

INFORMAL CONSULTATIVE MEETING OF THE GOVERNANCE AND AUDIT COMMITTEE

**MEETING TO BE HELD AT 11.00 AM ON THURSDAY, 13 JANUARY
2022 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:

A handwritten signature consisting of the letters 'BAM' in a cursive style, with a horizontal line drawn underneath the letters.

**Managing Director
West Yorkshire Combined Authority**



**MINUTES OF THE MEETING OF THE
GOVERNANCE AND AUDIT COMMITTEE
HELD ON THURSDAY, 30 SEPTEMBER 2021 AT CITY EXCHANGE, 11
ALBION ST, LEEDS LS1 5ES**

Present:

Councillor Susan Hinchcliffe (Chair)	Bradford Council
Councillor Jane Scullion (Substitute)	Calderdale Council
Councillor Cathy Scott (Substitute)	Kirklees Council
Debbie Simpson	Independent Member
Mark Outterside (Auditor)	Mazars Auditors

In attendance:

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

12. Apologies for Absence

Apologies had been received from Councillor Swift, Councillor Pandor, Councillor Robinson, and Joanna Wardman.

13. Declarations of Disclosable Pecuniary Interests

There were no declarations of pecuniary interests at the meeting.

14. Exclusion of the Press and Public

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

15. Minutes of the Meeting of the Governance and Audit Committee held on 18 March

Resolved: That the minutes of the meeting of the Governance and Audit Committee held on 18 March be approved.

16. Notes of the Meeting of the Governance and Audit Committee held on 22 July

Resolved: That the notes of the meeting on 22 July be approved.

17. Internal Audit Progress Report

Members considered a report that set out progress against delivery of the current 2021-22 internal audit plan.

Work against the plan was underway and a review of natural flood management was attached as an appendix to the submitted report.

Members noted that several reviews were in progress. Health and safety, the second stage of procurement around the Adult Education Budget, as well as contract management were some of the audits to be report at future meetings.

Members noted the recruitment issues experienced by the internal audit team and the need to attract higher calibre candidates to match the increasing complexity of the work.

Members asked if supply chain resilience for transport services as well as risks associated with increase in construction costs would form a part of upcoming audits. It was noted that internal audit would remain agile in its approach to risks and audits throughout the year.

Resolved: That the report be noted

18. External Audit Progress Report

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

Members noted that the Public Sector Audit Appointments (PSAA) consultation and a summary of the consultation findings was attached at appendix 1.

Resolved: That the report be noted

19. Annual Accounts 2020/21

The Committee considered a report that presented the annual accounts for 2020/21 for approval.

The annual accounts were attached at appendix 1 to the submitted report and the audit completion report from Mazars was attached at appendix 3. Mark Outterside, from Mazars, was in attendance to present the external auditors view of the account and members noted that all outstanding items at the time of writing had since been completed. There had been one mis-stated account and minor disclosure errors, but none were significant.

It was noted that the external auditor's value for money conclusion could be issued up to 3 months after the accounts had been signed off.

Members thanked the officers and the external auditors for completing the annual accounts on time and to a good standard.

The Committee requested as further information on treasury management arrangements as well as on the audit arrangements for Office of the Police and Crime Commissioner.

Members questioned an outstanding transaction from Leeds City Council which matured in April. Officers would circulate a note following the meeting to members to clarify.

Resolved:

- (i) That the Treasury Management Statement be approved.
- (ii) That Mazars Audit Completion Report be noted.
- (iii) That the annual accounts for the year ended 31 March 2021 be approved.
- (iv) That the response to the external audit question to 'those charged with governance' be approved.

20. Compliance and Monitoring

The Committee considered a report which set out any changes to arrangements for internal controls since the last meeting.

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

Members noted that the Combined Authority at present had two sets of treasury management arrangements; the Office of Police and Crime Commissioner were administered by Wakefield Council while the Combined Authority's was administered by Leeds City Council. A fuller review was planned to ascertain whether all treasury management arrangements would benefit from being administered by a single party.

The Committee requested that the risk register and risk management strategy to be brought to a future meeting. Members also asked for a closer look at information flows within the organisation to ensure that the Governance and Audit Committee was sighted on any important issues escalating from office boards.

Resolved: That the report be noted.

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Report to: Governance and Audit Committee

Date: 13 January 2022

Subject: **Internal Audit Progress Report**

Director: Angela Taylor, Director, Corporate and Commercial Services

Author: Bron Baker, Head of Internal Audit

Is this a key decision?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information or appendices?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1:	
Are there implications for equality and diversity?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

1. Purpose of this report

- 1.1. To ask members to consider the contents of the report and supporting Appendix 1 detailing progress against delivery of the current 2021-22 internal audit plan.
- 1.2. To ask the Committee to consider and approve the draft Internal Audit Charter at Appendix 2.

2. Information

Audit Delivery for 2021/22

- 2.1 Work against the plan for 21/22 is progressing, however the work is experiencing some delays due to resource issues (see 2.3 below). Two reviews have been concluded since the last Committee meeting, a summary of which is in Appendix 1 to this paper. Both these reviews were rated as reasonable.
- 2.2 There are a number of reviews currently in progress, two on contract management (one of which is now out as a draft report), financial system

(creditors), Adult Education Budget (AEB) procurement, Climate Change follow up, Covid grant support (out in draft).

Recruitment

- 2.3 As previously reported, recruitment is still in progress at the moment in relation to AEB with an initial focus on a principal auditor role and now followed by further recruitment for two senior auditors. In terms of the rest of the team, one auditor has left and the temporary resource recruited only stayed with the team for a few weeks. Recruitment has been particularly difficult across all the posts with very few applicants applying for the roles and those applying proving to be unsuitable. The team is working closely with the HR Team and is considering the design of the team to ensure that we are appropriately structured for delivery now and in the future.

Internal Audit Charter

- 2.4 The Charter has been through its annual review in line with good practice and the draft is attached at Appendix 2 to this report. No changes have been made since the Charter was last presented to the Governance and Audit Committee in January 2021.

Fraud/ Whistleblowing/ Money Laundering

- 2.5 There has been one internal fraud referral notified to audit since the last report which is being dealt with as part of an HR investigation, but which is included in this update for reporting purposes, confirmed in the progress update at Appendix 1. Work is underway to improve our processes and awareness in relation to Anti Money Laundering as reported in Appendix 1.

3. Tackling the Climate Emergency Implications

- 3.1 The internal audit plan includes work in support of climate change activity.

4. Inclusive Growth Implications

- 4.1 The internal audit plan includes work in support of inclusive growth activities.

5. Equality and Diversity Implications

- 5.1 Individual audit assignments will include consideration of equality and diversity aspects.

6. Financial Implications

- 6.1 There are no financial implications directly arising from this report.

7. Legal Implications

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

8. Staffing Implications

8.1 As identified above, recruitment is underway and the design and structure of the team is currently being considered.

9. External Consultees

9.1 No external consultations have been undertaken.

10. Recommendations

10.1 That the Committee consider and note the internal audit progress to date.

10.2 That the Committee consider and approve the Audit Charter.

11. Background Documents

There are no background documents referenced in this report.

12. Appendices

Appendix 1 – Internal Audit Progress Report January 2022

Appendix 2 – Internal Audit Charter (draft)

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Appendix 1

Governance & Audit Committee Internal Audit Progress Report

January 2022

1. Key Headlines / Index

Top three issues –Transport, in particular bus partnerships/franchising and mass transit; delivery against Mayoral Pledges; Resource and recruitment.

Progress against 2021/22 Audit Plan and any planned changes – there are some proposed changes to the plan with one added piece of work in the Transport directorate related to controls around financial processes, and the removal of planned work on insolvency and SLAs/MOUs between directorates. It is also proposed that work on the new Commercial arrangements in the Economic Services Directorate is deferred until the next plan year as these changes are not yet in place. Plan progress is detailed at pages 7 – 10.

Outstanding actions- At page 11 a brief summary is provided of audit recommendations made since April 2020. A number of recommendations are overdue and Audit are currently working with Management to monitor implementation and agree revised implementation dates.

Feedback from clients –Page 12 details the feedback received from four auditees since the last Governance and Audit Committee report.

Performance Measure- Page 13 provides some details on our performance measures.

Proposed Areas for Inclusion in the 2022/23 Audit Plan – early external and internal horizon scanning to give some initial thought to areas that may require assurance for the next plan year, draft plan to be brought to the Audit Committee in March 2022 – see pages 14-15

2. Reports Issued/ Progress against Plan

Audit Report – Health and Safety

The Combined Authority has a legal obligation to ensure its employees and others are kept safe. This review sought to provide assurance that there were adequate systems and processes in place to manage and mitigate health and safety risks, incident reporting, associated claims, and the impact of COVID-19.

Internal Audit was able to provide an audit opinion of **REASONABLE** assurance. In giving this opinion Audit found that there were policies, adequate processes with a programme of training in place to support and guide employees.

The review highlighted areas to strengthen internal controls with recommendations that the health and safety team recommence site health and safety inspections, automating processes for routine health and safety checks and incidents/near misses to reduce the risk of errors and ensuring risk assessments are made available to all team members.

Audit also asked management to consider: reinstating the project to develop a health and safety mobile phone app which has been paused due to resourcing priorities; ensuring the Health and Safety committee had representation from across the Authority; and there was a process to review and update health and safety policies at regular intervals.

Audit Report – Contract Management (Mechanical and Electrical Maintenance Repairs)

Internal Audit reviewed the Mechanical and Electrical Maintenance Repair Services contract managed by Property Services to determine compliance with contract standing orders and standards. The contract was awarded in 2017 covering a wide provision of property related repair and renewal services.

The review resulted in an audit opinion of **REASONABLE** assurance concluding that the overall management of the contract achieved a good level of compliance with contract standards.

The review also highlighted managements intention to retender the contract prior to its term expiring and Audit emphasised that all contracts currently let by the service should be reviewed to ensure good value was being achieved.

Internal Audit also found that there were frequent meetings with the supplier and evidence of expenditure being challenged and management oversight although audit did recommend improvements to budgetary control. Some issues with obtaining supplier documentation were also highlighted however these were resolved during the audit.

MCA Workstream Updates

Internal Audit has been providing advice and guidance to various MCA workstreams as part of its planned work for 21/22. The following are updates against that work:

MCA Workstream - **Integrated Corporate System:**

Head of Internal Audit sits on the Project Board for this work and along with the rest of the Board is monitoring progress against the implementation plan, any issues or emerging risks and providing advice and guidance to the project team as necessary. The project is now underway and initial workshops have been held with HR, Payroll and Finance teams. This project is of significant importance to the organisation and successful delivery is vital to ensuring better automated controls and more agile delivery of these core services. The Committee will continue to get updates from Internal Audit throughout 2022.

MCA Workstream – **Police and Crime Commissioner (PCC) Arrangements:** the Head of Internal Audit is continuing to meet regularly with the Head of the PCC/West Yorkshire Police (WYP) Shared Service to develop protocols for working together/placing reliance on the respective internal audit teams work. The wider review of governance arrangements is also progressing with a paper on the way the Joint Audit and Ethics Committee is constituted for the PCC/WYP, going to that Committee in January 2022. An update on the outcome of that review and the proposed arrangements going forward will be provided to this Committee at the March 2022 meeting.

MCA Workstream – **AEB:** The Principal Auditor with responsibility for AEB sits on the AEB Performance Group, as well as leading the assurance workstream for the project, see report below for detailed update.

Adult Education Budget (AEB)

The Combined Authority took control of the £63 million devolved Adult Education Budget (AEB) and £2 million delegated Level 3 funding on 1st August 2021.

The Implementation project for the devolved Adult Education budget is now closed. The Combined Authority utilised 95% of the budget for this project, providing a saving of £56,000. The agreed 'Readiness conditions' have now been completed and are being

signed off by the Department for Education. West Yorkshire has implemented and begun delivery of AEB in a shorter timescale than any other MCA.

Internal Audit have been active Project Board members, providing support at a strategic level and have continued to do so on the new AEB Performance Group. The Principal Auditor who leads on this area has also been:

- **Audit and Assurance-** Liaising with the Education and Skills Funding Agency (ESFA) and other MCAs on the Audit and Assurance and Fraud Investigations (AAFI) group, developing the Operational AEB Audit and Assurance Workplan and planning initial reviews on providers.
- **Procurement and Legal & Governance-** advising on the Terms of Reference for the AEB Performance Group.
- **ICT and data-** determining data report requirements for audit purposes from Power BI and ESFA source data to inform control and compliance reviews of providers.
- **Operational provider management-** working with the new AEB Contract Management and AEB Key Account Management Teams to further develop the performance management framework and processes, including a Provider Risk Assessment matrix, the recording and assessment of subcontracting change requests and processes to reduce and redistribute allocated Level 3 provision where it has been identified these are no longer realistic.

The main Internal Audit Team has been reviewing Stage 2 of the Procurement process for Independent Training Providers (ITP's)- Mini Competition.

Recruitment of a further full time Principal Internal Auditor and two Senior Internal Auditors to support the provision of a programme of compliance visits has also commenced, to enable the organisation to meet its assurance requirements to the Department for Education regarding the funding provided.

Counter Fraud, Whistleblowing and Anti Money Laundering

There has been one new fraud referral received since the September 2021 progress update to this Committee which is being investigated by the HR team.

Internal Audit has continued to work with specialist legal support and representatives from across the business to develop and implement improved Financial Crime risk assessment and management arrangements. A process has been devised for assessing new tenants which is to be rolled out to existing tenants over time in conjunction with Legal Services and Property Services colleagues.

Template 'Know Your Client (KYC)' checklists are being developed and provided as a baseline in the first instance for cross organisational use. A high level Anti Money Laundering (AML) Risk Review has also been undertaken and key teams identified where it is believed further work to establish controls, and potentially provide training to relevant staff, will be needed.

The table below provides a summary of referrals reported during 2021-22.

	Total number of referrals 21/22	Investigation completed - No breach/no further action	Investigation completed – further action taken	Still under investigation
Fraud – External	0	N/A	N/A	N/A
Fraud – Internal	1	N/A	N/A	1 (HR investigating)
Whistleblowing	0	N/A	N/A	N/A
AML	0	N/A	N/A	N/A

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. Since our last report in September 2021, Audit have reviewed and certified the following grants.

Grant	Claim Period	Value certified £
SMARTY	Feb-July 2021	12,032.57
Local Transport Plan	2020-21	63,451,000
Bus Services Operator Grant	2020-21	2,063,592
Peer Networks	2020-21	78.826
Connecting Innovation	Q3 (01/07-30/09)	94,181
Rebiz (REF2)	Q3 (01/07-30/09)	409,095
Investment Readiness	Q3 (01/07-30/09)	84.420

Strategic Business Growth	Q3 (01/07-30/09)	567,447
Art Forum Interreg	Mar-Sep 2021	(certified Nil return)

No significant matters arose during the certification of these grants.

3. 2021/22 Internal Audit Plan

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Assurance Area	Scope	Current Status/Timetable
Project and Programme Assurance - Natural Flood Management	A cycle of project and programme assurance reviews to be undertaken. The reviews will primarily focus on compliance with the Assurance Framework as well as good project and contract management compliance.	Completed review Reasonable Assurance rating given
Health & Safety	To provide assurance that H&S policies and practices are up to date and meet legislative requirements and review processes around incidents and reporting of these and action taken as a result.	Completed review Reasonable Assurance rating given (see above)
Contract Management - Mechanical and Electrical Maintenance Repair service contract	A cycle of contract management reviews to ensure compliance with contract standing orders and contract management principles.	Completed review of - Reasonable Assurance rating given (see above)
Contract Management - Review of Bus Shelters contract	A cycle of contract management reviews to ensure compliance with contract standing orders and contract management principles.	Draft Report Stage

Assurance Area	Scope	Current Status/Timetable
Counter Fraud work including a review of business support Covid grants	The counter fraud officer is currently developing a report and recommendations regarding relief payments made for a particular sector as a result of the fraud investigation undertaken earlier in the year.	Draft Report Stage
Contract Management – Customer Care, Cleaning and Security	A cycle of contract management reviews to ensure compliance with contract standing orders and contract management principles.	In progress
*NEW – Adult Education Budget Procurement Stage 2	To provide assurance over the Adult Education Budget mini competition Stage 2 of the Procurement process for selection of Independent Training Providers.	In progress
Compliance with Contracts Standing Orders & Financial Regulations	Focus on the current financial system specifically the Creditors (accounts payable) system.	In progress
Climate Change	To follow up recommendations made during the last review.	In progress
Financial Processes (Transport Services)	In line with funding applications and funding agreements.	In progress
Safeguarding	A review of our safeguarding policy and guidance, including a review of processes and practices where services are commissioned in transport services, ensuring staff receive safeguarding training at an appropriate level.	In Scope
Procurement	To carry out deeper dives on some of the larger, more difficult procurements.	Quarter 3-4
ICT – various, including Cyber Security	Salford Internal Audit Service to provide a programme of ICT reviews over the year in line with its risk assessment of ICT Services.	Quarter 3-4

Assurance Area	Scope	Current Status/Timetable
Integrated Corporate System (HR, Finance, Payroll)	To review progress with implementation of the new Integrated Corporate System.	Quarter 3-4
Equalities	Plan a further review against the EFLG framework gathering evidence to support the assessment, focus across the directorates on work implementing the strategy and action plan. Follow up on previous recommendations.	Quarter 4
Complaints Handling/Casework	A review of the arrangements put in place post the mayoral election.	Quarter 4
Risk Management	Annual health check to inform the audit opinion and follow up work from 2020-21	Quarter 4
HR	Focus on key risks and controls in HR, particularly around HR data	Quarter 4
GDPR and data privacy	To focus on compliance with policies and practices within directorates where significant GDPR issues arise and to review the Data Privacy Impact Assessments process.	Quarter 4
Security of Assets	This review will focus on the Combined Authority's asset management processes.	Quarter 4
Bus Funding Model	This review is due for discussion as a result of some of the significant changes taking place around transport in West Yorkshire and may be rescoped. Any changes will be in line with revised risk profiles and will be reported back to this Committee.	Quarter 3-4
Commercial	A review of any new commercial arrangements put in place, this may defer to 22/23 as these developments are not yet in place	To be deferred

Assurance Area	Scope	Current Status/Timetable
Insolvencies	This review is proposed to be removed from the plan as other areas are prioritised and resource is constrained.	To be removed
Inter Directorate Working - Use of SLAs/MOUs	This review is proposed to be removed from the plan as other areas are prioritised and resource is constrained.	To be removed
Various grant certifications	Grant certification provided In line with funding applications and funding agreements	See above grants table
Attendance on Boards	Advice and guidance to inform the control framework	Ongoing advice and guidance
AEB	Various reviews in line with newly developed assurance framework for AEB	Ongoing advice and guidance, to be followed by provider assurance in Q4
MCA Workstreams	See above commentary	Ongoing advice and guidance

Overall Opinion Ratings

Level of Assurance	Description
Reasonable	There is a good framework of controls in place and the majority of controls are being consistently applied to ensure risks are managed effectively.
Limited	There is an adequate framework of controls in place but the controls are not being consistently applied to ensure the risks are managed effectively.
Minimal	There is a weak framework of control in place and/or the controls are not being consistently applied to ensure the risks are managed effectively.

4. Audit Follow up

As previously agreed with the Committee, Audit reports on any outstanding actions. The table below provides an update on the status of each audit recommendation made since April 2020 (unless carried forward as outstanding). There are 5 overdue recommendations, 1 relates to Contract Management (From Feb 2020 report); 1 relates to Security of Assets (From June 2021 report) and 3 relate to Disaster Recovery and Business Continuity (From April 2021 report). The 1 recommendation not to be implemented relates to an action in the Contract Management report and relates to amending role profiles which it was agreed would be removed until contract management standards were fully in place and then revisited. Audit continue to work with Management to address overdue recommendations. The implementation of recommendations is based upon Management's own assessments except where Internal Audit have carried out formal follow up work.

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Directorate	Total	Implemented	In progress	Overdue	Not advised	Not to be Implemented
Cross Cutting	3	3	0	0	0	0
Corporate and Commercial Services	38	20	12	5	0	1
Delivery Services	2	2	0	0	0	0
Economic Services	0	0	0	0	0	0
Strategy, Comms, Policing	5	1	4	0	0	0
Policy and Development	0	0	0	0	0	0
Transport Services	3	1	2	0	0	0
Total	51	27	18	5	0	1

5. Client Feedback

Audit have received 3 client feedbacks for reports (3 sent out), these relate to reviews completed in the 2021-22 audit plan. These have shown an overall positive score, details of narrative comments have been shared below for the Committee's oversight.

Review name & report issue date	What did we do well?	What could we have done better?
Project review – Natural Flood Management (August 2021)	Taking time to understand the detail of the risks and challenges facing the project.	Delays arising due to staffing changes could have been communicated better but once review was underway there were no problems
Health and Safety - (October 2021)	The whole process was carried out professionally by auditors who had good knowledge of health and safety standards, systems and processes.	n/a
Contract Management – (November 2021)	Took the time to understand the contract procedures in place and raised questions to confirm understanding of how the contract is managed.	Perhaps condensed the process which started in July and completed in November but understand this may be due to limited resources.

6. Performance measures

The following provides some general performance indicator information to support the Committee in assessing the performance of Internal Audit.

Measure	Annual Target	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	YTD
Annual Governance Statement deadline 2020/21 - to include annual audit opinion	May (draft) September (final)	NA	Achieved	NA	NA	NA	Achieved	NA	NA	Achieved
Customer Satisfaction	80% good or above	N/A	NA	100%	NA	NA	100%	NA	100%	100%
Reports issued within 10 working days from completion of audit work	95%	100%	0%	75%	NA	0%	0%	NA	50%	45%
Percentage of recommendations agreed	90%	100%	NA	100%	NA	NA	NA	100%	100%	100%
Fraud/ Whistleblowing acknowledgement, where appropriate, within 10 working days	100%	NA	NA	NA	NA	NA	NA	NA	NA	One Internal Fraud notified *
Fraud/ Whistleblowing reports to be issued within 10 working days of investigation completion	95%	NA	NA	NA	NA	NA	NA	NA	NA	No reports issued to date
Grant certifications to be completed within 3 working days (or to a separately agreed deadline) of a fully completed evidence file being received	95%	100%	100%	NA	NA	100%	100%	50%	100%	88%

- One internal fraud notification was for recording purposes only (see previous fraud section) as it had been dealt with by our HR team and through the conduct policy and did not therefore contribute to our performance indicators.

7. Initial Proposals for the 2022/23 Internal Audit Plan

As in previous years, Internal Audit has been undertaking early research to establish potential areas for advice and assurance in the next plan year. The information here is to inform initial thinking and to encourage discussion to ensure that a draft plan can be presented to this Committee at the next meeting in March 2022.

The primary source for early horizon scanning derives from the annual 'Risk in Focus' research published by the Chartered Institute of Internal Auditors, outcomes from work undertaken in the current plan year and from initial discussions with Combined Authority Directors.

Risk in Focus

From the research, the top fifteen risks are identified (see below) and while these stay relatively consistent from year to year what the research does allow is tracking how risk priorities develop over time and which themes are most dominant in the current climate. Of the top risks for next year, **Climate Change & Environment Sustainability** has shown the steepest upward curve, followed by **Business Continuity/Crisis Management, Health/Safety & Security, Human Capital/Diversity & Talent Management** and **Organisational Culture**. It's not surprising that there is a much greater emphasis on people related risks as dealing with the pandemic continues and efforts to embrace new hybrid working arrangements figure largely for the new financial year.

Top 15 Risks:

1. Cybersecurity
2. Changes in Laws and Regulations
3. Digital Disruption
4. Human Capital/Diversity/Talent Management
5. Business Continuity/Crisis Management
6. Financial
7. Macroeconomic & Geopolitical Uncertainty
8. Climate Change & Environmental Sustainability
9. Supply Chain/Outsourcing
10. Organisational Culture
11. Organisational Governance & Corporate Reporting

- 12. Health/Safety & Security
- 13. Communications/Reputation & Stakeholder Relationships
- 14. Fraud, Bribery & Criminal Exploitation of Disruption
- 15. Mergers & Acquisitions

Internal Horizon Scanning

Areas from the current plan work and from internal discussions have highlighted the following potential areas for inclusion:

- Further follow up on **project and contract management**
- **Climate change**, particularly considering external plans
- **Bus Funding Model** – way in which spend is forecast on tendered bus services and concessionary fares, assurance that payments have been correct as the Combine Authority moves on from pandemic funding, checks on controls
- **Flexibus** (new service) to be reviewed in next plan year, if are not able to do something towards the end of the current plan year
- Mayoral Pledges – **enhanced partnerships/bus franchising**, assurance potentially needed on governance arrangements in 22/23, but possibly more assurance work for 23/24
- **MCard Sales** through the new App (low level fraud risk, but potential to mitigate with tweaks to App)
- **Commercial Infrastructure projects**, claim and payment arrangements
- **AEB**, full assurance programme including financial/insolvency and fraud risks
- Potential joint work with **PCC** shared audit team on **commissioning**
- New **Integrated Corporate System** covering HR, Finance and Payroll
- **Equality, Diversity and Inclusion**

These are not exhaustive areas for consideration, further discussion and reference to the Corporate Risk Register, particularly towards the end of the current financial year, will also inform the draft plan to be presented in March.

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Appendix 2

WEST YORKSHIRE COMBINED AUTHORITY

INTERNAL AUDIT CHARTER (DRAFT)

December 2021

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1. Introduction

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

2. Statutory basis for Internal Audit

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

3. Purpose and Mission

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

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

4. Key Roles and Lines of Reporting

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

5. Authority

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

- Receive communications from the Head of Internal Audit on the Internal Audit department's performance relative to its plan and other matters.
- Ensure the remuneration and performance of the Head of Internal Audit is not unduly influenced.
- Make appropriate inquiries of management and the Head of Internal Audit to determine whether there is inappropriate scope or resource limitations.

5.3 The Head of Internal Audit will have unrestricted access to, and communicate and interact directly with, the Governance & Audit Committee including in private meetings without management present.

5.4 The Internal Audit department remit will cover the whole organisation and:

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports
- Obtain assistance from the necessary personnel of the Combined Authority, as well as other specialised services from within or outside the Combined Authority as required.

6. Independence and Objectivity

6.1 The Head of Internal Audit will ensure that the Internal Audit department remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content.

6.2 The Head of Internal Audit will ensure that Internal Audit are suitably resourced in order to achieve its overall mission and will aim to maintain a suitable mix of experienced and qualified staff.

6.3 Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

6.4 Internal auditors will have no direct operational responsibility or authority over any of the activities audited.

6.5 Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year
- Performing any operational duties for the Combined Authority or its affiliates

- Initiating or approving transactions external to the Internal Audit department
- Directing the activities of the Combined Authority employees not employed by Internal Audit, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

- 6.6 Where the Head of Internal Audit has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity. For example, The Head of Internal Audit is the organisation's Anti-Money Laundering Officer and the Responsible Officer under the Whistleblowing Policy. The Internal Audit department also includes a counter-fraud specialist. Internal Audit counter-fraud activities are defined in the Counter-Fraud Policy.
- 6.7 The Head of Internal Audit will confirm to the Governance & Audit Committee, at least annually, the organisational independence of the Internal Audit department.
- 6.8 The Head of Internal Audit will disclose to the Governance & Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

7. Responsibility

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

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

8. Scope of Internal Audit Activities

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

9. Consulting

- 9.1 Internal Audit work includes the provision of assurance on the accuracy of grant claims, undertakes assurance and advisory work in respect of regulatory compliance and may facilitate the production of relevant policy documentation. In addition, the service may provide, at the request of

management, a consultancy service which evaluates policies, procedures, systems and operations put in place by management.

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

10. Audit Delivery and Communicating Results

- 10.1 For each audit engagement, a scoping document will be prepared, discussed and agreed with relevant managers. The scoping document should establish the objectives, scope and timing for the audit assignment and its resources and reporting requirements. Audit work is undertaken using a risk-based audit approach, which will consider the probability of significant errors, fraud and non-compliance.
- 10.2 Auditors are required to identify, analyse, evaluate and document sufficient information to achieve the engagement's objectives. This evidence supports their conclusions, professional judgments and recommendations and therefore must be factual and accurate.
- 10.3 The results of all audit engagements are reported, including the objective, scope, all material facts, conclusions, recommendations, action plans, any limitations and where appropriate contain the internal auditors' opinion.
- 10.4 Contents of draft reports are discussed with managers for factual accuracies. It is important to bring significant issues to the attention of management during the course of engagement to allow for immediate action. Managers are required to give responses to each recommendation, detailing the responsible officer for each action and the target date for completion.
- 10.5 Where there is disagreement over the actions to be taken, this is recorded in the action plan. Where these risks are deemed to be high, they are reported to the relevant Director and the Governance and Audit Committee.
- 10.6 Annually the Head of Internal Audit will prepare the Annual Audit Opinion. This opinion is used to inform the Annual Governance Statement. This report must conclude on the overall adequacy and effectiveness of the Combined Authority's framework of governance, risk management and control giving an overall opinion, summary of the work undertaken to support this opinion (including any reliance placed on work by other assurance providers), a statement on the conformance with the PSIAS, the results of the QAIP and any external assessors improvement recommendations, disclosure of any impairments or limitations. If a qualified opinion is given, the reasons for this must be specified.
- 10.7 Internal Audit tracks progress made on agreed recommendations (actions). It is the responsibility of the manager to implement and provide relevant evidence of the agreed actions to Internal Audit. Progress with implementation of agreed actions is reported to the Governance and Audit Committee and if necessary, managers will be asked to provide an

explanation in cases where overdue actions have not been implemented. If the matter is still unresolved the Governance and Audit Committee will be informed. The findings and follow up reviews inform future audit planning.

11. Quality Assurance and Improvement Programme

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

12. Fraud and Corruption

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

combined authority funds, property or any other asset or interest should be reported immediately using the Whistleblowing Policy.

13. Code of Ethics

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

December 2021

Report to: Governance and Audit Committee

Date: 13 January 2022

Subject: **External audit progress report**

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

Author(s): Celia Yang, Finance Manager

1. Purpose of this report

- 1.1 To provide an update on external audit matters that have occurred since the last meeting.
- 1.2 To agree a recommendation to the Combined Authority for the future appointment of external auditors.

2. Information

Annual Accounts 2020/21 – Final Audit Update

- 2.1 The final audit certificate and completion report regarding the outstanding work reported to the Committee on 30 September 2021 are presented on a separate report on today's agenda. Mazars will be available at the meeting to present the work they have undertaken

Other External Updates – Public Sector Auditor Appointments Ltd (PSAA)

- 2.2 Members will recall from the previous meeting that the PSAA had published a report on 27 August 2021 detailing responses to its recent consultation plans for the second appointing period for the national scheme for local auditor appointments. This consultation gathered feedback on proposals for the national scheme of local auditor appointments from 2023/24, consulting with eligible bodies and other stakeholders on the draft prospectus for the national scheme for local auditor arrangements from April 2023, and with the audit services market on important features of its procurement strategy.
- 2.3 In late September 2021, the PSAA published both the prospectus for the national scheme from April 2023 and the procurement strategy. Eligible bodies have until **Friday 11 March 2022** to formally respond and accept the **opt-in**

invitation. Under the Regulations this is a decision that needs to be taken by 'Full Council' which for us means the Combined Authority.

- 2.4 Today's report provides further information to this Committee to enable it to make a recommendation to the next meeting of the Combined Authority and ahead of the March 2022 deadline.

Information / PSAA Prospectus

- 2.5 In relation to appointing auditors, eligible bodies, like the Combined Authority, have options to arrange their own procurement and make the appointment themselves or in conjunction with other bodies, or they can join and take advantage of the national collective scheme administered by PSAA.
- 2.6 An eligible body that does not accept the opt-in invitation but subsequently wishes to join the scheme may apply to opt in only after the appointing period has commenced, that is on or after 1 April 2023.
- 2.7 The PSAA propose that the national scheme will be the best option to enable local bodies to secure audit services in a very challenging market. Firms are more likely to make positive decisions to bid for larger, long term contracts, offering secure income streams, than they are to invest in bidding for a multitude of individual opportunities.
- 2.8 The PSAA state that the national scheme already offers a range of benefits for its members as follows:
- transparent and independent auditor appointment via a third party;
 - the best opportunity to secure the appointment of a qualified, registered auditor;
 - appointment, if possible, of the same auditors to bodies involved in significant collaboration/joint working initiatives, if the parties believe that it will enhance efficiency and value for money;
 - on-going management of any independence issues which may arise;
 - access to a dedicated team with significant experience of working within the context of the relevant regulations to appoint auditors, managing contracts with audit firms, and setting and determining audit fees;
 - a value for money offer based on minimising PSAA costs and distribution of any surpluses to scheme members;
 - collective savings for the sector through undertaking one major procurement as opposed to a multiplicity of smaller procurements;
 - a sector-led collaborative scheme supported by an established advisory panel of sector representatives to help inform the design and operation of the scheme;
 - avoiding the necessity for local bodies to establish an auditor panel and undertake an auditor procurement, enabling time and resources to be deployed on other pressing priorities;
 - providing regular updates to Section 151 / Section 73 officers on a range of local audit related matters and our work, to inform and support effective auditor-audited body relationships; and
 - concerted efforts to develop a more sustainable local audit market.

2.9 Learning from the collective post-2018 experience / feedback, the PSAA state they have taken a number of initiatives to improve the operation of the national scheme for the benefit of all parties including:

- commissioning an independent review undertaken by Cardiff Business School of the design of the scheme and implementation of our appointing person role to help shape our thinking about future arrangements;
- commissioning an independent review by consultancy firm Touchstone Renard of the sustainability of the local government audit market, which identified a number of distinctive challenges in the current local audit market. We published the report to inform debate and support ongoing work to strengthen the system and help to deliver long term sustainability;
- proactively and constructively engaging with the various independent reviews, including the significant Redmond Review into Local Authority Financial Reporting and External Audit;
- working with MHCLG to identify ways to address concerns about fees by developing a new approach to fee variations which would seek wherever possible to determine additional fees at a national level where changes in audit work apply to all or most opted-in bodies;
- establishing the Local Audit Quality Forum, which has to date held five well attended events on relevant topics, to strengthen engagement with Audit Committee Chairs and Chief Finance Officers;
- using our advisory panel and attending meetings of the various Treasurers' Societies and S151 officer meetings to share updates on our work, discuss audit-related developments, and listen to feedback;
- maintaining contact with those registered audit firms that are not currently contracted with us, to build relationships and understand their thinking on working within the local audit market;
- undertaking research to enable a better understanding of the outcomes of electors' objections and statements of reasons issued since our establishment in April 2015; and
- sharing our experiences with and learning from other organisations that commission local audit services such as Audit Scotland, the NAO, and Crown Commercial Services.

2.10 One of PSAA's most important obligations is to make an appropriate auditor appointment to each and every opted-in body. Prior to making appointments for the second appointing period, commencing on 1 April 2023, they plan to undertake a major procurement enabling suppliers to enter into new long term contracts with PSAA. In the event that the procurement fails to attract sufficient capacity to enable auditor appointments to every opted-in body or realistic market prices, they have fallback options to extend one or more existing contracts for 2023/24 and also 2024/25, whilst taking into account the value represented by contract extension options.

2.11 PSAA propose they are well placed to lead the national scheme, especially having learned a lot from the unprecedented challenges for the UK audit market. They are staffed by a team with significant experience of working within the context of the regulations to appoint auditors, managing contracts with audit firms, and setting and determining audit fees.

- 2.12 The PSAA state that the national collective, sector-led scheme stands out as the best option for all eligible bodies, especially in the current challenging market conditions. It offers excellent value for money and assures the independence of the auditor appointment.
- 2.13 Membership of the national scheme will save time and resources for local bodies, time and resources which can be deployed to address other pressing priorities. Bodies can avoid the necessity to establish an auditor panel (required by the Local Audit & Accountability Act, 2014) and the need to manage their own auditor procurement.
- 2.14 PSAA have stated that they will contract with appropriately qualified suppliers, will support external audit market sustainability and will offer value for money.

PSAA Procurement Strategy

- 2.15 The objectives of the procurement are to maximise value for local public bodies by:
- securing the delivery of independent audit services of the required quality;
 - awarding long term contracts to a sufficient number of firms to enable the deployment of an appropriately qualified auditing team to every participating body;
 - encouraging existing suppliers to remain active participants in local audit and creating opportunities for new suppliers to enter the market;
 - encouraging audit suppliers to submit prices which are realistic in the context of the current market;
 - enabling auditor appointments which facilitate the efficient use of audit resources;
 - supporting and contributing to the efforts of audited bodies and auditors to improve the timeliness of audit opinion delivery; and
 - establishing arrangements that are able to evolve in response to changes to the local audit framework.
- 2.16 PSAA state it is necessary to enter into contracts with a number of audit suppliers to provide sufficient capacity for all of the audits required, to enable the PSAA to manage auditor independence issues and, if possible, grow the number of active suppliers in the local audit market.
- 2.17 The procurement will cover the audits of the accounts of all eligible bodies that opt into the appointing person scheme. Eligible bodies include local authorities, combined authorities, police and crime commissioners including PFCCs, chief constables, fire and rescue authorities, waste authorities, passenger transport executives and national park authorities. There are currently 476 bodies that will be invited to opt in.
- 2.18 The target / provisional timetable and key milestones for the procurement are set out below.

Key milestone	Target Date
Publish Contract Notice and Issue documentation on request	w/c 7 February 2022
Deadline for submission of Selection Questionnaires	w/c 14 March 2022
Issue invitation to tender to short-listed suppliers	w/c 4 April 2022
Deadline for submission of tenders	w/c 11 July 2022
PSAA Board approval of contract awards, assuming a satisfactory outcome	August 2022

Summary of Options

- 2.19 There are two options. The first is to opt-in to the PSAA led national scheme for the appointment of external auditors, as detailed throughout the report. The second is not to opt-in and undertake the procurement of external auditors independently and in line with the requirements of the Local Audit & Accountability Act, 2014.
- 2.20 The second option would be a time consuming exercise of the Combined Authority, would require additional resources and structures to be set up and would not necessarily guarantee a successful procurement and potential risk of not having an external auditor in place for April 2023.
- 2.21 The recommendation to the Committee is to continue to opt-in to the PSAA national exercise. This is the approach taken last time by the vast majority of eligible bodies.

3. Tackling the Climate Emergency Implications

- 3.1 There are no climate emergency implications directly arising from this report.

4. Inclusive Growth Implications

- 4.1 There are no inclusive growth implications directly arising from this report

5. Financial Implications

- 5.1 There are no financial directly arising from this report.

6. Legal Implications

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

7. Staffing Implications

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

8. External Consultees

8.1 No external consultations have been undertaken.

9. Recommendations

9.1 That the Committee consider the information provided and recommend to the Combined Authority that it opt-in to the PSAA led national scheme for the appointment of external auditors, effective from April 2023.

10. Background Documents

None.

11. Appendices

None



Report to: Governance and Audit Committee

Date: 13 January 2022

Subject: **Annual Audit 2020/21**

Director: Angela Taylor, Corporate and Commercial Services

Author: Celia Yang, Finance Manager

Is this a key decision?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information or appendices?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1:	
Are there implications for equality and diversity?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

1. Purpose of this report

- 1.1 To present to the Committee the Annual Audit Report, including the final audit certificate and value for money opinion, from the external auditor on financial year 2020/21 for the West Yorkshire Combined Authority

2. Information

- 2.1. Members will recall that the audited annual accounts for 2020/21 were approved at the meeting on 30th September 2021. These were subsequently signed by the Mayor, Managing Director and the Director, Corporate and Commercial Services (s73 Officer) and published on the website by the deadline set.
- 2.2. Members were asked to note at that time that further work was required on the Value for Money (VFM) opinion and a review of the Whole of Government Accounts (WGA) position before the final audit certificate could be issued. This work was expected to be completed by the national deadline of 4 January 2022. Mazars have sought to achieve this date but have advised that they require a little more time to conclude this work, citing the well acknowledged difficulties within the external audit sector.

2.3. Mazars intend to provide their annual audit report, including the external audit certificate, final completion report and their work on the value for money opinion for consideration at this meeting, but this is not available at the time of publication and will be circulated as a late item. Mazars will be in attendance at the meeting and will be able to explain the key points arising from this work.

2.4. The Whole of Government Accounts (WGA) review was concluded with nothing to report. There was not a requirement to audit the WGA submission as due to threshold changes the Combined Authority, for 2020/21, fell below the required level.

3. Tackling the Climate Emergency Implications

3.1 None arising directly from this report.

4. Inclusive Growth Implications

4.1 There are no inclusive growth implications directly arising from this report.

5. Equality and Diversity Implications

5.1 There are no equality and diversity implications directly arising from this report.

6. Financial Implications

6.1 None arising directly from this report.

7. Legal Implications

7.1 None arising directly from this report.

8. Staffing Implications

8.1. None arising directly from this report.

9. External Consultees

9.1 No external consultations have been undertaken.

10. Recommendations

10.1 That Mazars Annual Audit Report be considered.

11. Background Documents

There are no background documents referenced in this report.

12. Appendices

Appendix 1 – Annual Audit Report (Mazars) – to follow

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Report to: Governance and Audit Committee

Date: 13 January 2022

Subject: **Compliance and Monitoring**

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

Author(s): Celia Yang, Finance Manager

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.
- 1.2 To endorse the treasury management statement and strategy and reserves policy prior to their consideration by the Combined Authority.

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.

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 changes made were fully captured within guidance notes and procedures.
- 2.4 The Head of Finance retired in November 2021. An appointment has been made to this post with the postholder taking up their position in the second half of January 2022. Interim arrangements have been put in place following due process to ensure a seamless transfer of responsibilities and accountabilities.
- 2.5 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 is in progress. There were no matters that needed escalating to this Committee from the latest officer meeting.

Treasury Management

- 2.6 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 14th October 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.
- 2.7 Following the transfer of the Police and Crime functions to the Combined Authority from 10 May 2021, similar arrangements with regards to policing funds have been adopted. These treasury management arrangements are administered by Wakefield Council and in line with the treasury management policies agreed by the former Office of the Police and Crime Commissioner.
- 2.8 It is intended to bring together all the treasury management arrangements such that they will be administered by a single partner authority. The treasury management strategy encompassing the whole organisation is considered under paragraph 2.19.

Key indicators

- 2.9 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.
- 2.10 No further RIDDOR incidents have been reported since the previous meeting, leaving the total for the year at two.
- 2.11 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 and Capital budget 2021/22

- 2.12. The financial position is being monitored through the Finance, Resources and Corporate Committee which receives regular reports on expenditure forecasts and financial performance information. The latest reporting on performance against both revenue and capital budget are attached as **Appendices 1 and 2**.

Business planning and budget 2022/23

- 2.13 Work is continuing to finalise the detailed business plan for 2022/23 and the accompanying budget, to be set within the context of a revised medium-term financial strategy.
- 2.14 Each directorate has been tasked with developing a business plan based on delivering corporate priorities in the coming year. The draft business priorities were considered by the Combined Authority on 9 December. The budget will then show the costs of delivering these activities.
- 2.15 The draft revenue budget reported to the Combined Authority meeting on 9 December 2021, available [here](#), showed at that point a budget deficit for 2022/23 of £2 million, with some of the key headlines covered in the report. Members were asked to note and comment on the progress made to date, in recognition that further work is needed between now and when the budget is approved in February 2022. **Appendix 3** summarises the draft position reported to date.
- 2.16 This further work now underway is seeking to achieve a balanced position for 2022/23 through considering the significant number of risks and challenges ahead, including the recovery from the national pandemic, any additional responsibilities and functions of the new mayoral combined authority, actions that may be required to respond to the UK bus operations, the uncertainty around future funding streams and the impact of Brexit. In addition, the Combined Authority recognises the difficult decisions being made by its local authority partners in order to provide a balanced budget. The focus in the Combined Authority on value for money must continue and previously agreed savings and reductions built into the baseline for 2021/22 will continue going forward, along with additional savings to be identified.
- 2.17 Work continues on the capital budgets, with a particular focus on the achieving expenditure on key programmes – Getting Building Fund, Transforming Cities and Brownfield Housing. The programmes are being reviewed to ensure all funding is maximised, any risks of not delivering by are mitigated. A final three year indicative capital programme and any projected borrowing costs will be included as part of the budget approval process in February 2022.
- 2.18 **Appendix 4** sets out the latest draft forecast budget for capital expenditure and funding by programme for up to 2024/25. These figures are indicative at this stage and will be revised further for February 2022, including revised estimates for any borrowing requirements.
- 2.19 The full budget report is in preparation for the meeting of 3 February 2022. This will include the reserves policy and the treasury management statement and strategy. These are included at **Appendix 5** and comments on the draft statements are invited from members. Members are asked to note that the treasury management statement and arrangements are required to cover the

whole organisation, but recognising that the decision making arrangements are different for policing and for the rest of the Combined Authority.

Risk management

- 2.20 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 at both a directorate level and a corporate level.
- 2.21 Following a full review of business plans, a comprehensive review of the corporate risk register took place in October 2021 which led to the risk register being updated and re-baselined to take account of the findings from this review. An updated summary of the current Corporate Risk Register is attached at **Appendix 6**.
- 2.22 The Committee should note that the current methodology used to calculate an overall severity rating for each risk places a greater emphasis on the impact of the risk in comparison to the likelihood. As such those corporate risks which are considered to have the highest rating in terms of their potential impact, are less likely to be downgraded in terms of their overall severity rating, even where the likelihood of the risk happening is reduced.
- 2.23 Corporate risk management activities at the Combined Authority are currently coordinated by the Transformation and Performance Team, who act independently across all directorates within the organisation and have a wider remit around corporate performance and business improvement. A review of capacity within this team has recently been undertaken and as a result of this it is proposed to add additional resource into the team during early 2022. This will provide further capacity in key corporate performance functions and will enable the team to more proactively lead improvements to corporate risk management activities.
- 2.24 These improvements will include those suggestions made by this Committee at its last meeting, including:
- Overview figures to show the total number of risks contained within the Corporate risk register, to be grouped by severity and to show change in these numbers since the last reporting period;
 - Full details for all of those risks within the register which are rated as 'very high' or 'high';
 - More comprehensive details of the mitigation measures in place for these risks and details of mitigation owners;
 - Direction of travel for each risk to show movement during the reporting period; and
 - Date showing when risks were originally escalated to the Corporate Risk Register to indicate the length of time that the risk has been 'live'.

3 Tackling the Climate Emergency Implications

- 3.1 There are no climate emergency implications directly arising from this report.

4. Inclusive Growth Implications

4.1 There are no inclusive growth implications directly arising from this report

5. Financial Implications

5.1 As set out in the report.

6. Legal Implications

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

7. Staffing Implications

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

8. External Consultees

8.1 No external consultations have been undertaken.

9. Recommendations

9.1 That the Committee consider the information contained in this report.

9.2 That the Committee endorse the treasury management statement and strategy and reserves policy.

10. Background Documents

None.

11. Appendices

Appendix 1 – Financial monitoring (revenue).

Appendix 2 – Financial monitoring (capital).

Appendix 3 – Draft Revenue Budget 2022/23

Appendix 4 – Capital Estimates

Appendix 5 – Treasury Management Statement

Appendix 6 – Corporate risk register.

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West Yorkshire Combined Authority Revenue Budget 2021/22	Revised Budget	YTD Actuals (October 2021)	Utilised	Notes / Commentary	RAG Rating	FY Forecast Q2
	£	£	%			£
Employee Costs	31,182,879	16,226,427	52.0%	High staffing vacancies		27,816,732
Indirect Employee Costs	1,704,439	632,376	37.1%	Spend to date - as expected due to timing of pension invoice.		1,754,721
Premises Costs	6,665,597	3,112,708	46.7%	Spend to date - as expected due to premises invoices paid in arrears		6,665,597
Supplies and Services	5,157,856	1,513,836	29.4%	Spend to date - lower than expected due to Covid 19 and invoices in arrears		5,429,981
ICT Related Costs	2,989,034	1,948,445	65.2%	Spend to date - as expected due to certain ICT costs paid in advance		3,547,219
Travel, Subsistence & Transport Costs	475,349	254,704	53.6%	Spend as expected		589,634
Tendered Services	25,866,000	18,113,154	70.0%	Spend in line with Government requirements during lockdown, additional costs due to Covid-19. Forecast slight overspend.		26,117,000
Concessions	53,750,000	31,605,817	58.8%	Spend in line with Government requirements during lockdown		51,726,569
Prepaid Tickets Costs	13,500,000	6,960,710	51.6%	Mcard payment reduced with Covid-19 - offset by Mcard sales ##		13,500,000
Grants and Agency costs	55,567,737	22,607,011	40.7%	Spend as expected - variance mainly related to Adult Education budget that commenced in August 2021		54,399,894
Consultancy and Professional Services	7,669,114	4,017,556	52.4%	Spend as expected		6,710,367
Financing Charges	6,964,657	142,248	2.0%	Spend as expected - is accrued / calculated at the Year End		6,964,657
Total Expenditure	211,492,662	107,134,992	50.7%			205,222,372
Income - Transport	(11,310,082)	(4,571,395)	40.4%	Covid19 - Impact on bus station & bus services income, departure fees in arrears		(10,750,604)
Funding - Grants	(71,775,594)	(33,581,743)	46.8%	Grants received to date as expected, with further receipts during the year such as Adult Education Budget monies.		(69,687,638)
Enterprise Zone Receipts	(3,202,886)	(99,828)	3.1%	EZ receipts expected to be received in arrears		(3,015,702)
Interest Received	(818,000)	(251,972)	30.8%	Investment Interest in arrears - however Covid19 impacting on returns		(818,000)
Income - Operational	(3,213,372)	(901,218)	28.0%	As expected - revenue project claims in arrears		(3,595,536)
Capitalisation / Internal Recharges	(15,474,728)	(7,130,552)	46.1%	Income as expected to date.		(14,173,296)
Pre Paid Ticket Income	(13,500,000)	(6,960,710)	51.6%	Mcard sales reduced with Covid-19 - offsets by payments ##		(13,500,000)
Transport Levy	(92,198,000)	(53,782,167)	58.3%	Transport Levy receipts as expected		(92,198,000)
Total Income	(211,492,662)	(107,279,585)	50.7%			(207,738,775)
Net Expenditure Total	(0)	(144,593)				(2,516,403)

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Capital Programme Expenditure 2021/22	Programme End Date	Total Programme Budget (indicative)	Total Spend to 31st March 2021
West Yorkshire plus Transport Fund	31/03/35	£1,000,000,000	£260,403,651
Growth Deal	31/03/21	£235,450,000	£244,593,846
Leeds Public Transport Investment Programme	31/03/22	£174,500,000	£126,992,771
Transforming Cities Fund	31/03/23	£457,000,000	£12,085,197
Integrated Transport Block / Highways Maint 21/22	Annual	Annual	Annual
Corporate Projects	N/A	£12,730,007	£9,319,479
Broadband	30/09/22	£25,266,000	£15,397,663
Land Release Fund & One Public Estate	N/A	£1,697,125	£967,132
Getting Building Fund	31/03/22	£52,600,000	£8,042,643
Brownfield Housing Fund	31/03/25	£67,000,000	£644,448
Active Travel Fund	31/03/22	£12,566,000	£3,499,107
British Library	N/A	£25,000,000	£0
New Station Fund	31/03/24	£12,000,000	£0
Other (Low Emission Vehicles, Clean Bus, Business Accelerator)	N/A	£42,160,000	£9,054,624
Total Capital Spend		£2,130,969,132	£691,000,562

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In-Year Revised Forecast October 2021	Qtr 2 Expenditure 2021/22	%
£86,025,688	£35,028,327	40.7%
£480,329	£480,329	100.0%
£45,270,442	£14,147,339	31.3%
£43,230,653	£8,654,221	20.0%
£52,450,545	£47,278,495	90.1%
£4,038,709	£2,406,125	59.6%
£4,363,915	£376,576	8.6%
£1,028,993	£54,996	5.3%
£44,557,357	£8,457,132	19.0%
£19,955,552	£368,878	1.8%
£7,805,868	£554,106	7.1%
£151,414	£5,480	3.6%
£2,000,000	£0	0.0%
£1,000,000	£713,528	71.4%
£312,359,465	£118,525,532	37.9%

Funding b/fwd from 2020/21	Funding Received in 2021/22	Total Funding For 2021/22
£12,678,837	£50,450,000	£63,128,837
£0		£0
£44,685,761		£44,685,761
£45,875,871	£123,248,290	£169,124,161
£8,308,553	£44,820,000	£53,128,553
-£6,067,668		-£6,067,668
£6,543,641		£6,543,641
£1,028,993		£1,028,993
£18,257,357	£26,300,000	£44,557,357
-£44,448	£20,000,000	£19,955,552
£7,805,868		£7,805,868
£0	£25,000,000	£25,000,000
£0		£0
£9,500,000	£9,500,000	£19,000,000
£150,468,318	£299,318,290	£449,786,608

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Appendix 3

Revenue budget	FY Budget 22/23 £						FY Budget £
	Corporate	Corporate Services	Delivery	Economic Services	Policy, Strategy & Comms	Transport & Property Services	
Employee Costs	198,359	6,238,773	6,604,244	4,652,213	7,840,220	6,645,193	32,179,003
Indirect Employee Costs	808,300	593,033	450	7,100	0	15,820	1,424,703
Premises Costs	0	0	0	0	0	6,542,217	6,542,217
Supplies and Services	432,100	100,636	500	2,626,114	712,336	779,770	4,651,455
ICT Related Costs	0	2,083,395	0	0	0	1,291,501	3,374,896
Travel, Subsistence & Transport Costs	10,000	312,447	12,106	72,150	18,000	32,990	457,693
Tendered Services	0	0	0	0	0	25,866,000	25,866,000
Concessions	0	0	0	0	0	53,750,000	53,750,000
Prepaid Tickets Costs	0	0	0	0	0	15,000,000	15,000,000
Grants and Agency costs	367,327	29,742	0	74,194,728	37,281	123,278	74,752,357
Consultancy and Professional Services	68,900	200,250	250,000	1,908,174	411,000	256,500	3,094,824
Financing Charges	7,063,000	0	0	0	0	158,657	7,221,657
Other	3,882,951	0	0	0	0	(812,269)	3,070,683
Total Expenditure	12,830,938	9,558,275	6,867,300	83,460,479	9,018,837	109,649,657	231,385,487
Capitalisation / Internal Recharges	(2,700,000)	(1,786,233)	(6,610,488)	(88,703)	(1,644,168)	(1,972,711)	(14,802,304)
Income	0	0	0	0	0	(26,384,186)	(26,384,186)
Funding - Grants	(97,474,606)	0	0	(81,004,091)	(333,944)	(2,063,000)	(180,875,641)
Income - Operational	(5,040,369)	0	(256,812)	(1,118,684)	(513,624)	(545,613)	(7,475,102)
Total Income	(105,214,975)	(1,786,233)	(6,867,300)	(82,211,478)	(2,491,737)	(30,965,510)	(229,537,233)
Net Expenditure Total	(92,384,037)	7,772,042	0	1,249,001	6,527,101	78,684,147	1,848,254

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Appendix 4

Capital Expenditure	2021/22	2022/23	2023/24	2024/25
	£	£	£	£
Growth Deal - Economic Development	480,329			
West Yorkshire plus Transport Fund CIP	86,025,688	102,395,761	115,196,453	117,555,161
Leeds Public Transport Investment Programme	45,270,442	368,755		
Transforming Cities Fund	43,230,653	125,893,508	125,000,000	110,790,642
Integrated Transport Block / Highways Maintenance / Challenge Fund	52,450,545	4,281,941	225,446	
Corporate Projects	4,038,709	2,609,900		
Broadband	4,363,915	1,007,792		
Land Release Fund & One Public Estate	1,028,993			
Getting Building Fund	44,557,357			
Brownfield Housing Fund	19,955,552	29,178,719	14,000,000	3,000,000
Emergency Active Travel Fund (Revenue and Capital)	7,805,868			
British Library North	151,414	3,803,586	8,482,333	12,562,667
Other (inc. Business Accelerator Fund, Clean Bus)	1,000,000	3,070,000	2,289,000	3,702,000
New Station Fund	2,000,000	10,000,000		
A - Total Capital Spend	312,359,465	282,609,962	265,193,232	247,610,470

Capital Funding	2021/22	2022/23	2023/24	2024/25
	£	£	£	£
Growth Deal / Transport Fund	(63,128,837)	(50,450,000)	(50,450,000)	(50,450,000)
Leeds Public Transport Investment Programme	(44,685,761)			
Broadband	(6,543,641)			
Getting Building Fund	(44,557,357)			
Emergency Active Travel Fund	(7,805,868)			
Land Release / One Public Estate	(1,028,993)			
Integrated Transport Block, Highways Maintenance / Pothole (DfT)	(57,991,550)			
Transforming Cities Fund	(169,124,161)	(137,519,145)		
Brownfield Housing Fund	(19,955,552)	(29,178,719)	(14,000,000)	(3,000,000)
British Library North	(25,000,000)			
New Station Fund	(2,000,000)	(10,000,000)		
Single Investment Fund - TCF Commitment	(19,000,000)	(9,500,000)	(9,500,000)	
Single Investment Fund - Unallocated				(9,500,000)
Ringfenced Reserves	(1,268,273)			
Capital Receipts	(32,535,959)	(1,038,764)	(711,760)	(555,049)
Other	(2,626,242)			
	(497,252,194)	(237,686,628)	(74,661,760)	(63,505,049)

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Treasury Management Strategy Statement

- 1 This statement sets out the Treasury Management Strategy for 2022/23 and limits under the prudential framework. It has been prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice 'Treasury Management in Public Services' which is re-adopted each year by Members of the Combined Authority. The statement and its implementation are currently updated twice annually in the final accounts and budget reports and also reviewed quarterly at Treasury Management meetings with any key findings reported to the Governance and Audit Committee.
- 2 The Combined Authority is required to operate a balanced budget. In particular, as a Local Authority, it must calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This means that capital expenditure must be limited to a level where increases in charges to revenue from additional external interest and running costs are affordable within the projected income levels for the foreseeable future.
- 3 The Local Government Act 2003 and Local Authorities (Capital Finance and Accounting) Regulations 2003 set out the system of capital finance to be followed by all local authorities from 2004. This appendix is intended to take account of the requirements of the regulations and to set them in the context of the Treasury Management Code of Practice. It also takes into account the risk appetite of the Combined Authority in this regard and the focus on ensuring security of the funds is set out further in section 13.
- 4 The treasury management arrangements must encompass all activities undertaken by the Combined Authority. This treasury strategy recognises the borrowing necessary to fund the capital programme requirements of both the General Fund (Combined Authority excluding policing) and the Police Fund. It should be noted that the decision making arrangements will differ for these two elements with the revenue costs of borrowing being included within the revenue budgets of the general fund and police fund accordingly.
- 5 For the Combined Authority non-policing activity borrowing is required to support the delivery of the full West Yorkshire plus Transport Fund and to support corporately determined schemes for which no capital resource other than borrowing has been identified. In addition, local funding has been committed to the Transforming Cities Fund and the arrival of gainshare funding provides an income stream which could be used to support borrowing. Estimates of the likely funding required are set out in the capital annex below and further work is underway to ensure there is a full robust programme of delivery for all schemes that will enable the borrowing requirements for future years to be fully understood. The short term borrowing requirement is likely to be offset as external investments are internalised to reduce counterparty risk implicit within external investments. Work underway to utilise gainshare is also expected to impact on the future capital programme and the extent of any borrowing required. Borrowing is also required to support the delivery of policing in West Yorkshire, with a range of projects in development.

Treasury management activity – borrowing and investments

Total Loans outstanding at 01/4/2021	£m
Fixed term	75.0
<u>Activity during 2021/22:</u>	
Fixed term loans- Police Fund loans transferred in 10 May 2021	74.7
Loan repayment - CA General Fund	0.0
Loan repayment - Police Fund	-0.3
Net movement in temporary loans - CA General Fund	0.0
Net movement in temporary loans - Police Fund	0.0
Anticipated total loan outstanding at 31/03/2022:	149.4
<u>Activity expected during 2022/2023:</u>	
New borrowing for the Capital Programme - CA General Fund	0.0
New borrowing for the Capital Programme - Police Fund	0.0
Borrowing repaid - CA General Fund	0.0
Borrowing repaid - Police Fund	-0.6
Anticipated loans outstanding at 31/3/2023	148.8
Total Investments	
Investments at 01/04/2021	345.0
Investment - Police Fund transferred in 10 May 2021	53.1
Net of new Investment in year - CA General Fund	153.5
Net of new Investment in year - Police Fund	55.3
Anticipated CA General Fund investment placed at 31/03/2022	498.5
Anticipated Police Fund investment placed at 31/03/2022	108.4

- 6 The start of 2021 saw little change with the Covid-19 pandemic continuing to have an impact for 2021/22. Interest rates have remained low throughout 2021, however on 16th December the Bank of England unexpectedly raised rates by 0.15% to 0.25%. Further increases are expected during 2022/23 with the next increase expected in May 2022 although the economic impact of the Omicron variant will be watched closely and will affect the timing of this decision. Increases beyond 2022 are expected to be measured as the economy recovers to pre-pandemic levels. The impact of Brexit has been masked by the pandemic but this also continues to be a factor as this also impacts on economic performance. Opportunities to refinance loans remains limited and the returns available on investments still remain low due to the current low level of base rate.
- 7 Leeds City Council undertakes the monitoring of the financial markets on behalf of the Combined Authority. The agreed policy is to seek to minimise the rates at which the Combined Authority borrows and to continue to refinance any longer term loans if rates appear advantageous.
- 8 No such opportunities have arisen so far in 2021/22. The Combined Authority has a loan portfolio with historically competitive rates and the economic climate has been such that there have been no suitable opportunities identified for refinancing.

- 9 The business planning and budget report sets out the estimated requirement for borrowing to supplement the capital grants received. The calculations in the annex demonstrate how this works through the capital financing requirement and set out the financing costs which are then included within the appropriate revenue budget.
- 10 The Combined Authority has continued with its accountable body responsibilities for the Leeds City Region Enterprise Partnership (LEP). This has meant increased funding being paid to the Combined Authority for example for example in relation to Growth Deal funding and has led to the changes agreed during previous years to enable these larger sums to be better managed. Over the past three years the limits and counterparties have been kept under regular review to ensure the sums available for investment are able to be placed appropriately. The Authority has a portfolio of investments in Fixed deposits but also keeps an element of liquid cash in call/notice accounts to manage day to day cashflow needs. For longer term deposits the selected counterparties are constantly monitored and meet the strict eligibility criteria stipulated under Leeds City Council's investment policy which has been adopted by the Combined Authority. This approach will continue during 2022/23 with an expectation that the Combined Authority will continue to have high cash balances to invest due to the advance payment of capital and other grant funding. Within the existing policy the Combined Authority can also invest in money market funds and this opportunity may also be taken to enable effective management of what is expected to be further significant cash advances of Transforming Cities Funding, Brownfield Housing, Adult Education Budget, City Region Sustainable Transport Settlement and other capital funding initiatives under the Mayoral Combined Authority in 2022/23, including the £38 million annual gainshare payment.
- 11 The general level of borrowing and investments is handled efficiently by Leeds City Council and has produced a situation where the Combined Authority has, in relative terms, very low borrowing costs. Regular meetings are held with the Leeds City Council staff who undertake treasury work for the Combined Authority under the terms of a signed service level agreement, and these meetings ensure a satisfactory level of control and monitoring is achieved. These meetings also consider the overall treasury management strategy and ensure that the policies in place continue to be appropriate to ensure that the Combined Authority's funds are managed to provide security and liquidity. A similar arrangement is in place for the policing funds, with support currently provided through Wakefield Council.
- 12 The Combined Authority has strict rules on investment criteria which are set out in paragraphs 13 to 15 for consideration and re-approval. These are set to minimise the risk to the Combined Authority's funds but does also mean that interest earned on deposits is lower than taking a higher risk approach would be. It is therefore in the Combined Authority's interest to seek to utilise any cash balances to reduce the costs of long term borrowing and this policy will continue to be pursued to reduce external Counterparty risk.

Treasury Management Activity – Investments Criteria

- 13 In general it is intended there should be no long term investments by the Combined Authority with any surplus cash being invested short term up to a maximum term of one year. The level of future investments will fluctuate on a short-term basis due to cash flow requirements but will be maintained as low as possible. Any investments undertaken by the Combined Authority follow the guidance of the Department for Levelling Up, Housing and Communities (DLUHC, formerly MHCLG) having regard to the concept of security, liquidity and then yield with emphasis being placed on the “return of funds” rather than the “return on funds”.
- 14 It is proposed that the existing policy of utilising external support for treasury management continues. At present this is provided by the Treasury Management Teams in Leeds City Council and Wakefield Council and it is expected that these services will continue to be provided by one of the local authority partners.
- 15 The Combined Authority has several rules in place for short term investments/borrowing, as set out below and that these should continue to be applied, with changes highlighted in bold below: -
- a. The Chief Finance Officer (Director for Corporate and Commercial Services) shall determine the amounts and periods.
 - b. The procedural document as approved for their Treasury Management Division by Leeds City Council shall be adopted in relation to the Combined Authority’s short-term investments encompassing the Council’s list of approved financial organisations and the maximum lending limits per organisation, as specified in that document from time to time.
 - c. No investment will be for a period exceeding 12 months other than with other local authorities and then only for a period not exceeding 36 months. The limits for each of the next three years are that for investments for a period greater than 364 days, that no more than £20 million will mature in each of 2022/23, 2023/24 and 2024/25.
 - d. Investments with Leeds City Council will not exceed £15 million, the interest rate for such deposits being agreed between the Chief Financial Officers of both organisations. This arrangement is a continuation of approved arrangements put in place some years ago to recognise the potential conflict of interest that could arise.
 - e. Investments with any one counterparty should not exceed £15 million
 - f. Investments with the Combined Authority’s bankers are specifically excluded from the limits set out, in recognition of the fluidity of such arrangements.
- 16 The proposals above would provide the flexibility for the Combined Authority to invest its surplus funds which, as they are expected to continue to increase, will become increasingly difficult to place on the market. As the capital programme progresses and new borrowing requirement increases it is anticipated that external investments will be internalised to fund this borrowing requirement

pending locking into long term funding and also reducing external Counterparty risk. The proposals are deemed low risk and are in accordance with the criteria applied by Leeds City Council to its treasury arrangements.

CONSULTATION ON THE PRUDENTIAL CODES

- 17 During 2021 CIPFA began a consultation of the following codes and guidance documents:
- The Prudential Code for Capital Finance in Local Authorities
 - Treasury management in the Public Services Code of Practice and Cross sectoral Guidance Notes
 - Treasury management in the Public Services Guidance Notes for Local Authorities including Police bodies and fire and rescue authorities.
- 18 The first draft consultation closed in April 2021 after which a second consultation was undertaken after taking account of comments and feedback on the first consultation. This second consultation closed in November 2021. Following this the revised codes and guidance has been finalised and published on 20th December 2021 however this has introduced some timing issues resulting in the Codes being a “soft” launch. Recommendation from CIPFA is that these codes and guidance should be adopted at the earliest opportunity however given its close proximity to the budget and strategy setting process it is acknowledged that this may not be achievable for 2022/23.
- 19 The Codes and changes within them will be examined in detail and any changes will be considered and adopted once they have been fully identified and understood.
- 20 It should be noted that broad themes from the consultations were changes to:
- Investments primarily for yield.
 - Borrowing in advance of need primarily for yield
 - Introduction of new Prudential indicators (PI) in relation to investments
 - Introduction of a new PI called the Liability benchmark.
 - Changes to/removal of certain existing Prudential Indicators.
 - Changes to or redrafting of many sections of narrative to aid clarity or remove ambiguity.

PRUDENTIAL FUNDING ARRANGEMENTS

- 21 The principal purpose of the prudential system is to allow authorities as much financial freedom as possible whilst requiring them to act prudently. There is no formal requirement arising from this to set government borrowing approvals but government retains the power to do so and it has determined that Combined Authorities are required to agree a debt cap with government. The Combined Authority has agreed the proposal from government of a limit on the Authority’s total long-term external debt at the end of 2021/22 of £248.3 million. This limit has been derived from the current agreed long-term investment plans of the authority including those investment required for provision of policing services, with some significant headroom to enable flexibility.

- 22 The debt cap operates on long-term external debt and does not limit capital spending funded from internal cash flow or short-term external debt (less than 1 year). The agreement will be reviewed in light of emerging initiatives, local or national, which have a material impact on the Combined Authority borrowing totals. Arrangements for 2022/23 will be agreed following the Government's conclusion of the Spending Review.
- 23 The projection of external debt figures outlined in this report falls well within the year end ceilings incorporated into the debt deal.
- 24 Irrespective of this cap restrictions are imposed through the CIPFA Prudential Codes which require every authority to set prudential indicators and limits and thus be satisfied that it can afford the results of its borrowing and to ensure investment is in line with its place making remit and not solely for financial yield. These limits, which must not be exceeded, must be formally agreed by the Authority before the start of each financial year.
- 25 The applicable codes governing our arrangements are the "Treasury management in the Public services – Code of Practice and the "Guidance notes 2021" and "The Prudential Code - for capital finance in Local Authorities 2021", as well as Treasury management in the Public Services Guidance Notes for Local Authorities including Police bodies and fire and rescue authorities 2021 which is now formally part of the CIPFA codes as well as recognising the DLUHC Investment guidance which has always had statutory underpinnings. In summary these Codes emphasise that local authorities must ensure that all its capital and investment plans and borrowing are prudent and sustainable. In doing so it will consider its arrangements for the repayment of debt and consideration of risk and the impact, and potential impact, on the authority's overall fiscal sustainability. While indicators for sustainability are required to be set over a minimum three year rolling period, indicators should be set in line with a capital strategy and asset management plan that is sustainable over the longer term.
- 26 A capital strategy should demonstrate that the Combined Authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability. The Capital Strategy, last approved in April 2021, is reviewed and updated regularly, and will be reviewed alongside the West Yorkshire Investment Strategy in the first part of this year.
- 27 The Code requires full capital and revenue plans to be prepared for at least three years forward in order to assess the financial effects of the planned capital investment. In the Combined Authority the three year financial strategy is considered by Members on a regular basis and to ensure a level of affordability it is currently the policy that borrowing to meet capital expenditure will be limited to proposed levels. Restricting borrowing in this way ensures that all debt charges are covered by the Combined Authority through its levy on the Districts or through other confirmed income sources.
- 28 The capital programme is considered in detail earlier in this report. It should be noted that in accordance with the above, overall capital expenditure will be met firstly by grants and other resources leaving the balance to be met by borrowing.

- 29 There are significant levels of grant provided to the Combined Authority under a range of programmes and with the prospect of future funds through any successor programmes. Recognising the demands upon infrastructure investment it is proposed that other alternative methods of financing during the year remain under consideration as and when appropriate. The financial viability and value for money of such methods will require investigation and savings found within the budget to accommodate the costs involved. Members will be asked to approve any such methods before they are implemented.
- 30 The Combined Authority has in place a five year borrowing facility with the European Investment Bank (EIB) which provides a flexible financing offer to support the West Yorkshire Plus Transport Fund. Many of the schemes in the West Yorkshire plus Transport Fund meet the EIB funding criteria and this provides an attractive alternative to the traditional PWLB lending. The UK's withdrawal from the European Union does not preclude this arrangement taking place.
- 31 When Leeds City Council and the Combined Authority last reviewed the borrowing limits in the light of market rates they determined that they would allow the limit to be set at a level sufficient for the current year plus the equivalent of two years anticipated borrowing requirement which is derived from the capital allocations. This was intended to provide flexibility for fund management allowing borrowing to take place when rates are low rather than being tied into strictly annual borrowing.
- 32 The Annex initially creates limits set at the required level of borrowing for 2022/23 and 2023/24. To provide more flexibility in managing the funding operation it was previously agreed that approval be given to borrow to cover loan requirements for the current plus the following two years.
- 33 The attached Annex shows the calculation of the following prudential indicators:
- a. The ratio of debt charges to overall expenditure. This is not significant to the Combined Authority as it is effectively controlled through the level of the levy (as referred to above).
 - b. Gross external Borrowing requirement (Gross Debt and CFR). The gross borrowing requirement should not exceed the Capital Financing Requirement (CFR).
 - c. The operational boundary should reflect the maximum anticipated level of external debt consistent with budgets and cash flow forecasts. It should be seen as a management tool for on-going monitoring of external debt, and may be breached temporarily due to unusual cash flow movements.
 - d. The authorised limit represents the legislative limit on the Combined Authority's external debt under the Local Government Act 2003. It should be set with sufficient headroom above the operational boundary to allow flexibility for planned borrowing to be undertaken, in order for prudent treasury management decisions to be taken and temporary cash flow fluctuations to be managed.

- e. The Combined Authority is required to set upper and lower limits for the maturity structure of its borrowings. This is designed to limit the risk of exposure to high interest rates by restricting the level of maturing debt in any given year. The limits represent the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. It is proposed that these limits remain unchanged.
- 34 The Prudential Code requires Members to have an approved Treasury Management Policy (this is set out above) and to agree limits for variable and fixed rate loans. It is recommended that the maximum limit for variable rate loans continues to be set at 40% and the limit for fixed rate loans remains at 200%. This reflects the current position that arises from the increase in cash balances and investments resulting from an increase in advance grant funding.

Indicative Capital Estimates

Capital Expenditure	2021/22	2022/23	2023/24	2024/25
	£	£	£	£
Growth Deal - Economic Development	480,329			
West Yorkshire plus Transport Fund	86,025,688	102,395,761	115,196,453	117,555,161
Leeds Public Transport Investment Programme (LPTIP)	45,270,442	368,755		
Transforming Cities Fund	43,230,653	125,893,508	125,000,000	110,790,642
Integrated Transport Block / Highways Maintenance /Challenge Fund	52,450,545	4,281,941	225,446	
Corporate Projects	4,038,709	2,609,900		
Broadband	4,363,915	1,007,792		
Land Release Fund & One Public Estate	1,028,993			
Getting Building Fund	44,557,357			
Brownfield Housing Fund	19,955,552	29,178,719	14,000,000	3,000,000
Emergency Active Travel Fund (Revenue and Capital)	7,805,868			
British Library North	151,414	3,803,586	8,482,333	12,562,667
Other (inc. Business Accelerator Fund, Clean Bus)	1,000,000	3,070,000	2,289,000	3,702,000
New Station Fund	2,000,000	10,000,000		
<i>Police capital programmes - Estate, ICT and Fleet&Equipments</i>	25,182,000	45,847,000	23,866,000	14,258,000
A - Total Capital Spend	337,541,465	328,456,962	289,059,232	261,868,470

Capital Funding (includes c/fwd from 2020/21)	2021/22	2022/23	2023/24	2024/25
	£	£	£	£
Growth Deal / Transport Fund	(63,128,837)	(50,450,000)	(50,450,000)	(50,450,000)
Leeds Public Transport Investment Programme (LPTIP)	(44,685,761)			
Broadband	(6,543,641)			
Getting Building Fund	(44,557,357)			
Emergency Active Travel Fund	(7,805,868)			
Land Release / One Public Estate	(1,028,993)			
Integrated Transport Block, Highways Maintenance / Pothole (DfT)	(57,991,550)			
Transforming Cities Fund	(169,124,161)	(137,519,145)		
Brownfield Housing Fund	(19,955,552)	(29,178,719)	(14,000,000)	(3,000,000)
British Library North	(25,000,000)			
New Station Fund	(2,000,000)	(10,000,000)		
Single Investment Fund - TCF Commitment	(19,000,000)	(9,500,000)	(9,500,000)	
Ringfenced Reserves	(1,268,273)			
Capital Receipts	(32,535,959)	(1,038,764)	(711,760)	(555,049)
Other	(2,626,242)			
<i>Police capital funding - Grants</i>	<i>(13,413,000)</i>	<i>(9,232,000)</i>	<i>(7,150,000)</i>	<i>(10,771,000)</i>
<i>Police capital funding - Capital Receipts</i>	<i>(4,403,000)</i>	<i>(2,379,000)</i>	<i>(2,200,000)</i>	
	(515,068,194)	(249,297,628)	(84,011,760)	(74,276,049)
	(177,526,729)	79,159,334	205,047,472	187,592,421

NB:

Figures have been included for unapplied capital from previous years, capital receipts and other available sources.
Balance to be funded by borrowing.

Calculation of Prudential Indicators:

	2021/22	2022/23	2023/24	2024/25
AFFORDABILITY	£000	£000	£000	£000
Ratio of financing costs to net revenue stream - CA General Fund				
Debt Charges	6,118	5,830	6,490	6,867
Levy	98,375	98,375	98,375	98,375
Resultant ratio:	6.2%	5.9%	6.6%	7.0%
Ratio of financing costs to net revenue stream - Police Fund				
Debt Charges	3,867	3,810	3,747	3,678
Net revenue stream - precept	138,222	146,941	155,117	163,443
Resultant ratio:	2.8%	2.6%	2.4%	2.3%

PRUDENCE

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

	2021/22	2022/23	2023/24	2024/25
	£000	£000	£000	£000
Loans outstanding at 1 April - CA General Fund	75,000	75,000	75,000	75,000
Gross Market and PWLB Debt at 1 April - Police Fund	74,407	73,761	88,052	87,274
Total Loans outstanding at 1 April	149,407	148,761	163,052	162,274
Estimate of Capital Financing Requirement (CFR) - CA General Fund	77,594	101,350	152,214	212,905
Estimate of Capital Financing Requirement (CFR) - Police Fund	98,961	103,957	135,710	147,596
Additional borrowing requirement in year - CA General Fund	27,416	54,556	64,746	125,377
Additional borrowing requirement in year - Police Fund	7,366	34,235	14,516	3,487
Less debt repayments in year - CA General Fund	-3,660	-3,692	-4,055	-3,641
Less debt repayments in year - Police Fund	-2,370	-2,482	-2,630	-2,760
Estimate of (CFR) 31 March - CA General Fund	101,350	152,214	212,905	334,641
Estimate of (CFR) 31 March - Police Fund	103,957	135,710	147,596	148,323
Total Estimate of (CFR) 31 March	205,307	287,924	360,501	482,964
Calculated Operational Boundary	174,000	173,830	187,706	261,915
Safety factor	297,238	352,003	366,487	312,000
Forecast Authorised Limit	471,238	526,000	554,000	574,000

Maturity of Loan Structure	Minimum	Maximum	CA General Fund	Projected 31/03/2023	Police Fund	Projected 31/03/2023
Loans up to 1 year	0%	30%	0	0%	0	0%
Loans between 12 and 24 months	0%	20%	0	0%	0	0%
Loans between 24 months and 5yrs	0%	50%	0	0%	0	0%
Loans between 5 and 10 years	0%	75%	0	0%	4,860,687	7%
Loans between 10 and 20 years			0	0%	0	0%
Loans between 20 and 30 years			0	0%	51,900,000	70%
Loans between 30 and 40 years	25%	100%	50,000,000	67%	0	0%
Loans between 40 and 50 years			15,000,000	20%	17,000,000	23%
Loans 50 years +			10,000,000	13%	0	0%
			75,000,000	100%	73,760,687	100%

The Police Fund CFR excludes other long term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, these types of scheme include a borrowing facility and so it is not required to separately borrow for these schemes.

Reserves Policy Calculation

The reserves calculation is used to set a level of reserves required to support the core functions of the Combined Authority and known emerging financial risks, including for 2022/23 the potential further impact of Covid19. The % contingency on key budget lines was designed to represent the risk of factors such as inflation, implementation of new capital projects and the risk of not realising savings.

Reserves Policy	Budget 2022-23 £m	Reserves 2022-23 £m
Risk on Concessions	53.80	
5% contingency for volatility of payments and bus operator landscape risks		2.69
Risk on Subsidised Bus services (gross)	25.87	
10% contingency due to inflationary and market conditions due to COVID-19		2.59
Risk (general) on other areas of spend		
Passenger & Bus Station Services (net)	8.83	
Trade and Inward Investment	1.37	
Policy, Strategy and Communications	6.53	
Financing (net)	5.82	
Corporate Services	<u>7.77</u>	
	30.32	
Risk of inflation increases/capacity demands etc at 5% (previously 3%)		1.52
Other Risks 2022/23 (Covid19, operational matters)		1.00
Risk on income		
Risks arising due to lack of certainty on future funding		1.00
Risk that budgeted income falls short of expectations due to COVID-19)		1.50
Total reserves required		<u>10.29</u>

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Corporate risk update December 2021

Original risk	Key mitigations	Likelihood	Impact	Rating & Trend		Owner
Due to the long term impacts of the COVID-19 pandemic on the regional economy and on travel habits, there is a risk that key corporate objectives cannot be met	<ul style="list-style-type: none"> Research and Intelligence continue to model potential impacts and long term scenarios Working closely with partners and representative groups to identify possible long term impacts and develop joint responses Updating business plans to identify key areas for re-prioritisation 	3 Possible	5 Critical	Very high	↔	Managing Director
Due to the financial impacts of the COVID-19 pandemic, there is a risk that the medium to long term financial health of the Combined Authority will be adversely affected	<ul style="list-style-type: none"> Financial scenario modelling undertaken and being continually updated Continued liaison with Government to understand funding opportunities Finance & Resources Committee to oversee response 	3 Possible	5 Critical	Very high	↔	Managing Director
Due to over-optimistic profiles, capacity and recruitment and retention challenges, there is a risk that the Combined Authority fails to directly deliver projects funded through fixed capital funding programmes, within the stipulated timescales or budget, or with the anticipated level of benefits	<ul style="list-style-type: none"> Significant monitoring and controls in place through Assurance Process Challenge on delivery profiles of individual schemes through Assurance Framework Ongoing work to widen the advertising reach for vacancies 	3 Possible	4 Serious	High	↓	Director of Delivery
Due to over-optimistic profiles, capacity and recruitment and retention challenges, there is a risk that our District partners fail to fully deliver projects funded through fixed capital funding programmes, within the stipulated timescales or budget, or with the anticipated level of benefits	<ul style="list-style-type: none"> Significant monitoring and controls in place through Assurance Process Continuing to provide support to districts through secondment of projects/programme staff Challenge on delivery profiles of individual schemes through Assurance Framework 	3 Possible	4 Serious	High	↓	Director of Delivery
Due to current uncertainties within the construction industry and wider business community, there is a risk that a major contractor/supplier/recipient of CA funding encounters significant financial difficulties, or enters administration or liquidation, and are therefore unable to deliver agreed projects.	<ul style="list-style-type: none"> Contractual KPIs & penalty clauses implemented Agreed escalation routes & conflict resolution mechanisms in contracts Security measures embedded into contracts Regular financial checks in place through procurement & contract monitoring processes 	3 Possible	4 Serious	High	↔	Director of Corporate & Commercial Services
Due to challenges in bringing forward Enterprise Zone sites within Growth Deal funding and occupier incentive timescales, there is a risk that there is insufficient floorspace to generate projected business rates income.	<ul style="list-style-type: none"> Prudent level of income forecasting included within budget projections New Head of investment & Development role to oversee EZ strategy Cross-directorate approach established to link into broader funding opportunities and to maximise Inward Investment reach. 	3 Possible	4 Serious	High	↔	Director of Economic Services
Due to the high volume of people and inherent operational risks present in a bus station, transport interchange or CA facility, there is a risk that a major accident or injury occurs at a CA facility	<ul style="list-style-type: none"> Health and safety policies, procedures and processes in place Ongoing staff training Continual monitoring of Health and Safety risks Working with district emergency planning units to share knowledge and develop joint plans 	2 Unlikely	5 Critical	High	↔	Director of Transport & Property Services
Due to the significant amount of change within the organisation and associated increasing workload pressures, there is a risk that staff wellbeing is adversely affected.	<ul style="list-style-type: none"> Significant activity in place to promote wellbeing and signpost staff to support Specific support services in place including EAP and Mental Health First Aiders Capacity issues being identified and monitored through SLT and MCA Board 	3 Possible	4 Serious	High	NEW	Managing Director
Due to the need to improve recruitment processes and reach, there is a risk that the CA is not able to fill	<ul style="list-style-type: none"> HR Advisor to lead recruitment & diversity activity recruited Interim improvements to advertising of vacancies put in place 	3 Possible	4 Serious	High	NEW	Director of Corporate & Commercial Services

Original risk	Key mitigations	Likelihood	Impact	Rating & Trend		Owner
vacant roles or attract a suitably diverse and skilled workforce, ultimately impacting on the ability to meet corporate objectives.						
Due to the business failure, sale, or substantial change in bus/rail providers, there is a risk that there is a substantial reduction or alternation of services to customers.	<ul style="list-style-type: none"> Close relationships with operators to obtain early warnings Continued dialogue with DFT, TFN 	3 Possible	4 Serious	High	↔	Director of Transport & Property Services
Due to an internal failure of controls, protocols and systems or a malicious attack there is a risk that the CA falls victim to a cyber security breach	<ul style="list-style-type: none"> Mandatory data protection and information governance training for staff Routine monitoring of suspicious e-mails and threat ICT security policy and Information Governance policies in place Technical security controls in place 	3 Possible	4 Serious	High	↔	Director of Corporate & Commercial Services
Due to a major unanticipated change in national policy, or an unplanned response to a national emergency situation, there is a risk that organisational objectives cannot be achieved as anticipated and/or there is a need to divert resources	<ul style="list-style-type: none"> Continued dialogue with Government Policy and Strategy directorate continuing to monitor emerging national trends 	2 Unlikely	5 Critical	High	↔	Managing Director
Due to uncertainty surrounding the availability and timing of future funding streams, there is a risk that some key economic support services will cease and the knowledge and expertise we have developed to deliver them will be lost.	<ul style="list-style-type: none"> Continuing to Liaise with Government on clarity over funding through UK Shared Prosperity Fund, Levelling-Up Fund Funding sources being considered through annual budget setting process 	3 Possible	4 Serious	High	↔	Director of Economic Services
Due to lack of compliance with legislation, there is a risk that the Combined Authority faces a legal challenge.	<ul style="list-style-type: none"> Policies and processes in place to minimise risk Mandatory compliance training for staff Ongoing monitoring of legislative changes and consequences decisions by legal team. Ongoing monitoring of compliance issues through Regulatory and Compliance Board 	2 Unlikely	4 Serious	Medium	↔	Director of Corporate & Commercial Services
Due to the role of the organisation broadening under the MCA model, there is a risk that the organisation's processes, systems and structures are insufficient to adequately support the organisation in achieving its objectives.	<ul style="list-style-type: none"> MCA Programme includes significant projects to update systems and processes MCA Digital programme in delivery to further improve ICT infrastructure and tools Integrated Corporate Systems project in delivery to modernise the organisation's HR/Finance systems 	3 Possible	3 Moderate	Medium	↔	Director of Corporate & Commercial Services
Due to the increased breadth and volume of activities for the organisation under the MCA model, there is a risk that we fail to have in place sufficient capacity or skills to deliver on increasing priorities and responsibilities	<ul style="list-style-type: none"> MCA programme includes organisational design workstream to ensure skills and capacity are in place to deliver against priorities Capacity and skills gaps to be identified through business planning process 	3 Possible	3 Moderate	Medium	↔	Director of Corporate & Commercial Services
Due to different priorities and differential capacity, there is a risk that our relationships with key partners are not sufficiently strong to deliver on objectives.	<ul style="list-style-type: none"> Continue work to strengthen key partnerships Member and Officer representation on formal and informal groups, Panels and Committees across every aspect of the organisation's work. 	2 Unlikely	4 Serious	Medium	↔	Managing Director
Due to a legacy/outdated structure and resourcing in the Communications Team, there is a risk that perception management and effective communication of the CA and the LEP are compromised.	<ul style="list-style-type: none"> One structural review took place in 2020 and a significant organisational restructure of the service is underway 	3 possible	3 moderate	Medium	↔	Director of Strategy, Communications & Policing
Due to the ambitious approach to tackling the climate emergency adopted by the CA in setting a target of becoming net zero carbon by 2038, there is a risk that	<ul style="list-style-type: none"> A Clean Growth policy and action plan in place Clean Growth continue to be incorporated into core activities through the annual business planning cycle. 	3 possible	3 moderate	Medium		Director of Strategy, Communications and Policing



Original risk	Key mitigations	Likelihood	Impact	Rating & Trend		Owner
the CA will not have the capacity and resources to achieve this ambition, or that some existing priorities may not be delivered due to a shift in focus towards reducing carbon emissions.	<ul style="list-style-type: none"> Wellington House refurbishment includes carbon cutting measures (solar panels, electric vehicle charging and low-energy lighting). The City Region's Energy Strategy and Delivery Plan also outline a range of partnership projects that will further support clean growth led by the CA. 					
Due to staffing availability issues as a result of an increase in Covid-19 cases and/or self isolation, there is a risk that frontline services and business as usual activities cannot be adequately provided	<ul style="list-style-type: none"> Staffing levels being monitored and individual circumstances being regularly reviewed Individual resilience plans in place for frontline services 	2 Unlikely	4 Serious	Medium	↔	Director of Transport & Property Services
Due to the increased profile of the Combined Authority following the transition to the MCA Model, there is a risk that security arrangements in place for individuals and buildings is not sufficient.	<ul style="list-style-type: none"> Security review undertaken for individuals and practical actions being implemented as a result of this Security review of buildings undertaken and practical measures being implemented Training and awareness raising for staff generally 	2 Unlikely	4 Serious	Medium	NEW	Managing Director

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Report to: Governance and Audit Committee

Date: 13 January 2022

Subject: **Ethical Governance Changes**

Director: Angela Taylor, Director, Corporate and Commercial Services

Author: Amanda Rumbelow, Governance Lawyer

Is this a key decision?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information or appendices?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1:	
Are there implications for equality and diversity?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

1. Purpose of this report

- 1.1 To consider draft updates to the procedure for considering complaints alleging a failure to comply with the Members' Code of Conduct (Appendix 1).
- 1.2. To ask that the Committee recommends to the Combined Authority that these revisions are adopted, to be of effect from the 3 February meeting.

2. Information

- 2.1 The Committee may recall that 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. One such recommendation was that the Local Government Association (LGA) should create a model code of conduct, which it subsequently did and published in December of 2020. The Committee will recall that following publication of the model, it endorsed an amended version of the Combined Authority's Members' Code incorporating those changes, which was adopted at the Combined Authority's Annual Meeting in June 2021.

- 2.2. Since the Committee considered the Combined Authority’s Code, the LGA has prepared further guidance on handling complaints arising from the code¹. In light of this updated guidance, a review of the Combined Authority’s procedure for dealing with complaints was considered timely.
- 2.3. A number of changes to the Procedure are proposed to provide further clarity. For ease of reading, and to best incorporate the changes a revised clean version of the proposed Procedure is attached as an Appendix. The main changes are:
- The inclusion of an additional step in the Procedure, namely ‘Investigation’, which precedes a report being taken to Governance and Audit Committee. This step sets out the investigative process which determines whether a matter should be taken to the Committee, to ensure the procedure is transparent and fit for purpose,
 - For the purposes of clarity, the terminology has been amended throughout and the terms ‘Subject Member’ and ‘complainant’ are defined at the outset of the document,
 - The possible outcomes of each stage of the Procedure are now explicitly stated, along with time frames, to ensure all parties to a complaint understand which stage of the Procedure the complaint has reached.

3. Tackling the Climate Emergency Implications

- 3.1 There are no climate emergency implications directly arising from this report.

4. Inclusive Growth Implications

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

5. Equality and Diversity Implications

- 5.1. The Combined Authority’s Code of Conduct contains explicit reference to the equality legislation and places an obligation on Members to promote equalities and not discriminate unlawfully against any person. Conduct which amounts to a breach of the Equality Act 2010 could also amount to a breach of the Code of Conduct and give rise to a complaint under the Code.

6. Financial Implications

- 6.1 There are no financial implications directly arising from this report.

7. Legal Implications

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

¹ [Guidance on Member Model Code of Conduct Complaints Handling | Local Government Association](#)

- 7.2. 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.
- 7.4 Sections 27 and 28 of the 2011 Act 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.
- 7.5 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 7.4.

8. Staffing Implications

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

9. External Consultees

- 9.1 No external consultations have been undertaken.

10. Recommendations

- 10.1 That the Committee endorses the revised procedure for considering complaints alleging a failure to comply with the Members' Code of Conduct (Appendix 1) and recommends it for approval by the Combined Authority.

11. Background Documents

Not applicable.

12. Appendices

Appendix 1 – Revised procedure for considering complaints alleging a failure to comply with the Members' Code of Conduct

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Part 5

Section 5.2 – Procedure for considering complaints alleging a failure to comply with the Members' Code of Conduct

Introduction

1. The Members' Code of Conduct applies to Combined Authority Members and voting Co-opted Members¹ when they are acting in that capacity.
2. The person making the complaint will be referred to as “the complainant” and the person against whom the complaint is made will be referred to as the “Subject Member”. The “Independent Person” means an Independent Person appointed under s.28(7) of the Localism Act 2011.
3. No Member or officer will participate in any stage of the procedure if he or she has, or may have, any personal conflict of interest in the matter.

Submitting a Complaint

4. The complainant alleging a failure to comply with the Code should submit their complaint in writing either by post to the Monitoring Officer, West Yorkshire Combined Authority, Wellington House, 40-50 Wellington Street, Leeds LS1 2DE or email to caroline.allen@westyorks-ca.gov.uk for initial assessment².
5. The complaint must set out:
 - the complainant's name, address and other contact details,
 - who the complainant is (member of the public/fellow councillor or officer)
 - who was involved,
 - the alleged misconduct,
 - when and where it occurred, and
 - how the complainant wants the complaint to be resolved.

¹ and any substitute. Any reference in this procedure to a “Member” should be construed as being a reference to any member to whom the Code applies including the Mayor and the Deputy Mayor for Policing and Crime (where the Deputy Mayor for Policing and Crime is a Combined Authority Member, and the complaint is in relation to a PCC Function that has been referred by the Police and Crime Panel to the Monitoring Officer)

² Where any potential conflict of interest arises from the involvement of the Monitoring Officer, the Combined Authority's Managing Director may ask a Monitoring Officer from another authority to deal with the complaint, including undertaking any investigation.

6. The complainant may complete a complaint form, but this is not required if the complainant provides the details required in writing.
7. If the complainant does not complete a form and does not provide the required details in writing, the Monitoring Officer will ask them to re-submit the complaint by completing a form.
8. The Monitoring Officer will acknowledge receipt of the complaint within 5 working days of receiving it and, at the same time, may³ write to the Subject Member with details of the allegation(s)⁴.
9. The Subject Member may, within 10 working days of receipt, make written representations to the Monitoring Officer which must be considered when deciding how the complaint should be dealt with. Representations after this time may be considered, at the discretion of the Monitoring Officer, but will in any event not be considered after the Monitoring Officer has issued the Initial Assessment of the complaint.

Initial Assessment by the Monitoring Officer

10. The Monitoring Officer will review the complaint and following consultation with the Independent Person take a decision (Initial Assessment) as to whether it passes the jurisdictional threshold (see paragraph 11 below) and, only if it does, will proceed to consider whether it merits investigation, or another course of action. This decision will normally be taken within 20 working days of receipt of a complaint. If the Monitoring Officer is of the opinion the Initial Assessment will take longer than 20 working days, they will notify the complainant and Subject Member of this as soon as is practicable
11. The jurisdictional or 'initial test' carried out by the Monitoring Officer will assess whether the complaint is:
 - against one or more named members of the Combined Authority;
 - the named member was in office at the time of the alleged conduct;
 - the complaint relates to matters where the member was acting as a member or representative of the Combined Authority, and it is not a private matter;
 - the complaint, if proven, would be a breach of the Code under which the member was operating at the time of the alleged misconduct.
12. Where a complaint may relate to a member in their capacity as a member of a Constituent or Non-Constituent Council, the Monitoring Officer will consult with the Monitoring Officer of the relevant council. In cases where an

³ The presumption will be that the Monitoring Officer will notify the Subject Member of any complaint against them, however, in the interest of preserving evidence, protecting the complainant from harassment, or other exceptional circumstances, the Monitoring Officer may decide not to notify the Subject Member

⁴ subject to any representations from the complainant on confidentiality, which are accepted as valid by the Monitoring Officer

allegation could trigger the complaints process in more than one authority, the Monitoring Officer will seek to agree with the Monitoring Officer of the relevant council that one initial assessment is undertaken to avoid two separate processes being carried out.

13. No complaint will be pursued unless it is in the opinion of the Monitoring Officer, in the public interest to do so. In deciding what action is necessary the Monitoring Officer will consider the following non-exclusive factors in respect of the complaint:

- Where it is submitted anonymously,⁵
- does not identify the Subject Member,
- relates to a member's personal or private life,
- alleges that a criminal offence has been committed,
- is about failing to respond to a request from a constituent or other individual,
- relates to alleged actions by officers of the Combined Authority, or a service-related issue,
- relates to a decision of the Combined Authority or the Mayor, a committee of the Combined Authority or an officer of the Combined Authority,
- relates to a person who is no longer a Member,
- refers principally to an alleged incident before the person became a Member,
- refers principally to an alleged incident which happened so long in the past that there would be little benefit in taking action,
- contains trivial allegations, or which appear to be simply malicious, vexatious, politically motivated or tit-for-tat⁶, or
- concerns alleged behaviour which has already been investigated or subject to some form of action.

14. If a complaint alleges that a criminal offence has been committed,⁷ the Monitoring Officer may direct any such complaint to the West Yorkshire Police⁸. Before making this decision, the Monitoring Officer may consult with:

- the Mayor,

⁵ Complaints which contain a request for the complainant's identity to be withheld may be dealt with under this procedure, although the complainant's identity will only be withheld if, in the opinion of the Monitoring Officer, there are exceptional circumstances. If the Monitoring Officer does not consider that the complainant's identity should be withheld, the complainant will be given the opportunity to withdraw the complaint. Anonymous complaints which reveal potential fraud or corruption will be referred to the Head of Internal Audit for consideration under the Combined Authority's Whistle Blowing Policy.

⁶ The Monitoring Officer should give the Independent Person the option to review and comment on allegations which the Monitoring Officer is minded to dismiss as falling within this provision.

⁷ Such as fraud, or an offence relating to failing to register or disclose a disclosable pecuniary interest under Section 34 of the Localism Act 2011.

⁸ Serious complaints and conduct matters made against the Mayor and Deputy Mayor for Policing and Crime in relation to PCC Functions must be referred to the Director General of the Independent Office for Police Conduct in accordance with the Policing Protocol Order 2011 as modified by the West Yorkshire Combined Authority (Election of Mayor and Functions) Order 2021.

- the Chair of the Governance and Audit Committee,
 - the Head of Paid Service,
 - the Section 73 Chief Finance Officer, or
 - the Independent Person.
15. The Monitoring Officer will refer any complaint about an officer or service-related issue to the Head of Paid Service.
16. On conclusion of their Initial Assessment, the Monitoring Officer will make one of the following decisions about the complaint:
- no further action should be taken on the complaint;
 - the matter should be dealt with through a process of informal resolution in the first place or;
 - the matter should be referred for a formal investigation.
17. The Monitoring Officer will notify the complainant and Subject Member of the outcome of their decision in writing, as soon as is practicable. This will set out what further action is being taken (where appropriate).
18. Where the decision is made to take no further action, the Monitoring Officer will provide reasoning for that decision, including the views of the Independent Person.
19. There is no appeal against any decision taken by the Monitoring Officer at this stage.

Informal Resolution

20. If the Monitoring Officer decides to seek to resolve the matter informally, they may do one or more of the following:
- ask the Subject Member to submit an apology in writing to the complainant;
 - convene a meeting between the Subject Member and the complainant in order to try to resolve the issue informally;
 - notify the Subject Member's group leader (where they are a member of a political group) and suggest that they may wish to take some internal group action⁹;
 - suggest that the Subject Member undergo relevant training;
 - other such action that the Monitoring Officer deems appropriate.
21. The Monitoring Officer will decide on a timeframe within which the informal resolution must be completed to an acceptable standard, and if within that

⁹ If the complaint is about a group leader, the Monitoring Officer may refer the matter to the relevant group whip within the relevant council. Where the Subject Member is the Deputy Mayor for Policing and Crime (and a CA member) the Monitoring Officer may notify the Mayor to seek their support

timeframe the Monitoring Officer is satisfied with the outcome, they will notify the complainant and the Subject Member, and the matter is then closed.

22. If either the Subject Member or complainant refuses to engage with the informal resolution proposed by the Monitoring Officer, or do not engage within the set timeframe, or the Monitoring Officer deems the action taken by the Subject Member insufficient or the informal resolution does not take place in a timely way the Monitoring Officer will decide, in consultation with the Independent Person, whether the case should be closed, whether an investigation is necessary or whether some other action should be taken.
23. At the end of the informal resolution, the Monitoring Officer will report any outcomes to the Governance and Audit Committee
24. There is no appeal against any decision of the Monitoring Officer under this stage.

Investigation

25. Where a matter is referred for investigation, the Monitoring Officer will normally appoint an Investigating Officer¹⁰. The Investigating Officer may be a Combined Authority officer, an officer from a Constituent Council, Non-Constituent Council or an external investigator.
26. The Investigating Officer will ensure that the Subject Member receives a copy of the complaint – subject to the Monitoring Officer’s decision on confidentiality.
27. The investigation must normally be completed within 6 months of the Monitoring Officer’s decision to refer the complaint for investigation. If an extension of time is needed the Monitoring Officer must agree that extension with the Chair of the Governance & Audit Committee and the Independent Person and notify the Subject Member and complainant of any extension.
28. The Subject Member is notified who the relevant Independent Person is for the case and may seek their views at any stage during the investigation. The complainant is also notified who the Independent Person is and may make a request to the Monitoring Officer to seek the views of the Independent Person. However, such a request will only be granted at the discretion of the Independent Person in consultation with the Monitoring Officer.
29. At any time while the investigation is underway the Monitoring Officer, the Subject Member or the complainant may ask for an informal resolution. The Monitoring Officer will consult with the relevant Independent Person to agree this.

¹⁰ The Monitoring Officer reserves the right to undertake the investigation personally.

30. At the end of the investigation, the Investigating Officer will produce a draft report and will send copies of that draft report to the Monitoring Officer and the Independent Person to ensure it meets the scope of the complaint. Once the Monitoring Officer is satisfied, the draft report will be sent to the complainant and to the Subject Member for comments to be provided within a set timeframe. The Investigating Officer will take such comments into account before issuing the final report to the Monitoring Officer.
31. There may be exceptional circumstances when the Monitoring Officer decides that a case should be closed before a draft or final report has been produced due to a significant change in circumstances. This may include, for example that the Subject Member is seriously ill or is no longer a member or other action has led to the matter being resolved. In such cases the Monitoring Officer should consult the Independent Person before deciding that the file be closed.
32. On completion of the investigation and on considering the Investigating Officer's report, the Monitoring Officer will make one of the following decisions about the complaint in consultation with the Independent Person:
 - to take no further action;
 - to seek to resolve the matter informally; or
 - to refer the matter to the Governance and Audit Committee for determination.
33. The Monitoring Officer will issue the final report to the Subject Member and the Independent Person. A copy may be made available to the complainant if the Monitoring Officer deems it appropriate.
34. Where the Monitoring Officer has decided to take no further action or to seek to resolve the matter informally, they will report this outcome to the Governance and Audit Committee.
35. There is no appeal against any decision of the Monitoring Officer under this stage.
36. Where the matter is referred for determination, the Governance & Audit Committee will convene within 3 months. The Monitoring officer will notify the Subject Member and complainant of the date.

Governance and Audit Committee¹¹

37. The Monitoring Officer will prepare a report for the Governance and Audit Committee, which will include:
 - a copy of the complaint and any response from the Subject Member,

¹¹ Or any sub-committee appointed by the Governance and Audit Committee which has authority to determine complaints under this procedure.

- minutes of any relevant meetings,
 - details of measures taken to address the complaint,
 - any further written representations from the complainant or the Subject Member, and
 - any view submitted in writing to the Committee by the Independent Person¹².
 - A copy of the Investigating Officer's final report
- 38.** Before reaching a decision on the complaint, the Committee must seek, and take account of, the view of the Independent Person in relation to the complaint¹³. The Monitoring Officer will invite that Independent Person to attend the meeting of the Governance and Audit Committee¹⁴. If the Independent Person cannot attend the meeting, they must submit their view to the Governance and Audit Committee in writing.
- 39.** The Monitoring Officer will attend the meeting to present their report.
- 40.** The Investigating Officer will attend the meeting to answer any questions arising from their final report and investigation.
- 41.** The Governance and Audit Committee will consider the report of the Monitoring Officer and may also ask questions of anyone present at the meeting.
- 42.** The Governance and Audit Committee must decide whether the Subject Member has failed to comply with the Code.
- 43.** If the Governance and Audit Committee is unable to reach a decision on the complaint on the basis of the information before it, it may adjourn the meeting and request that the Monitoring Officer seeks any further information required. However, when doing so, the Committee should consider whether such information will be readily available to the Monitoring Officer. Any request for information must be provided to both the complainant and the Subject Member.
- 44.** If the Governance and Audit Committee decides that there has been no breach of the Code, the complaints process will conclude.
- 45.** If the Governance and Audit Committee decides that there has been a breach, the Committee must go on to consider:

¹² See further below.

¹³ As required by Section 28(7)(a) of the Localism Act 2011. The Monitoring Officer will ask the Independent Person to confirm that they are still independent and to notify the Monitoring Officer of any circumstances which might be perceived as presenting a potential conflict of interest on the part of the Independent Person. If the Independent Person is not still independent, or in the event of any conflict of interest arising, the Monitoring Officer will refer the matter to another Independent Person.

¹⁴ The Chair will ask the Independent Person to give their view at the meeting, but an Independent Person cannot participate or vote as a member of the committee.

- Whether to take action against the Subject Member; and
 - What **action** it should recommend to the Combined Authority; and
 - What outcome it will report to the Police and Crime Panel (if relevant)
46. Where the Governance and Audit Committee decides that the Subject Member has failed to comply with the Code, the Governance and Audit Committee may action or recommend as appropriate:
- a formal letter to the Subject Member from the Chair of the Governance and Audit Committee which will be copied to the Group Leader and/or the Group Whip and/or the Mayor,
 - removal by the Combined Authority of the Subject Member from any committee or sub-committee (if they are a member of it), either permanently or for a specified period of time,
 - a formal letter from the Chair of the Governance and Audit Committee to the Leader of the appointing Council copied to the relevant Monitoring Officer and Group Whip,
 - formal censure by the Combined Authority, or
 - formal letter to the Mayor, where the member either exercises delegated authority on behalf of the Mayor or is the Deputy Mayor for Policing and Crime.
47. Whether or not there has been a failure to comply with the Code, the Governance and Audit Committee may in any event make general recommendations to the Combined Authority with a view to promoting and maintaining high standards of conduct within the Combined Authority. Such recommendations may include changes to Combined Authority procedures and practices or training for members in general.
48. Within 5 working days of the meeting the Chair of the Governance and Audit Committee will write to the complainant and the Subject Member explaining the decision of the Committee and setting out any actions or recommendations made to the Combined Authority and to be reported to the Police and Crime Panel (if relevant).
49. The Monitoring Officer will report all recommendations of the Governance and Audit Committee to the next available meeting of the Combined Authority.
50. The Monitoring Officer will publish a decision notice as soon as practicable on the Combined Authority's website, to include:
- a brief statement of facts,
 - the provisions of the Code engaged by the allegations,
 - the view of the Independent Person,
 - the reasoning of the Governance and Audit Committee, and
 - any sanction recommended or applied.
51. There is no right of appeal against a decision of the Governance and Audit Committee.

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Report to: Governance and Audit Committee

Date: 13 January 2022

Subject: **Assurance Framework Review**

Director: Melanie Corcoran, Director of Delivery

Author: Craig Taylor, Head of Portfolio Management and Appraisal (PMA)

Is this a key decision?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Does the report contain confidential or exempt information or appendices?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1:	
Are there implications for equality and diversity?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

1 Purpose of this report

- 1.1 To provide the Governance and Audit Committee with an update on the progress relating to changes proposed to the Leeds City Region Local Assurance Framework arising from the 2022 annual review. The review was undertaken to strengthen the compliance of the Local Assurance Framework to the National Local Growth Assurance Framework guidance (September 2021).
- 1.2 To ask the Governance and Audit Committee to provide feedback on the proposed revisions to the Leeds City Region Assurance Framework.

2 Information

- 2.1 The Local Assurance Framework was developed in 2015 as part of the Growth Deal with Government and in February 2021 was updated to comply with changes arising from the West Yorkshire Devolution Deal for a Mayoral Combined Authority. Its purpose is to ensure that the necessary systems and processes are in place to manage funding effectively, and to ensure the successful delivery of the Strategic Economic Framework (SEF) and West Yorkshire Investment Strategy (WYIS) ambitions. Its focus is to ensure that necessary practices and standards are implemented to provide the Government, Combined Authority, the LEP and local partners with assurance

that decisions over funding (and the means by which these decisions are implemented) are proper, transparent and deliver value for money. It covers all projects and programmes funded from Government or local sources that flow through the LEP and / or the Combined Authority.

- 2.2 In the period after February 2021 and prior to the National Local Growth Assurance Framework guidance (September 2021), minor changes have been made on two occasions by Written record of an officer decision (WROD):
- in July 2021 to reflect the new Mayoral arrangements; and
 - in October 2021 to reflect the changes to the Committee Structure approved by the Combined Authority on 22 April 2021.
- 2.3 The Local Assurance Framework must be reviewed annually and uploaded onto the Combined Authority's and LEP's website. The deadline for this to be completed is 28 February 2022.
- 2.4 The Assurance Framework has been prepared in accordance with HM Government Local Growth National Assurance Framework guidance (September 2021) and builds on a body of existing good practice. The LEP has to comply with this guidance for the relevant funding streams, but the principles are also applied to the Combined Authority, as the accountable body for the LEP for all funding streams.
- 2.5 The Governance and Audit Committee is requested to note that no further update has been published by MHCLG with regards the Local Growth National Assurance Framework guidance since September 2021 and none is expected prior to 28 February 2022. Therefore, this year's review of the Local Assurance Framework has been focused on aligning the Local Assurance Framework with current working practices, decision-making arrangements post mayoral elections, Strategic Economic Framework (SEF) and West Yorkshire Investment Strategy (WYIS).
- 2.6 A copy of the draft Local Assurance Framework 2022 (with track changes) can be found [here](#). The key changes to the Local Assurance Framework are outlined below.
- Updates due to the Mayor now being in post (The Assurance Framework 2021 was approved prior to the Mayoral elections).
 - Updates due to the West Yorkshire Investment Strategy (WYIS) now being in place.
 - Updates to reflect further changes to the Committee Structure.
 - Section 4.2. References to the changes in the committee arrangement for Economic Services grants.
 - The Combined Authority has developed an approach to carbon appraisal which forms an integral part of the Assurance Framework and features in all stages of business case development from SA through to FBC.

- The Value for Money assessment has been broadened to include specific strategic goals.
- Section 8. The Combined Authority's approach to evaluation has developed.
- Appendix 6. Amendments due to the introduction of the UK Community Renewal Fund which will provide additional funding to help prepare for the introduction of the UK Shared Prosperity Fund in 2022.

2.7 The Local Assurance Framework continues to adopt a flexible and proportionate approach based on an assessment of risk, cost and deliverability. For example, a low cost, low risk scheme may proceed from Activity 2 to Activity 4 with a simplified business case template requirement for evidencing value for money. The Combined Authority uses a variety of templates with 'How to Guidance' provided to the promoter in order for the Combined Authority to gather the evidence required to assure value for money and realistic business case proposals. Officers will work with promoters to give additional guidance in order for a proportionate approach to be achieved.

2.8 The Section 151/Section 73 Officer is required to write to HM Government by 28 February each year, to certify that the LEP/Combined Authority's Local Assurance Framework is compliant with the national framework.

2.9 The Local Assurance Framework has been reviewed by the:

- Assurance Framework Project Board – 17 December 2021.
- MCA Board – 07 January 2022.

3 Next Steps

3.1 The Local Assurance Framework will be taken to the following Committees for review:

- Scrutiny Committee – 21 January 2022.
- LEP Board – 26 January 2022.

3.2 The Local Assurance Framework will be taken to the Combined Authority for review and approval on 03 February 2022 with the request to delegate authority to the LEP's Chief Executive (the Managing Director) in consultation with the LEP Chair and the Combined Authority Chair to approve the final Local Assurance Framework, in case that any further changes are needed to be made to the Local Assurance Framework prior to its publication.

4 **Tackling the Climate Emergency Implications**

4.1 Clean growth considerations and references to related activities have been embedded throughout the Local Assurance Framework and related internal governance documents and decision-making procedures. This will strengthen how clean growth and climate change impacts are considered as part of all schemes that come through the Local Assurance Framework.

4.2 To fully strengthen decision making across the whole of the Combined Authority's Local Assurance Framework a robust, quantifiable methodology for assessing all new schemes predicted carbon emissions/wider clean growth impacts has been developed.

4.3 Clean growth, including climate change, impact assessment / considerations are all now included in all Capital Spending and Project Approvals reports. This ensures that the business cases now reflect the Leeds City Region Climate Emergency priority and evidence that they will contribute to a reduction in carbon emissions (both directly and indirectly).

5 Inclusive Growth Implications

5.1 Inclusive Growth considerations have been embedded throughout the Local Assurance framework, internal governance documents and decision-making procedures to strengthen how inclusive growth is considered as part of all schemes that come through Local Assurance Framework.

6 Equality and Diversity Implications

6.1 Equality and diversity considerations and implications have been embedded throughout the Local Assurance framework and related internal governance documents and decision-making procedures and are considered as part of all schemes that come through Local Assurance Framework.

6.2 The equality and diversity toolkit is being revised and strengthened and once finalised, will be included in the business case templates supporting scheme submissions.

6.3 Equality and diversity impacts are required to be included in all project approvals reports which ensures that the business cases evidence their equality and diversity impact (both directly and indirectly).

7 Financial Implications

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

8 Legal Implications

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

9 Staffing Implications

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

10 External Consultees

10.1 The Department for Business, Energy & Industrial Strategy (BEIS) have been sent the draft Local Assurance Framework 2022 and we are waiting for their feedback.

11 Recommendations

- 11.1 The Governance and Audit Committee are requested to:
- (i) Provide feedback on the draft updated Local Assurance Framework document.
 - (ii) Endorse the changes that have been made to the Local Assurance Framework, as set out in this report.

12 Background Documents

- 12.1 [The National Local Growth Assurance Framework](#) (2021)

13 Appendices

None

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