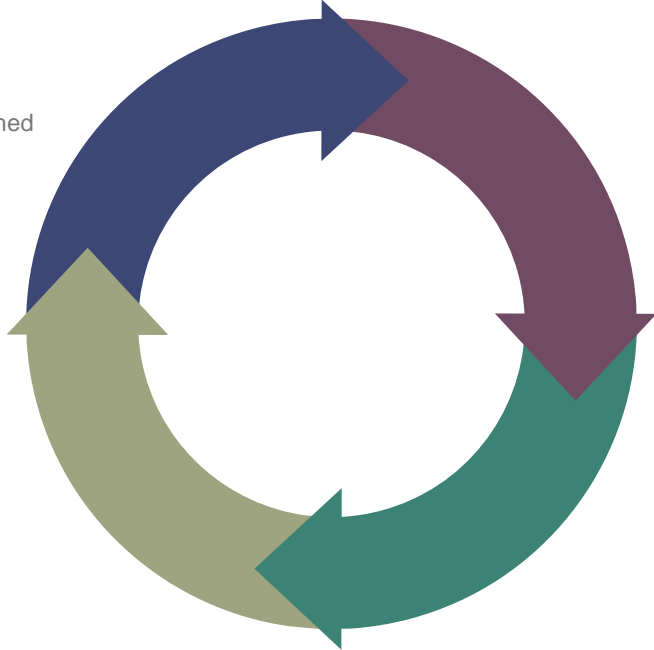
3. Audit scope, approach and timeline

Planning - February

- Planning visit and developing our understanding of the Authority
- Initial opinion and value for money risk assessments
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Preliminary analytical review

Interim - February to March

- Documenting systems and controls
- Performing walkthroughs
- Interim controls testing including tests of IT general controls
- Early substantive testing of transactions
- Reassessment of audit plan and revision if necessary



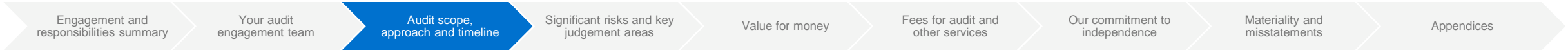
Fieldwork - June to July

- Receiving and reviewing draft financial statements
- Reassessment of audit plan and revision if necessary
- Executing the strategy starting with significant risks and high risk areas
- Communicating progress and issues
- Clearance meeting

Completion - September

- Final review and disclosure checklist of financial statements
- Final Engagement Lead review
- Agreeing content of letter of representation
- Reporting to the Governance and Audit Committee
- Reviewing subsequent events
- Signing the auditor's report

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3. Audit scope, approach and timeline

Management’s and our experts

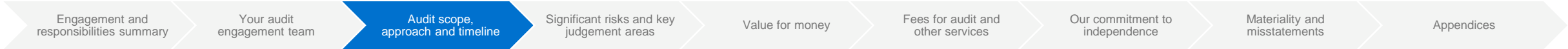
Management makes use of experts in specific areas when preparing the Authority’s financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of account	Management’s expert	Our expert
Defined benefit liability	AON Hewitt	PwC, consulting actuary, on behalf of National Audit Office
Property, plant and equipment valuation	Lambert Smith Hampton (LSH)	We will take into account relevant information which is available from third parties.
Financial instrument disclosures	Link Asset Services	We will review Link Asset Services' methodology to gain assurance that the fair value disclosures of the Authority's financial assets and liabilities are materially correct.

Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Authority that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. The table below summarises the service organisations used by the Authority and our planned audit approach.

Items of account	Service organisation	Audit approach
Treasury management (affecting bank balances, investments and borrowing)	Leeds City Council	Sufficient appropriate audit evidence will be obtained from direct confirmations requested from third parties.



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Section 04:

Significant risks and other key judgement areas

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4. Significant risks and other key judgement areas

Following the risk assessment approach discussed in section 3 of this document, we have identified relevant risks to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given below:

Significant risk

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity's controls, including control activities relevant to that risk.

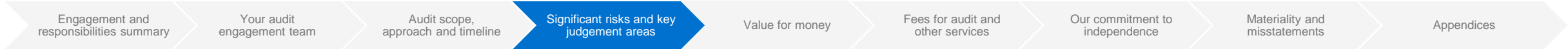
Enhanced risk

An enhanced risk is an area of higher assessed risk of material misstatement ('RMM') at audit assertion level other than a significant risk. Enhanced risks require additional consideration but does not rise to the level of a significant risk, these include but may not be limited to:

- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

Standard risk

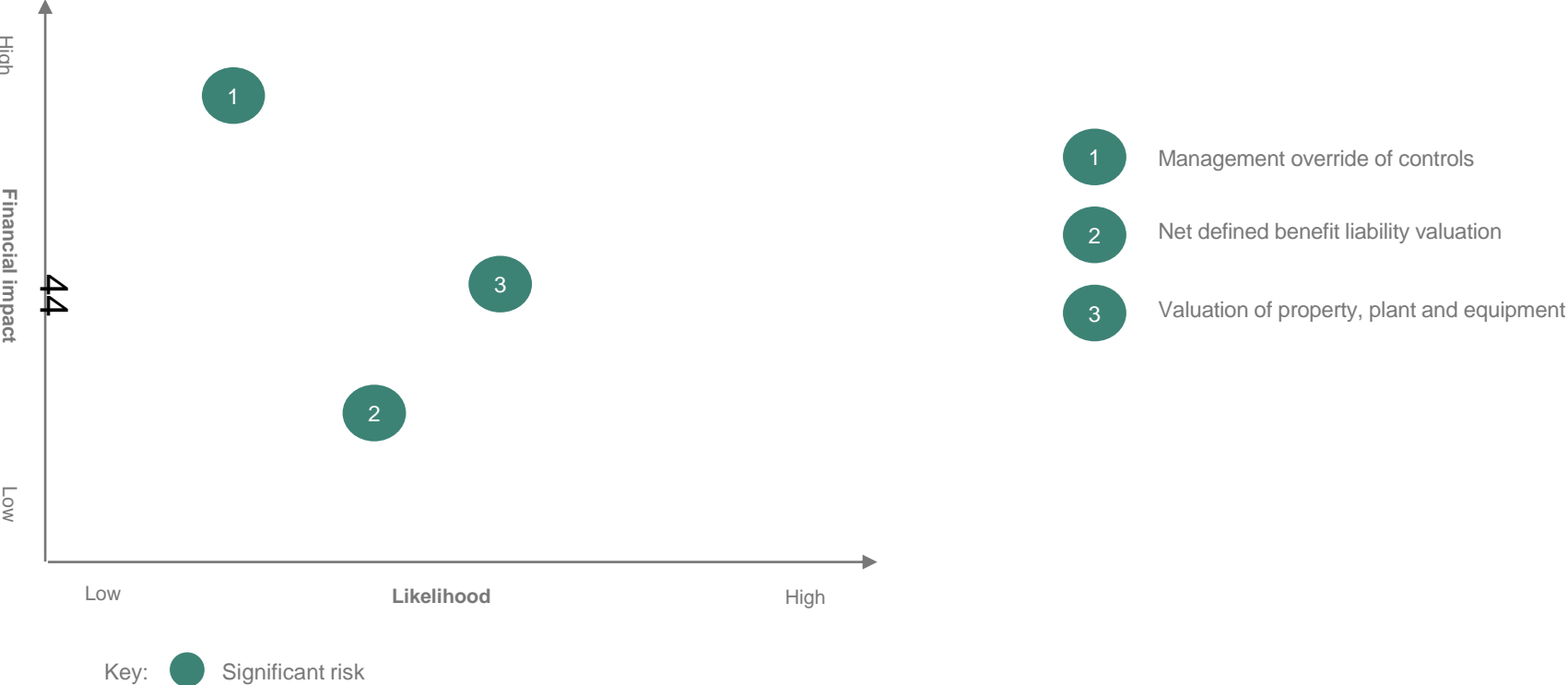
This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement (RMM), there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.



4. Significant risks and other key judgement areas

Summary risk assessment

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant and other enhanced risks in respect of the Authority. We have summarised our audit response to these risks on the next page.



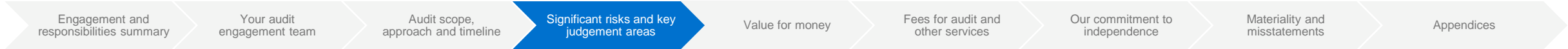
4. Significant risks and other key judgement areas

Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and also our testing approach with respect to significant risks. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to Governance and Audit Committee.

Significant risks

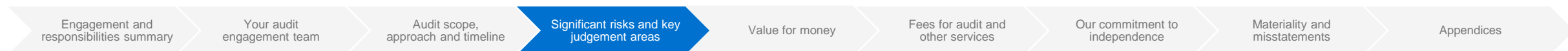
	Description	Fraud	Error	Judgement	Planned response
1 45	<p>Management override of controls This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	●	○	○	We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.



4. Significant risks and other key judgement areas

Significant risks

	Description	Fraud	Error	Judgement	Planned response
2	<p>Valuation of property, plant and equipment Land, buildings and infrastructure are the Authority's highest value assets accounting for £52.8 million of the Authority's £74.5 millions Property, Plant and Equipment balance in 2019-20.</p> <p>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.</p> <p>Management engages LSH as an expert to assist in determining the fair value of land and buildings to be included in the financial statements, however there remains a high degree of estimation uncertainty associated with the valuation of Property, Plant and Equipment due to the significant judgements and number of variables involved.</p>	○	●	●	<p>We will evaluate the design and implementation of any controls which mitigate the risk. This includes liaising with management to update our understanding on the approach taken by the Authority in its valuation of land and buildings. We will:</p> <ul style="list-style-type: none"> • assess the scope and terms of engagement with the Valuer; • assess the competence, skills and objectivity of the Valuer; • assess how management use the Valuer's report to value land and buildings included in the financial statements; • test the accuracy of the data used in valuations; • challenge the Authority and Valuer's assumptions and judgements applied in the valuations; • review valuation methodology used, including the appropriateness of the valuation basis; • consider the reasonableness of the valuation by comparing the valuation output with market intelligence; and <p>In line with 2019/20 and the continuing Covid-19 pandemic, we will monitor the valuation approach and whether a material uncertainty disclosure will be required for 2020/21.</p>
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4. Significant risks and other key judgement areas

Significant risks

	Description	Fraud	Error	Judgement	Planned response
3	<p>Net defined benefit liability valuation The defined benefit liability relating to the Local Government pension scheme represents a significant balance on the Authority's balance sheet.</p>	○	●	●	<p>We plan to address the risk by:</p> <ul style="list-style-type: none"> critically assessing the competency, objectivity and independence of the West Yorkshire Pension Fund's Actuary, Aon Hewitt; liaising 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 will included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate; reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This will include comparing them to expected ranges, utilising information by the consulting actuary engaged by the National Audit Office; and agreeing 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 Council's financial statements. <p>In line with 2019/20 and the continuing Covid-19 pandemic, we will monitor the valuation approach and whether a material uncertainty disclosure will be required for 2020/21</p>
47	<p>The Authority uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.</p>				

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Section 05: **Value for Money**

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5. Value for Money

The framework for Value for Money work

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

The new Code of Audit Practice (the Code) has changed the way in which we report our findings in relation to Value for Money (VFM) arrangements from 2020/21. Whilst we are still required to be satisfied that the Authority has proper arrangements in place, we will now report by exception in our auditor’s report where we have identified significant weakness in those arrangements. This is a significant change to the requirements under the previous Code which required us to give a conclusion on the Authority’s arrangements as part of our auditor’s report.

Under the new Code, the key output of our work on VFM arrangements will be a commentary on those arrangements which will form part of the Auditor’s Annual Report.

Specified reporting criteria

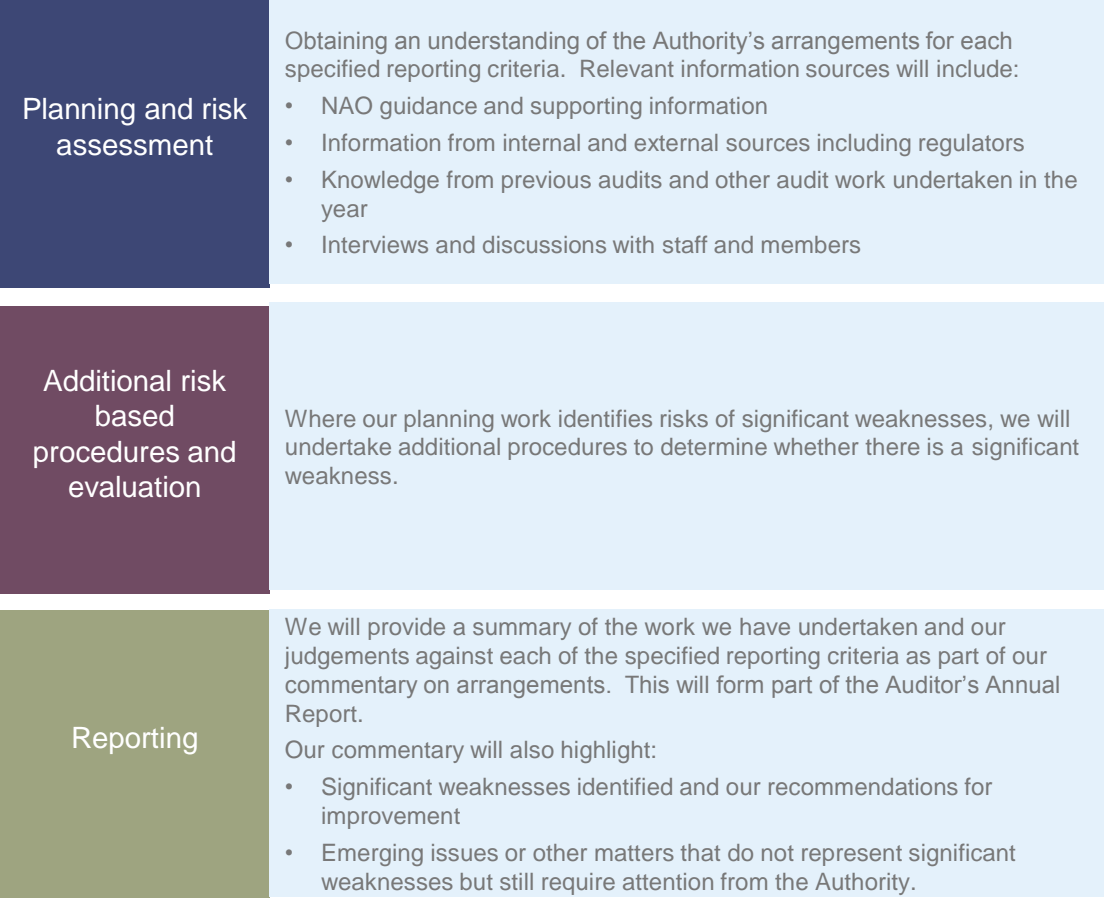
The Code requires us to structure our commentary to report under three specified criteria:

1. **Financial sustainability** – how the Authority plans and manages its resources to ensure it can continue to deliver its services
2. **Governance** – how the Authority ensures that it makes informed decisions and properly manages its risks
3. **Improving economy, efficiency and effectiveness** – how the Authority uses information about its costs and performance to improve the way it manages and delivers its services

Further details of the specified reporting criteria are provided on the following page.

Our approach

Our work falls into three primary phases as outlined opposite. We need to gather sufficient evidence to support our commentary on the Authority’s arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified we are required to report these to the Authority and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle and we are not expected to wait until issuing our overall commentary to do so.



5. Value for money conclusion

Under the 2020 Code, we are required to structure our commentary on the Authority's 'proper arrangements' under three specified reporting criteria, which are expanded in the supporting guidance notes produced by the National Audit Office:

Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services

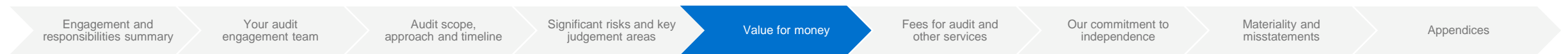
- how the Authority ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them
- how the Authority plans to bridge its funding gaps and identifies achievable savings
- how the Authority plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- how the Authority ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system
- how the Authority identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Governance: how the Authority ensures that it makes informed decisions and properly manages its risks, including

- how the Authority monitors and assesses risk and how the Authority gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- how the Authority approaches and carries out its annual budget setting process
- how the Authority ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed
- how the Authority ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- how the Authority monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).

Improving VFM: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services

- how financial and performance information has been used to assess performance to identify areas for improvement
- how the Authority evaluates the services it provides to assess performance and identify areas for improvement
- how the Authority ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve
- where the Authority commissions or procures services, how the Authority ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the Authority assesses whether it is realising the expected benefits.



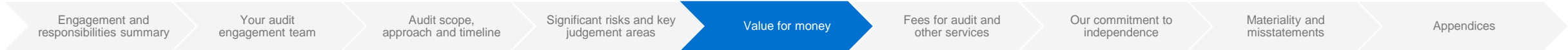
5. Value for Money

Identified risks of significant weaknesses in arrangements

The NAO's guidance requires us to carry out work at the planning stage to understand the Authority's arrangements and to identify risks that significant weaknesses in arrangements may exist.

Due to the late release of the NAO's Auditor Guidance Note and supporting information to auditors, we have not yet fully completed our planning and risk assessment work. On completion of our risk assessment, we will report any identified risks of significant weaknesses in arrangements to the Governance and Audit Committee.

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Section 06:

Fees for audit and other services

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6. Fees for audit and other services

Fees for work as the Authority's appointed auditor

Details of the 2019/20 Actual and 2020/21 Audit fees in line with PSAA and other reporting mechanisms are set out below:

Area of work	2020/21 Proposed Fee	2019/20 Actual Fee
Code Audit Work	25,964	25,964
Fee variations for additional work:		
<ul style="list-style-type: none"> consideration of the impact of McCloud and Goodwin legal cases on the pension liability; and Additional testing on Property, Plant & Equipment and Defined Benefit Pensions Schemes as a result of changes in regulatory expectations¹ 	TBC ¹	3,000
Additional testing as a result of the implementation of new auditing standards: ISA 540 (Revised): Auditing accounting estimates and related disclosures; ISA570 (Revised) Going Concern ²	TBC ²	-
Additional costs in relation to the change in the Code of Audit Practice ³	TBC ³	-
Total	25,964	28,964

¹ As previously reported, the fee for 2019-20 was adjusted to take into account the additional work required as a result of increased regulatory expectations and for the specific work detailed in the table. We expect to complete additional work in these areas as part of the 2020-21 audit also.

² For 2020/21, new auditing standards have been introduced incurring additional time and audit work not reflected in the scale fee. Additional testing as a result of the implementation of IFRS 16 Leases is deferred to the financial year 2021/22.

³ As explained in section 5, the revised Code of Audit Practice results in a substantial amount of additional audit work to support the value for money commentary and the changes in reporting requirements, requiring additional time and input from the senior members of the team. Our review of the Code and supporting guidance notes shows that the additional fee impact at all public sector entities is expected to be circa £10,000. The final fee will take into account the extent, and complexity of, any significant weaknesses in arrangements to review and report upon.

All additional fees will be agreed with the Authority and approved by the PSAA.

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Section 07:

Our commitment to independence

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7. Our commitment to independence

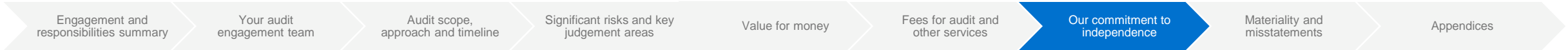
We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually in writing that we comply with the FRC's Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- All partners and staff are required to complete an annual independence declaration;
- ~~6~~ ⁵ new partners and staff are required to complete an independence confirmation and also complete computer based ethical training;
- Rotation policies covering audit engagement partners and other key members of the audit team; and
- Use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Mark Dalton in the first instance.



08

Section 08:

Materiality and other misstatements

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8. Materiality and misstatements

Summary of initial materiality thresholds

Threshold	Initial threshold £'000s
Overall materiality	5,500
Performance materiality	4,400
Triviality threshold	165
Specific materiality - senior officer remuneration (including exit packages)	5
Specific materiality – member allowances	5
Specific materiality – related party transactions	50

Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole.

Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- Have a reasonable knowledge of business, economic activities and accounts;
- Have a willingness to study the information in the financial statements with reasonable diligence;
- Understand that financial statements are prepared, presented and audited to levels of materiality;
- Recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- Will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

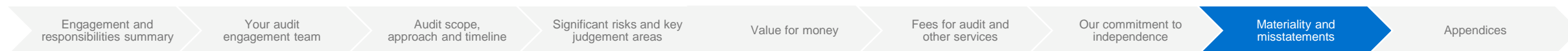
Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Our provisional materiality is set based on a benchmark of gross expenditure . We will identify a figure for materiality but identify separate levels for procedures design to detect individual errors, and also a level above which all identified errors will be reported to Governance and Audit Committee.

We consider that the gross expenditure remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.



8. Materiality and misstatements

Materiality (continued)

We expect to set a materiality threshold at around 2% of gross expenditure. Based on the 2019-20 audited financial statements we anticipate the overall materiality for the year ending 31 March 2021 to be in the region of £5.5 million.

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Our initial assessment of performance materiality is based on low inherent risk, meaning that we have applied 80% of overall materiality as performance materiality.

Misstatements

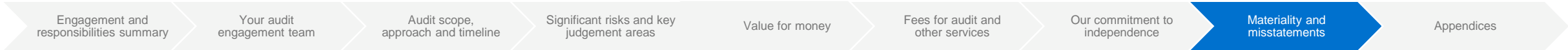
We accumulate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to Governance and Audit Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements.

Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £0.165 million based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Mark Dalton.

Reporting to Governance and Audit Committee

The following three types of audit differences will be presented to Governance and Audit Committee:

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).





Appendix: Key communication points

Appendix: Key communication points

We value communication with Those Charged With Governance as a two way feedback process at the heart of our client service commitment. ISA 260 (UK) 'Communication with Those Charged with Governance' and ISA 265 (UK) 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Form, timing and content of our communications

We will present the following reports:

- Our Audit Strategy Memorandum;
- Our Audit Completion Report; and
- Auditor's Annual Report

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

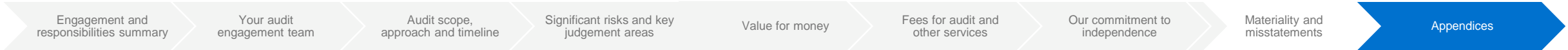
Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;

- Our commitment to independence;
- Responsibilities for preventing and detecting errors;
- Materiality and misstatements; and
- Fees for audit and other services.

Key communication points at the completion stage to be included in our Audit Completion Report

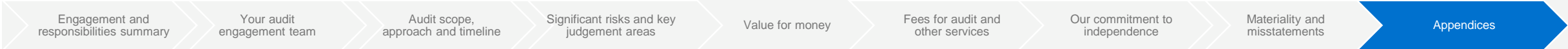
- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.



Appendix: Key communication points

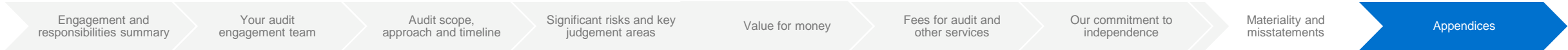
ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
<p>With respect to misstatements:</p> <ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion; • The effect of uncorrected misstatements related to prior periods; • A request that any uncorrected misstatement is corrected; and • In writing, corrected misstatements that are significant. 	Audit Completion Report
<p>With respect to fraud communications:</p> <ul style="list-style-type: none"> • Enquiries of the Governance and Audit Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity; • Any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • A discussion of any other matters related to fraud. 	Audit Completion Report and discussion at Governance and Audit Committee, Audit Planning and Clearance meetings



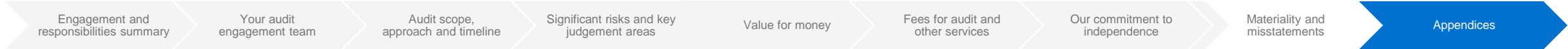
Appendix: Key communication points

Required communication	Where addressed
Significant matters arising during the audit in connection with the entity’s related parties including, when applicable: <ul style="list-style-type: none"> • Non-disclosure by management; • Inappropriate authorisation and approval of transactions; • Disagreement over disclosures; • Non-compliance with laws and regulations; and • Difficulty in identifying the party that ultimately controls the entity. 	Audit Completion Report
Significant findings from the audit including: <ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • Significant difficulties, if any, encountered during the audit; • Significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; • Written representations that we are seeking; • Expected modifications to the audit report; and • Other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to Governance and Audit Committee in the context of fulfilling their responsibilities. 	Audit Completion Report
Significant deficiencies in internal controls identified during the audit.	Audit Completion Report
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report



Appendix: Key communication points

Required communication	Where addressed
<p>Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of Governance and Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that Governance and Audit Committee may be aware of.</p>	<p>Audit Completion Report and Governance and Audit Committee meetings</p>
<p>With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty; • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and • The adequacy of related disclosures in the financial statements. 	<p>Audit Completion Report</p>
<p>Reporting on the valuation methods applied to the various items in the annual financial statements including any impact of changes of such methods</p>	<p>Audit Completion Report</p>
<p>Indication of whether all requested explanations and documents were provided by the entity</p>	<p>Audit Completion Report</p>



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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

Report to: Governance and Audit Committee

Date: 18 March 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 remain robust and continue to be 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. Enhanced dashboard reporting from the Health and Safety Committee to the Regulatory and Compliance Board will commence in April.

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 14/1/2021 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. The February meeting of the Combined Authority approved the treasury management strategy that was considered by this Committee at its last meeting.

Key indicators

- 2.6 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.
- 2.7 No further RIDDOR incidents have been reported since the previous meeting, leaving the total for the year at two.
- 2.8 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

- 2.9 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 and other managed savings achieved.
- 2.10 As at November 2020 the forecasted deficit was £3 million, but this situation has been improved through the successful representation to government for a support grant of £650k relating to lost income on sales, fees and charges for the period April to July 2020. Further bids will be submitted for the remainder of the year and a prudent estimate of a further £500k is expected. In addition, following a review of patronage data and application of government guidance regarding concessionary fare reimbursement to operators, further savings are forecast to be made with a current prudent estimate of £1.25 million expected. During the year other savings have been made across the other directorate budgets, such as managing staff vacancies and savings in supplies and services. These cost savings will be kept under regular review and the aim remains to achieve a balanced outturn as at 31 March 2021. On this basis the general reserves would be retained at the current level of £8.1 million.

- 2.11 The final forecast position, as approved at the Combined Authority meeting of 4th February 2021, is set out in **Appendix 1**. This budget also includes, as previously approved, some use of gainshare to support the costs of transition to becoming a mayoral combined authority, including early election costs and legal and project resources.

Capital 2020/21

- 2.12 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.

Budget 2021/22

- 2.13 The revenue and indicative capital budgets were approved by the Combined Authority on 4th February 2021 and are attached at **Appendix 3 and 4** for information.
- 2.14 The way in which budget information is presented in these appendices is under review and work is underway on how to improve financial reporting information in light of the transition to a Mayoral authority. A future update on progress will come back to this Committee.

Gainshare – 2020/21 and 2021/22

- 2.15 As part of the devolution deal, and becoming a Mayoral authority, the Combined Authority will receive annual ‘gainshare’ funding of £38 million for the next thirty years which will be key to supporting the region in driving economic growth and prosperity within its communities. The gainshare is allocated in a 25% (capital) and 75% (revenue) split.
- 2.16 The use of gainshare from 2021/22 onwards will be directed through the Single Investment Fund, with decisions based on agreed priorities and subject to the assurance process. Ahead of these processes being fully developed and in place it was agreed to use the 2020/21 gainshare to support the work underway to become mayoral ready and to address urgent economic asks identified through the Economic Recovery Plan. Commitments have been made as follows:
- 2.17 For 2020/21 the £38m allocation has been applied / approved by the Combined Authority as follows:
- £3m - Funding for Mayoral preparations, including election costs
 - £9.5m - Capital funding ‘ring-fenced’ – initially for the TCF Programme
 - £13.5m - Covid recovery (Reboot and Employment hub projects)
 - £5m - Covid – to support local authority recovery plans
 - £7m - Agreed in principle to support entrepreneurship, net zero carbon project pipeline and healthtech programmes

2.18 For 2021/22, to date the following has been approved by the Combined Authority:

- £1.75m - Funding for Mayoral preparations, including election costs
- £9.5m - Capital funding 'ring-fenced' – initially for the TCF Programme

This leaves £26.75m to be allocated via the processes being established for management of the Single Investment Fund.

Risk management

2.19 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.

2.20 A summary of the headline strategic risks is included at **Appendix 5** to this report. Since the last reporting period work has been undertaken to ensure that specific risks associated with the transfer to the Mayoral Combined Authority model and the new functions that this brings, are appropriately reflected within the strategic risk summary. The Governance and Audit Committee are requested to provide any feedback on the updated risk summary.

2.21 In addition to the strategic risks relating to the transfer to the Mayoral model, the more detailed operational risks associated with this are being managed through the Combined Authority's MCA Ready programme. This programme was established in March 2020 and is overseeing all organisational preparations for the transfer to the new MCA model.

2.22 In terms of those risks associated with the response to the COVID-19 pandemic and the EU Exit, these continue to be managed through the Combined Authority's Gold command incident response structure.

3. Financial Implications

3.1 As set out in the report.

4. Legal Implications

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

5. Staffing Implications

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

6. External Consultees

6.1 No external consultations have been undertaken.

7. Recommendations

- 7.1 That the Committee consider the information contained in this report.
- 7.2 That the Committee provide any feedback on the updated strategic risk update as attached at Appendix 5.

8. Background Documents

None.

9. Appendices

Appendix 1 – Revenue budget spend 2020/21 (approved)

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

Appendix 3 – Revenue budget 2021/22 (approved)

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

Appendix 5 – Corporate risk register

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75.0%

West Yorkshire Combined Authority Revenue Budget 2020/21	Annual Budget £	December Actuals £	%	Notes / Commentary	RAG Rating	Forecast 31/3/2021 £
Employee Costs	27,296,771	18,341,207	67.2%	Reflects level of staffing vacancies during the year.		26,359,513
Indirect Employee Costs	1,359,584	908,275	66.8%	Spend to date - as expected due to timing of pension invoice.		1,459,083
Premises Costs	6,088,828	4,080,798	67.0%	Spend to date - as expected due to premises invoices paid in arrears		5,873,369
Supplies and Services	5,639,485	1,424,785	25.3%	Spend to date - lower than expected due to Covid 19 and invoices in arrears		6,235,990
ICT Related Costs	2,669,678	2,165,231	81.1%	Spend to date - as expected due to certain ICT costs paid in advance		2,695,573
Travel, Subsistence & Transport Costs	362,280	176,451	48.7%	Less staff travel due to Covid-19 plus also claims are in arrears		179,932
Tendered Services	25,435,452	23,065,247	90.7%	Spend in line with Government requirements during lockdown - though expecting additional costs due to Covid-19		30,359,000
Concessions	55,157,492	40,538,440	73.5%	Spend in line with Government requirements during lockdown		53,907,492
Prepaid Tickets Costs	35,800,000	6,202,675	17.3%	Mcard payment significantly reduced - Covid-19 - offset by Mcard sales ## below		13,000,000
Grants and Agency costs	2,247,352	1,239,588	55.2%	Spend as expected		3,431,150
Consultancy and Professional Services	3,344,578	1,941,152	58.0%	Spend as expected		3,994,809
Financing Charges	6,676,400	1,757,909	26.3%	Spend as expected - final figures accrued at the Year End		6,793,869
Total Expenditure	172,077,900	101,841,756	59.2%			154,289,779
Income - Transport	(11,786,000)	(3,783,735)	32.1%	Covid19 - Impact on bus station & bus services income		(10,526,594)
Funding - Grants	(13,705,145)	(6,594,475)	48.1%	Grants received as expected and additional support grants expected re Covid19		(20,930,830)
Enterprise Zone Receipts	(2,307,000)	(103,270)	4.5%	EZ receipts are expected - though will be received in arrears towards Year End		(2,306,999)
Interest Received	(1,386,000)	(217,745)	15.7%	Investment Interest in arrears - however expecting Covid19 impact on returns		(2,002,000)
Income - Operational	(1,754,011)	(757,389)	43.2%	As expected - revenue project claims in arrears		(2,883,437)
Capitalisation / Internal Recharges	(13,141,745)	(5,867,371)	44.6%	Income as expected (in arrears) - also offsets against some staff vacancy savings		(10,441,918)
Pre Paid Ticket Income	(35,800,000)	(6,202,675)	17.3%	Mcard sales significantly reduced - Covid-19 - offsets by payments ## above		(13,000,000)
Transport Levy	(92,198,000)	(69,148,500)	75.0%	Levy receipts as expected		(92,198,001)
Total Income	(172,077,900)	(92,675,159)	53.9%			(154,289,779)
Net Expenditure Total	(0)	9,166,597				0

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Capital Spend 2020/21

Appendix 2

Capital Programme Expenditure	Combined Authority Budget Forecast February 2021	Actual Quarter 3 2020/21	%
Growth Deal - Economic Development	£47,439,952	£22,904,582	48.3%
West Yorkshire plus Transport Fund	£80,273,172	£38,308,165	47.7%
Leeds Public Transport Investment Programme	£68,492,090	£28,570,572	41.7%
Transforming Cities Fund (inc. Tranche 1)	£12,325,731	£7,186,968	58.3%
Integrated Transport Block / Highways Maintenance / Challenge Fund	£66,223,502	£46,848,884	70.7%
Corporate Projects	£5,690,578	£3,614,641	63.5%
Broadband	£2,274,633	£85,135	3.7%
Land Release Fund & One Public Estate	£1,070,522	£151,529	14.2%
Low Emission Vehicles	£1,058,434	£0	0.0%
Getting Building Fund	£26,300,000	£47,149	0.2%
Brownfield Housing Fund	£600,000	£19,265	3.2%
Emergency Active Travel Fund (Capital and Revenue)	£2,513,000	£886,302	35.3%
Other (Clean Bus and ULEB)	£3,934,447	£3,685,574	93.7%
Total Capital Spend	£318,196,060	£152,308,766	47.9%

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West Yorkshire Combined Authority Revenue budget	Corporate £	Corporate Services £	Delivery £	Brownfield Housing £	Mayor's Office £	AEB £	Economic Services £	Policy, Strategy & Comms £	Transport Services £	Total Budget 2021/22 £
Employee Costs	416,379	4,915,519	6,398,038	0	500,000	149,211	4,480,733	6,140,798	6,264,953	29,265,632
Indirect Employee Costs	1,106,300	414,528	450	0	0	0	4,872	20,000	12,650	1,558,800
Premises Costs	0	0	0	0	0	0	0	0	6,253,329	6,253,329
Supplies and Services	384,100	80,450	500	0	1,000,000	0	1,948,770	681,336	768,801	4,863,957
ICT Related Costs	0	1,689,432	50,000	0	0	0	0	0	1,170,108	2,909,540
Travel, Subsistence & Transport Costs	78,000	163,550	12,106	0	0	0	25,450	14,800	32,690	326,596
Tendered Services	0	0	0	0	0	0	0	0	25,866,000	25,866,000
Concessions	0	0	0	0	0	0	0	0	53,750,000	53,750,000
Prepaid Tickets Costs	0	0	0	0	0	0	0	0	13,500,000	13,500,000
Grants and Agency costs	379,370	24,900	0	0	0	41,850,789	5,519,803	44,281	123,328	47,942,471
Consultancy and Professional Services	62,630	280,016	400,000	2,950,000	0	0	2,178,968	901,000	294,500	7,067,114
Financing Charges	6,806,000	0	0	0	0	0	0	0	158,657	6,964,657
Total Expenditure	9,232,779	7,568,395	6,861,094	2,950,000	1,500,000	42,000,000	14,158,595	7,802,215	108,195,016	200,268,096
Enterprise Zone Receipts	(3,202,886)	0	0	0	0	0	0	0	0	(3,202,886)
Interest Received	(818,000)	0	0	0	0	0	0	0	0	(818,000)
Cost Recovery	(300,000)	0	0	0	0	0	0	0	0	(300,000)
Miscellaneous & Other Income	0	0	0	0	0	0	(1,377,786)	(357,149)	(471,602)	(2,206,537)
Pre Paid Ticket Income	0	0	0	0	0	0	0	0	(13,500,000)	(13,500,000)
Concessions Income	0	0	0	0	0	0	0	0	(150,000)	(150,000)
Tenancy Income	0	0	0	0	0	0	0	0	(1,512,057)	(1,512,057)
Departure Fees Income	0	0	0	0	0	0	0	0	(1,464,007)	(1,464,007)
PPTx Recharge	0	0	0	0	0	0	0	(74,000)	(1,843,499)	(1,917,499)
Sales and Advertising Income	0	0	0	0	0	0	0	0	(935,500)	(935,500)
Parking Income	0	0	0	0	0	0	0	0	(48,500)	(48,500)
Education Income	0	0	0	0	0	0	0	0	(7,186,000)	(7,186,000)
Operating Income	(4,320,886)	0	0	0	0	0	(1,377,786)	(431,149)	(27,111,165)	(33,240,986)
Capitalisation	(2,700,000)	(876,753)	(6,851,738)	0	0	0	(47,986)	(684,948)	(89,915)	(11,251,341)
BSOG Grant	0	0	0	0	0	0	0	0	(2,063,000)	(2,063,000)
SRG Grant	(895,000)	0	0	0	0	0	0	0	0	(895,000)
LEP Specific Grants	(1,052,600)	0	0	0	0	0	0	0	0	(1,052,600)
Other Grants - Projects	0	0	0	0	0	0	(11,449,499)	(167,671)	0	(11,617,169)
Transport Levy	(92,198,000)	0	0	0	0	0	0	0	0	(92,198,000)
Funding - Legacy	(96,845,600)	(876,753)	(6,851,738)	0	0	0	(11,497,485)	(852,619)	(2,152,915)	(119,077,110)
Other Grants - Revenue (Gainshare)	(1,750,000)	0	0	0	0	0	0	0	0	(1,750,000)
Other Grants - Revenue (Capacity Fund)	(1,250,000)	0	0	0	0	0	0	0	0	(1,250,000)
Other Grants - Brownfield Housing	0	0	0	(2,950,000)	0	0	0	0	0	(2,950,000)
Other Grants - AEB	0	0	0	0	0	(42,000,000)	0	0	0	(42,000,000)
Funding - New (proposed)	(3,000,000)	0	0	(2,950,000)	0	(42,000,000)	0	0	0	(47,950,000)
Total Income & Funding	(104,166,486)	(876,753)	(6,851,738)	(2,950,000)	0	(42,000,000)	(12,875,271)	(1,283,768)	(29,264,080)	(200,268,096)
Net Expenditure Total	(94,933,706)	6,691,642	9,356	0	1,500,000	0	1,283,325	6,518,447	78,930,936	(0)

Above budget includes following savings to be achieved:

- Staff Vacancy Savings Target (1,200,000)
- Other savings - Transport Services (400,000)
- Other savings / capitalisation (500,000)

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<u>Capital Expenditure</u>	2020/21	2021/22	2022/23	2023/24
	£	£	£	£
Growth Deal - Economic Development	47,439,952	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	26,300,000	26,300,000	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)	3,934,447	38,500,000	0	0
A - Total Capital Spend	318,196,060	381,992,274	447,184,546	348,703,996

<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>
	(341,510,875)	(272,397,402)	(268,606,656)	(114,901,000)
	(23,314,814)	109,594,872	178,577,890	233,802,996

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Appendix 5 – Corporate Risk Summary

Corporate risk summary

		Probability	Impact	Mitigation summary	
79 Very high	CRR-SD1	<p>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.</p>	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	<p>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.</p>	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	<p>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).</p>	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	<p>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.</p>	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 • Updated 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 	
	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. 	
	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 	
NEW	There is a risk that there could be a loss in continuity of core OPCC services due to the transfer of the function into the Combined Authority and the transfer of PCC powers to the Mayoral Combined Authority	Possible 3	Critical 5	<ul style="list-style-type: none"> The Combined Authority, the OPCC and West Yorkshire Police are working in partnership to ensure all necessary arrangements are in place for the smooth transfer of policing and crime powers to the MCA Significant work undertaken to identify possible business continuity risks arising from the OPCC transfer and mitigations plans in place to address these. 	

		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-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
	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

			Probability	Impact	Mitigation summary
	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
	NEW	There is a risk that the 6 May local and mayoral elections may be postponed, (having significant implications on the programme relating to cost, timescales and legal matters) due to the impact of the Covid-19 pandemic and the national lockdown measures that are currently in place.	Possible 3	Serious 4	<ul style="list-style-type: none"> Guidance issued from Cabinet Office setting out a delivery plan for the election and provides assurances it will take place on 6 May as planned. Letter from LCC to government seeking assurances on this issue. Close monitoring of the situation underway and contingency planning to ensure we are prepared for this scenario. High level programme impact assessment undertaken.
82	NEW	There is a risk that the organisation is not fully prepared to exercise the new duties of the MCA once the Mayor comes into post, due to the limited timescales for the organisational preparations and the additional pressures caused by the Covid pandemic during the preparatory period	Unlikely 2	Critical 5	<ul style="list-style-type: none"> The MCA ready programme has been in place since March 2020 to proactively manage organisational preparations Programme includes projects to prepare the organisation's governance, processes, people and systems for the mayoral model. Significant work undertaken on preparations for the transfer of the OPCC to ensure the Mayoral duties in respect of policing and crime can be exercised Arrangements being put in place for decision-making relating to new Non-Mayoral Functions. Proposals on this to be considered by the Combined Authority in March Initial proposal approved by Combined Authority on 4 February for changes to the organisational structure to better support the mayoral model



Report to: Governance and Audit Committee

Date: 18 March 2021

Subject: Mayoral Combined Authority preparations - governance

Director: Angela Taylor, Director of Corporate Services

Author: Caroline Allen, Head of Legal and Governance Services

1. Purpose of this report

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

2. Information

Background

- 2.1 On January 14, the Committee were updated on work under the Decision-making and Committee Arrangements workstream of the MCA Ready Programme. This report provides a further update. There is a separate item on this agenda focussing on the governance implications of the transfer of PCC Functions, as requested by the Committee at that meeting.
- 2.2 The West Yorkshire Combined Authority (Election of Mayor and Functions) Order 2021 has now been made, and provides for **new functions**, conferred in two phases:
- **Non-Mayoral Functions** (functions which are not the responsibility of the Mayor) which are now exercisable by the Combined Authority, and
 - **Mayoral Functions** (functions which are the responsibility of the Mayor) which include new Mayoral General Functions conferred by the 2021 Order and PCC Functions. These will be exercisable by the Mayor once in office.

Workstream 4 - Decision-making and Committee arrangements – general update

- 2.3 Further to the Order being made, the Head of Legal and Governance Services under delegated authority, and in consultation with the Chair of the Combined Authority, has now approved minor amendments to embed new statutory consent provisions relating to functions which are concurrent to Constituent Councils (the West Yorkshire councils) and for clarification. A protocol in respect of the exercise of concurrent functions and the statutory consents is also currently being agreed by Constituent Councils, and is scheduled to be considered by the Combined Authority at its April meeting.

New Constitution

- 2.4 The scale and complexity of the Combined Authority's governance arrangements will increase as an MCA. It is therefore proposed that the Combined Authority adopt a Constitution to provide a robust and integrated governance framework. For business continuity, this will incorporate and build on existing governance arrangements so far as possible, while also providing for decision-making in respect of the Mayor and the new functions conferred on the Combined Authority.
- 2.5 For consistency with partner councils and other combined authorities, and to aid transparency, it is proposed to have regard to a Local Government Association model constitution for councils. This will be adapted to address the underpinning legislation for the Combined Authority (which is different to that of our partner councils). Attached as Appendix 1 to this report is an indicative outline for the Combined Authority's new Constitution, which includes Articles to set out the underpinning legal framework and provide a mechanism for signposting readers towards relevant aspects in different parts of the Constitution. The Constitution will be updated as the Combined Authority matures and evolves. It should be informative and useful for anyone who engages with the Combined Authority, and in plain English as far as the technicalities allow. It will be published on the Combined Authority's website.
- 2.6 Some elements of the revised decision-making arrangements must be in place for the start of the Mayor's term of office, while others are for the Mayor to decide (for example, the Mayor's delegation arrangements). The latter can therefore only be approved once the Mayor is in office.
- 2.7 To meet these timescales and to maximise member engagement, a phased approach to considering and approving the Constitution is being followed as follows (and as indicated on Appendix 1):
- core documents relating to **Mayoral decision-making** in relation to Mayoral General Functions (that is, Mayoral Functions which are not PCC Functions) were considered by the Combined Authority at its **March meeting**.
 - other elements to be considered at the Combined Authority's **April meeting**, including
 - arrangements in relation to PCC Functions (see separate item on this agenda),
 - how Members and the public will hold the Mayor to account (currently being developed in conjunction with partner councils), and

- a revised Members' Code of Conduct (see the separate item on this agenda).
- **Post-election:** Mayor's confirmation of those arrangements which fall to the Mayor to decide.
- Whole Constitution to be confirmed at the **Annual Meeting** in June.

PCC arrangements

2.8 Governance arrangements in respect of PCC Functions are considered in a separate report on this agenda.

3. Financial Implications

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

4. Legal Implications

4.1 There is no legal requirement for a combined authority to adopt a Constitution.

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 The Governance and Audit Committee is asked to note the progress made to date in relation to preparations for the MCA's governance arrangements, and the proposed phased approach to ensuring that arrangements for the MCA will be fit for purpose once the Mayor is in office, as set out above.

8. Background Documents

None.

9. Appendices

Appendix 1 – indicative outline Constitution and timescales

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	Document	Decision By	Comes into effect
	Part 1 - Introduction	Annual Meeting	
	2.1 Article 1 - The Constitution	March CA	Mayor in office
	2.2 Article 2 - The Combined Authority	March CA	Mayor in office
	2.3 Article 3 - Membership of the Combined Authority	March CA	Mayor in office
	2.4 Article 4 - The Mayor	March CA	Mayor in office
	2.5 Article 5 - PCC Functions	April CA	Mayor in office
	2.6 Article 6 - Citizens and the Combined Authority	April CA	Mayor in office
	2.7 Article 7 - Ordinary committees of the Combined Authority	April CA	Mayor in office
Part 2 - Articles	2.8 Article 8 - Overview and Scrutiny	April CA	Mayor in office
	2.9 Article 9 - Audit and Ethical Arrangements	April CA	Mayor in office
	2.10 Article 10 The LEP	April CA	Mayor in office
	2.11 Article 11 - Joint Arrangements & Partnership working	April CA	Mayor in office
	2.12 Article 12 - Officers	April CA	Mayor in office
	2.13 Article 13 - Decision Making	April CA	Mayor in office
	2.14 Article 14 - Finance, Contracts and Legal Matters	April CA	Mayor in office
	Introduction - Section 3.1	March CA	Mayor in office
	Non-Mayoral Functions - overview, functions tables and reserved functions table	March CA	Mayor in office
	Overview and Scrutiny Committee TOR	April CA	Annual meeting
	Governance and Audit Committee TOR	April CA	Mayor in office
Part 3 - Responsibility for functions	Transport Committee/DCSC TOR	Annual Meeting	Annual meeting
	Transport Committee WGs TOR	Annual Meeting	Annual meeting
	Investment Committee/BIP TOR	Annual Meeting	Annual meeting
	Place Panel TOR	Annual Meeting	Annual meeting
	Inclusive Growth TOR	Annual Meeting	Annual meeting
	ESP TOR	Annual Meeting	Annual meeting

	GEP TOR	Annual Meeting	Annual meeting
	BIG TOR	Annual Meeting	Annual meeting
	LCR Partnership Committee TOR	Annual Meeting	Annual meeting
	Protocol on ESP role as skills advisory panel	Annual Meeting	Annual meeting
	Mayoral General Functions - overview and functions table	March CA	Mayor in office
	Mayoral General Functions Mayor's delegations to Members	The Mayor	Mayor in office
	Mayoral PCC Functions - overview	April CA	Mayor in office
	Mayor's Scheme of PCC Delegations - DMPCC/CC	The Mayor	Mayor in office
	Independent Audit and Ethical Standards Committee TOR - tbc	The Mayor	Mayor in office
	Officer Delegation Scheme - Non-Mayoral Functions	April CA	April meeting
	Officer Delegation Scheme - Mayoral Functions (non PCC)	The Mayor	Mayor in office
	Officer delegation Scheme - Mayoral PCC Functions	The Mayor	Mayor in office
	Protocol for Concurrent Functions	April CA	April meeting
Part 4 – Standing orders	Combined Authority Procedure Standing Orders	March CA	Mayor in office
	Interim Addendum to Standing Orders	April CA	Annual meeting
	Mayoral Decision-making Procedure Rules	March CA	Mayor in office
	Protocol for Remote Meetings	April CA	Annual meeting
	Access to Information Annex	March CA	Mayor in office
	Codes of Practice for Recording CA Meetings	Annual Meeting	Annual meeting
	Budget and Policy Rules	April CA	Mayor in office
	Scrutiny Standing Orders	April CA	Mayor in office
	Contract Standing Orders	April CA	Mayor in office
	Financial Regulations	April CA	Mayor in office
	Officer Employment Procedure Rules	April CA	Mayor in office

	LEP and CA recruitment and Appointment Procedure for Private Sector Representatives	April CA/LEP	Annual meeting
	Petitions Scheme	April CA	Annual meeting
Part 5 - Codes and Protocols	Code of Conduct for Members	April CA	Mayor in office
	Code of Conduct for Officers - CA	April CA	Mayor in office
	Code of Conduct for Officers - PCC Functions	April CA	Mayor in office
	Conflicts of Interest Policy	April CA	Mayor in office
	Conflicts of Interest Protocol - CA/LEP	April CA/LEP	Mayor in office
	Conflicts of Interest Protocol - AEB	Annual Meeting	Annual meeting
	Protocol for Member and Officer Relations	Annual Meeting	Annual meeting
	Monitoring Officer Protocol	Annual Meeting	Annual meeting
Part 6 - Members' Allowances	Combined Authority Members' Allowances Scheme - Mayor's allowance	March CA	Mayor in office
	CA Members - revised further to committee review (if needed)	TBC	Annual meeting
	CA Members - revised further to scrutiny review	April CA	Annual meeting
	Mayor's Allowances for DMPC	The Mayor	Mayor in office
Part 7 - Management Structure - officers	Structure chart, CA Officers	Annual Meeting	Annual meeting

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Report to: Governance and Audit Committee

Date: 18 March 2021

Subject: **PCC Governance Arrangements**

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

Author(s): Caroline Allen, Head of Legal and Governance Services

1. Purpose of this report

- 1.1. To provide information to the Committee on MCA readiness work in relation to the future arrangements for governance with regard to the Police and Crime Commissioner functions.

2. Information

Current Audit Committee Arrangements

- 2.1 The Combined Authority has an established Governance and Audit Committee appointed in accordance with Schedule 5A of the Local Democracy, Economic Development and Construction Act 2009. The Committee is responsible for overseeing the effective operation of the systems of governance, risk management, internal control (including internal audit) and treasury management and has the responsibility for approving the annual accounts.
- 2.2 The current equivalent arrangements for policing are via the Joint Independent Audit and Ethics Committee (JIAEC). This was established in accordance with the Financial Management Code of Practice (FMCP) which is guidance issued by the Home Office. This guidance specifies that the PCC and Chief Constable should establish an independent audit committee and it is recommended that this is a combined body which will consider the internal and external audit reports of both the PCC and Chief Constable.
- 2.3 In November 2012, the West Yorkshire PCC first approved the establishment of a Joint Independent Audit Committee with membership appointed from the then Police Authority & Standards Committee. The Statement of Purpose of this Committee provided that it would, "Provide independent assurance on the adequacy of the risk management framework and the associated control environment, independent scrutiny of processes in order to get reassurances regarding the organisations financial and non-financial performance to the extent that it affects exposure to risk and weakens the control environment, and to oversee the financial reporting process."

- 2.4 Following a review of the operation of the Committee in April 2016, the PCC approved the establishment of a Joint Independent Audit and Ethics Committee. The ethics element of the Committee was put in place to assist the Monitoring Officer to discharge their statutory responsibilities under s5 of the Local Government and Housing Act 1989, as amended by the Police Reform and Social Responsibility Act 2011. The Statement of Purpose of this element of the Committee is, "To provide independent assurance to the PCC and Chief Constable that ethics and integrity are embedded within West Yorkshire Police and the Office of the Police and Crime Commissioner and to scrutinise the ethical governance and complaints arrangements in order to ensure that issues are being handled expeditiously and following due process."
- 2.5 Governance and Audit Committee is advised that the current JIAEC will continue to operate after the transfer of policing functions, as its core purpose and function are still required. It will be necessary to review some of the practical arrangements, including the terms of reference and introducing a reporting line across to the Combined Authority/Mayor and work will continue with the Office of the Police and Crime Commissioner and West Yorkshire Police to progress this. The OPCC and West Yorkshire Police support this position.

Internal Audit Arrangements

- 2.6 In terms of internal audit arrangements, all relevant authorities must have regard to regulation 6 of the Accounts and Audit Regulations 2015. This regulation states that, "A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards and guidance." The standard referred to is the Public Sector Internal Audit Standards (PSIAS) issued by the Chartered Institute of Public finance and Accountancy (CIPFA). The guidance is contained in the FMCP and recommends that the PCC and Chief Constable should look to minimise duplication and bureaucracy and to maximise value for money when designing their internal audit arrangements so are recommended to have a shared internal audit service covering both bodies.
- 2.7 The Local Audit and Accountability Act 2014, Schedule 2, provides a list of relevant authorities which does include a Combined Authority, PCC and Chief Constable but modifications to the Act made by the Order excludes the PCC. The implication of this modification is that the Mayor with policing and crime functions does not come within the remit of a relevant authority therefore is not a decision maker in relation to the audit (internal and external) function arrangements.
- 2.8 A recent review of the internal audit arrangements provided to the PCC and West Yorkshire Police (WYP), which was instigated as part of the workforce workstream associated with the Mayoral Combined Authority (MCA) Ready Programme, considered whether the Internal Audit Team which was employed at that time by the PCC but providing a shared service arrangement to both bodies should transfer to the Combined Authority. It was noted that significantly more internal audit work was carried out for WYP than the PCC so on this basis it would not be appropriate at this stage for the Internal Audit Team to come

within scope to transfer. Recognising the balance of work that was provided by the Internal Audit Team, the staff transferred to WYP on 1st January 2021.

- 2.9 Work is underway to put in place a Service Level Agreement with WYP for the internal audit work that may be required to be undertaken in relation to the Mayor's PCC functions.

External Audit Arrangements and Approval of Accounts

- 2.10 The West Yorkshire Combined Authority (Election of Mayor and Functions) Order 2021 specifies that after the transfer made by the Order, the Combined Authority in respect of the police and crime commissioner's accounts and the Chief Constable is required to prepare a statement of accounts for the period 1st April 2020 to 9th May 2021. It should be noted that the Chief Constable is a 'corporation sole' and produces annual accounts therefore in their own right, and these are then consolidated into group accounts with those of the PCC.
- 2.11 Under the delegated authority arrangements as set out in the current governance arrangements, the Combined Authority has delegated approval of the statement of accounts to the Governance and Audit Committee. It is proposed that this arrangement will continue.
- 2.12 The accounts for WYP, for which the Chief Constable is a separate legal entity, will continue to be audited and approved separately and will, from 2021/22, then be incorporated into the Mayoral Combined Authority accounts to produce a Consolidated Group account which is approved through the usual delegated route in the Combined Authority. The Mayoral Combined Authority accounts must show the Police Fund (the PCC and WYP) separately.
- 2.13 Presently, the JIAEC makes a recommendation for approval to the PCC and Chief Constable after considering the draft statements of account. JIAEC will continue to consider the draft accounts for WYP and make a recommendation to the Chief Constable who will approve the accounts for the WYP. The JIAEC will also provide an annual report to the Combined Authority's Governance and Audit Committee for them to consider as part of their process of considering and approving the consolidated Combined Authority accounts.
- 2.14 In terms of external audit, the FMCP provides guidance on the appointment of external auditors. Under the Local Audit and Accountability Act 2014, a relevant authority may appoint their own auditor taking advice from an auditor panel or may opt into the national auditor appointment arrangements managed by the Public Sector Audit Appointments (PSAA). Schedule 3, section 2(2) of the 2014 Act states that, "the chief constable must not appoint a local auditor to audit the accounts", section 2(3) further states that "the accounts (of the chief constable) must be audited by the local auditor appointed by the police and crime commissioner for the area to audit the commissioners accounts for the financial year". Whilst the position is not as clear as it could be at the point the Mayor takes office, the legislation which is also supported by the FMCP indicates that the Chief Constable's accounts should be audited by the Combined Authority's external auditors.

- 2.15 External auditor appointments are made by Public Sector Auditor Appointments Ltd (PSAA). Mazars are under contract to audit West Yorkshire Combined Authority for a further three years. PSAA is consulting with the PCC and West Yorkshire Police to determine whether there should be a change to their external audit arrangements.

Next Steps

- 2.16 There is synergy with the role performed by the JIAEC and the Governance and Audit Committee of the Combined Authority. As part of the wider work underway to prepare for the arrival of the mayor all committee terms of reference are being reviewed for consideration at the annual meeting in June. This provides an opportunity to revise the terms of reference of these Committees to enable an annual report to be considered and approved in terms of the accounts and audit function undertaken on behalf of the PCC element of the Mayor's accounts and the Chief Constable.
- 2.17 It is proposed that further work continues as the operational implications of the Order are fully understood, to enable a joint review to be undertaken later this year to assess the most constructive way to ensure efficient and effective overview of the governance matters currently undertaken by both Committees.

3. Financial implications

- 3.1 None arising directly from this report.

4. Legal implications

- 4.1 As set out in the report.

5 Staffing implications

- 5.1 None arising directly from this report.

6. External Consultees

- 6.1 No external consultations have been undertaken.

7. Recommendations

- 7.1 That the Committee note the current arrangements in place with regard to governance of the policing functions and the immediate and longer term work underway to ensure these can continue effectively after the transfer of PCC functions in May.

8. Background Documents

None.



Report to: Governance and Audit Committee

Date: 18 March 2021

Subject: Ethical Standards for MCA

Director: Angela Taylor, Director of Corporate Services

Author: Caroline Allen, Head of Legal and Governance Services

1. Purpose of this report

- 1.1. To invite the Committee to review the attached draft Members' Code of Conduct, which reflects the Local Government Association's (LGA) new model code of conduct and proposes amendments to make the Code fit for purpose for the Mayor coming into office.
- 1.2. To ask that the Committee recommends that the Combined Authority adopt the proposed revised code, to be of effect when the Mayor comes into office.

2. Information

- 2.1. The Committee is aware that the purpose of a Code of Conduct for Members is to protect members, officers, the public and local government generally by setting out principles of conduct expected of all members. This helps create and maintain public confidence in the role of members and local government and promotes the seven principles of public life (the Nolan Principles).
- 2.2. In January 2019, the Committee on Standards in Public Life (CSPL) produced a report into ethical standards in local government accompanied by a series of best practice guidance and recommendations. The best practice guidance was reported to this Committee in July 2019, and some minor amendments consequently made by the Head of Legal and Governance Services to both the Code of Conduct and the Procedure for Considering Complaints.
- 2.3. The CSPL recommended that the LGA should create a model code of conduct which would operate nationally and across all tiers of local government. The LGA therefore produced a draft model which was the subject of extensive consultation during the summer of 2020. The draft was

revised to reflect the impact of the COVID-19 pandemic, and the resulting increased frequency of online communications. The LGA published the final model code in December 2020¹.

2.4. A key point to note is that the **underpinning legislation** in respect of conduct issues **remains unchanged**, and therefore the existing requirements in relation to disclosable pecuniary interests are not affected by the proposed changes.

2.5. The main differences between the model code and the Combined Authority's current Code of Conduct are:

- The creation of a **new category of registrable interest**, namely **personal interests**. These are not disclosable pecuniary interests; the criminal sanctions that apply to any failure to register disclosable pecuniary interests will not apply to personal interests,
- The model code explicitly applies to Members **giving the impression** that they are acting in their official capacity (the current Code only applies where a Member **is** acting in their official capacity),
- The model code expressly states that it applies to Members' activities in **all forms of communication**,
- There is an express requirement to **promote equality and not discriminate**,
- The obligation to not bring the role or the Combined Authority into **disrepute** has been reinstated,
- Explicit reference is now made to a **Member's use of position and resources**,
- Requirements to:
 - undertake code of conduct training,
 - co-operate in any investigation,
 - not intimidate anyone administering an investigation, and
 - comply with any sanction imposed upon a finding of a breach of the Codeare now explicitly included in the Code.

2.6. The election of a Mayor will also mean that for the first time, formal decisions will (in relation to Mayoral Functions) be taken by a Member (the Mayor) acting alone (as opposed to acting collectively as a member of the Combined Authority or a committee). The Mayor may also delegate some functions to individual members of the Combined Authority. Accordingly, the proposed Code of Conduct now reflects how an individual decision maker will promote the ethical standards and principles of conduct which apply to Members in meetings.

2.7. It is proposed to retain some aspects of the current Code which are not in the model Code, where these are considered to complement or add to the model Code, for example by referencing local protocols. The draft Code now proposed is set out in Appendix 1 to this report, and the new provisions

¹ <https://www.local.gov.uk/local-government-association-model-councillor-code-conduct-2020-0>

(that is, those for which the current Code has no directly similar or equivalent provision, and which are taken from the model Code) are highlighted in blue.

2.8. A separate report on this agenda outlines governance arrangements in relation to Police and Crime Commissioner (PCC) Functions. In relation to ethical standards, existing provisions applying to the PCC are modified by statute so that in relation to PCC Functions, complaints concerning the conduct of the Mayor or a Deputy Mayor for Policing and Crime who is member of the Combined Authority will be passed to the Combined Authority's Monitoring Officer to deal with under the Code of Conduct. The Monitoring Officer shall as soon as practicable inform the Police and Crime Panel of the outcome of the complaint. Serious complaints and conduct matters must be passed to the Director General of the Independent Office for Police and Conducts (IOPC). Minor technical modifications to the Code and/or complaints procedures may therefore be required in respect of conduct and complaints handling, and any interplay with the Police and Crime Panel, and these will be complete for the April meeting of the Combined Authority.

2.9. The Committee is invited to recommend that the Combined Authority adopt the revised Code of Conduct as set out at Appendix 1, at its April meeting, subject to any further modifications to reflect the transfer of PCC Functions to the Combined Authority, and to be of effect from the Mayor's term of office.

3. Financial implications

3.1. None arising directly from this report.

4. Legal implications

4.1. The Government has yet to issue its formal response to the CSPL review, and so there has been **no change** to the underlying legislation.

4.2. The principal statutory provisions relating to standards of conduct for Members remain those contained in the Localism Act 2011. Section 27(1) of the 2011 Act provides that authorities must promote and maintain high standards of conduct by Members and Co-opted Members of the authority.

4.3. Sections 27 and 28 of the Localism Act 2011 require an authority to adopt a Code of Conduct consistent with the Nolan principles of good governance and to appoint at least one Independent Person whose views must be sought and considered before the authority makes any decision about an alleged breach of the Code that has been investigated.

4.4. There is no obligation to adopt a particular model of the Code of Conduct. The statutory duty is to adopt a code of conduct which complies with the statutory requirements referred to in paragraph 4.3.

5. Staffing implications

5.1. None arising directly from this report.

6. External Consultees

6.1. Of our partner councils, it is understood that the majority are proceeding to adopt the LGA model or a variation thereof, given the changes provide helpful clarification and examples rather than substantive changes. Additionally, several other mayoral combined authorities have indicated their intention to adopt the same.

7. Recommendations

7.1. That the Committee recommend the Combined Authority adopts the attached Code of Conduct as drafted at Appendix 1, with effect from the 10 May 2021 when the Mayor comes into office, subject to any further amendments to reflect the transfer of PCC Functions to the Combined Authority.

8. Background Documents

None

9. Appendices

Appendix 1 –Draft Members' Code of Conduct.



West Yorkshire Combined Authority Members' Code of Conduct

This Code applies to Combined Authority Members and voting Co-opted Members¹ (together referred to as Members), in all aspects of public life.

The Combined Authority expects Members to follow this Code when:

- conducting the work of the Combined Authority,
- representing the Combined Authority on any external organisation, and
- otherwise acting in their official capacity.

The Code does not apply to purely private and personal life.

General principles of conduct

1. Everyone in public office at all levels, all who serve the public or deliver public services, including ministers, civil servants, Members and Combined Authority officers should uphold the Seven Principles of Public Life, also known as the Nolan Principles - see further Annex 1.
2. In accordance with the public trust placed in me, on all occasions:
 - I act with integrity and honesty,
 - I act lawfully,
 - I treat all persons fairly and with respect, and

¹ A voting co-opted member of the Combined Authority is a person who is not a Member of the Combined Authority, but who is:

- a member of any committee or sub-committee of the Combined Authority, or
- a member of, and represents the authority on, any joint committee or joint sub-committee of the Combined Authority and who is entitled to vote on any question that falls to be decided at any meeting of that committee or sub-committee.

This includes any voting private sector representative.

The Code also applies to any Substitute Member of a Combined Authority Member or voting Co-opted Member.

- I lead by example and act in a way that secures public confidence in my role as a Member.
3. In undertaking my role:
- I impartially exercise my responsibilities in the interests of the local community,
 - I do not improperly seek to confer an advantage or disadvantage on any person,
 - I avoid conflicts of interest,
 - I exercise reasonable care and diligence, and
 - I ensure that public resources are used prudently in accordance with the Combined Authority's requirements and in the public interest.

Application of the Code of Conduct

4. This Code of Conduct applies to you as soon as you are appointed as a Member². It continues to apply to you until you cease to be a Member.
5. This Code of Conduct applies to you when you are acting in your capacity as a Member which may include when:
- you misuse your position as a Member,
 - your actions would give the impression to a reasonable member of the public with knowledge of all the facts that you are acting as a Member.
6. The Code applies to all forms of communication and interaction, including:
- at face-to-face meetings,
 - at online or telephone meetings,
 - in written communication,
 - in verbal communication,
 - in non-verbal communication,
 - in electronic and social media communication, posts, statements and comments.
7. You are also expected to uphold high standards of conduct and show leadership at all times when acting in your official capacity.

² For the Mayor, the Code applies as soon as you are in office

8. Your Monitoring Officer has statutory responsibility for the implementation of the Code of Conduct, and you are encouraged to seek advice from your Monitoring Officer on any matters that may relate to the Code of Conduct.

Standards of conduct

9. This section sets out your obligations, which are the minimum standards of conduct required of you. Should your conduct fall short of these standards, a complaint may be made against you, which may result in action being taken.

10. Guidance is included (in the footnotes) to help explain the reasons for the obligations and how they should be followed.

*Respect*³

11. As a Member:

- I treat other Members and members of the public with respect.
- I treat Combined Authority officers and representatives of partner organisations with respect and respect the role they play.

*Bullying, harassment and discrimination*⁴

12. As a Member:

- I do not bully⁵ any person.

³ Respect means politeness and courtesy in behaviour, speech, and in the written word. Debate and having different views are all part of a healthy democracy. You can express, challenge, criticise and disagree with views, ideas, opinions and policies in a robust but civil manner. You should not, however, subject individuals, groups of people or organisations to personal attack. In your contact with the public, you should treat them politely and courteously. Rude and offensive behaviour lowers the public's expectations and confidence in Members in general and may amount to bullying or harassment. In return, you have a right to expect respectful behaviour from the public. If members of the public are being abusive, intimidatory or threatening you are entitled to stop any conversation or interaction in person or online and report them to the Combined Authority, the relevant social media provider or the police. This also applies to fellow Members, where action could then be taken under the Members' Code of Conduct, and Combined Authority officers, where concerns should be raised in line with the Combined Authority's Officers' Code of Conduct or any relevant Protocol.

⁴ You should not bully or harass any person working for the Combined Authority or otherwise coming into contact with it.

⁵ The Advisory, Conciliation and Arbitration Service (ACAS) characterises bullying as offensive, intimidating, malicious or insulting behaviour, an abuse or misuse of power through means that undermine, humiliate, denigrate or injure the recipient. Bullying might be a regular pattern of behaviour or a one-off incident, happen face-to-face, on social media, in emails or phone calls, happen in the workplace or at work social events and may not always be obvious or noticed by others.

- I do not harass⁶ any person.
- I promote equalities⁷ and do not discriminate unlawfully⁸ against any person.

*Impartiality of officers*⁹

13. As a Member:

- I do not compromise, or attempt to compromise, the impartiality of anyone who works for, or on behalf of, the Combined Authority.

*Confidentiality and access to information*¹⁰

14. As a Member:

- I do not disclose information:
 - a. given to me in confidence by anyone,
 - b. acquired by me which I believe, or ought reasonably to be aware, is of a confidential nature, unless:
 - i. I have received the consent of a person authorised to give it,
 - ii. I am required by law to do so,

⁶ The Protection from Harassment Act 1997 defines harassment as conduct that causes alarm or distress or puts people in fear of violence and must involve such conduct on at least two occasions. It can include repeated attempts to impose unwanted communications and contact upon a person in a manner that could be expected to cause distress or fear in any reasonable person.

⁷ The Equality Act 2010 places specific duties on local authorities, including combined authorities. Members have a central role to play in ensuring that equality issues are integral to the Combined Authority's performance and strategic aims, and that there is a strong vision and public commitment to equality across public services.

⁸ Unlawful discrimination is where someone is treated unfairly because of a protected characteristic. Protected characteristics are specific aspects of a person's identity defined by the Equality Act 2010. They are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

⁹ Officers work for the Combined Authority as a whole and must be politically neutral. They should not be coerced or persuaded to act in a way that would undermine their neutrality. You can question officers in order to understand, for example, their reasons for proposing to act in a particular way, or the content of a report that they have written. However, you must not try and force them to act differently, change their advice, or alter the content of that report, if doing so would prejudice their professional integrity.

¹⁰ Combined authorities must work openly and transparently, and their proceedings and printed materials are open to the public, except in certain legally defined circumstances. You should work on this basis, but there will be times when it is required by law that discussions, documents and other information relating to or held by the Combined Authority must be treated in a confidential manner. Examples include personal data relating to individuals or information relating to ongoing negotiations.

iii. the disclosure is made to a third party for the purpose of obtaining professional legal advice provided that the third party agrees not to disclose the information to any other person, or

iv. the disclosure is:

- reasonable and in the public interest, and
 - made in good faith and in compliance with the reasonable requirements of the Combined Authority, and
 - I have consulted the Monitoring Officer prior to its release.
-
- I do not improperly use knowledge gained solely as a result of my role as a Member for the advancement of myself, my friends, my family members, my employer or my business interests.
 - I do not prevent anyone from getting information that they are entitled to by law.

Disrepute¹¹

15. As a Member:

- I do not bring my role or the Combined Authority into disrepute.

Use of position¹²

16. As a Member:

- I do not use, or attempt to use, my position improperly to the advantage or disadvantage of myself or anyone else.

¹¹ As a Member, you are trusted to make decisions on behalf of your community and your actions and behaviour are subject to greater scrutiny than that of ordinary members of the public. You should be aware that your actions might have an adverse impact on you, other Members and/or the Combined Authority and may lower the public's confidence in your or the Combined Authority's ability to discharge your/it's functions. For example, behaviour that is considered dishonest and/or deceitful can bring the Combined Authority into disrepute.

You are able to hold the Combined Authority and fellow Members to account and are able to constructively challenge and express concern about decisions and processes undertaken by the Combined Authority whilst continuing to adhere to other aspects of this Code of Conduct.

¹² Your position as a Member provides you with certain opportunities, responsibilities, and privileges, and you make choices all the time that will impact others. However, you should not take advantage of these opportunities to further your own or others' private interests or to disadvantage anyone unfairly.

*Use of Combined Authority resources and facilities*¹³

17. As a Member:

- I do not misuse Combined Authority resources.
- I will, when using the resources of the Combined Authority, or authorising their use by others:
 - a. act in accordance with the Combined Authority's requirements, and
 - b. ensure that such resources are not used for political purposes unless that use could reasonably be regarded as likely to facilitate, or be conducive to, the discharge of the functions of the Combined Authority or of the office to which I have been elected or appointed.

*Complying with the Code of Conduct*¹⁴

18. As a Member:

- I undertake Code of Conduct training provided by the Combined Authority.
- I cooperate with any Code of Conduct investigation and/or determination.
- I do not intimidate or attempt to intimidate any person who is likely to be involved with the administration of any investigation or proceedings.
- I comply with any sanction imposed on me following a finding that I have breached the Code of Conduct.

*Interests*¹⁵

¹³ You may be provided with resources and facilities by the Combined Authority to assist you in carrying out your duties. Examples include office support, stationery, equipment such as phones and computers, transport, access and use of Combined Authority buildings and rooms. These are given to you to help you carry out your role as a Member more effectively and are not to be used for business or personal gain. They should be used in accordance with the purpose for which they have been provided and the Combined Authority's own policies regarding their use.

¹⁴ It is extremely important for you as a Member to demonstrate high standards, for you to have your actions open to scrutiny and for you not to undermine public trust in the Combined Authority or its governance.

All complaints alleging a failure to comply with this Code will be considered under the Procedure for dealing with Complaints agreed by the Combined Authority. If you do not understand or are concerned about the Combined Authority's processes in handling a complaint you should raise this with your Monitoring Officer. **Protect your reputation and the reputation of the Combined Authority.**

¹⁵ Section 29 of the Localism Act 2011 requires the Monitoring Officer to establish and maintain a register of Members' interests. **You need to register your interests so that the public, Combined**

19. As a Member:

- I register and disclose my interests in accordance with Annex 2.
- I comply with any Conflicts of Interest Policy or Protocol agreed by the Combined Authority¹⁶
- I disclose significant interests in accordance with this Code

Gifts and hospitality

20. As a Member:

- I do not accept gifts or hospitality, irrespective of estimated value, which could give rise to real or substantive personal gain or a reasonable suspicion of influence on my part to show favour from persons seeking to acquire, develop or do business with the Combined Authority or from persons who may apply to the

Authority officers and fellow Members know which of your interests might give rise to a conflict of interest.

The register is a public document that can be consulted when (or before) an issue arises. The register also protects you by allowing you to demonstrate openness and a willingness to be held accountable.

You are personally responsible for deciding whether or not you should disclose an interest in a meeting or otherwise making a decision on behalf of the Combined Authority.

It can be helpful for you to know early on if others think that a potential conflict might arise. It is also important that the public know about any interest that might have to be disclosed by you or other Members when making or taking part in decisions, so that decision making is seen by the public as open and honest. This helps to ensure that public confidence in the integrity of local governance is maintained.

If you are present at a meeting, or making a decision acting alone on behalf of the Combined Authority, and you are aware that you have any **significant interest** (that is an interest that is not a disclosable pecuniary interest or a registerable personal interest) in a matter, you may disclose the interest and must consider whether to continue participating in the matter.

You should comply with the Combined Authority's [Conflicts of Interest Policy and Protocols](#), including any requirement to notify the Monitoring Officer about, and avoid personal involvement with, any application to the LEP or the Combined Authority for any loan or grant in which you may have a conflict of interest.

You should note that failure to **register or disclose a disclosable pecuniary interest is a criminal offence** under the Localism Act 2011 – See further Annex 3.

Annex 2 sets out the detailed provisions on registering and disclosing interests. If in doubt, you should always seek advice from your Monitoring Officer.

¹⁶ The [Conflicts of Interest Protocol: Loans or grants to businesses](#) sets out the process which the LEP and the Combined Authority follow to demonstrate that applications from businesses for loans or grants are dealt with in an impartial, fair and transparent way, including where they are considered by officers. It provides an additional safeguard to minimise the risk of reputational damage from any perception of undue influence. The process requires additional scrutiny of any application where a potential conflict of interest arises.

Combined Authority for any permission, licence or other significant advantage.

- **I register with the Monitoring Officer any gift or hospitality with an estimated value of at least £50 within 28 days of its receipt.**
- **I register with the Monitoring Officer any significant gift or hospitality that I have been offered but have refused to accept.**
- **I follow the Combined Authority's Gifts and Hospitality Policy.¹⁷**

Annex 1 - The Seven Principles of Public Life

The principles are:

Selflessness

Holders of public office should act solely in terms of the public interest.

Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must disclose and resolve any interests and relationships.

Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

Honesty

Holders of public office should be truthful.

Leadership

¹⁷ The Combined Authority's Gifts and Hospitality Policy can be found at Annex 5.

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

Annex 2 – Interests

Registering Interests

1. The Monitoring Officer maintains a register of interests of Members, in accordance with statutory requirements¹⁸. The register is:-
 - available for inspection at the Combined Authority's offices, and
 - published on the Combined Authority's website.
2. You must notify the Monitoring Officer of pecuniary and other interests as set out below. The Monitoring Officer will enter them into the register of interests.

Disclosable Pecuniary Interests

3. A pecuniary interest is any interest of a description set out in the second column of Table 1 below.
4. A pecuniary interest is a **disclosable pecuniary interest** if it is a pecuniary interest and either:-
 - it is an interest of yours, or
 - it is an interest of any other relevant person, these being:-
 - your spouse or civil partner,
 - a person with whom you live as husband and wife, or
 - a person with whom you live as if you were civil partners,and you are aware that the other person has the interest.
5. You must notify the Monitoring Officer of:-
 - any disclosable pecuniary interests you have within 28 days of your appointment to the Combined Authority¹⁹ and
 - any changes to your disclosable pecuniary interests within 28 days of:-
 - the change occurring, or
 - you becoming aware of the change.

Personal Interests

6. You should also register details of your other personal interests which fall within the categories set out in **Table 2 (Personal Interests)**.

¹⁸ The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012

¹⁹ If you are re-appointed to the Combined Authority, you are required to notify the Monitoring Officer of any new disclosable pecuniary interests within 28 days of being re-appointed.

7. Where you have a personal interest in any business of the Combined Authority and you have made a decision in relation to that business, you must make sure that any written statement of that decision records the existence and nature of your interest.

Applications for any loan or grant

8. You should comply with the Combined Authority's Conflicts of Interest Protocol, including any requirement to notify the Monitoring Officer about, and avoid personal involvement with, any application to the LEP or the Combined Authority for any loan or grant in which you may have a conflict of interest.

Sensitive Interests

9. If you have an interest (whether or not a disclosable pecuniary interest or other registerable) which is entered in the register and which is such that you and the Monitoring Officer consider that disclosing the details of the interest could lead to you, or a person connected with you, to being subject to violence or intimidation, details of the interest must not be included in:-

- any published version of the register, nor
- any copy of the register that is made available for public inspection²⁰.

Disclosing Interests

10. If you are present at a meeting²¹ of the Combined Authority, or are acting alone on behalf of the Combined Authority²², and you are aware that you have an interest:

- If your interest is a **Disclosable Pecuniary Interest**, if you do not have a relevant dispensation²³ you may not:
 - participate, or participate further, in any discussion of or vote on the matter at the meeting, or
 - determine the matter if taking a decision alone.
- If your interest relates to one of your **Personal Interests** (as set out in Table 2), you:

- do not have to disclose the nature of any 'sensitive interest',

²⁰ The register may state that you have an interest, the details of which are withheld under section 32(2) of the Localism Act 2011.

²¹ Including any committee, sub-committee, joint committee or joint sub-committee of the Combined Authority.

²² Section 31(6) of the Localism Act 2011

²³ See paragraph 11 of Annex 2.

- must notify the Monitoring Officer of the interest before the end of 28 days beginning with the date of the disclosure if the interest is not the subject of a pending notification,
- at a meeting:
 - must disclose the interest,
 - may speak on the matter only if members of the public are also allowed to speak at the meeting,
 - must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation,
- if acting alone must not determine the matter.

If you have a **Significant Interest** (that is an interest which is neither a disclosable pecuniary interest or any other registerable interest) you:-

- may disclose the interest, and
- must consider whether to continue participating in or determining the matter²⁴.

Dispensations

11. The Combined Authority²⁵ may lift the restrictions under Paragraph 10 of this Annex by granting a dispensation in accordance with **Annex 4**.

Table 1: Pecuniary Interests

Subject	Description of Pecuniary Interests
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain.

²⁴ For example, when considering **applications for funding** you should disclose any a close connection to:

- any person (whether a family member or friend), or
- any outside body

who is a potential direct recipient or beneficiary of Combined Authority or LEP funding.

²⁵ or any committee or officer to whom this function may be delegated by the Combined Authority.

Sponsorship	Any payment or provision of any other financial benefit (other than from the Combined Authority) made or provided within the relevant period ²⁶ in respect of any expenses incurred by you in carrying out duties as a Member, or towards your election expenses. This includes any payment or financial benefit from a trade union. ²⁷
Contracts	Any contract which is made between you or a relevant person ²⁸ (or a body ²⁹ in which you or a relevant person has a beneficial interest ³⁰) and the Combined Authority:- (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged.
Land	Any beneficial interest in land ³¹ which is within the area of the Combined Authority
Licences	Any licence (alone or jointly with others) to occupy land in the area of the Combined Authority for a month or longer.
Corporate tenancies	Any tenancy where (to your knowledge):- (a) the landlord is the Combined Authority, and (b) the tenant is a body in which you or the relevant person have a beneficial interest ³² .
Securities	Any beneficial interest in securities ³³ of a body where:-

²⁶ The relevant period means the period of 12 months ending with the day on which you notify the Monitoring Officer under paragraph 5a) and paragraph 9b) of Annex 2.

²⁷ Within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.

²⁸ As defined in paragraph 4(b) of Annex 2.

²⁹ “body in which the relevant person has a beneficial interest” means:

- a firm in which you or a relevant person is a partner or
- a body corporate of which you or a relevant person is a director, or in the securities of which you or a relevant person has a beneficial interest.

“Director” includes a member of the committee of management of an industrial and provident society; “securities” means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

³⁰ A beneficial interest is the right to receive benefits on assets held by another party.

³¹ Land excludes an easement, servitude, interest or right in or over land which does not carry with it a right for the relevant person (alone or jointly with another) to occupy the land or to receive income.

³² See footnote 30 above.

³³ See footnote 29 above.

- (a) that body (to your knowledge) has a place of business or land in the area of the Combined Authority, and
- (b) either:
- (i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body, or
 - (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

Table 2: Personal Interests

You have a **personal interest** in any business of your authority where it relates to or is likely to affect:

- any body of which you are in general control or management and to which you are nominated or appointed by your authority,
- any body
- exercising functions of a public nature
- directed to charitable purposes or
- one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union).

Annex 3 - Summary of Criminal Offences and Sanctions³⁴

Offences

1. A person commits an offence if, without reasonable excuse, the person:-
 - (a) fails to:-
 - register any disclosable pecuniary interest³⁵, or
 - disclose a disclosable pecuniary interest not entered on the register³⁶, or
 - (b) participates in any discussion or vote, where they have a disclosable pecuniary interest.³⁷
2. A person commits an offence if when registering a disclosable pecuniary interest or disclosing an interest not entered on the register³⁸, the person provides information that is false or misleading and the person:-
 - (a) knows that the information is false or misleading, or
 - (b) is reckless as to whether the information is true and not misleading.

Sanctions

3. A person who is guilty of such offence may be fined up to £5000.
4. A court may also disqualify the person for up to five years for being or becoming (by election or otherwise) a Member or co-opted Member of the Combined Authority or any other relevant authority.

³⁴ Section 34 of the Localism Act 2011.

³⁵ Under Section 30(1) or Section 31(3) or (7) of the Localism Act 2011.

³⁶ Under Section 31(2) of the Localism Act 2011.

³⁷ In contravention of Section 31(4) of the Localism Act 2011.

³⁸ Under Section 30(1) or 31(2), (3) or (7) of the Localism Act 2011.

Annex 4 - Dispensations

Requests

1. The Combined Authority³⁹ will consider any requests for a dispensation.
2. Any request for a dispensation must be made in writing to the Monitoring Officer.
3. A request will not be granted unless it is made **not less than 10 clear days** before the date of the meeting to which the request relates, except where the Monitoring Officer considers that there are exceptional circumstances.

Period

4. A dispensation must specify the period for which a dispensation has effect, which must not exceed four years.

Criteria

5. The Combined Authority may grant you a dispensation only if having regard to all relevant circumstances the Combined Authority considers that:
 - without the dispensation, the number of Members prohibited from participating in any particular business would be so great a proportion of the Combined Authority⁴⁰ as to **impede the transaction of the business,**
 - without the dispensation, the **representation of different political groups** on the Combined Authority would be so upset as to alter the likely outcome of any vote on the matter,
 - the dispensation is in the **interests of persons living in the Combined Authority's area,** or
 - it is **otherwise appropriate** to grant a dispensation.
6. In determining whether to grant dispensation requests, the Combined Authority may consider:
 - whether the nature of the Member's interest is such that to allow the Member to participate would not damage public confidence in the conduct of the Combined Authority's business,

³⁹ Or any committee or officer to whom this function may be delegated by the Combined Authority.

⁴⁰ Or body transacting the business.

- whether the interest is common to the Member and a significant proportion of the general public,
- whether the participation of the Member in the business that the interest relates to is justified by a Member's particular role or expertise, and
- whether the interest is trivial or remote.

Annex 5 - Gifts and Hospitality Policy

In order to protect your position and the reputation of the Combined Authority, you should exercise caution in accepting any gifts or hospitality which are (or which you reasonably believe to be) offered to you because you are a Member.

The presumption should always be **not to accept** significant gifts or hospitality. However, there may be times when such a refusal may be difficult if it is seen as rudeness in which case you could accept it but must ensure it is publicly registered.

However, you do not need to register gifts and hospitality which are not related to your role as a Member, such as Christmas gifts from your friends and family. It is also important to note that it is appropriate to accept normal expenses and hospitality associated with your duties as a Member. If you are unsure, do contact your Monitoring Officer for guidance.

For the purpose of determining whether any gift or hospitality has a value of over £50, if the exact value is unknown, you should always err on the side of caution.

When deciding whether to register any gift below the £50 threshold, you should take into account the **cumulative total** of any gifts received from any single source over the previous 12 months.

You should:

- never actively seek or solicit any gift or hospitality.
- discourage third parties from offering any gift or hospitality to you.
- **treat expenses offered to you by any third party as a gift.**
- only accept a gift or hospitality from any third party in accordance with these principles, and where acceptance is of some benefit to the Combined Authority.

Never accept a gift or offer of hospitality which is any of the following:

- an inducement or reward for anything that you do as a Member – this is likely to constitute a criminal offence, from any donor seeking (or which may seek) a decision from (or business with) the LEP or the Combined Authority,
- in any circumstances which may give rise to a perceived or actual conflict of interest or undue influence,
- for any third party including any relative or friend of yours, except where the Head of Legal and Governance Services has confirmed in advance that that acceptance is unlikely to be perceived as giving rise to a conflict of interest,
- lavish or over-generous, nor
- where offers from the same donor are over-frequent.
- never accept any gifts of cash (or items of specific monetary value such as vouchers).