

## **GOVERNANCE AND AUDIT COMMITTEE**

**MEETING TO BE HELD AT 12.00 PM ON THURSDAY, 13 OCTOBER  
2022 IN COMMITTEE ROOM 1, WELLINGTON HOUSE, 40-50  
WELLINGTON STREET, LEEDS**

Please note that this meeting will be filmed for live or subsequent broadcast via the Combined Authority's internet site. At the start of the meeting the Chair will confirm if all or part of the meeting is being filmed. Generally, the public seating areas will not be filmed; however, by entering the meeting room and using the public seating area, you are consenting to being filmed and to the possible use of those images and sound recordings for webcasting. If you have any queries regarding this, please contact Governance Services on 0113 251 7220

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

- 1. APOLOGIES FOR ABSENCE**
- 2. DECLARATIONS OF DISCLOSABLE PECUNIARY INTERESTS**
- 3. EXCLUSION OF THE PRESS AND PUBLIC**
- 4. MINUTES OF THE MEETING OF THE GOVERNANCE AND  
AUDIT COMMITTEE HELD ON 28 JULY**  
(Pages 1 - 6)
- 5. INTERNAL AUDIT PROGRESS REPORT**  
(Pages 7 - 28)
- 6. EXTERNAL AUDIT PROGRESS REPORT**  
(Pages 29 - 40)
- 7. DRAFT ANNUAL ACCOUNTS 2021/22**  
(Pages 41 - 44)
- 8. TREASURY MANAGEMENT**  
(Pages 45 - 58)
- 9. WORKPLAN AND COMMITTEE DEVELOPMENT**  
(Pages 59 - 62)

**10. COMPLIANCE AND MONITORING**

(Pages 63 - 66)

**11. RISK MANAGEMENT STRATEGY**

(Pages 67 - 76)

**Signed:**

A handwritten signature in black ink, consisting of the letters 'BSM' in a stylized, cursive font, with a horizontal line underneath.

**Managing Director  
West Yorkshire Combined Authority**



**MINUTES OF THE MEETING OF THE  
GOVERNANCE AND AUDIT COMMITTEE  
HELD ON THURSDAY, 28 JULY 2022 AT COMMITTEE ROOM 1,  
WELLINGTON HOUSE, 40-50 WELLINGTON STREET, LEEDS**

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**Present:**

Debbie Simpson (Chair)  
Councillor Jane Scullion (Substitute)  
Councillor Shabir Pandor  
Joanna Wardman

Independent Member  
Calderdale Council  
Kirklees Council  
Independent Member

**In attendance:**

Mark Outterside  
Angela Taylor  
Bronwyn Baker  
Lorna Jones  
Ben Kearns

Mazars Auditors  
West Yorkshire Combined Authority  
West Yorkshire Combined Authority  
West Yorkshire Combined Authority  
West Yorkshire Combined Authority

**12. Apologies for Absence**

Apologies for absence had been received from Councillor Hinchliffe, Councillor Robinson, and Councillor Swift.

**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 6 April**

The chair asked for an amendment under minute 8 to better reflect discussion and make clear that if the need to reprioritise the internal audit schedule due to staffing constraints eventuated that the Committee would require a better understanding of the prioritisation criteria including any links to changes on the strategic risk register.

**Resolved:** That the minutes of the last meeting be amended and approved.

## 16. Governance Arrangements

Members considered a report that set out the governance arrangements agreed at the Combined Authority's annual meeting on 23 June. The terms of reference were attached at appendix 1.

The report also set out a proposed work programme for the Committee and an updated workplan would be brought to the next meeting for comment.

### **Resolved:**

- (i) That the governance arrangements approved by the Combine Authority be noted.
- (ii) That the work programme be brought back the next meeting.

## 17. Review of Internal control and effectiveness of Internal Audit

The Committee considered a report that set out a review of the internal control and the effectiveness of internal audit.

Members noted that the Director, Corporate and Commercial Services had undertaken a review of internal audit and concluded that it complied with the necessary standards and had worked to an adequate standard throughout the year.

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

## 18. Internal Audit Annual Report and Opinion

Members considered a report that set out the Head of Internal Audit's Opinion for 2021/22.

Internal audit had been able to complete sufficient work against the internal audit plan to enable the provision of an opinion which was not limited by volume or scope.

The systems of control, governance, and risk management had been found to be adequate for 2021/22.

A quality improvement plan would be brought to the next meeting and would outline areas for continuous improvement within the internal audit function. Members asked about the review of the bus shelter contract and noted that the head of internal audit was confident that mitigations were being put in place to address the audit recommendations.

**Resolved:** That the internal audit annual opinion be noted.

## 19. Internal Audit Progress Report

Members considered a report that provided an update on the work against the internal audit plan 2022/23.

It was noted that recruitment continued to be problematic with two vacancies unfilled. The Head of Internal Audit wished to thank the audit team for their hard work given the team was understaffed.

Members asked for more context around the outstanding items and how overdue they were, how much progress had been made, and at what point overdue recommendations would become risks. Future reports would provide better visibility on the progress recommendations following audit reports.

Members discussed the safeguarding audit which had received a limited assurance. The Director, Transport and Property services was in attendance to provide assurance around the actions taken to address the audit findings.

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

## **20. External Audit Progress Report**

Members considered a report that provided an update on external audit matters. Members noted the complexity of the 2021/22 audit due to the transfer of the police and crime function which involved both group accounts and consolidation. It had been agreed that the deadline extension made available to auditors would be adopted with audit finalisation taking place in November 2022.

A letter from Mazars was attached at appendix 2 and would require a response from the Committee by 30 September. A response would be drafted over the summer and shared with members with final approval being delegated to the Chair.

**Resolved:**

- (i) That the external audit activities and the and the progress report be noted.
- (ii) That approval of the response to the letter from Mazars be delegated to the chair.

## **21. Draft Annual Accounts 2022**

Members considered a report that set out the draft statements of accounts for 2021/22.

The draft accounts would be published following the meetings for public inspection prior to audit work commencing.

Members asked if the draft accounts could be brought back to the Committee at the next meeting to ensure that the committee had further opportunity to review them.

**Resolved:** That the draft annual statement of accounts be noted.

## **22. Compliance and Monitoring**

Members considered a report that provided an update on internal controls since the last meeting of the Committee

There had been no changes to internal controls and no RIDDOR incidents.

It was noted that the 2021/22 financial year had been closed with a surplus of £2.8 million as well as the challenges involved in the 2022/23 budget, in particular the uncertainties around bus funding and inflation.

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

## **23. Treasury Management**

Members considered a report that provided an update on treasury management arrangements

Members noted two minor breaches which had been identified. Officers were confident that the breaches represented low risk to the Combined Authority and that mitigations were in place to prevent them happening again.

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

## **24. Risk Management Process**

Members considered a report that provided an update on risk management process. Members noted the ongoing work on the escalation of risks to ensure a comprehensive and consistent approach. The risk register would also be changed to separate out risks that had been realised and in process from those risks that had been identified but were not live.

Members discussed the approach to risk focusing on how the mayor is involved in risk and at what point and in what way risks were escalated to the Mayor.

**Resolved:** That the risk management arrangements and the corporate risk register be noted.

## **25. Annual Accountability Reports**

Members considered a report that set out the annual accountability reports and a summary of applications for grants considered under the conflict of interest protocol.

**Resolved:**

- (i) That no complaints or concerns have been raised this year about the LEP (nor about any member of the LEP Board) under the

LEP's complaints procedure, the Combined Authority's complaints policy or the Whistleblowing Policy).

- (ii) That no grant applications were received that were required to be considered under the conflicts of interest arrangements in place during 2021 – 2022.

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**Report to:** Governance and Audit Committee

**Date:** 13 October 2022

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

**Director:** Angela Taylor, Director of 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 the current plan for 22/23 and appendix 2 the current Quality Assurance and Improvement Plan.

## 2. Information

### Audit Delivery for 2022/23

#### Recruitment

- 2.1 Recruitment is still proving to be problematic, with two vacancies remaining unfilled. While action is being taken to progress the recruitment, additional resource is being sought via procurement of external audit services to support delivery of the plan.

#### Work against the audit plan

- 2.2 As detailed in Appendix 1 work is now fully underway on the 22/23 plan and while the team have not met the KPI for Quarter One, confidence remains high that the plan will be delivered on time for next year's opinion particularly given the procurement currently underway to bring in some external resource. The

action that has been taken by the team in relation to the follow up of recommendations is also contained in Appendix 1.

#### Quality Assurance and Improvement Plan (QAIP)

- 2.3 The current QAIP is included at Appendix 2 and contains the remaining issues that came out of the last External Quality Assessment (EQA) conducted in 2019 along with any new areas identified from the self assessment against the standards at the end of 21/22.

#### Fraud/Whistleblowing/Money Laundering

- 2.4 One whistleblowing referral has been received to date in 22/23 and is currently being investigated as a possible external fraud case.

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

### **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 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 consider and note the progress update.

### **11. Background Documents**

There are no background documents referenced in this report.

## **12. Appendices**

Appendix 1 – Internal Audit Progress Report October 2022

Appendix 2 – Internal Audit Quality Improvement Plan 2022/23

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# Governance and Audit Committee Internal Audit Progress Report

October 2022

# Appendix 1

## 1.Key Headlines / Index

**Top three issues** –Transport, in particular bus partnerships/franchising and mass transit; cost of living/inflation impacts on delivery/contracts; resource (including organisational design and recruitment).

**Reports issued – Page 2** provides an update of work carried out since the last report to Committee.

**Progress against 2022/23 Audit Plan and any planned changes** – progress against the plan is moving more slowly than hoped given the resourcing issues, but with both the work in progress and the action being taken to bring in additional support through a procurement exercise, confidence remains high that sufficient work against the plan will be completed to ensure an opinion not limited by scope.

**Outstanding actions-** At **page 9** a fuller summary of the status of audit recommendations has been provided following the discussions at the last Committee meeting. There are now no overdue recommendations outstanding, but there is an update on any ‘in progress’ recommendations.

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**Feedback from clients – Page 11** provides details of feedback received from recently issued reports to date and these have been included.

**Performance Measures - Page 12** provides details on our performance measures.

## 2. Reports Issued/ Progress Updates since the last Committee meeting

### Audit Report – Complaints & Casework 2021-22

Internal Audit reviewed the Combined Authority’s complaints and casework handling process, finding the process is effective and ensures complaints are properly recorded, handled in accordance with the Combined Authority’s policies and procedures, and responded to in a timely manner, therefore **REASONABLE** Assurance was provided.

During the review it was acknowledged that there are some areas in the complaints and casework handling process that could be improved. We made one recommendation for the Casework & Correspondence team to complete their workplan within the target timescale and with adequate resource provided from all relevant internal stakeholders to support its completion. The completion of this workplan should ensure the necessary updates and improvements are made to the Combined Authority’s complaints and casework processes, documentation and reporting arrangements.

### Audit Report – Risk Management 2021-22

Internal Audit performed an annual health check of the CA’s risk management arrangements to inform the Annual Audit Opinion. The review examined expected controls and concluded that an audit opinion of **REASONABLE** assurance can be given. The CA’s corporate risk management strategy provides an overarching framework defining the organisation’s approach to risk management and key responsibilities of senior management and officers with oversight from committee members particularly the Governance and Audit Committee. Corporate and operational risks are defined and reviewed regularly, and their impact assessed. We made recommendations to address areas for improvement particularly around training, having a joined approach to consider directorate risks and ensuring the strategy was kept under review.

### Audit Report – Contract Compliance (Managed Print Devices) 2022-23

Internal Audit reviewed the Managed Print Devices contract managed by ICT Services to determine compliance with contract standing orders and standards. The contract was awarded in 2017 for the provision of printing devices and printing costs. 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, there was good overall monitoring of printing across the CA.

Internal Audit also found that overall printing had reduced during the Covid pandemic but was increasing again and therefore it was an opportune time to assess the CA’s printing requirements and review device requirement as part of the retender. The review reaffirmed management’s intention to retender the contract prior to its term expiring in December 2022.

## Adult Education Budget (AEB) Progress Update

The Combined Authority took control of devolved Adult Education Budget (AEB) and delegated Level 3 (Free Courses for Jobs Offer) funding in 2021. We are currently closing our first year of devolved delivery and beginning the second, where funding of almost £72million is to be distributed.

Internal Audit continued to provide strategic level support to the AEB Performance Group and have begun the delivery of on-site audit visits in earnest. Recruitment is still underway for the remaining two unfilled senior auditor roles, with options for how we may fill these posts being explored with HR.

### Strategic activity

Work has been continuing on the development of the Audit & Assurance Framework. In this quarter we have focussed on developing our approach to external assurances from Local Authorities who receive AEB funding from us. A draft AEB Assurance Statement has been presented to and shared with Local Authority delivery leads for discussion with their Finance and Internal Audit colleagues in line with the previous ESFA approach where a Annual Financial Year End Certificate was required under the 'Post- 16 Audit Code of Practice 2021-22'. Completion of such a statement means they are held responsible for their own assurance processes and are not directly audited like other providers, as they already have a duty to demonstrate that they spend public money in accordance with HM Treasury's guidelines and have properly discharged any statutory and other legal requirements.

Work is also continuing on developing the Audit dashboards within Power Bi to inform provider Performance Management checks and compliance reviews. In particular, the identification of risks due to audit activity has meant that the level of Guided Learning Hours being delivered is now being monitored using Power Bi to ensure we are receiving Value for Money.

Internal Audit has also developed a Risk and Control Evaluation (RCE) document to enable the risks posed by providers, and controls to minimise these are mapped out and responsibilities are clear for how these are to be checked by the different AEB teams (Relationship Management, Contracts Team and Internal Audit with Data Analyst support).

All this activity and future tasks have now been included in the Audit and Assurance Workstream Plan and should advise the AEB Provider Risk Register for 2022/23 and Operational AEB Internal Audit Plan.

### Operational delivery

Two reviews are currently in progress. New testing papers have also been developed in this period on sub-contracting in line with the Funding Rules to support the delivery of one of the current Provider reviews.

An 'in person' AEB conference was held to bring together the whole delivery partnership at which Internal Audit delivered a break-out session on our role and what to expect when selected for review. An article containing similar themes has also been included in the first AEB Partnership Newsletter of 2022/23 in an article on Internal Audit.



## Counter Fraud, Whistleblowing and Anti Money Laundering

One whistleblowing concern has been raised to date in 2022/23. Initial investigations have been undertaken and relevant senior officers were to be briefed prior to further action being taken by Internal Audit.

The table below provides a summary of referrals reported during 2022-23.

	Total number of referrals 22/23	Investigation completed - No breach/ further action	Investigation completed – further action taken	Still under investigation
Fraud – External	0	N/A	N/A	0
Fraud – Internal	0	N/A	N/A	N/A
Whistleblowing	1	N/A	N/A	1
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 July 2022, Audit have reviewed and certified the following grants.

Grant	Claim Period	Value certified £
Connecting Innovation	Q2 (01/04- 30/06)	158,503
Rebiz (REF2)	Q2 (01/04- 30/06)	528,778
Strategic Business Growth	Q2 (01/04- 30/06)	256,548
SMARTY	01/01- 30-06	7,953
Share North	01/01- 30-06	105,380

### 3. Internal Audit Plan 2022/23

	Assurance Area	Scope	Current Status/Timetable
1	Contract Management - Managed Print Services devices contract	Contract review to ensure compliance with contract standing orders and contract management principles.	Completed Review Reasonable Assurance rating given
2	Contract Management - Customer Care, Security and Posting of Bus Timetables	Contract review to ensure compliance with contract standing orders and contract management principles.	Draft Report Stage
3	Contract Management - Battery Powered Displays for Bus Stops and Shelters	Contract review to ensure compliance with contract standing orders and contract management principles.	Draft Report Stage
4	Transport and Property Services Directorate – Financial Controls review	To examine the system of internal controls within Transport Services with particular focus on Bus Services and School Transport Services.	Draft Report Stage
5	Integrated Corporate System (HR, Finance, Payroll)	To review progress with implementation of the new Integrated Corporate System, specifically considering data migration arrangements.	In progress
6	Contract Management - Leeds Bus Station Refurbishment	Contract review to ensure compliance with contract standing orders and contract management principles.	In progress
7	MCard APP	To examine controls around ticket sales through the new App with focus on fraud risks.	In progress
8	AEB Provider audit 3	This review forms part of the regular assurance cycle for AEB providers that Internal Audit have been commissioned to deliver. Evidence is to be tested to ensure the reporting, eligibility of learners and claims (financial and outcomes) have followed the Funding Rules and contractual agreements in place.	In progress

9	AEB Provider audit 4	This review forms part of the regular assurance cycle for AEB providers that Internal Audit have been commissioned to deliver. Evidence is to be tested to ensure the reporting, eligibility of learners and claims (financial and outcomes) have followed the Funding Rules and contractual agreements in place.	In progress
10	Flexi Bus	To examine the flexi bus arrangements	In progress
11	Procurement	To carry out review of a range of procurements to confirm compliance with financial regulations and contract standing orders.	In progress
12	Project and Programme Assurance reviews	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.	Quarter 2-4
13	Counter Fraud work	An investigation is currently underway following a referral.  A strategic level fraud and corruption risk assessment is to be carried out later in the year against best practice guidance to advise the development of a proactive counter fraud work plan to strengthen our controls to prevent, detect and investigate fraud, corruption and money laundering.	Ongoing  Quarter 4
14	Bus Funding Model	To examine spend forecast on tendered services/ concessionary fares, checks on controls/payments	Quarter 2-3
15	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 2-3
16	Compliance with Contracts Standing Orders & Financial Regulations	Focus on the current financial system.	Quarter 2-3
17	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.	Quarter 3

18	Police and Crime Team Commissioning (including Violence Reduction Unit)	A review to consider how the Police and Crime Team processes are fitting into CA ways of working to ensure agile responses to short term funding.	Quarter 3
19	PAN Programme Charges (benchmark review)	To consider current arrangements and by comparison with others, look for opportunities to demonstrate vfm with performance indicators and maturity measures.	Quarter 3
20	Code of Corporate Governance and Compliance with sub delegations	To advise and support the implementation of revised delegations and proposed review of the Code.	Quarter 3-4
21	Climate Change – external plans	To examine the CA’s progress against its external climate change plans	Quarter 3-4
22	Adult Education Budget	Ongoing advice and guidance to be followed by a review formally assessing compliance with the AEB Performance Management Framework, currently planned for Q3/4 to advise the Assurance Statement to the Department for Education.	Ongoing/ Q4
23	Risk Management	Annual health check to inform the audit opinion	Quarter 4
24	Security of Assets	Carry over review to be completed and scope for further review to be determined but building on previous year’s work. This second review will focus on the Combined Authority’s asset management processes.	Carry over review in progress Quarter 4
25	Equalities	Plan for a further review against the EFLG framework gathering evidence to support the assessment, focus across the directorates on work implementing the strategy, action plan and EDI measures. Follow up on previous recommendations.	Quarter 4
26	Commercial, Development and Investment work, specifically Business Accelerator Fund (claim and payment arrangements)	A review of any new commercial arrangements put in place.	Quarter 4

27	GDPR (ICO Framework)	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
28	Grant Audits	In line with grant funding applications and funding agreements	As required
29	Attendance on Boards	Advice and guidance to inform the control framework	Ongoing
30	Various grant certifications	Grant certification provided In line with funding applications and funding agreements (see above)	Ongoing

### 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 part of our QAIP, Internal Audit have carried out a review of the follow up process and have expanded the reporting in line with Committee requests. In addition, there will also be information against advisory reports from this plan year (none delivered to date) going forward. Any advisory reports undertaken in the previous plan year are now being followed up with a compliance audit.

The table below provides an update by Directorate on the status of each audit recommendation made since April 2021 (unless carried forward as outstanding).

Directorate	Total	Implemented	In progress	Overdue	Not to be Implemented
Cross Cutting	15	5	10	0	0
Corporate and Commercial Services	21	17	4	0	0
Delivery Services	2	2	0	0	0
Economic Services	1	0	1	0	0
Strategy, Comms, Policing	4	0	4	0	0
Policy and Development	1	0	1	0	0
Transport Services	10	3	4	0	0
<b>Total</b>	<b>54</b>	<b>29</b>	<b>25</b>	<b>0</b>	<b>0</b>

At the time of writing, there were no overdue recommendations agreed with Management which remain outstanding.

There are 25 recommendations not due yet, these have been followed up and Management have affirmed that these are in progress, IA has summarised "In progress" recommendations as follows;

Status of In progress recommendations		
Audit Area	Number of Recommendations	Status
Disaster Recovery/ Business Continuity	2	Progress on track, Internal Audit to continue to follow up recommendations.
National Fraud Initiative (NFI)	4	Progress is off track with implementation of these recommendations due to a combination of staff leaving, resource issues within teams to complete the required actions and system developments that were

		rolled out to streamline processes not having the desired impact. A further compliance review will be carried out after this year's NFI exercise to further assess progress.
Risk Management	4	Progress is on track. A Risk Management Working Group has been set up with members from each Directorate, staff have received risk management training and bespoke programme of support is being developed.
Contract Compliance – Bus Shelters Ltd	1	The assets team are currently working closely with the Commercial Team to implement a new on street contract which is on track to meet the recommendation deadline.
Health & Safety	2	Progress is on track with work ongoing to develop processes.
Customer Complaints & Casework	1	Progress is on track, a review of the Complaints & Casework Policy is underway.
Equalities	4	Progress on track, an Equalities review is planned in the current year.
Climate Change Follow up	1	Internal Audit to continue to follow up this recommendation.
AEB Procurement	1	Internal Audit have contacted the officer concerned who is currently on leave.
Safeguarding	4	Progress has been slightly off track due to staff leaving the organisation. However, work is now in progress to implement the recommendations with a new Head of Service in place.
Managed Print Devices	1	The Internal Audit report has recently been issued

## 5. Customer Feedback

Since we last reported to Committee, Audit have received feedback for one report that we issued in July 2022. The feedback is positive and details of the 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?
Customer Complaints and Casework 2021-22 (July 2022)	The client was kept informed at all times and the process was clearly explained.	N/A



## 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	Dec	Jan	Feb	YTD
Annual Governance Statement deadline 2021/22 - to include annual audit opinion	May (draft) November (final)	NA	100%	NA	NA	NA							100%
Compliance against Public Sector Internal Audit Standards - self assessment against the Local Govt checklist	May (draft) September (final)	NA	NA	100%	NA	NA							100%
Customer Satisfaction (including question around EDI approach)	80% good or above	100%	NA	100%	NA	100%							100%
Reports issued within 10 working days from completion of audit work	95%	100%	100%	100%	100%	0%							88%
Percentage completed reviews against agreed plan, quarterly targets	Q1=10%, Q2=40%, Q3=70%, Q4=90%	0%	0%	0%	4%	4%							4%
Percentage of recommendations agreed	90%	100%	100%	100%	100%	100%							100%
Fraud/ Whistleblowing acknowledgement, where appropriate, within 10 working days	100%	100%	NA	NA	NA	NA							100%
Fraud/ Whistleblowing reports to be issued within 10 working days of investigation completion	95%	NA	NA	NA	NA	NA							N/A
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%	67%	0%	50%	100%							63%

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Ref	Observations	Action to Consider / Priority	Management Action / Responsible Officer and Implementation Date	Update including any revisions to management actions and dates
3.	<b>Independence and Objectivity (Standard 1100)</b>			
3.1	<p>The professional standards require that any threats to objectivity are identified and managed at the Internal Auditor, engagement, functional and organisational levels.</p> <p>Although Internal Auditors are reminded annually to consider and disclose any perceived or real conflicts of interest, the assignment planning process does not include any prompt to consider whether completion of the audit may give rise to a potential conflict of business interest.</p> <p>Consequently, there is an increased risk that objectivity at auditor level may be compromised.</p>	<p>In order to enhance the objectivity of Internal Auditors it would be useful to extend the assignment planning checklist in order to prompt the Auditor to consider whether undertaking the audit would give rise to any real or perceived conflicts of interest.</p> <p><b>Priority: Low</b></p>	<p><b>Response</b> Agreed</p> <p><b>Responsibility</b> HOIA</p> <p><b>Timescale</b> April 2019</p>	<p><b>Audit planning document updated as proposed in 2019. This reflected the audit methodology at the time which included agile and waterfall auditing.</b></p> <p><b>This changed during lockdown and potential conflict was discussed during audit planning. This now needs to be updated to reflect the new hybrid ways of working (some agile/ some remote and some waterfall) with a planned update to the manual by Dec 22 – FK.</b></p>
6.	<b>Internal Assessments (Standard 1311)</b>			
6.2	<p>The standards require ongoing performance monitoring which includes comprehensive performance targets. It was noted that such performance related information does not include the percentage of recommendations implemented by the agreed due date.</p> <p>This issue is reinforced as at the time of the external assessment several audit report recommendations</p>	<p>In order to provide for a more robust and transparent performance monitoring system, performance related information should include the percentage of recommendations implemented by the agreed due date.</p> <p>Priority: Medium</p>	<p><b>Response</b> Agreed</p> <p><b>Responsibility</b> HOIA</p> <p><b>Timescale</b> July 2019</p>	<p><b>Discussed with audit committee reporting arrangements agreed with them at the time.</b></p> <p><b>Now under review.</b></p> <p><b>Follow up audits are actively included in the audit plan.</b></p>

	had remained outstanding for a relatively long period of time.			<p>A full recommendation review undertaken in Aug/Sep 22</p> <p>New reporting to be implemented for the October 22 update to GAC and the manual to be updated by Dec 22 (subject to any feedback from the Committee)</p>
0.1	Given the changes to the way in which the team now works, the audit manual needs further updating	Update the audit manual to include new audit methodology	<p>AEB – KV                      Fraud – VC                      Grants – JR                      Other - FK                      All by Dec 2022</p>	
0.2	Undertake work on reviewing the audit universe for the CA in 2023/24 to help inform assurance mapping and accountability framework development	Build into business plan for 23/24	BB - Dec 2023	
0.3	Develop the analytics capability within the team to facilitate monthly reporting on key control areas	Possible additional training	FK/JR - April 2023	
0.4	Preparation work for EQA in 2024	<p>Self assessment against PSIAS to be undertaken at the end of March 2023 and any non conformance to be addressed in an update to the QAIP</p> <p>Work to be undertaken later in 2023 and a report to be presented to the GAC recommending either a full</p>	<p>IA Mgmt Team – Mar 23</p> <p>Report to GAC Jan 24</p>	

		external assessment or to consider a self assessment with validation (peer review)		
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Key: **Blue** = issues raised as part of External Quality Assessment (EQA)  
**Green** = issues added as a result of IA self assessment and ongoing continuous improvement

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**Report to:** Governance and Audit Committee

**Date:** 13 October 2022

**Subject:** External audit progress report

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

**Author(s):** Katie Hurrell, Head of Finance

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 provide an update on external audit matters that have occurred since the last meeting.
- 1.2 To present to the Committee for their information the response to the external auditor on a range of questions raised by them to 'those charged with governance'.

## 2. Information

### Annual Accounts 2020/21 – Final Audit Update

- 2.1 The audit completion report was presented to the Committee meeting on 13 January 2022. The final audit certificate was pending due to awaiting clarification from Government on potential sampling audit for the Whole of Government Accounts return, which has been submitted in September in line with the deadline. This further instruction is still awaited.

### External Audit 2021/22 Timetable & Approach

- 2.2 In the July meeting, Mazars informed the Committee of the audit plan, approach and timing set for 2021/22 audit. Mazars has now completed their interim audit review. At that meeting Mazars presented their draft Audit

Strategy Memorandum and have now confirmed that this has been finalised with only minor changes and they consider therefore it does not need to be formally considered again by this Committee.

- 2.3 As part of Mazars routine audit work a number of responses are required from management and those charged with governance with regard to fraud and litigation. Attached at **Appendix 1** is the response to a range of questions raised by the external auditor to 'those charged with governance'. In accordance with the decision made at the last meeting of the Governance and Audit Committee the proposed response was circulated to Members and agreed via email in order to comply with the timescale of 30 September. The final response is attached as Appendix 1 for information and transparency.

### **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 To note the external audit activities.  
9.2 To note the letter to Mazars attached as Appendix 1.

### **10. Background Documents**

None.

### **11. Appendices**

Appendix 1 - Auditor letter response from those charged with governance



## Private and Confidential

Mark Outterside  
Mazars  
5<sup>th</sup> Floor, 3 Wellington Place  
Leeds  
LS1 4AP

30 September 2022

Dear Mark

Please find below the responses to the questions put to the Governance and Audit Committee in your letter dated July 2022, received by email on 18<sup>th</sup> July 2022.

**1. How does the Governance and Audit Committee oversee management's processes to identify and respond to the risk of fraud and possible breaches of internal controls? In particular how the Committee oversees managements:**

- **Assessment of the risk that the financial statements may be materially misstated due to fraud or error;**
- **Processes for identifying and responding to risks of fraud in the authority. This includes any specific risks of fraud which management have identified, and classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist;**
- **Processes for communicating to employees its view on business practice and ethical behaviour; and**
- **Processes for communicating to you for identifying and responding to fraud or error.**

Response:

A number of elements are in place to ensure that fraud or errors are not present in the financial systems and thereby the financial statements.

Management ensure internal controls are functioning effectively through monitoring and review. The performance of key financial controls are regularly reported to the officer Regulatory and Compliance Board and to the Member Governance and Audit Committee. Internal Audit consider the risk relating to key financial controls and reflect any work required in their annual audit plan which is agreed and monitored by this Committee. The results of these audits are reported to this Committee. A robust and transparent financial system with comprehensive access controls is in place, with a reconciliation of the financial system to the financial statements.

The Combined Authority has in place clear procedures for reporting any suspected frauds, including adoption of the Whistleblowing policy which has recently been fully revised and has been adopted by both the Combined Authority and LEP. A revised Anti-Fraud policy and new Anti-Money Laundering policy have also been developed and accepted for use across the Combined Authority and LEP, any allegations and outcomes of investigations are reported to the Regulatory and Compliance Board and to the Governance and Audit Committee. Members adhere to the Code of Conduct which is taken each year to the Annual Meeting of the Combined Authority in order to remind Members of their obligations under the Code – this has been updated in line with national best practice in the year. Deep dive sessions on specific risks are held periodically at the Governance and Audit Committee where Internal and External Audit as well as senior management within the Combined Authority present updates and mitigation actions taken in response to the adequate management of risk and control activities.

The Combined Authority actively participates in the National Fraud Initiative exercise, with any key findings reported to both the officer Regulatory and Compliance Board and the Governance and Audit Committee.

The Combined Authority has a robust risk management process, with an agreed risk management strategy which sets out the methods by which risk is considered and how risk registers are maintained at all levels throughout the organisation. The corporate risk register is regularly reported to both the Governance and Audit Committee and the Finance, Resources and Corporate Committee to enable them to review and challenge current and emerging risks. This process would pick up any related to potential fraudulent activity and controls required to mitigate such risks.

**2. Has the Governance and Audit Committee knowledge of any actual, suspected or alleged fraud during the period 1<sup>st</sup> April 2021 to 31<sup>st</sup> March 2022?**

Response:

To our knowledge there have been no identified frauds during 2021/22.

**3. Has the Governance and Audit Committee identified any specific fraud risks within the organisation? For example, does it have any concerns that specific areas within the organisation are at greater risk of fraud?**

Response:

This has been considered as part of agreeing the internal audit plan and there are no concerns that specific areas are at greater risk.

**4. Is the Governance and Audit Committee aware of any significant breaches of internal control during 2021/22?**

And

**5. Is the Committee satisfied that internal controls, including segregation of duties exist and work effectively. If not (i) what are the risk areas and (ii) what other controls are in place to detect / prevent fraud.**

Response:

A governance report is provided to the Committee each quarter highlighting any key issues in relation to internal controls. Internal control reviews form part of the Internal Audit Plan 2021/22 and internal audit report back to this Committee each quarter. Internal Audit also produce an annual report that summarises the reviews undertaken and that supports the Annual Governance Statement in the Annual Accounts. This was considered by members at the last meeting and included a positive assurance from internal audit.

All policies and processes for identifying fraud are endorsed by the Governance and Audit Committee. A governance report is provided to the Committee each quarter highlighting any key issues in relation to risk. This would include any actual or suspected fraud matters. In areas where fraud might be deemed more likely to occur particular attention is paid to the internal controls in place. This is relevant to travel centres which is the only area where volumes of cash are handled and the finance team which handles large volumes of electronic cash. Controls in these areas are monitored and any reviews of these undertaken by internal audit are reported back to the Governance and Audit Committee.

To our knowledge there have been no significant breaches of internal controls during 2021/22.

**6. Is the Committee aware of any related party relationships or transactions that could give rise to instances of fraud?**

And

**7. How does the Committee mitigate the fraud risks associated with related party relationships and transaction?**

Response

Declarations of interest are sought from all Members, key officers and new staff members and are available on the Combined Authority's website. Also, our Board / Committee meeting agendas require 'interests' to be declared on any agenda items.

In addition, since 2019/20, a more robust specific process has been introduced that captures the declarations required for related party

disclosures. Reliance / assurance is also placed on both the internal audit and the external audit work undertaken during the year.

Contracts Standing Orders require that all relationships of a business or private nature with external contractors, or potential contractors, must be made known to the appropriate manager in accordance with the Officers' Code of Conduct.

To our knowledge there have been no risks associated with related party relationships during 2021/22.

**8. Is the Committee aware of any entries made in the accounting records of the organisation that it believes or suspects are false or intentionally misleading? In particular:**

- **Are there particular balances where fraud is more likely to occur?**
- **Is the Governance and Audit Committee aware of any assets, liabilities or transactions that it believes were improperly included or omitted from the accounts of the organisation?**
- **Are there any external fraud risk factors which create a high risk of fraud?**

Response

To our knowledge there have been no such entries to the accounting records during 2021/22.

**9. Is the Committee aware of any organisational, or management pressure to meet financial or operating targets?**

And

**10. Is the Committee Aware of any inappropriate organisational, or management pressure being applied, or incentives offered, to employees to meet financial or operating targets?**

Response

To our knowledge there has not been any inappropriate organisational or management pressure regarding targets during 2021/22. However, in line with good practice, the Combined Authority do ensure 'stretching' targets are in place and management are held to account to achieve these. These generally relate to the delivery of services rather than financial targets.

**11. How does the Committee gain assurance that all relevant laws and regulations have been complied with? In particular:**

And

**12. Does the Committee have knowledge of actual or suspected instances where appropriate laws and regulations have not been complied with? If it is, what actions are management taking to address non-compliance?**

Response:

The Combined Authority employs a full legal team which is headed by a qualified solicitor who attends all meetings of the Combined Authority. As part of the work of that legal team, officers are specifically tasked with considering changes in legislation relating to their particular areas, such as health and safety, property, employment law and governance. This topic also forms a standing item on the agenda of the officer Regulatory and Compliance Board. Any non-compliance would be reported and would be expected to appear on the risk register - regular reviews of risk are undertaken by the Combined Authority and Governance and Audit Committee. A number of internal audit reports during the year also consider compliance matters.

To our knowledge there have been no instances of non-compliance during 2021/22.

**13. Is the Governance and Audit Committee aware of any actual or potential litigation and claims involving the Authority that would impact on the financial statements?**

Response:

We are not aware of any outstanding claims against the Combined Authority that would have a significant impact on the financial statements as at 31 March 2022.

In line with the Financial Reporting Standard, contingent liabilities have been disclosed in the draft Annual Accounts. The NGT/Supertram land issues relating to on-going claims are disclosed in the financial statements as is the situation with claims arising from Mutual Municipal Insurance. Legal proceedings regarding a property matter have commenced against the Combined Authority which has the potential for a damage claim which could lead to a financial liability. At this stage it is too early to disclose the outcome.

**14. How has the Governance and Audit Committee assessed and satisfied itself that it is appropriate to adopt the going concern basis in preparing the financial statements?**

And

**15. Has the Governance and Audit Committee identified any events or conditions since the assessment was undertaken which may cast significant doubt on the organisation's ability to continue as a going concern?**

Response:

A comprehensive note is attached to this letter at Appendix 1.

For further information, the officer Internal Leadership Board receive and sign off a report each year, that details both the accounting policies and processes to be adopted during the year, along with details of the comprehensive 'closedown' timetable and responsibilities for all concerned in the year end process.

**16) What controls are in place to: identify, authorise, approve, account for and disclose related party transactions and relationships?**

Response:

This is set out in the response to question 6.

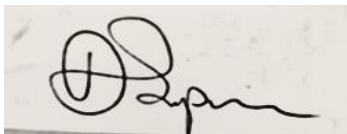
**17) Confirmation that the Governance and Audit Committee have:**

- **disclosed to the auditor the identity of the entity's related parties and all the related party relationships and transactions of which they are aware; and**
- **appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the framework.**

Response:

These confirmations have been made by the officers preparing the accounts.

Yours sincerely



Debbie Simpson  
**Chair, Governance and Audit Committee**  
**(On behalf of the Governance and Audit Committee)**

## Appendix 1

### **Going Concern Note West Yorkshire Combined Authority year end 31/3/2022**

#### **Going Concern Principle**

The concept of a going concern assumes that an authority, its functions and services will continue in operational existence for the foreseeable future. Where this is not the case, particular care will be needed in the valuation of assets, as inventories and property, plant and equipment may not be realisable at their book values and provisions may be needed for closure costs or redundancies. An inability to apply the going concern concept can have a fundamental impact on the financial statements.

Accounts drawn up under the Code assume that a local authority's services will continue to operate for the foreseeable future. This assumption is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. A Combined Authority relies on funding from government and its constituent members, all of which are local authorities with revenue raising powers, and it is able to levy on them the funding it requires to deliver its services.

#### **West Yorkshire Combined Authority – Going Concern Assumption**

The medium-term finance strategy / budget approved by the Combined Authority in February 2022 set out the proposed funding of the Combined Authority for the next few years and formally approved the revenue budget for the current year 2022/23. The budget and strategy ensure that the Combined Authority raises the level of transport levy that allows services and functions to continue to operate at a level that is aligned to the policies and objectives of the organisation and ensures the reserves are maintained so as to mitigate risks to the organisation.

The budget and strategy make suitable provision to address the pension deficit and as an Authority we collectively work with the West Yorkshire Pension Fund and actuary to ensure contributions are realistic and sustainable. Additionally, a 3 year indicative capital programme complete with capital funding/finance was agreed as part of this process.

Covid-19

The impact of the Covid-19 situation that emerged in March 2020 continued throughout the financial year 2021/22 was well managed with no adverse impact on the Combined Authorities financial position.

The general reserves were 'protected' and forecast to remain at the similar level as 2021/22 – i.e., approximately £13 million as at 31.3.22 (some £3 million above 'normal' levels), with a recommendation to create a ring-fenced transport reserve in preparation for challenges from post Covid recovery for bus services.

We continued to hold regular meetings with our partner local authorities, as our main funder of the revenue budget, and this includes the Directors of Finance, Chief Executives and Leaders.

In parallel we signalled to Government that continued support was still required as bus operators were still not delivering pre covid levels of services as patronage levels and demand for these had not been restated and would not be expected to still for most part of 2022.

Additionally, we had the comfort of an over £40 million West Yorkshire plus Transport Reserve, which though prudently created for the purpose of funding the future borrowing costs for this programme, was actually available if required for such an emergency circumstance (subject to Combined Authority approval)

### **Mayoral Combined Authority / devolution deal**

Finally, the Combined Authority became a Mayoral Combined Authority following the Mayoral election in May 2021 with a 30 year devolution deal made with the Central Government worth £1.14 billion over 30 years.

The functions of the Police and Crime Commissioner (PCC) in West Yorkshire were transferred by Parliamentary Order to the Authority with effect from 10 May 2021, with the Mayor taking on the functions of what was the Police and Crime Commissioner with all staff, properties, rights and liabilities transferring to the Authority. As the functions of the PCC will continue the accounts have been prepared on a going concern basis.

To fulfil these statutory requirements the Chief Constable's accounts will be consolidated into the accounts of the Combined Authority and a memorandum account will be prepared for the Mayoral Police Fund. As at 31 March 2022, the total useable Police Fund reserves were £89m. Though there is an anticipated increase in annual Police pension payments arising from the McCloud/Sergeant cases, in line with the Police Pension Fund Regulations 2007, the police authority is required to maintain a Police pension fund into which officer and employer contributions are paid and out of which pension payments to retired officers are made. If the police pension fund does not have sufficient funds to meet the cost of pensions in year the amount required



to meet the deficit is then paid by the Secretary of State to the police authority in the form of a central government top-up grant.

Other significant funding receipts throughout the year include City Region Sustainable Transport Schemes (CRSTS) worth £161 million, Transport Fund £50 million, Zero Emissions Regional Bus £25 million and Brownfield Housing Fund £29 million, and significant further funding awaiting formal announcement in 2022/23. This is further supported by the gainshare funding of £38 million per annum that was unlocked as part of the mayoral devolution deal.

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**Report to:** Governance and Audit Committee

**Date:** 13 October 2022

**Subject:** **Draft Annual Accounts 2021-22**

**Director:** Angela Taylor, Director, Corporate and Commercial Services

**Author:** Celia Yang, Financial Accountant

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 for their comments the draft annual accounts (financial statements) for 2021/22 for the Combined Authority.

## 2. Information

- 2.1 The government has extended the statutory deadline for audit completion to 30 November 2022 for 2021/22 accounts. All effort was made by Finance to ensure the draft accounts were prepared and published at the end of July 2022 for statutory public inspection. The public inspection period has now ended, and there was no question or objection being raised. The timing of the last meeting of the Governance and Audit Committee in July was such that the draft accounts had only just been completed and it was requested that they be brought back for further consideration ahead of the audit work commencing. The Committee has already received reports explaining that the external audit of the accounts will not take place until late 2022/early 2023.
- 2.2 Members are reminded that the transfer of the Police and Crime functions to the Combined Authority from 10 May 2021 introduces the first set of group accounts and consolidation, including West Yorkshire Police. The Mayor is required to keep a fund known as the Police Fund, separate from those of the CA general fund reserve. The Combined Authority is the legal entity which is responsible for administering the Police Fund including assets and liabilities

associated with it, and executing the Mayor's decisions in her role as Police and Crime Commissioner. The Police Fund balances for the year 2021/22 cover 10 months and 22 days (10 May 2021 to 31 March 2022). The comparator year 2020/21 cover 12 months (1 April 2020 to 9 May 2021) including only the continued CA balances. Subsequent financial years will be 12 months 1 April to 31 March.

- 2.3 Members should note that further work is required on the Value for Money opinion before the final audit certificate can be issued. This work is due to commence shortly and will conclude no later than the end of December 2022.
- 2.4 The accounts have been prepared on an International Financial Reporting Standards (IFRS) basis in accordance with the CIPFA Code of Practice on Local Authority Accounting UK.
- 2.5 There are a number of accounting / other matters in the accounts which are drawn to the Committee's attention below.
- 2.6 International Accounting Standard (IAS) 19 Employee Benefits requires a particular accounting treatment of pension costs and liabilities. In effect the accounts provide a snapshot in time of the organisation's element of the West Yorkshire Pension Fund at the balance sheet date, based on information from the actuaries. In common with most local authorities this results in a deficit on the scheme but under the Account and Audit Regulations (England) 2011 this apparent deficit is funded by the creation of a corresponding reserve. The reality is that the deficit in the scheme is being addressed through the annual employer contribution rates set by the actuary and will reduce within the required timescales. The liability will only crystallise should either the West Yorkshire Pension Fund cease to exist, or Combined Authority cease to exist without a successor organisation to take on the liability. The deficit has decreased during the financial year 2021/22 from £91.3 million to £78.8 million as a result mainly of the financial actuarial assumptions changing over the course of the year.
- 2.7. Included in the Group Pension Reserve was the Police Officers' pension liability. In line with the Police Pension Fund Regulations 2007, the police authority is required to maintain a Police pension fund into which officer and employer contributions are paid and out of which pension payments to retired officers are made. If the police pension fund does not have sufficient funds to meet the cost of pensions in year the amount required to meet the deficit is then paid by the Secretary of State to the police authority in the form of a central government top-up grant.
- 2.8. The going concern principle is always required to be considered as part of the year end process. The IFRS Code's underlying assumption is that accounts shall be prepared on a going concern basis where the functions of the 'authority' will continue in operational existence for the foreseeable future.
- 2.9. The going concern assumption is further made because local authorities carry out functions essential to the local community and are themselves revenue-

raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. The Combined Authority relies on funding from its constituent members, all of which are local authorities with revenue raising powers, and it is able to levy on them the funding it requires to deliver many of its services. The Combined Authority's accounts have therefore been prepared on a going concern basis.

- 2.10. Accounting policies – adopted by the CA and its Group determine the accounting treatment that is applied to transactions during the financial year and in the preparation of the Annual Statement of Accounts. During last year, joint work on reviewing and realignment of accounting policies for 2021/22 has been completed between the CA finance team and the WYP finance colleagues. As both the CA and WYP are operating under the local government accounting framework, there is no significant change from those accounting policies used in previous year. The Group Accounting Policies have also been considered by the Police's Joint Independent Audit Committee in January 2022.

**Draft Accounts of the Combined Authority (can be accessed online [here](#))**

- 2.11. The Combined Authority's accounts comply fully with the required accounting standards.
- 2.12. The CA final revenue budget position for 2021/22 was reported to the Finance, Resources and Corporate Committee meeting in July 2022. The final position was a £2.8 million surplus against the budget. The surplus was mainly due to salary savings in excess of the vacancy target, alongside underspend within the concessions budget, driven by the slow recovery of bus patronage in the region. This is offset by a significant overspend on bus tendered services, also connected to changes in bus behaviours as a continuation of impacts resulting from Covid. Of the 2.8m surplus, £2m arising from the savings on the concessions budget was approved to be set aside for a ringfenced reserve to support bus funding in future years. The remaining £0.8m adds to the general reserves giving a balance of £13.8 million.
- 2.13. In comparison to 2020/21 the Combined Authority's balance sheet shows an increased level in assets. As accountable body for the Leeds City Region Enterprise Partnership, the Combined Authority has been in receipt of Getting Building Fund payments as well as several other upfront grant payments such as Brown Field Housing Fund (BHF), Transforming Cities Fund (TCF), and capital element of the Gainshare funding. There has been an increase in capital grants unapplied of £80 million and in short term investments of £95 million at the end of March 2022. The capital expenditure for 2021/22 has increased by £93 million from £159 million in 2020/21.
- 2.14. The CA balance sheet for 2021/22 also included assets deployed for delivering Policing and Crime services. These were accounted for separately in line with

the Police Fund principle and were also disclosed as a supplementary Police Fund Statement on page 113 of the Draft Accounts.

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

**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. 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 Draft Annual Accounts 2021/22 be considered.

**11. Background Documents**

There are no background documents referenced in this report.

**12. Appendices**

None



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**Report to:** Governance and Audit Committee

**Date:** 13 October 2022

**Subject:** **Treasury Management**

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

**Author(s):** Katie Hurrell, Head of Finance

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## **1 Purpose of this report**

- 1.1 To provide members with an update on the Treasury Management activities for 2021/22 and 2022/23 to date.

## **2 Information**

- 2.1 The regular governance meetings continue to be held with both Treasury partners (separate arrangements are in place for the Police Fund) to consider and review the transactions relating to investments and treasury management. No areas of concern were raised since the last meeting in July and the next meeting is due on 17 October and 10 November 2022, with Leeds City Council Wakefield Council respectively. The high level of cash balances and the challenges with regard to placing funds with approved counterparties, unchanged since previously reported.
- 2.2 The budget report to the Combined Authority in February 2022 confirmed the treasury management arrangements encompassing the whole organisation in place for the year and no subsequent changes are proposed at this stage. These arrangements and prudential borrowing rules will continue to be applied throughout the coming year. This is set out in the Treasury Management Statement attached (**Appendix 1**).

### **Capital expenditure 2021/22**

- 2.3 Total capital expenditure in 2021/22 was £252 million, funded through a combination of income streams but primarily grants from the Department for Transport and the Department for Housing, Levelling Up and Communities (in relation to the Getting Building Fund and Brown Field Housing Fund). These included the Local Transport Plan Integrated Transport block funding and highways maintenance grant totalling £49.6m which is then utilised by the Combined Authority and the constituent Local authorities, the £20m capital

grants for Brown Field Housing and £123m for the Transforming Cities programme that commenced during the year.

- 2.4 The Transport Fund (£30m) alongside of the City Deal element of the funding (£20.4m) received for 2021/22 have been applied to £72.9m of projects within the programme. An approved overspend in year on the Transport Fund programme has been accounted from the previous Growth Deal transport element of capital grants unapplied with the balance of £15.3m being under the borrowing requirement in line with the budgeted capital financing requirement.
- 2.5 The Combined Authority capital programme wholly relates to investment in Transport infrastructure and Economic regeneration projects. The Police Fund capital programme covers police related schemes such as vehicles, police stations and investment in new information and communications technology. The capital programme for the Police Fund is recorded separately in accordance with legislation and is therefore excluded from the above figures.

### **Implementation of the CIPFA Codes of Practice 2021**

- 2.6 Members were informed in the January 2022 meeting that CIPFA has updated and published the revised Codes of Practice for Capital and Treasury Management in December 2021. The Codes and changes within them have been examined in detail and changes will be considered and adopted in the Treasury Strategy, which will be presented to the Committee in the January meeting. The broad areas to be addressed, created, or updated are as follows:

Implementation timing, by start of financial year 2023/24

Knowledge and Skills of officers of Treasury Management (TM) remit

Investment Management Practices (IMP's) document creation.

Non-Treasury Investment (if applicable)

- need to include knowledge and skills of officers outside of strict TM remit for non-TM investments
- need to establish purposes, objectives and management arrangements including risk management procedures, training and skills for non-TM investments

Treasury Management Policy Statement (TMPS) to include statement of counterparty policy for borrowing and updated for all changes for the CA approval in February 2023

Treasury Management Reporting, annual strategy report, half year Report and outturn report

Prudential Indicators (PIs)

- Change and update existing PI's as required
- Produce and update new PI's for Investments
- Develop new local Indicators as necessary for risk management benchmarking
- Develop Liability benchmark for debt



- Develop Liability benchmark for investments if required.
- Produce PI monitoring tool for in year reporting with financial health quarterly reporting
- Ensure PI's reflect ring fenced accounts where necessary (e.g. Police and Crime Commissioners)

### **3 Financial Implications**

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

### **4 Legal Implications**

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

### **5 Staffing Implications**

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

### **6 External Consultees**

6.1 No external consultations have been undertaken.

### **7 Recommendations**

7.1 That the Committee to note the position on treasury management.

### **8 Background Documents**

None.

### **9 Appendices**

Appendix 1 – Treasury Management Statement 2021/22 and review of 2022/23 to date.

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## TREASURY MANAGEMENT STATEMENT 2021/22 and review of 2022/23

1. The following sets out the results of the West Yorkshire Combined Authority's borrowing and lending transactions in 2021/22 in accordance with the CIPFA Code of Practice "Treasury Management in Local Authorities" adopted by the Authority.

2. **BORROWING AND INVESTMENT**

<b>Total Loans outstanding at 01/4/2021</b>	<b>£m</b>
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	(0.9)
Net movement in temporary loans - CA General Fund	0.0
Net movement in temporary loans - Police Fund	0.0
<b>Total loan outstanding at 31/03/2022:</b>	<b>148.8</b>
<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	(0.6)
Borrowing repaid - CA General Fund	0.0
Borrowing repaid - Police Fund	0.0
<b>Anticipated loans outstanding at 31/3/2023</b>	<b>148.1</b>
<b>Total Investments</b>	
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	95.5
Net of new Investment in year - Police Fund	24.5
<b>CA General Fund investment placed at 31/03/2022</b>	<b>440.5</b>
<b>Police Fund investment placed at 31/03/2022</b>	<b>77.6</b>

- 2.1 The schedule of the loans outstanding at 31 March 2022 is set out in the notes to the accounts and is shown in the annex at the end of this appendix.
- 2.2 The Combined Authority's cash balances have been increasing in recent years due primarily to large grant payments for capital schemes being received in advance. These are therefore of a cashflow benefit but cannot be used to repay borrowing as they are not long-term positions. Placing sums on deposit across a number of institutions both reduces exposure risk by ensuring there is not an over reliance on one bank and allows a higher return than leaving the money on overnight deposit. The Combined Authority's regulations on placing money on deposit were reviewed during the previous year and some changes approved regarding the duration of deposits. The quality of the counterparties with whom such deposits can be made has not been changed and remains restricted to those of a high calibre. This follows similar arrangements to those in place at Leeds City Council whose Treasury team assist in managing the Combined Authority funds.

- 2.3 At the year end the Combined Authority had placed a number of sums totalling £440.5 million on fixed deposit with different counterparties. The approach agreed during the year was to place tranches of funding out ensuring that each quarter there was sufficient flexibility to enable a consideration of future cashflow requirements in order to determine an optimal investment policy. Full details of the fixed deposits in place at 31 March 2022 are set out at the end of this appendix. In line with the strategy approved during the year there has been a shift to placing funds with appropriate local authorities rather than international banking institutions, in response to the unrest within the financial world.

### **3. COMMENT**

- 3.1 The impact on 2021/22 has been mixed with some fixed term deposits returning the expected interest, whilst some of the in year short term investments have only achieved interest rates of between 0.1 % and 0.95%. Since the start of 2022/23 the interest rate environment has been driven by global supply bottlenecks, the implications following the Russian invasion of the Ukraine and domestic policy changes following the change of Prime Ministerial leadership. The previous low interest rate environment has evaporated quickly particularly over the last couple of months with base rate now at 2.25% and forecast to rise further, possibly past 4%. Opportunities to refinance loans remain limited, however the agreed policy of laddering investments (i.e. a rolling book of 1 year investments) is generating increasing returns as the interest rate environment evolves.
- 3.2 Regular advice was received about the financial market which was closely monitored on behalf of the Combined Authority by Leeds City Council and its advisors. Further development and application of the stringent treasury management policy assisted in ensuring that the Combined Authority's funds were held securely. The agreed policy is to seek to minimise the rate at which the Combined Authority borrows and refinance existing debt when it is advantageous to do so. There have been no such opportunities to do so in the last year and the biggest challenge has been to seek to make best use of increasing cash reserves. As set out above a strategy has been followed to manage these balances within the current investment criteria which are aimed at protecting balances.
- 3.3 The Combined Authority's cash accounts are being constantly monitored to ensure that the CA's bank account is maintained at a minimum cash balance with temporary borrowing and investments being used as appropriate. Two business reserve type accounts are being used to ensure interest from overnight funds is maximised but in the current climate the available rate low on these accounts and the focus has been on seeking to invest funds for longer periods and producing a laddered maturity profile with lower rate investment maturities being replaced by higher rate 11 to 12 month investments with other locals. In addition, an element of cash is being invested with excellent rated banks in periods up to 3 months to assist with managing the short term cashflow of the Authority.
- 3.4 The mechanism to utilise surplus Combined Authority funds by lending them to Leeds City Council has continued during 2022/23. The Chief Financial Officers of each organisation have agreed on the calculation of a rate that is deemed

beneficial to both whilst not favouring one over the other. This is modelled on similar arrangements that are in place in other organisations. Currently no such facility is being utilised but this may change as the position for both the Authority and the Council evolves.

- 3.5 The portfolio (attached as **Annex 1**) has expanded significantly during 2021/22 and this has continued into 2022/23. The position as at 30 September 2022 is attached as **Annex 2**. Previously capital expenditure had been financed through borrowing. Up to very recently all capital expenditure of the authority was funded by capital grant and no borrowing was therefore necessary. This however is now changing and the authority has established a capital borrowing need over the next decade.
- 3.6 This situation has changed as the Combined Authority is committed to borrowing to meet the local contribution for the West Yorkshire plus Transport Fund, agreed as part of the original City Deal. 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. As plans are further developed the implications of these on the Treasury Management Policy will be considered and progress and any changes required will be reported back to this Committee.
- 3.7 The current policy on lending to the banking sector remains cautious with the maximum period of exposure currently limited to 3 months maximum duration. This is being kept under review with the possible restoration of the Leeds City Council full lending criteria examined at regular Strategy meetings with the CA officers.
- 3.8 The average borrowing rate for the Combined Authority continues to be at below 4.5%, well ahead of many local authorities historic debt.
- 3.9 As has been stated all rates continue to be constantly monitored to see if any further refinancing can be undertaken, either to take advantage of opportunities to reduce the Combined Authority's exposure risk or to reprofile the debt to assist in making repayments in the coming years. This has proven difficult to undertake in actuality due the large margin in the rates charged by PWLB for new borrowing and the rates used to calculate premature repayments costs (premiums or discounts).
- 3.10 The prudential limits set in February are reviewed below.

#### **4 TREASURY MANAGEMENT**

- 4.1 All placement of CA funds during 2021/22 was undertaken by Leeds City Council, and for the Police Fund this was done by Wakefield City Council, in accordance with rules approved by the Combined Authority adopting the advice from the Chartered Institute of Public Finance and Accountancy (CIPFA). This ensured all investment decisions sought to ensure the safety of those funds and to limit the Combined Authority's exposure to any one organisation, with the return on the investment being a secondary consideration.

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

## **5 PRUDENTIAL BORROWING CODE**

- 5.1 The 2003 Local Government Act requires local authorities to have regard to the prudential code. Under this code Members approve a treasury management policy and review the prudential indicators for the year.
- 5.2 Members at the Combined Authority budget meeting in February 2022 took the appropriate decisions for 2022/23. Any further changes to the capital programme or changes as a result of the West Yorkshire plus Transport Fund will be considered to ensure there is no resultant requirement to amend the prudential indicators. Members can, having regard to changing circumstances, approve amendments during the year. This may become necessary as planning for increased capital spend funded through borrowing progresses or as the financial and economic landscape changes.
- 5.3 It is therefore recommended that the following decisions, as taken in February 2022, are endorsed:

5.3.1 That the treasury management policy shall be:

- 5.3.1.1 That the Combined Authority adopts the CIPFA code of practice for Treasury Management in the Public Sector.
- 5.3.1.2 To operate the financing on a short-term basis to minimise both investments and income to avoid taking out expensive loans and re-lending them at a lower rate of interest.
- 5.3.1.3 That there shall be no long-term investments for a term of greater than one year, other than to other local authorities and then only for a period not exceeding 36 months. The limits for each of the next three years are that for investments for a period greater than 364 days, that no more than £20 million will mature in each of 2022/23, 2023/24 and 2024/25;
- 5.3.1.4 To utilise the expertise of the treasury management team in Leeds City Council for future years.
- 5.3.1.5 To use the following rules for short-term investments:-
- 5.3.1.5.1 the investments shall be determined by the Chief Financial Officer.
- 5.3.1.5.2 the Chief Financial Officer shall determine the amounts and periods.

- 5.3.1.5.3 the procedural document as approved for their Treasury Management Division by Leeds City Council shall be adopted in relation to the authority's short-term investments encompassing the council's list of approved financial organisations and the maximum lending limits per organisation, as specified in that document from time to time.
- 5.3.1.5.4 no investment will be for a period exceeding one year, other than as set out in 5.3.1.3.
- 5.3.1.5.5 Investments with Leeds City Council will not exceed £15 million, the interest rate for such deposits being agreed between the Chief Financial Officers of both organisations.
- 5.3.1.5.6 Investments with any one counterparty should not exceed £15 million other than in 5.3.1.3.
- 5.3.1.5.7 Investments with the Combined Authority's bankers are specifically excluded from the limits set out, in recognition of the fluidity of such arrangements.
- 5.4.1.6 To restrict all additional borrowing to meet capital expenditure to the level of specific approvals issued by the government.
- 5.4.2 That as there have been insufficient changes to alter the predictions the prudential limits for the current year be reiterated as set out below:-
  - 5.4.2.1 operational boundary for 2022/23 – £100 million (£174 million with Police Fund combined)
  - 5.4.2.2 authorised limit for 2022/23 - £434 million (£526 million with Police Fund combined)
  - 5.4.2.3 maturity loan structure as set out in the budget approvals
  - 5.4.2.4 a variable rate loan limit of 40%
  - 5.4.2.5 a fixed loan limit of 200%





<u>UID</u>	<u>Counterparty</u>	<u>Their Reference</u>	<u>Rate</u>	<u>Start</u>	<u>Maturity</u>	<u>Principal</u>
9645	Blackpool BC		0.08000	08/09/21	12/08/22	(5,000,000.00)
9655	PCC Merseyside		0.07000	27/09/21	15/07/22	(10,000,000.00)
9656	Uttlesford DC		0.06000	23/09/21	25/07/22	(6,000,000.00)
9657	Wrexham CBC		0.08000	27/09/21	23/09/22	(10,000,000.00)
9658	LB Waltham Forest		0.05000	27/09/21	08/04/22	(5,000,000.00)
9660	Thurrock BC		0.20000	05/11/21	29/09/22	(15,000,000.00)
9661	Ashford BC		0.07000	22/11/21	22/08/22	(3,000,000.00)
9663	Redcar & Cleveland		0.08000	18/10/21	03/10/22	(10,000,000.00)
9664	Mid Suffolk DC		0.08000	08/11/21	06/10/22	(6,000,000.00)
9672	Eastleigh BC		0.15000	14/01/22	14/07/22	(15,000,000.00)
9673	Brentwood BC		0.20000	28/01/22	29/11/22	(5,000,000.00)
9677	South Somerset DC		0.06000	20/01/22	20/07/22	(10,000,000.00)
9678	East Dunbartonshire Council		0.20000	16/12/21	14/12/22	(5,000,000.00)
9680	Brentwood BC		0.20000	14/01/22	15/12/22	(5,000,000.00)
9682	Uttlesford DC		0.25000	21/01/22	21/11/22	(4,000,000.00)
9683	Liverpool CC		0.22000	18/03/22	05/01/23	(15,000,000.00)
9687	Conwy CBC		0.25000	01/02/22	16/01/23	(5,000,000.00)
9688	Cherwell DC		0.40000	04/02/22	17/01/23	(10,000,000.00)
9689	South Somerset DC		0.23000	17/03/22	19/09/22	(3,000,000.00)
9700	Westminster CC		0.45000	04/03/22	04/04/22	(15,000,000.00)
9701	Medway Council		0.90000	14/03/22	14/09/22	(5,000,000.00)
9702	Medway Council		0.90000	14/03/22	14/12/22	(5,000,000.00)
9711	National Bank of Kuwait		0.73000	25/03/22	25/04/22	(15,000,000.00)
<b>Deposit - Fixed</b>						<b>(440,500,000.00)</b>
<b>Deposit - Notice</b>						
9505	National Westminster Bank PLC	WYCA	0.01000	30/09/20	Call	(18,515,876.28)
9508	Svenska Handelsbanken AB	WYCA	0.01000	30/09/20	Call	(14,039,624.69)
<b>Deposit - Notice</b>						<b>(32,555,500.97)</b>
<b>Lenders option/Borrowers option</b>						
7532	Barclays Bank PLC	W4 ITA U4956	3.97000	31/05/05	31/05/65	5,000,000.00
7533	Barclays Bank PLC	W5 ITA U5006	3.80000	24/08/05	24/08/65	5,000,000.00
7534	Barclays Bank PLC	W7 ITA U5231	3.99000	27/10/06	27/10/66	5,000,000.00
7535	Barclays Bank PLC	W8 ITA U5374	4.30000	18/12/06	18/12/76	5,000,000.00
7536	Barclays Bank PLC	W9 ITA U5627	4.32000	02/05/07	02/05/77	5,000,000.00
<b>Lenders option/Borrowers option</b>						<b>25,000,000.00</b>
<b>PWLB - Maturity</b>						
7537	Public Works Loans Board	491184W ITA U5135	3.70000	23/01/06	15/01/56	5,000,000.00
7538	Public Works Loans Board	491481W ITA U5223	4.40000	28/04/06	15/01/52	5,000,000.00
7539	Public Works Loans Board	492865W ITA U5505	4.40000	31/01/07	15/07/54	8,000,000.00
7540	Public Works Loans Board	492866W ITA U5507	4.40000	31/01/07	02/06/53	8,000,000.00
7541	Public Works Loans Board	493266W ITA U5645	4.55000	03/05/07	10/06/52	4,000,000.00
7542	Public Works Loans Board	493268W ITA U5646	4.55000	04/05/07	27/04/55	6,000,000.00
7543	Public Works Loans Board	493269W ITA U5647	4.55000	04/05/07	25/04/56	6,000,000.00
7544	Public Works Loans Board	493270W ITA U5648	4.55000	04/05/07	18/04/57	8,000,000.00
<b>PWLB - Maturity</b>						<b>50,000,000.00</b>
<b>WYCA</b>						<b>(398,055,500.97)</b>

## Annex 2

### Outstanding Transactions as at 30th September 2022

<u>UID</u>	<u>Counterparty</u>	<u>Their Reference</u>	<u>Rate</u>	<u>Start</u>	<u>Maturity</u>	<u>Principal</u>
<b>LCR-Growing Places Fund</b>						
<b>Non-Treasury Loans</b>						
7430	Unity House Wakefield Ltd	GPF102 - Unity Hall	5.90000	28/10/13	28/10/28	(1,697,914.06)
7483	Witt and Son	GPF210 - Witt Group	3.02000	26/02/14	26/02/24	(254,635.87)
7645	Canal Road Urban Village Ltd	GPF209 - New Bolton Woods	3.94000	15/08/14	31/03/23	(248,048.03)
7684	GMV 12	GPF204 - Kirkstall Forge	2.63000	09/10/14	09/10/27	(3,115,774.09)
9181	Canal Road Urban Village Ltd	GPF209a - New Bolton Woods	3.50000	29/01/19	31/03/23	(346,000.00)
						<b>(5,662,372.05)</b>
						<b>Non-Treasury Loans</b>
						<b>(5,662,372.05)</b>
<b>LCR-Local Growth Fund</b>						
<b>Non-Treasury Loans</b>						
8177	Kirklees Metropolitan Borough Council	LGF002A - Kirklees Housing Sites	0.00000	16/02/16	26/02/27	(200,000.00)
8197	Barnsley Metropolitan Borough Council	LGF003 - Barnsley TC Development	0.00000	25/02/16	29/02/28	(1,757,000.00)
8198	Leeds City Council	LGF004 - Redhall/Whinmoor	0.00000	08/03/16	28/02/27	(4,000,000.00)
8205	Leeds City Council	LGF005 - Leeds Bath Road	0.00000	14/03/16	28/02/27	(575,000.00)
8267	City of Bradford	LGF006 - One City Park Bradford	0.00000	05/04/16	28/02/27	(400,000.00)
8710	Kirklees Metropolitan Borough Council	LGF002B - Kirklees Housing Sites	0.00000	23/03/17	28/02/27	(109,000.00)
8713	York City Council	LGF007 - York Central	0.00000	23/03/17	31/03/27	(2,350,000.00)
8714	Leeds City Council	LGF008 - Leeds Brownfield Sites	0.00000	31/03/17	28/02/27	(1,100,000.00)
						<b>(10,491,000.00)</b>
						<b>Non-Treasury Loans</b>
						<b>(10,491,000.00)</b>
<b>Deposit - Fixed</b>						
9561	Rotherham MBC		0.45000	30/04/21	31/03/23	(15,000,000.00)
9663	Redcar & Cleveland		0.08000	18/10/21	03/10/22	(10,000,000.00)
9664	Mid Suffolk DC		0.08000	08/11/21	06/10/22	(6,000,000.00)
9673	Brentwood BC		0.20000	28/01/22	29/11/22	(5,000,000.00)
9678	East Dunbartonshire Council		0.20000	16/12/21	14/12/22	(5,000,000.00)
9680	Brentwood BC		0.20000	14/01/22	15/12/22	(5,000,000.00)
9682	Uttlesford DC		0.25000	21/01/22	21/11/22	(4,000,000.00)
9683	Liverpool CC		0.22000	18/03/22	05/01/23	(15,000,000.00)
9687	Conwy CBC		0.25000	01/02/22	16/01/23	(5,000,000.00)
9688	Cherwell DC		0.40000	04/02/22	17/01/23	(10,000,000.00)
9702	Medway Council		1.05000	14/03/22	14/12/22	(5,000,000.00)
9726	Uttlesford DC		0.85000	12/04/22	12/10/22	(3,500,000.00)
9731	Plymouth CC		1.00000	18/05/22	13/04/23	(15,000,000.00)
9735	Guildford BC		0.95000	13/05/22	19/04/23	(10,000,000.00)
9738	Rushmoor BC		1.05000	29/04/22	19/04/23	(7,000,000.00)
9739	Cambridgeshire CC		1.80000	01/08/22	19/04/24	(15,000,000.00)
9745	Sandwell MBC		1.10000	27/04/22	25/04/23	(15,000,000.00)
9747	Suffolk CC		0.95000	29/04/22	31/10/22	(5,000,000.00)
9749	LB Witham Forest		0.95000	29/04/22	28/10/22	(5,000,000.00)
9750	LB Witham Forest		0.95000	28/04/22	28/10/22	(10,000,000.00)
9755	West Dunbartonshire Council		1.10000	29/04/22	27/04/23	(4,000,000.00)
9756	PCC Merseyside		1.19000	05/05/22	03/05/23	(5,000,000.00)
9758	Woking BC		1.20000	18/05/22	04/05/23	(15,000,000.00)
9760	Surrey CC		1.10000	06/06/22	06/12/22	(15,000,000.00)
9761	South Ayrshire Council		1.20000	12/05/22	09/05/23	(5,000,000.00)
9762	Eastbourne BC		1.20000	23/05/22	09/05/23	(5,000,000.00)
9763	Basildon BC		1.18000	01/06/22	10/05/22	(5,000,000.00)
9764	Cheltenham BC		1.15000	27/05/22	11/05/23	(4,000,000.00)
9765	Guildford BC		1.17000	10/06/22	11/05/23	(5,000,000.00)
9766	West Dunbartonshire Council		1.15000	23/05/22	15/05/23	(6,000,000.00)
9767	Conwy CBC		1.10000	15/06/22	15/03/23	(2,000,000.00)
9768	Eastleigh BC		1.15000	14/07/22	16/01/23	(15,000,000.00)
9770	Wrexham CBC		1.28000	25/05/22	24/02/23	(5,000,000.00)
9771	Redcar & Cleveland		1.25000	01/06/22	17/05/23	(5,000,000.00)
9772	North Lanarkshire Council		1.19000	23/05/22	18/05/23	(10,000,000.00)
9775	Broxbourne BC		1.60000	23/08/22	22/08/23	(5,000,000.00)
9776	Telford & Wrekin Council		1.22000	26/05/22	22/05/23	(5,000,000.00)
9779	West Dunbartonshire Council		1.24000	27/05/22	24/05/23	(5,000,000.00)
9780	LB Brent		1.28000	08/08/22	08/05/23	(15,000,000.00)
9781	North Lanarkshire Council		1.10000	30/06/22	04/01/23	(3,000,000.00)
9783	Cornwall CC		1.15000	09/06/22	09/12/22	(5,000,000.00)
9784	Aberdeen CC		1.26000	13/06/22	13/12/22	(5,000,000.00)

<u>UID</u>	<u>Counterparty</u>	<u>Their Reference</u>	<u>Rate</u>	<u>Start</u>	<u>Maturity</u>	<u>Principal</u>
9785	Darlington BC		1.25000	20/06/22	30/05/23	(5,000,000.00)
9786	Cheshire East Council		1.20000	14/07/22	16/01/23	(5,000,000.00)
9787	Aberdeen CC		1.20000	15/08/22	15/02/23	(10,000,000.00)
9788	Ashford BC		1.25000	25/07/22	25/04/23	(8,000,000.00)
9789	Cheshire East Council		1.25000	04/08/22	04/05/23	(5,000,000.00)
9790	South Somerset DC		1.25000	20/07/22	03/04/23	(10,000,000.00)
9792	Blackpool BC		1.25000	11/08/22	11/05/22	(7,000,000.00)
9793	Blackpool BC		1.25000	15/08/22	15/05/22	(3,000,000.00)
9794	Conwy Council		1.25000	29/07/22	04/05/22	(4,000,000.00)
9795	North Lanarkshire Council		1.25000	29/07/22	30/05/23	(2,000,000.00)
9796	Stockport MBC		1.25000	29/07/22	06/06/23	(15,000,000.00)
9797	Chesterfield MBC		1.25000	29/07/22	28/04/23	(5,000,000.00)
9798	Suffolk CC		1.25000	05/07/22	05/04/23	(5,000,000.00)
9799	Ashford BC		1.25000	22/08/22	22/05/23	(3,000,000.00)
9800	Ashford BC		1.25000	24/08/22	24/05/23	(4,000,000.00)
9801	Uttlesford BC		1.25000	25/07/22	07/06/23	(6,000,000.00)
9802	Surrey Heath BC		1.30000	25/07/22	07/06/23	(4,000,000.00)
9803	Cheltenham BC		1.28000	19/08/22	01/06/23	(5,000,000.00)
9804	Telford & Wrekin Council		1.30000	20/06/22	07/06/23	(5,000,000.00)
9805	South Somerset DC		1.25000	19/07/22	19/04/23	(2,000,000.00)
9806	Conwy CBC		1.25000	21/07/22	08/06/23	(4,000,000.00)
9807	South Ayrshire Council		1.30000	01/07/22	08/06/23	(5,000,000.00)
9808	Worcestershire CC		1.30000	20/06/22	09/06/23	(10,000,000.00)
9809	Blaneau Gwent CBC		1.20000	26/08/22	30/03/23	(5,000,000.00)
9810	Worcestershire CC		1.15000	21/06/22	21/03/23	(5,000,000.00)
9811	Suffolk CC		1.25000	28/06/22	28/03/23	(5,000,000.00)
9813	Merthyr Tydfil		1.25000	28/06/22	28/03/23	(10,000,000.00)
9814	South Ayrshire Council		1.35000	27/07/22	27/03/23	(5,000,000.00)
9815	East Dunbartonshire Council		1.25000	23/06/22	23/03/23	(10,000,000.00)
9816	Mid Suffolk DC		1.70000	15/07/22	19/06/23	(5,000,000.00)
9819	South Cambridgeshire DC		2.40000	21/07/22	21/06/24	(5,000,000.00)
9820	Medway Council		2.60000	14/09/22	21/06/24	(5,000,000.00)
9821	Medway Council		2.60000	21/09/22	21/06/24	(5,000,000.00)
9824	Eastbourne BC		1.80000	25/07/22	27/06/23	(10,000,000.00)
9826	Goldman Sachs IB		1.47000	04/07/22	04/10/22	(15,000,000.00)
9827	Watford BC		1.90000	06/07/22	30/06/23	(5,000,000.00)
9829	South Somerset DC		1.88000	20/09/22	20/03/23	(3,000,000.00)
9847	Cornwall CC		2.50000	27/09/22	27/03/23	(10,000,000.00)
9849	Manchester CC		3.00000	05/09/22	01/09/23	(15,000,000.00)
9851	East Hertfordshire DC		3.00000	29/09/22	13/09/23	(10,000,000.00)
9853	LB Enfield		3.50000	30/09/22	22/09/23	(10,000,000.00)
9857	National Bank of Canada		2.25000	28/09/22	24/10/22	(15,000,000.00)
9858	National Bank of Kuwait		2.46000	28/09/22	24/10/22	(10,000,000.00)
			<b>(80,000,000.00)</b>		<b>Deposit - Fixed</b>	<b>(614,500,000.00)</b>
<b>Deposit - Notice</b>						
9505	National Westminster Bank PLC	WYCA	0.30000	30/09/20	Call	(13,363,926.39)
9508	Svenska HandelsBanken AB	WYCA	1.30000	30/09/20	Call	(14,101,258.71)
					<b>Deposit - Notice</b>	<b>(27,465,185.10)</b>
<b>Lenders option/Borrowers option</b>						
7532	Barclays Bank PLC	W4 ITA U4956	3.97000	31/05/05	31/05/65	5,000,000.00
7533	Barclays Bank PLC	W5 ITA U5006	3.80000	24/08/05	24/08/65	5,000,000.00
7534	Barclays Bank PLC	W7 ITA U5231	3.99000	27/10/06	27/10/66	5,000,000.00
7535	Barclays Bank PLC	W8 ITA U5374	4.30000	18/12/06	18/12/76	5,000,000.00
7536	Barclays Bank PLC	W9 ITA U5627	4.32000	02/05/07	02/05/77	5,000,000.00
					<b>Lenders option/Borrowers option</b>	<b>25,000,000.00</b>
<b>PWLB - Maturity</b>						
7537	Public Works Loans Board	491184W ITA U5135	3.70000	23/01/06	15/01/56	5,000,000.00
7538	Public Works Loans Board	491481W ITA U5223	4.40000	28/04/06	15/01/52	5,000,000.00
7539	Public Works Loans Board	492865W ITA U5505	4.40000	31/01/07	15/07/54	8,000,000.00
7540	Public Works Loans Board	492866W ITA U5507	4.40000	31/01/07	02/06/53	8,000,000.00
7541	Public Works Loans Board	493266W ITA U5645	4.55000	03/05/07	10/06/52	4,000,000.00
7542	Public Works Loans Board	493268W ITA U5646	4.55000	04/05/07	27/04/55	6,000,000.00
7543	Public Works Loans Board	493269W ITA U5647	4.55000	04/05/07	25/04/56	6,000,000.00
7544	Public Works Loans Board	493270W ITA U5648	4.55000	04/05/07	18/04/57	8,000,000.00
					<b>PWLB - Maturity</b>	<b>50,000,000.00</b>
					<b>WYCA</b>	<b>(566,965,185.10)</b>

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**Report to:** Governance and Audit Committee

**Date:** 13 October 2022

**Subject:** **Workplan and Committee development**

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**Director:** Angela Taylor, Director, Corporate and Commercial Services

**Author(s):** Angela Taylor

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## **1. Purpose of this report**

1.1 To consider the proposed work programme for the year.

## **2. Information**

2.1 The current draft work programme for the Governance and Audit Committee is attached at Appendix 1 to this paper. This outlines those proposed areas that will be presented to the Committee with the indicative timings for the 2022/23 plan year.

2.2 The Committee should, however, be made aware that CIPFA will be publishing their 'Audit Committees: Practical Guidance for Local Authorities And Police (2022 edition)' in October this year. This guidance will take account of recent legislative changes and professional developments and supports the 2022 CIPFA Position Statement on audit committees. It includes additional guidance and resources to support audit committee members, and those working with and supporting the committee's development.

2.3 The Committee may wish, in the light of this forthcoming guidance, to consider whether it would be appropriate to build a review of it into the work programme and use this to then further develop the work programme.

## **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 There are no equality and diversity implications directly arising from this report

**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 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 Governance and Audit Committee consider next steps in developing their work programme.

**11. Background Documents**

None.

**12. Appendices**

Appendix 1 – Current work programme

## Governance and Audit Committee draft work programme 2022/23

The following standing items will appear on each agenda:

- External audit update
- Internal audit progress
- Compliance and monitoring
- Risk

The following items are scheduled for specific meetings:

13 Oct 2022	Risk management strategy
12 Jan 2023	Early consideration of internal audit plan for 2020/21 Approval of annual accounts (provisional) Annual audit letter, including vfm Budget and treasury management 2022/23
22 Mar 2023	External audit fee letter External audit planning Approval of internal audit plan 2022/23 Revised Code of Corporate Governance
July 2023	Consideration of draft accounts Internal audit annual report Review of internal control

Other items will be brought to the Committee as and when they occur, for example in connection with the appointment of external auditors and the consultation on their fees. Any issues arising in connection with the Members' Code of Conduct would also be referred to this Committee.

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**Report to:** Governance and Audit Committee

**Date:** 13 October 2022

**Subject:** **Compliance and Monitoring**

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

**Author(s):** Katie Hurrell, Head of Finance

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## **1. Purpose of this report**

- 1.1 To consider any changes to the arrangements for internal control in the West Yorkshire Combined Authority since the last meeting of the Committee.
- 1.2 To provide an update on emerging inflationary and other financial pressures identified in the coming year with specific reference to Transport Services and likely impacts to the 2023/24 Budget following the Q1 2022/23 forecast.

## **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 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. Internal Audit are currently undertaking a compliance audit of financial

controls in the Transport and Property Services directorate. Further details are included in agenda item 5.

### **Key indicators**

- 2.6 The Committee has requested regular information via key indicators, specifically with regard to accidents reportable to the Health and Safety Executive and with regard to key controls.
- 2.7 No RIDDOR incidents have been reported since the previous meeting and in this financial year.
- 2.8 Key indicators are monitored in relation to the suite of financial controls undertaken monthly in both the finance and the concessions and integrated ticketing team. These are both up to date as at the time of writing this report.

### **Q1 2022/23 Financial Update**

- 2.1 The 2022/23 financial year continues to present challenges for the Combined Authority. The longer term impact of Covid-19 is apparent in its impact on bus usage and impacting on bus patronage recovery. Impacts of inflation have already become apparent during budget monitoring particularly in areas where there are RPI, or CPI linked contracts renewing in-year.
- 2.2 Key areas of inflationary pressure are where there are contracted costs. For the revenue budget this is impacting initially on bus services and property costs, and across ICT contracts although due to the timing of contract renewal dates it appears that much of the impact will be deferred to next year. There is a slight positive in improved rates of return for cash balances on deposit but the increase in interest rates will increase the costs of future planned borrowing.
- 2.3 Other key cost pressures are within staffing budgets where proposals regarding pay awards will have ongoing budgetary impacts. The Combined Authority has a separate negotiating process for pay awards to that of local government but in practice the pay award implemented is usually aligned to the local government offer. The present proposals equate to an additional cost of up to £1 million on the revenue budget, which exceeds the 2% provision made in the budget and work continues to seek to contain this within the revised forecast for the year. At present there are a significant number of movements in the 2022/23 budget and it is intended to seek to minimise the use of reserves in year to keep the budget in balance.

## **Capital Programme Update**

- 2.4 The table below summarises the total expenditure on the Combined Authority's capital programme as at quarter 1 2022/23. This includes a revised in year forecast of expenditure on each funding programme in comparison with the budget forecast reported to the Combined Authority in February 2022 and to the Finance Resources and Corporate Committee in March 2022.

<b>Capital Programme Expenditure</b>	<b>Indicative Forecast Combined Authority February 2022</b>	<b>Revised In-Year Forecast as at June 2022</b>	<b>Quarter 1 Expenditure 2022/23</b>	<b>% of in-year Forecast</b>
<b>Transport Programmes</b>				
City Region Sustainable Transport Settlement		£68,280,000	£0	0.00%
Transforming Cities Fund (inc. Tranche 1) (non CRSTS)	£129,518,965	£64,467,093	£5,746,745	8.91%
West Yorkshire plus Transport Fund	£102,395,761	£59,726,739	£12,315,451	20.62%
Zero Emissions Bus Regional Areas		£3,818,701	£0	0.00%
Leeds Public Transport Investment Programme	£368,755	£2,870,000	£247,210	8.61%
Integrated Transport Block (CA legacy projects)	£4,281,941	£5,288,676	£610,618	11.55%
Active Travel		£7,489,580	£1,293,551	17.27%
New Station Fund	£10,000,000	£3,687,541	£2,251,228	61.05%
<b>Economic Development Programmes</b>				
Getting Building Fund		£11,377,575	£4,728,949	41.56%
Brownfield Housing Fund	£29,178,719	£29,178,719	£34,873	0.12%
Social Housing Decarbonisation Fund		£5,061,627	£0	0.00%
British Library North	£3,803,586	£3,803,586	£0	0.00%
Corporate Projects	£2,609,900	£2,609,900	£325,386	12.47%
Broadband	£2,429,409	£1,525,169	£0	0.00%
Growth Deal - Economic Development		£123,300	3000	2.43%
Business Accelerator Fund	£3,070,000	£3,070,000	0	0.00%
<b>Total Capital Spend</b>	<b>£284,587,036</b>	<b>£272,378,206</b>	<b>£27,554,011</b>	<b>10.12%</b>

- 2.5 The in-year forecast now includes the following programmes which had not received formal approval from Government at the time of the Combined Authority meeting in February 2022: City Region Sustainable Transport Settlement (CRSTS); Zero Emissions Bus Regional Area (ZEBRA); Active Travel (Tranche 3); and the Social Housing Decarbonisation Fund.
- 2.6 86% of the Combined Authority's forecast expenditure in 2022/23 is concentrated across five major programmes: the new City Region Sustainable Transport Settlement; the Transforming Cities Fund (TCF); the West Yorkshire plus Transport Fund; Getting Building Fund (GBF); and the Brownfield Housing Fund (BHF). Over the coming year it is intended to shift reporting such that it is aligned to the investment priorities rather than the funding pots.

### **3 Tackling the Climate Emergency Implications**

- 3.1 There are no climate emergency implications directly arising from this report. All projects approved through the assurance process are required to consider climate impact.

**4 Inclusive Growth Implications**

4.1 There are no inclusive growth implications directly arising from this report. All projects approved through the assurance process are required to consider their impact on inclusive growth.

**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.

**10 Background Documents**

None

**11 Appendices**

None



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**Report to:** Governance and Audit Committee

**Date:** 13 October 2022

**Subject:** **Risk Management Strategy**

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**Director:** Angela Taylor, Director, Corporate and Commercial Services

**Author(s):** Lorna Jones, Corporate Planning and Performance Manager

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## 1. Purpose of this report

1.1 To provide Governance and Audit Committee with an update on corporate planning and performance activities.

## 2. Information

### Corporate Risk Review

2.1 The Corporate Risk Management Strategy has been in place since January 2020 and sets out the Combined Authority's long-term strategy on risk. While the majority of the strategy remains relevant and effective, there is a recognition that this needs to be reviewed in the coming months to ensure it is still fit for purpose and reflects the needs of the evolving organisation and environment we are working within. This will include:

- Review of the suite of templates and documents to ensure these are fit for purpose and user friendly
- Review of the risk appetite and categories
- Wholesale review of the existing risk registers and reporting template
- Clarity over the escalation process and standardisation in the application of this process
- Further integration of the Policing Teams in the Risk Strategy and Risk Register.

2.2 A key focus of the Corporate Planning and Performance Team, as capacity increases to dedicate to this work, will be on working in partnership with Directorates to embed a focus on more active risk management, ensure the strategy is consistently applied and that teams are supported to monitor and control risks and issues more effectively.

2.3 The first step in this work began with a session with the Strategic Leadership Board on 22 July to review the current risks identified on the risk register. The

Strategic Leadership Board meets quarterly and provides challenge and support to the organisation on matters relating to business planning, corporate objectives, performance, risk and other such strategic matters. The members of the Board include the Mayor of West Yorkshire (Chair) and Deputy Mayor, LEP Chair, Directors of Development Chair, Combined Authority Chief Executive and Directors, Head of Finance, HR, Legal and Governance Services, and UNISON Branch Secretary.

2.4 The Strategic Leadership Board supported the initiation of the review and the approach outlined and feedback focused on the following areas:

- Differentiation on the Corporate Risk Register between potential risks that might occur, and risks that are currently active
- The importance of risks focusing on equality, diversity and inclusion
- Support for prioritising reviewing the escalation process to ensure consistency of approach

2.5 Following the Strategic Leadership Board, the approach was refined and brought to Governance and Audit Committee on 28 July 2022. The Committee was supportive of the approach and again highlighted the importance of prioritising the review of the escalation process including ensuring there are clear formal and informal routes for escalating risk to the Mayor and Leadership. Views from this Committee are also welcomed at this stage.

2.6 Of particular note:

- 4 new risks have been added to the Corporate Risk Register recently, with mitigations in place. Risks are as follows:
  - *Due to rising national inflation, there is a risk that the Combined Authority's costs, including energy will rise significantly.*
  - *Due to significant rising inflation including construction and materials costs there is a risk that costs increase significantly across Combined Authority capital programmes and projects.*
  - *Due to internal capacity, there is a risk that the Equality, Diversity and Inclusion (EDI) objectives for the CA are not met.*
  - *Due to technology limitations, there is a risk to the CA's EDI external view from partners and the public.*
- 1 risk has been removed from the Corporate Risk Register. '*Due to the challenges associated with removing the geographic overlaps between the LEP and neighbouring local enterprise partnerships there is a risk that the Leeds City Region LEP may not be fully compliant with 'Strengthening LEPs'.*' This risk has now been removed as the Strengthening LEPs review has concluded, our geography has been changed to West Yorkshire so that it no longer overlaps with York and North Yorkshire, and we are therefore compliant with the review.

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

## **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 There are no staffing implications directly arising from this report.

## **9. External Consultees**

9.1 No external consultations have been undertaken.

## **10. Recommendations**

10.2 That the Governance and Audit Committee notes progress to date.

## **11. Background Documents**

None.

## **12. Appendices**

Appendix 1 – Corporate Risk Register – September Update.

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Corporate Risk Register - September 2022

Risks

	Risk	Key Mitigations and Progress	Likelihood	Impact	Rating & Trend		Owner
1	Due to an internal failure of controls, protocols and systems or a malicious attack there is a risk that the Combined Authority (CA) falls victim to a cyber security breach	<ul style="list-style-type: none"> <li>Mandatory data protection and information governance training for staff.</li> <li>Routine monitoring of suspicious e-mails and threat.</li> <li>ICT security policy and Information Governance policies in place.</li> <li>Review and update of ICT Password policy and implementation of a new Acceptable Use policy.</li> <li>Implementation of the Cyber treatment Plan as agreed with Department of Levelling Up, Housing and Communities (DLUHC) plus project to improve the Combined Authority's cyber posture.</li> <li>Implementation of a vulnerability scanning schedule to assess weakness within the CA ICT estate and remediate where necessary.</li> <li>Implementation of a Security Operations Centre to provide 24/7 monitoring of the Combined Authority's IT estate for potential cyber breaches.</li> </ul>	3 Possible	5 Critical	Very high	↑	Director of Corporate & Commercial Services
2	Multiple HIGH and MEDIUM external IT vulnerabilities have been identified in WYCA's external IT perimeter	<ul style="list-style-type: none"> <li>Systems are protected using a firewall.</li> <li>Anti Virus and network monitoring by Thrive.</li> <li>The skype for business service is to be decommissioned shortly, which will reduce some potential vulnerabilities.</li> <li>Technical Security Lead is in post and developing improvements.</li> <li>MCA Digital is addressing the DLUHC issued Cyber Treatment Plan.</li> </ul>	4 Likely	5 Critical	Very high	↑	Head of ICT Services
3 71	There is a risk that MCard sales will decline due to external factors, changing travel habits, poor customer take up of new ticketing methods/offers	<ul style="list-style-type: none"> <li>Pricing strategy and marketing campaigns and launch of new sales platforms.</li> <li>Mayor's Fares to generate increased patronage and enhance the Mcard brand and feel. Promoting the Mcard mobile app as retail channel of choice and currently (14/09/22) at 78%.</li> </ul>	5 Very Likely	4 Serious	Very high	↔	Head of Passenger Experience
4	Due to operator business failure there is a risk of significant change to bus services.	<ul style="list-style-type: none"> <li>Negotiating/ contacting replacement services.</li> <li>Early warning system for business failure.</li> <li>Close consultation with industry.</li> </ul>	4 Likely	4 Serious	Very high	↔	Head of Mobility Services
5	Due to existing portfolio programmes and projects Carbon zero may not be achieved by 2038	<ul style="list-style-type: none"> <li>Climate Emergency action plan in place.</li> <li>£40m gainshare and £8m TCF funding is available for Net Zero projects (TCF funds fully committed).</li> <li>Full review of all programmes to determine scale of problem</li> <li>Possible de-prioritisation / scope change required</li> </ul>	5 Very Likely	4 Serious	Very high	↔	Director of Delivery
6	Due to insufficient internal technical and corporate services resources (e.g. Legal, Finance, Procurement), there is a risk that the capital programme cannot be delivered or will be delayed	<ul style="list-style-type: none"> <li>New framework agreement with Pinsent's available for external legal advice</li> <li>Monthly meetings held with both Legal and Procurement to review pipeline of work and to prioritise</li> <li>Budget allocation from capital programme agreed by CA to support Corporate Services personnel focussed on Delivery</li> <li>Capital funding provided to support the procurement of external resources</li> <li>Buddying support provided to less experienced Delivery staff to support drafting of technical briefs (e.g. on overage)</li> <li>Dedicated Legal resource agreed to support EZ programme.</li> </ul>	5 Very Likely	4 Serious	Very high	↔	Director of Corporate and Commercial Services / Director of Delivery / Head of Legal and Governance Services
7	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"> <li>Research and Intelligence continue to model potential impacts and long-term scenarios</li> <li>Working closely with partners and representative groups to identify possible long-term impacts and develop joint responses</li> <li>Business plans revised for 2022/23 and corporate objectives updated to reflect changing organisational and external environment.</li> </ul>	3 Possible	5 Critical	Very high	↔	Managing Director
8	Due to the negotiations on revised terms and conditions not being accepted by the trade union there is a risk of industrial action.	<ul style="list-style-type: none"> <li>Further consideration of the proposals, further engagement with Unison and staff</li> <li>Ballot result to reject the proposals. Industrial action not being proposed. To seek views of staff and renegotiate with UNISON if required.</li> </ul>	2 Unlikely	4 Serious	Medium	↓	Head of HR

	Risk	Key Mitigations and Progress	Likelihood	Impact	Rating & Trend		Owner
		<ul style="list-style-type: none"> <li>further engagement with staff re the proposals and what would be accepted. Survey to send to staff</li> </ul>					
9	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"> <li>Prudent level of income forecasting included within budget projections</li> <li>Head of Investment &amp; Development role to oversee EZ strategy</li> <li>Cross-directorate approach established to link into broader funding opportunities and to maximise Inward Investment reach.</li> </ul>	3 Possible	4 Serious	High	↔	Director of Economic Services
10	Due to the high volume of people present in a bus station, transport interchange or CA facility, there is a risk of accident or injury occurring at a CA facility.	<ul style="list-style-type: none"> <li>Health and safety policies, procedures and processes in place</li> <li>Ongoing staff training</li> <li>Continual monitoring of Health and Safety risks</li> <li>Working with district emergency planning units to share knowledge and develop joint plans</li> </ul>	2 Unlikely	5 Critical	High	↔	Director of Transport & Property Services
11	Due to the increase in, and the breadth of work (in an environment where recruitment is challenging), and significant amount of change within the organisation, there is a risk that staff wellbeing is adversely affected.	<ul style="list-style-type: none"> <li>Significant activity in place to promote wellbeing and signpost staff to support</li> <li>Specific support services in place including Employee Assistance Programme and Mental Health First Aiders</li> <li>Capacity issues being identified and monitored through Senior Leadership Team and Organisational Designs being implemented where required.</li> </ul>	3 Possible	4 Serious	High	↔	Managing Director
72	Due to the need to improve recruitment processes and reach, and current market buoyancy, there is a risk that the CA is not able to fill vacant roles or attract a suitably diverse and skilled workforce, ultimately impacting on the ability to meet corporate objectives.	<ul style="list-style-type: none"> <li>Interim improvements to advertising of vacancies put in place</li> <li>HR advisor appointed to drive targeted recruitment campaign with a focus on diversifying the profile of staff in the organisation</li> <li>Extensive action plan developed and working through to implementation</li> <li>Approach to advertising of roles has been modernised following member and staff feedback, and long-term implementation plan being looked at through Organisational Evolution programme</li> <li>Feasibility of Innovative approaches being trialled within the organisation to increase applications e.g. apprenticeships, modernisation of application systems and processes, market rate flexibility etc.</li> <li>People Plan scheduled in the Organisational Evolution programme revising staff values and behaviours, staff development, staff culture etc.</li> <li>Leaders meet regularly with Staff Diversity Forums and Trade Union colleagues, and staff profile is monitored to ensure the workforce is becoming more representative of the communities they serve.</li> <li>ICS programme in development to ensure that staff profiling data can be analysed and used to inform improvement in recruitment processes.</li> </ul>	3 Possible	4 Serious	High	↔	Director of Corporate & Commercial Services
13	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"> <li>Close relationships with operators to obtain early warnings</li> <li>Continued dialogue with Department For Transport, Transport For the North</li> <li>Potential scenarios being modelled.</li> </ul>	3 Possible	4 Serious	High	↔	Director of Transport & Property Services
14	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"> <li>Continued dialogue with Government</li> <li>Policy and Strategy directorate continuing to monitor emerging national trends and action plan accordingly.</li> </ul>	2 Unlikely	5 Critical	High	↔	Managing Director
15	Due to internal capacity, there is a risk that the Equality, Diversity and Inclusion (EDI) objectives for the CA are not met.	<ul style="list-style-type: none"> <li>EDI is now fully embedded as a workstream within the Organisational Evolution programme</li> <li>an EDI Action Plan has been developed.</li> <li>An EDI gap analysis is being completed to identify areas of strength and areas where there are opportunities to develop further.</li> </ul>	4 Likely	3 Moderate	High	<b>NEW RISK</b>	Director of Strategy, Communications, and Policing

	Risk	Key Mitigations and Progress	Likelihood	Impact	Rating & Trend		Owner
16	Due to technology limitations, there is a risk to the CA's EDI external view from partners and the public.	<ul style="list-style-type: none"> <li>An EDI host page is to be created that can better bring into view the EDI related pages on the website.</li> <li>All audits have been carried out and website accessibility statements issued. An enhanced digital offer and user experience will be developed.</li> </ul>	4 Likely	3 Moderate	High	<b>NEW RISK</b>	Director of Strategy, Communications, and Policing
17	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"> <li>MCA Change Programme now concluded which included significant projects to update systems and processes.</li> <li>MCA Digital programme in delivery to further improve ICT infrastructure and tools.</li> <li>Integrated Corporate Systems project in delivery to modernise the organisation's HR/Finance systems.</li> <li>Corporate objectives have been revised to reflect the organisation's broadened scope and directorate business plans have been designed around these to ensure delivery.</li> <li>The likelihood is expected to reduce in approximately 6 months as the projects referenced deliver.</li> </ul>	3 Possible	3 Moderate	Medium	↔	Director of Corporate & Commercial Services
18	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"> <li>Capacity and skills gaps identified through business planning process and partnership work and these are being addressed.</li> <li>Organisational design (OD) processes underway across the organisation to ensure adequate capacity and structure of teams.</li> <li>Whilst ODs are likely to conclude in the near future there remains ongoing pressures related to capacity / recruitment.</li> </ul>	3 Possible	3 Moderate	Medium	↔	Director of Corporate & Commercial Services
19	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"> <li>One structural review took place in 2020 and a significant organisational restructure of the service is underway.</li> </ul>	3 Possible	3 Moderate	Medium	↔	Director of Strategy, Communications & Policing
73 20	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 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"> <li>A Clean Growth policy and action plan are currently in place and Clean Growth continue to be incorporated into core activities through the annual business planning cycle.</li> <li>Wellington House refurbishment plans include carbon cutting measures (solar panels, electric vehicle charging and low-energy lighting).</li> <li>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.</li> <li>Climate and Environment Plan approved along with £40m gainshare.</li> <li>Every project coming through the Assurance Framework has to set out at Strategic Assessment Stage how it contributes to tackling the climate emergency.</li> <li>Progress is reported through the State of the Region.</li> <li>Carbon Impact Assessment toolkit published and embedded.</li> <li>Climate considerations are central to all strategies and policies.</li> </ul>	4 Likely	3 Moderate	High	↑	Director of Strategy, Communications and Policing
21	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"> <li>Security review undertaken for individuals and practical actions being implemented as a result of this</li> <li>Security review of buildings undertaken and practical measures being implemented</li> <li>Training and awareness raising for staff is underway.</li> </ul>	2 Unlikely	4 Serious	Medium	↔	Managing Director

#### Issues

	Issue	Key mitigations	Likelihood	Impact	Rating & Trend		Owner
1	Due to significant rising inflation including construction and materials costs there is a risk that costs increase significantly across	<ul style="list-style-type: none"> <li>Value engineer and therefore aim to keep costs within project allocations.</li> </ul>	4 Likely	4 Serious	Very high	<b>NEW RISK</b>	Director, Delivery

	Issue	Key mitigations	Likelihood	Impact	Rating & Trend		Owner
	Combined Authority capital programmes and projects.	<ul style="list-style-type: none"> <li>If this is insufficient the second mitigation is then to look at the project scope to see if elements can be reduced while still continuing to maximise the benefits the scheme will bring.</li> <li>The third mitigation is to assess if schemes with their current scope continue to be fit for purpose given changes to priorities in recent years. This is being considered as part of the funding programme annual reviews over summer 2022.</li> <li>Transforming Cities Fund and WY+ Transport Fund annual reviews</li> <li>Cap CA funding for projects, seek sponsors to underwrite cost over runs / value engineer</li> <li>All Project Managers consider the potential impact inflation rates may have on budgets and delivery</li> <li>Early discussions with funders, Business Energy and Industrial Strategy / Ministry of Housing Communities and Local Government etc</li> </ul>					
2	Due to a lack of progress in agreeing sign off of funding agreements with partners, particularly around clawback clauses there is a risk of control over partner spend, the CA not having clear sight of what has been spent to date, lack of ability to reimburse partners for genuine expenditure on projects and a risk around funding providers withdrawing funding and leaving partners and/or CA liable for sunk costs	<ul style="list-style-type: none"> <li>Work arounds agreed in principle between CA Legal and Partners.</li> </ul>	5 Very Likely	4 Serious	Very high	↔	Director of Delivery
3	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"> <li>Significant monitoring and controls in place through Assurance Process</li> <li>Challenge on delivery profiles of individual schemes through Assurance Framework</li> <li>Ongoing work to widen the advertising reach for vacancies</li> <li>Annual review of WY+ Transport Fund and Transforming Cities Fund portfolio with district partners underway</li> </ul>	3 Possible	5 Critical	Very high	↑	Director of Delivery
4	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"> <li>Financial scenario modelling undertaken and being continually updated</li> <li>Continued liaison with Government to understand funding opportunities</li> <li>Finance, Resources and Corporate Committee to oversee response</li> <li>The actions are budget monitoring, scenario modelling, closer linkage of business plans and budgets, detailed budget planning process to enable options and choices to be considered.</li> </ul>	3 Possible	5 Critical	Very high	↔	Managing Director
5	Due to rising national inflation, there is a risk that the Combined Authority's costs, including energy will rise significantly.	<ul style="list-style-type: none"> <li>Energy reduction measures designed in to building refurbishments</li> <li>Reforecast of budget to quantify scale of risk across all areas of expenditure to allow decisions to manage this to be taken in good time</li> </ul>	4 Likely	3 Moderate	High	NEW RISK	Director, Corporate and Commercial Services
6	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"> <li>Continuing to liaise with Government on clarity over funding through UK Shared Prosperity Fund, Levelling-Up Fund</li> <li>Funding sources being considered through annual budget setting process</li> <li>Business cases progressing through the Assurance Framework process to secure funding for delivery from April 23 onwards, with several decisions expected at the October 22 CA meeting</li> </ul>	3 Possible	4 Serious	High	↔	Director of Economic Services
7	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"> <li>Continue work to strengthen key partnerships</li> <li>Member and Officer representation on formal and informal groups, Panels and Committees across every aspect of the organisation's work.</li> <li>Continued development Team West Yorkshire, partnership away days, Leaders Away Days.</li> </ul>	2 Unlikely	4 Serious	Medium	↔	Managing Director
8	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	<ul style="list-style-type: none"> <li>Staffing levels being monitored and individual circumstances being regularly reviewed</li> <li>Individual resilience plans in place for frontline services</li> <li>National guidance on testing and isolating changing which will also help mitigate this risk</li> </ul>	2 Unlikely	4 Serious	Medium	↔	Director of Transport & Property Services

	Issue	Key mitigations	Likelihood	Impact	Rating & Trend	Owner
	and business as usual activities cannot be adequately provided.					

**Closed Risk**

Closed Risk	Key mitigations	Closing Comments	Likelihood	Impact	Rating & Trend	Owner
Due to the challenges associated with removing the geographic overlaps between the LEP and neighbouring local enterprise partnerships there is a risk that the Leeds City Region LEP may not be fully compliant with 'Strengthening LEPs'	<ul style="list-style-type: none"> <li>• Work programme in place for merger</li> <li>• Governance controls established</li> <li>• Conversations with relevant partners ongoing.</li> <li>• Proactive planning to ensure organisational compliance with Government and legal requirements has commenced.</li> <li>• Data and activity feeding into the development of the LIS has been designed to work across variable geographies (although will have resource implications).</li> <li>• Secure agreement from all relevant partners about future regional collaboration arrangements.</li> </ul>	The Strengthening LEPs review has concluded, our geography has been changed to WY so that it no longer overlaps with York and North Yorkshire, we are compliant with the review. Currently awaiting feedback from Government to respond to our LEP Implementation Plan following the Levelling Up White Paper.	2 Unlikely	4 Serious	<b>Medium</b> ↔	Director, Policy, Strategy and Communications

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