GOVERNANCE AND AUDIT COMMITTEE

MEETING TO BE HELD AT 11.00 AM ON THURSDAY, 12 JANUARY 2023 IN COMMITTEE ROOM 1, WELLINGTON HOUSE, 40-50 WELLINGTON STREET, LEEDS

A G E N D A

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.

(Pages 135 - 138)

10. RISK MANAGEMENT STRATEGY
(Pages 139 - 148)

11. ASSURANCE FRAMEWORK ANNUAL REVIEW
(Pages 149 - 232)

Signed:

Chief Executive
West Yorkshire Combined Authority

MINUTES OF THE MEETING OF THE GOVERNANCE AND AUDIT COMMITTEE HELD ON THURSDAY, 13 OCTOBER 2022 AT COMMITTEE ROOM 1, WELLINGTON HOUSE, 40-50 WELLINGTON STREET, LEEDS

Present:

Debbie Simpson (Chair)	Independent Member
Councillor Susan Hinchcliffe	Bradford Council
Councillor Cathy Scott (Substitute)	Kirklees Council
Joanna Wardman	Independent Member

In attendance:

Mark Outterside	Mazars Auditors
Bronwyn Baker	West Yorkshire Combined Authority
Angela Taylor	West Yorkshire Combined Authority
Ben Kearns	West Yorkshire Combined Authority

26. Apologies for Absence

Apologies were received form from Cllr Swift, Cllr Scullion, Cllr Robinson, and Cllr Pandor.

27. Declarations of Disclosable Pecuniary Interests

There were no declarations of pecuniary interests at the meeting.

28. Exclusion of the Press and Public

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

29. Minutes of the Meeting of the Governance and Audit Committee held on 28 July

Resolved: That the minutes of the meeting held on 28 July be approved.

30. Internal Audit Progress Report

Members considered a report that set out progress against the plan for 2022/23 as well as the Quality Assurance and Improvement Plan.

It was noted that recruitment continued to prove problematic with two vacancies unfilled. Work against the audit plan was set out in appendix 1 to the submitted report.

Members discussed the whistleblowing referral which was under investigation, and it was noted that as a result the audit into commissioning and VRU unit would be brought forward to ensure that controls were functioning effectively. The investigation into the specific incident was expected to conclude swiftly and the conclusion could be shared at the next meeting of the committee.

Resolved: That the report be noted.

31. External Audit progress Report

Members considered a report that provided an update in external audit matters.

Formal notification had been received from Mazars regarding the delay in the final audit. Members also noted that work by PSAA was progressing to appoint auditors for the next round of audits and would be brought to a future meeting of the committee

Resolved: That the report be noted.

32. Draft Annual Accounts 2021/22

Members considered a report that set out the draft annual accounts for 2021/22. The draft accounts had been published and no questions had been raised although interim work by Mazars was in progress.

Members asked for assurance around budget monitoring especially regarding overspend and underspend.

Resolved: that the report be noted.

33. Treasury Management

Members considered a report that provided an update on Treasury Management activities.

Regular quarterly meetings continued to be held with treasury partners and no areas of concern had been raised since the last meeting.

An updated treasury management statement with updated figures on borrowings and deposits was attached at appendix 1.

Members asked about the risk of clawback on grants. It was noted that the risk was low as grant money would be spent in the right way in a timely manner.

Resolved: That the report be noted

34. Workplan and Committee Development

Members considered a report that set out the workplan for the year.

Members asked for the police and Joint Independent Audit and Ethics Committee annual report be added to the committee's workplan. Members also asked for a workshop around the updated CIPFA guidance.

Resolved: That the report and the committee's comments be noted.

35. 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.

Members noted the work underway on the budget and the actions being undertaken to adjust capital schemes in response to inflationary pressures.

Resolved: That the report be noted

36. Risk Management Strategy

Members considered a report that provided an update on risk management.

The risk register was attached at appendix 1 to the submitted report. Members noted that four new risks had been added to the corporate risk register and one had been removed. Work was underway to confirm that the mitigations identified in the risk register had been completed or were in progress. Each directorate had appointed a risk coordinator to ensure a more joined up and responsive approach.

Members asked for a change in the presentation of the register to help members to identify where additional mitigations had been undertaken and the improvements mitigations had on each risk.

Resolved: That the report be noted.

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Report to:	Governance and Audit Committee
Date:	12 January 2023
Subject:	**Internal Audit Progress Report**
Director:	Angela Taylor, Director, Finance and Commercial Services
Author:	Bron Baker, Head of Internal Audit

Is this a key decision?	☐ Yes ☒ No
Is the decision eligible for call-in by Scrutiny?	☐ Yes ☒ No
Does the report contain confidential or exempt information or appendices?	☐ Yes ☒ No
If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1:	
Are there implications for equality and diversity?	☐ Yes ☒ 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.

2. Information

Audit Delivery for 2022/23

Recruitment

2.1 Recruitment is still proving to be problematic, with two vacancies currently unfilled. One vacancy had been filled at senior auditor level, but one of the internal auditors has since left the organisation so two vacancies remain. Some additional support was procured to conduct a specific piece of work on Payment Cards which is part of our ICT audit programme, but a wider procurement is still underway to secure additional co-source support.

Work against the audit plan

2.2 As detailed in Appendix 1 work remains underway on the 22/23 plan and while the team have not met the KPI for progress against the plan to date, confidence remains high that the plan will be delivered on time for next year's 22/23 opinion. This is particularly because of the volume of work in progress and the better balance of skills in the team given the successful recruitment of one FTE senior auditor.

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

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. Three fraud referrals have also been received with one internal and two external, these are all currently at initial investigation stage.

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

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Governance and Audit Committee Internal Audit Progress Report

January 2023

Agenda Item 5

Appendix 1

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 – **Page 7 onwards** shows 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 11** the status of audit recommendations has been provided along with an update on any 'in progress' recommendations, there are no overdue recommendations.

Feedback from clients – **Page 13** provides details of feedback received from recently issued reports to date and these have been included.

Performance Measures - Page 14 provides details on our performance measures.

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

Audit Report- Transport and Property Services Financial Controls 2022-23

Internal Audit reviewed the adequacy of internal controls within the Transport and Property Services (TPS) Directorate, with a particular focus on Bus Services and School Transport Services. The review examined budgetary and financial controls, considered the robustness of processes and the effective discharge by officers of their budget and management responsibilities. The review identified weaknesses in the system of internal control culminating in a **MINIMAL** Assurance rating with a number of recommendations made for management to action. The recommendations have been accepted by management and a programme of suitable responses is now in train to address the concerns raised. This has been made a matter of urgency and external resource has been procured to consider how the systems and processes can be strengthened to ensure that controls and management of the service are significantly improved.

Audit Report – AEB Provider Review (3)

Internal Audit's third Adult Education Budget (AEB) provider visit has been conducted, concluding that an audit opinion of **REASONABLE** assurance can be given.

The provider was selected, partly because of the level of sub-contracting activity that they oversee within their AEB activity. The review focussed on the processes for both sub-contract and in-house deliver, and followed the learner journey from registration of learners, through verification of learning to certification and exit interviews. The accuracy & timeliness of uploading of information into the electronic Individual Learner Record (ILR) system that generates claims for funding promptly. The provider's processes were found to be consistent and structured, but there were some minor issues noted regarding the timeliness of updating records and level of data capture / verification during the initial learner enrolment. Sub-contractor processes were found to be thorough and comprehensive.

Audit Report – Integrated Corporate System (ICS) – Data Migration Strategy

The Internal Audit team co-source ICT provider, Salford IT Audit, were asked to conduct an assurance review as part of the audit programme for the ICS Project. They provided a **REASONABLE** assurance rating and confirmed the following:

Our opinion is based on a high-level overview of the steps to achieve the migration to date and was gained from interviews with key staff and observations made when evaluating documentation provided.

We are of the opinion that, providing the steps currently being planned are followed as described to us during the review, the risk that the migration will not achieve its objectives in line with the proposed timescales and costs is being managed. However, in reaching our opinion we are aware that completion of the remaining phases of the project is currently being replanned and the time available for the migration to be carried out remains to be confirmed.

We have made two Priority 2 recommendations which, if implemented, will assist management in improving and enhancing the control environment.

Audit Report – Contract Compliance (Customer Care, Security, Posting of Bus Timetables) 2022-23

Internal Audit reviewed the Customer Care, Security and Posting of Bus Timetables contract managed by the Transport Services directorate to determine compliance with contract standing orders and contract standards, the contract was awarded in 2021. The review resulted in an audit opinion of **REASONABLE** assurance concluding that the overall there was good compliance with contract standards.

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In arriving at this opinion, we noted that contract managers had good understanding of the arrangement, there was oversight by the Commercial team and regular meetings were held with the supplier to manage its performance and there was documentation in place to support issues arising. Provisions in the contract allowed for contract variations and we raised one recommendation for management to ensure that there was adequate documentation to support any changes to contract requirements and we also made a recommendation reminding management to ensure the supplier provided the relevant statutory documentation as required within the contract.

Audit Report – Procurement 2022-23

Internal Audit examined a selection of recent procurements for compliance with procurement procedures, the CA's contract standing orders and whether processes were in place to achieve good value. It was concluded that an audit opinion of **REASONABLE** assurance could be given.

The review found that policies, processes, and procedures were applied consistently with good oversight from the Commercial Team and there was overall a good standard of documentation and controls in place. We made one recommendation for Management to ensure officers partaking in evaluating tenders made a timely declaration of any conflicted interests in compliance with internal requirements.

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. The programme is delivered in Academic Years, so the first year was completed at the end of July 2022, with all Individual Learner Records for the year updated and finalised by reporting period 14 (R14) in October. Total spend for the year was £59m.

Strategic activity

The AEB Internal Audit team was supplemented in November by the addition of two part time Senior Auditors. Both have great public sector experience and are adding significant value to the team.

Work has been continuing on the development of the Audit & Assurance Framework. In this quarter we have focussed upon evolving the Risk Control Effectiveness (RCE) matrix and are looking to align the RCE work with the standardising of audit approach. There are other compliance activities being conducted by the AEB Contract Team regarding enrolment and record retention, and aligning the RCE work with respective role responsibilities is part of the work currently being undertaken. The Internal Audit team will become more effective if some of the more straight-forward compliance tests are tested as part of the Contract Team activity.

Linked to responsibilities, the ESFA have recently started to deliver some planned audits of WYCA providers – it is now important that WYCA understand the extent of the ESFA testing plan, and the level of assurance we can take from ESFA work with WYCA providers.

Operational delivery

One provider review has been completed during this period. There is a complex provider review still in progress, and two further reviews have recently commenced. New testing papers / a more standardised audit process will be used on the latest reviews. It had been planned that a Community Learning provider would be audited during this period, but a separate independent Community Learning review is still in progress, and it has been agreed to defer any Community Learning audit activity until this review is concluded.

The training and development of the new team has taken some time during the current period – whilst the new starters have numerous years audit experience, they didn't arrive with any AEB knowledge, so there has been a steep learning curve introducing them to AEB. Focus will move from provider audits to some planned programme audits during Q4. With the addition of new audit resource and the suite of Power BI reports available to identify potential concerns continually being enhanced, the current aim is to create a standardised approach (e.g. audit timings, sample sizes, split between focussed and random sampling, testing strategies, clarification of acceptable evidences) to AEB audit.

Counter Fraud, Whistleblowing and Anti Money Laundering

One whistleblowing concern previously reported to the Committee, and three new other fraud referrals have been raised to date in 2022/23.

One of the latest cases relates to an internal fraud concern and therefore has been classed as such below to avoid double counting, but it is felt the reporting officer is entitled to protections under the Public Interest Disclosure Act 1998, should they be necessary so it is also a whistleblowing concern.

Initial investigations into the latest three referrals are currently being undertaken to establish the appropriate response.

Relevant senior officers have been briefed on the ongoing case relating to funding distributed through an SLA arrangement and further information is being awaited from the relevant partner also involved.

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	2	N/A	N/A	2
Fraud – Internal	1	N/A	N/A	1
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 we last reported to Committee in October 2022, Audit have reviewed and certified the following grants.

Grant	Claim Period	Value certified £
Connecting Innovation	Q3 (01/07- 30/09)	121,476
Rebiz (REF2)	Q3 (01/07- 30/09)	388,923
Strategic Business Growth	Q3 (01/07- 30/09)	216,019
WYTC Shareholding	2021-22	n/a

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.	Completed Review Reasonable Assurance rating given
3	Transport and Property Services Directorate – Financial Controls review	This review was included in the plan at the requested of Senior Management and entailed an examination of the system of internal controls within the Transport Services Director with particular focus on Tendered Bus Services.	Completed Review Minimal Assurance rating given
4	Procurement	A sample of procurements was selected for review to confirm compliance with financial regulations and contract standing orders.	Completed Review Reasonable Assurance rating given
5	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.	Completed Review Reasonable Assurance rating given
6	Integrated Corporate System (HR, Finance, Payroll)	To review progress with implementation of the new Integrated Corporate System, specifically considering data migration arrangements.	Completed Review Reasonable Assurance rating given
7	Contract Management - Battery Powered Displays for Bus Stops and Shelters	Contract review to ensure compliance with contract standing orders and contract management principles.	In progress

8	Contract Management - Leeds Bus Station Refurbishment	Contract review to ensure compliance with contract standing orders and contract management principles.	In progress
9	MCard APP	To examine controls around ticket sales through the new App with focus on fraud risks.	In progress
10	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
11	Flexi Bus	To examine the flexi bus arrangements	In progress
12	Compliance with Contracts Standing Orders & Financial Regulations	The review has focused on the issue, use and control of Procurement Cards within the Authority.	In progress
13	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.	In progress
14	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. Rail Car parking package selected for review.	In scope
15	AEB Provider audit 5	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 scope
16	AEB Provider audit 6	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 scope

17	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.	In scope
18	Counter Fraud work	Three investigations are currently underway following referrals received, although two are at the initial receipt and review stage. 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 if a proactive counter fraud work plan to strengthen our controls to prevent, detect and investigate fraud, corruption and money laundering.	Ongoing Quarter 4
19	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. An initial vulnerability scan was undertaken which did not identify any major issues, but further work is due to be undertaken on vulnerability management later in the plan year.	Ongoing Quarter 4
20	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 4
21	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 4
22	Climate Change – external plans	To examine the CA's progress against its external climate change plans	Quarter 4
23	Security of Assets	Carry over review to be completed and scope for further review to be determined but building on previous year's work.	Carry over review in progress Quarter 4
24	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

25	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
26	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
27	Grant Audits	In line with grant funding applications and funding agreements	As required
28	Attendance on Boards	Advice and guidance to inform the control framework	Ongoing
29	Various grant certifications	Grant certification provided In line with funding applications and funding agreements (see above)	Ongoing
30	*NEW* Multiply	Additional item added to the plan. Ongoing advice and guidance on evidence requirements and governance issues to be followed by a review to advise the Assurance Statement to the Department for Education at year end.	Ongoing/ Q4
31	*Commercial, Development and Investment work, specifically Business Accelerator Fund (claim and payment arrangements) .	A review of any new commercial arrangements put in place. **TO BE REMOVED.** This has not been progressed to the extent that the business are ready for an audit so will be considered again next year and potentially added to the plan if appropriate.	To be removed

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 Quality Improvement Plan, Internal Audit have continued the review of the follow up process. As previously confirmed, 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	12	0	0	0
Corporate and Commercial Services	22	18	4	0	0
Delivery Services	2	2	0	0	0
Economic Services	1	1	0	0	0
Strategy Comm Policing	4	0	4	0	0
Policy and Development	1	0	1	0	0
Transport Services	36	5	31	0	0
TOTAL	**81**	**38**	**43**	**0**	**0**

At the time of writing, there were 43 recommendations in progress, these have been followed up with Management who 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**
Risk Management	3	Good progress is being made, however due to staffing changes officers have requested adjustments to completion dates which have been agreed. 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, the Risk Strategy is due for review once the organisation redesign has been completed.

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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	A review of Health and Safety is in progress and actions arising from the last review are in scope for follow up as part of the review.
Customer Complaints & Casework	1	The recommendation is in progress with some delay due to staffing changes, a revised implementation has been agreed, the status of this recommendation will continue to be monitored.
Equalities	4	Progress remains on track. Discussions have been held with the Equalities Officer to develop this year's audit scope for Equalities.
Climate Change Follow up	1	Due to staffing changes Internal Audit to continue to follow up this recommendation with the responsible person.
Safeguarding	4	Progress has been slightly off track due to staff leaving the organisation. However, work is underway to implement the recommendations.
Procurement	1	New review completed, a summary of the audit is included above
Transport and Property (Financial Controls)	26	New review completed, a summary of the findings is included above in this report, management are in the process of implementing the recommendations.

5. Customer Feedback

Since we last reported to Committee, Audit have received feedback for one report that we issued in November 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?
Procurement 2022-23 (November 2022)	The Internal Auditor acted with understanding and patience to appreciate the procurement processes and procedures in the context of the CA whilst conducting the audit.	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	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	NA	NA	NA				100%
Customer Satisfaction (including question around EDI approach)	80% good or above	100%	NA	100%	NA	100%	NA	NA	100%				100%
Reports issued within 10 working days from completion of audit work	95%	100%	100%	100%	100%	0%	0%	100%	100%				85%
Percentage completed reviews against agreed plan, quarterly targets	Q1=10%, Q2=40%, Q3=70%, Q4=90%	0%	0%	0%	4%	4%	7%	15%	23%				23%
Percentage of recommendations agreed	90%	100%	100%	100%	100%	100%	100%	100%	100%				100%
Fraud/ Whistleblowing acknowledgement, where appropriate, within 10 working days	100%	100%	NA	NA	NA	NA	NA	NA	100%				100%
Fraud/ Whistleblowing reports to be issued within 10 working days of investigation completion	95%	NA	NA	NA	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%	100%	67%	NA				68%

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Report to:	Governance and Audit Committee
Date:	12 January 2023
Subject:	**Internal Audit Draft Plan 23/24**
Director:	Angela Taylor, Director, Finance and Commercial Services
Author:	Bron Baker, Head of Internal Audit

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

1. Purpose of this report

1.1 To ask members to consider and comment on the draft internal audit plan for 23/24 in Appendix 1.

2. Information

Proposed Audit Plan for 2022/23

Background

2.1 Internal Audit usually present the draft plan to the March Governance and Audit Committee (GAC) meeting, but are electing to bring an early report to enable consideration and comment from the Committee before the plan (Appendix 1) is discussed in more detail with the Combined Authority Directors. This is primarily due to the ongoing organisational evolution work which will see an interim structure in place from 1 January 2023 and consequently consultation with Directors taking place over the final quarter of the current financial year. The primary sources for informing the plan derive from external horizon scanning from the annual 'Risk in Focus' research published by the Chartered Institute of Internal Auditors (Appendix 2), outcomes from work undertaken in the current plan year and the Corporate Risk Register. An additional document (Appendix 3), drawn from the papers that went to the Combined Authority meeting on the 8 December, has been included with this report as it contains a summary of the business plans for each directorate area that may help to inform any views the Committee has on the proposed areas for audit in the next year.

Key areas to highlight

2.2 The plan has once again been developed to keep focus on the management of contracts, projects and procurements to ensure that the work being done centrally to develop standards and good practice guidance is adopted and adhered to throughout the business. It is proposed that these central processes will also form the basis for one of the reviews.

2.3 There are also proposals for follow up work on the financial controls, systems and processes in the Transport and Property Services directorate along with a number of other areas that have had attention in the current plan year, including Equality, Diversity & Inclusion, Climate Change, Health & Safety, Security of Assets. A major area of assurance continues to be on the Adult Education Budget and the Integrated Corporate System project both of which will see a number of planned reviews for this coming year.

2.4 One of the key deliverables for the Combined Authority is the Mass Transit Programme, in agreement with the Director responsible for this, Audit is going to place reliance on the planned series of Gateway Reviews and will offer any additional assurance support if it is needed.

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 If recruitment/resource remains an issue into the next audit plan year, the proposed reviews will need to be reconsidered and the Committee asked to endorse any subsequent changes to the plan to accommodate resource constraints.

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

11.1 The annual ‘Risk in Focus’ report from the Chartered Institute of Internal Auditors has been used to inform external horizon scanning and the Mayoral CA Business Planning 2023-24 document highlights planned delivery by the organisation for next year.

12. Appendices

Appendix 1 – Internal Audit Draft Plan 2023/24
Appendix 2 – CIIA Risk in Focus 2023
Appendix 3 - Mayoral CA Business Planning 2023-24

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Appendix 1

DRAFT 23/24 Internal Audit Plan

	Assurance Area	Provenance	Link to Corporate Risks/Priorities
1	**Integrated Corporate System (HR, Finance, Payroll)**	Informed by 22/23 audit work, aim to provide assurance that new controls are effective and benefits of new system being realised	Corporate Priorities
2	**TPS Financial Controls follow up work**	Informed by 22/23 audit work	Corporate Priorities
3	**GDPR**	Corporate Policy, External Horizon Scanning – Org Gov (Risk in Focus)	Corporate Risk Register
4	**ICT – various, including Cyber Security**	Informed by 22/23 audit work External Horizon Scanning - Cyber (Risk in Focus)	Corporate Risk Register
5	**Health & Safety**	Informed by 22/23 audit work External Horizon Scanning – H&S (Risk in Focus)	Corporate Risk Register
6	**Climate Change**	Informed by 22/23 audit work External Horizon Scanning – Climate (Risk in Focus)	Corporate Risk Register
7	**Project and Programme Assurance (various reviews)**	Informed by 22/23 audit work External Horizon Scanning - Reputation (Risk in Focus)	Corporate Risk Register
8	**Equality, Diversity and Inclusion (progress against the Local Govt Framework and internal EDI measures)**	Informed by 22/23 audit work, External Horizon Scanning - Culture (Risk in Focus)	Corporate Priorities, Corporate Risk Register
9	**Procurements (sample to confirm compliance with Fin Regs/Contracts Standing Orders)**	Combined Authority Financial Regulations, External Horizon Scanning – Org Gov/Regulations (Risk in Focus)	Corporate Priorities
10	**Contract Management (sample to confirm compliance with Fin**	Informed by 22/23 audit work, External Horizon	Corporate Priorities

	Regs/Contracts Standing Orders)	Scanning – Org Gov/Regulations (Risk in Focus)	
11	**HR – with an emphasis on recruitment/retention/succession planning**	External Horizon Scanning – Human Capital (Risk in Focus)	Corporate Priorities, Corporate Risk Register
12	**Risk Management**	Annual health check to inform the audit opinion	Corporate Priorities
13	**Financial Position – management of issues and risk, forecasting – short and long term**	External Horizon Scanning - Financial (Risk in Focus)	Corporate Priorities
14	**AEB (Reviews in line with assurance framework for AEB to give programme assurance)**	ES Directorate Risk, External Horizon Scanning – Third Party (Risk in Focus)	Corporate Priorities
15	**AEB Provider Reviews – to ensure compliance with funding rules**	ES Directorate Risk, External Horizon Scanning – Third Party (Risk in Focus)	Corporate Priorities
16	**Security of Assets (scope to be determined, but building on previous year's work)**	Informed by 22/23 audit work Combined Authority Financial Regulations, External Horizon Scanning - Financial (Risk in Focus)	Corporate Priorities
17	**Compliance with Contracts Standing Orders & Financial Regulations**	Combined Authority Financial Regulations, External Horizon Scanning – Financial/Regulation (Risk in Focus)	Corporate Priorities
18	**Supply chain, financial liquidity with an emphasis on risk management and business continuity plans.**	External Horizon Scanning – Financial/Fraud (Risk in Focus)	Corporate Risk Register
19	**Central review of contract management to consider standards, support and guidance, monitoring.**	External Horizon Scanning – Supply Chain/Regulations (Risk in Focus)	Corporate Priorities
20	**Physical security**	External Horizon Scanning - Security (Risk in Focus)	Corporate Risk Register
21	**Counter Fraud work**	Combined Authority Financial Regulations, External Horizon Scanning – Regulations/Fraud (Risk in Focus)	Corporate Priorities

22	**Multiply – advice and guidance on new funding stream in line with DfE requirements**	ES Directorate Risk, External Horizon Scanning – Third Party (Risk in Focus)	Corporate Priorities
23	**Grant Audits**	In line with funding applications and funding agreements	Corporate Priorities
24	**Attendance on Boards**	Advice and guidance to inform the control framework	Corporate Priorities
25	**Various grant certifications**	In line with funding applications and funding agreements	Corporate Priorities

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Agenda Item 6

Appendix 2

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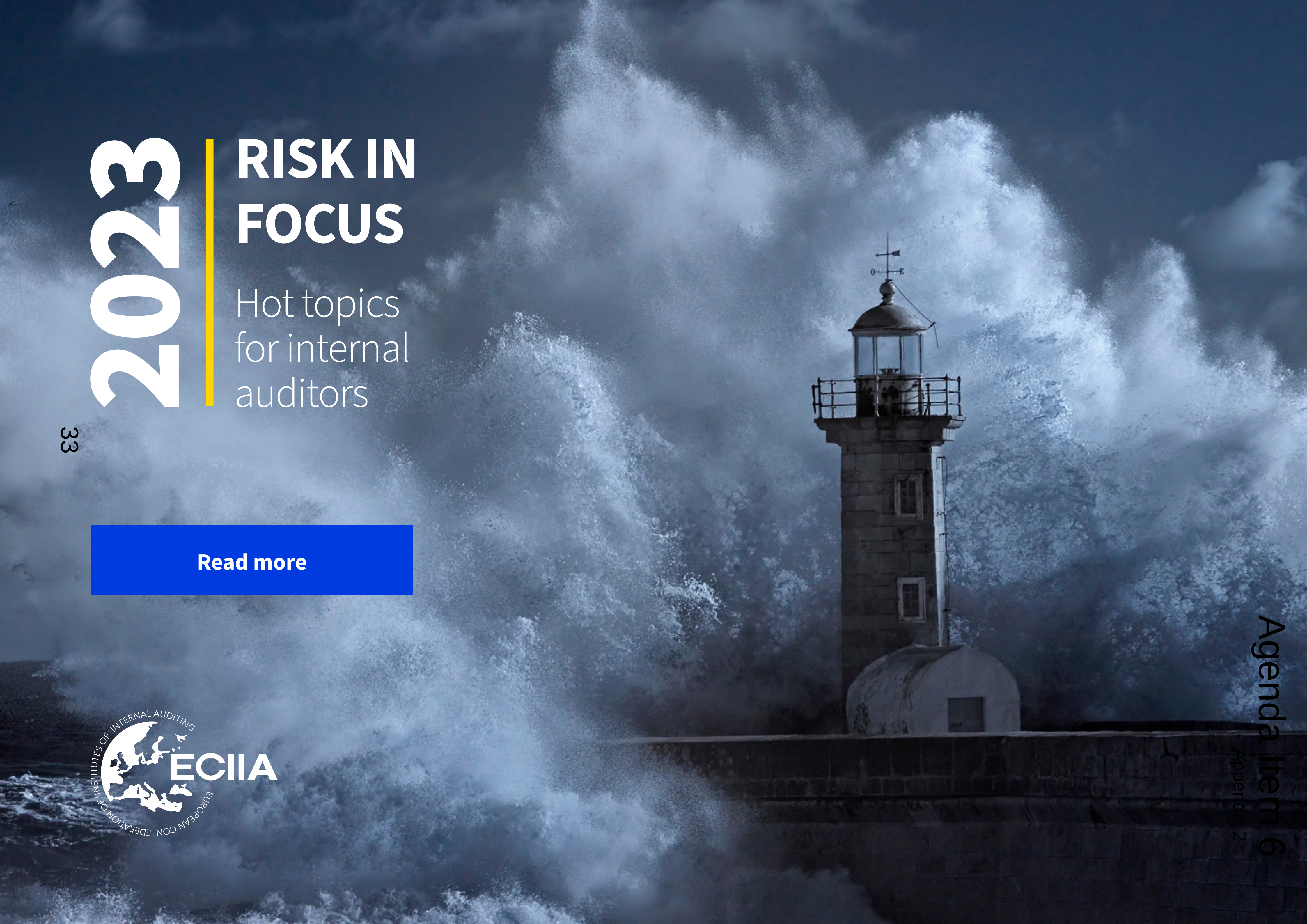

2023 RISK IN FOCUS

Hot topics for internal auditors

Read more

ECIIA

EUROPEAN CONFEDERATION OF INSTITUTES OF INTERNAL AUDITING

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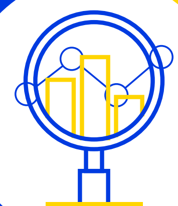
EXECUTIVE SUMMARY:
Navigating and auditing in the perfect storm of high-impact interlocking risks

In 2022, organisations were hit by a perfect storm of high-impact, interlocking risks that have thrown businesses into a permanent state of crisis. Following hard on the heels of the pandemic, the war in Ukraine has intensified supply chain failures, caused a spike in energy prices and fuelled inflation.

Now a state of crisis is the new normality. Climate-related natural disasters, looming recession, an accelerating cost of living catastrophe in Europe, food shortages, employee welfare and skills deficits, and a rapidly industrialising cyberattack landscape are overlaid by intensifying geopolitical tensions and the very real threat of financial liquidity and solvency risks for businesses.

This has forced many organisations not just to rewrite their risk registers, but to tear up outdated risk taxonomies that favour old-style siloed thinking. Sudden, systemic organisation-wide risks with contagious, unpredictable ramifications throughout the enterprise are no longer seen as Black Swan events - but as interlocking elements of a continuous storm.

Internal auditors need to get a rapid grip on this situation and support their organisations to navigate more risky, uncertain and volatile times ahead. Instead of thinking about what individual risks might arise over the next year or two, chief audit executives need to be thinking over the coming decade. And be thinking big. How would we survive an overnight, permanent supply chain break with China? How would we cope if inflation hit 25% and stayed there, as it did in the 1970s? Are we prepared for the sudden, permanent increase in temperatures in every area in which we operate? Are we in a position to understand and help our clients and staff with the stresses and strains they face over the coming months and years?



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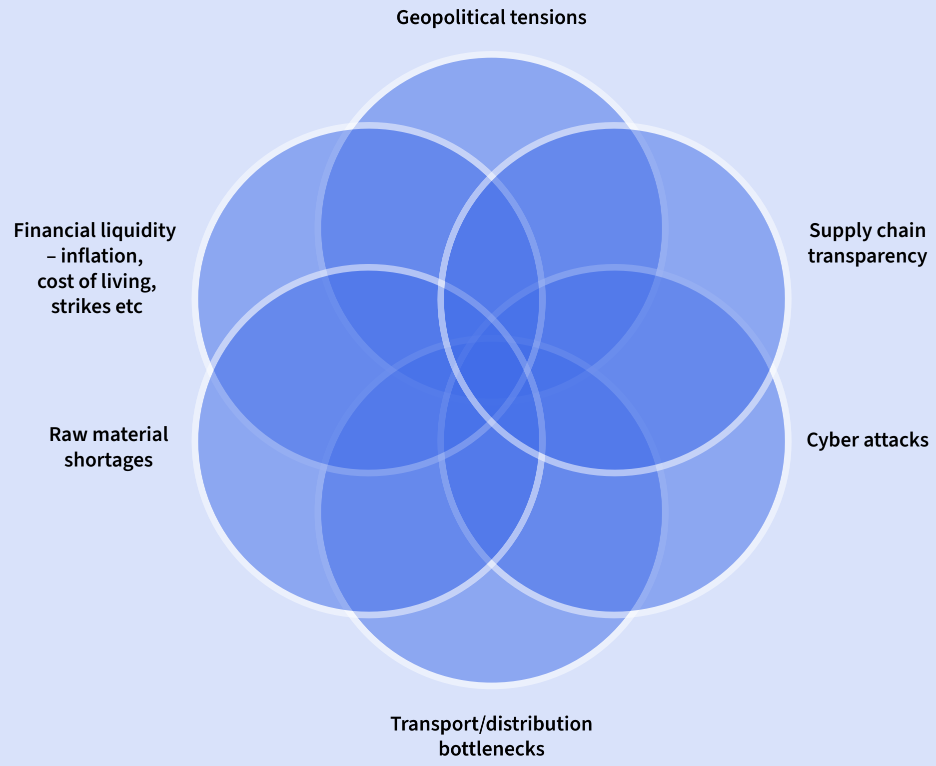
The chief audit executives that participated in Risk in Focus 2023 are grappling with this reality. This year, the report explores five thematic risks – geopolitical uncertainty, climate change, organisational culture, cyber and data risk, and digitalisation and artificial intelligence. It outlines those challenges in detail and offers practical advice and know how about how to help organisations adjust to this new reality.

There are few obvious, easy answers to these problems. But internal auditors are uniquely placed to play their part in developing long-term solutions that have a real impact on organisations and the communities they serve. They need to secure from the board the resources and remit to tackle the most pressing risks with urgency.

If there was ever a time for the profession to step up and deliver on its full potential, it is now.

Venn Diagram Illustrating the Perfect Storm of High-Impact Interlocking Risks



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METHODOLOGY

In the first half of 2022, a quantitative survey was distributed among chief audit executives (CAEs) by 14 European Institutes of Internal Auditors, spanning 15 countries including Austria, Belgium, Bulgaria, France, Germany, Greece, Ireland, Italy, Luxembourg, The Netherlands, Slovenia, Spain, Sweden, Switzerland, and the UK. This survey elicited 834 responses, an all-time high for this research project.

Simultaneously, four roundtable events were hosted with 39 CAEs and 9 subject matter experts were interviewed, including CAEs, Audit Committee Chairs and industry experts from a range of countries to provide deeper insights into how these risks are manifesting and developing.

The topics in this report were determined by the quantitative survey results and the qualitative feedback from the roundtable events and one-to-one interviews. The format of this report differs from previous years. Instead of giving each of the top ten risk areas relatively equal prominence, it was decided that a deeper look into areas of pressing importance to internal audit and their stakeholders would prove to be more useful. That is why the qualitative material has been used more prominently to contextualise the survey results, providing colour and up-to-the-minute considerations for CAEs, with priority given to new issues and emerging themes that warrant attention.

This report should not be considered prescriptive, but as a tool to inform internal audit's thinking in making their annual plans and provide a benchmark against which CAEs can contrast and compare their own independent risk assessments.

We hope that CAEs will use this report as an agenda item for audit committee discussions and as a sense-checking tool to support their internal audit planning and strategy.

The report is also of relevance to a broader range of governance stakeholders including audit committee chairs, board members, risk management, along with other assurance and governance professionals.

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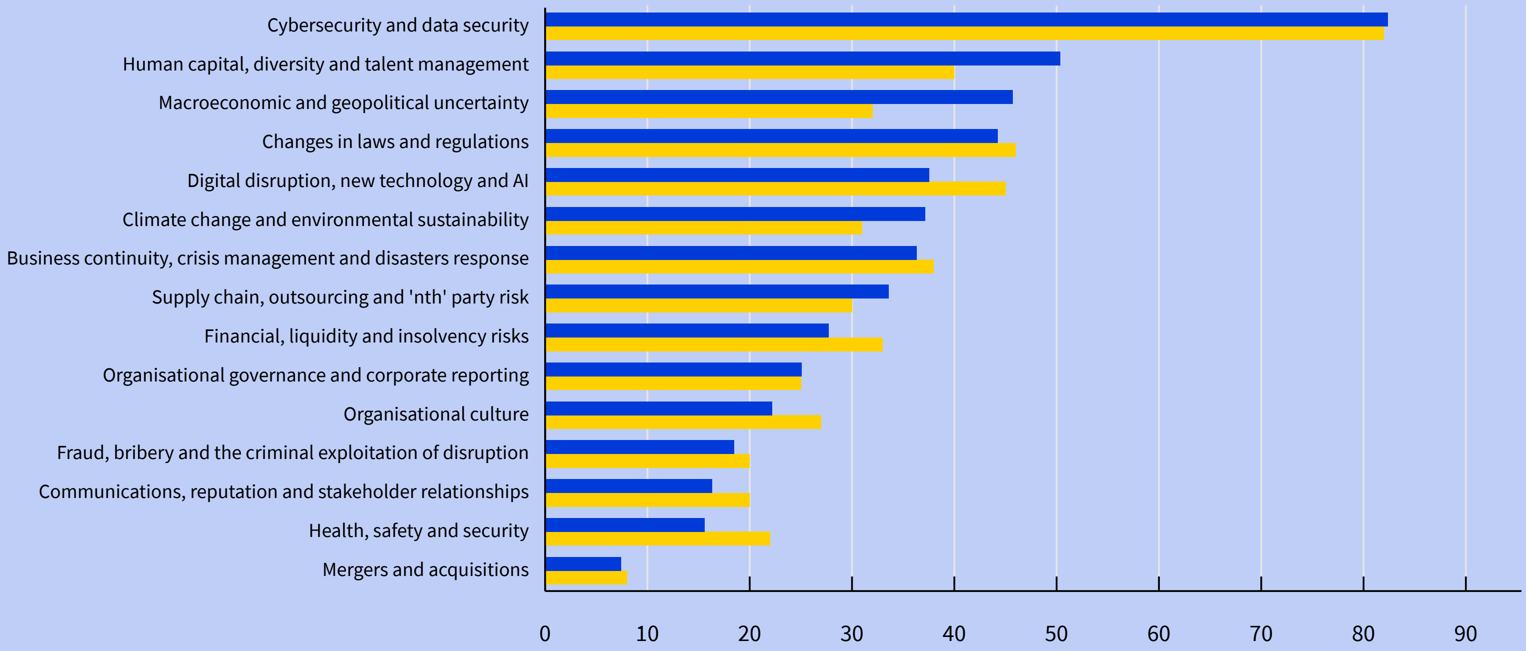
Key survey findings

What are the top five risks your organisation currently faces?

Human capital risk moves into second place this year followed by macroeconomic and geopolitical uncertainty.



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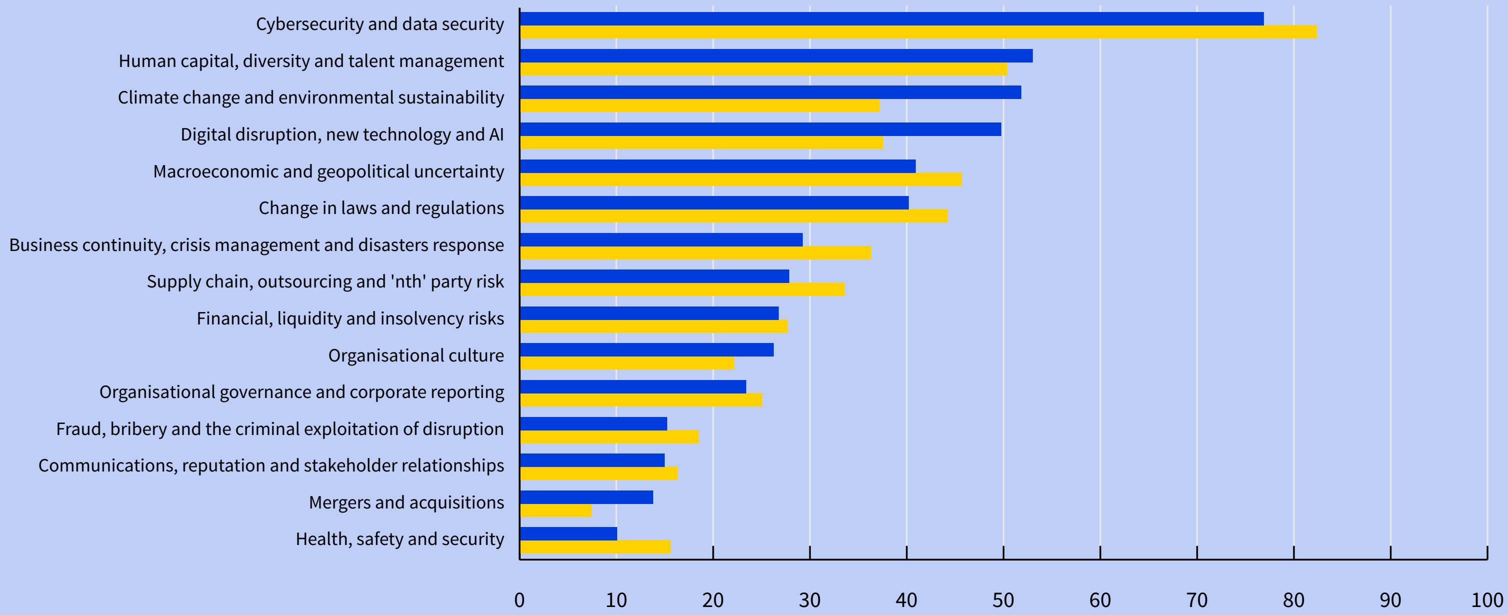
Looking ahead

What are the top 5 risks that your organisation will face three years from now?

2026

2023

Cybersecurity and data risk is set to remain the number one risk to organisations.



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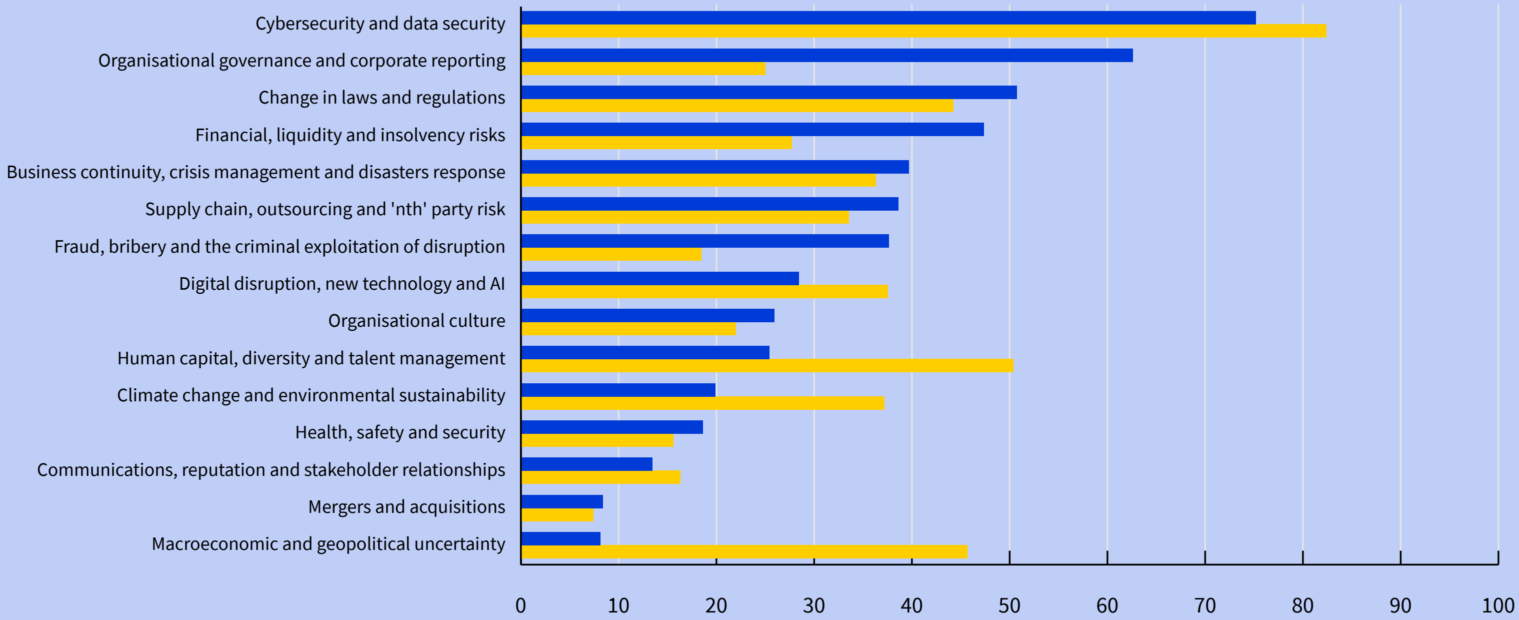
Risk priorities vs. audit's focus

What are the top 5 risks on which internal audit spends most time and effort?

Time spent

Risk priority



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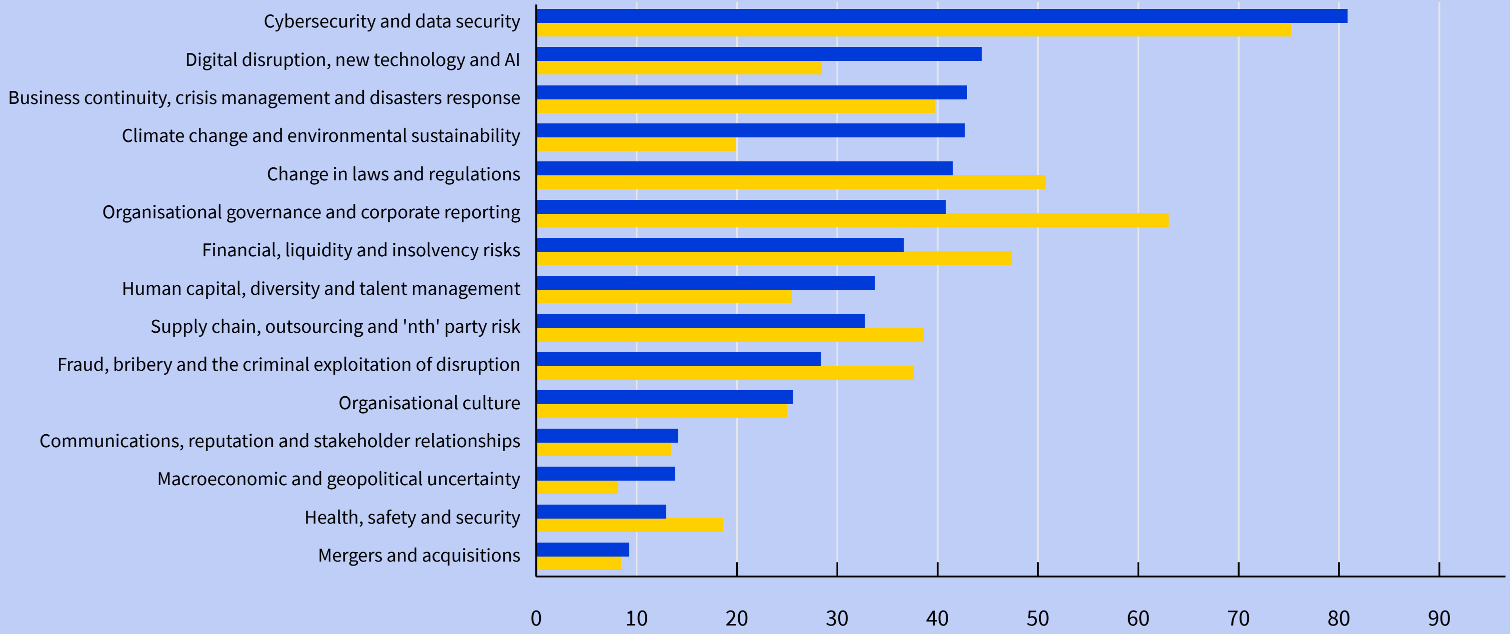
Looking ahead

What are the top 5 risks you expect internal audit to spend the most time and effort addressing 3 years from now?

2026

2023



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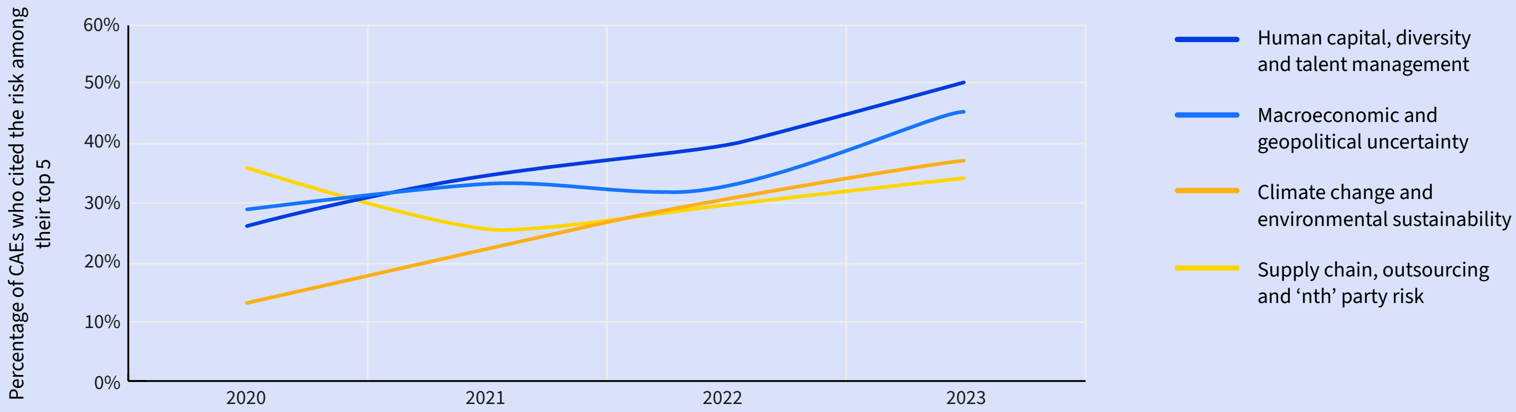
Key survey findings

While cybersecurity continued to hold its top place in the Risk in Focus 2023 survey as the number one risk businesses face, human capital risk moved into second place (up from fourth in 2022) followed by geopolitical risk in third (up from seventh). The shortage of skills and labour has become more acute as behaviours engendered during the pandemic have started to play out.

Risk trends over time



Even as the risk of business continuity failures and financial, liquidity and insolvency risk that the pandemic had boosted in 2021 faded in 2022, the war in Ukraine helped to push geopolitical uncertainty risk higher. Rapid changes to the sanctions' regimes for Russian businesses, as well as long-running developments in regulation over a wide range of issues, meant that changes in laws and regulations are still seen as a major threat (down to fourth place in 2023 from second in 2022).

Climate change is becoming a more persistent theme in the Risk in Focus surveys, rising this year to sixth place from eighth in 2022 and is starting to be a key area of internal audit activity as respondents expect the risk to rise to third place in three years' time. In contrast,

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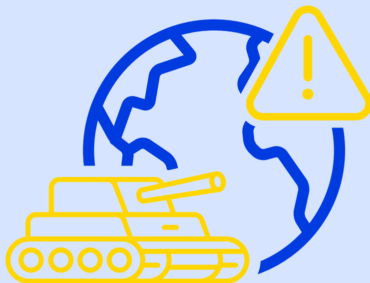
Key survey findings

digital disruption fell from third to fifth place in 2023 with respondents also ranking it as low in the threat hierarchy three years from now. For example, last year respondents said it would rank second place in three years' time – in 2023, they say it will rank fourth place in three years' time.

If the risk rankings are changing rapidly, the areas on which internal auditors spend their time appears to be relatively static – raising the question of whether some functions need to be more agile to meet the changing needs of their organisations. Human capital, for example, moved up from 11th place in 2022 to 10th this year in terms of time and effort spent on this risk area, despite the huge pressure organisations are under to attract, retain, train and protect the well-being of staff. Organisational governance and corporate reporting, on the other hand, held its position as the second biggest area that received internal audit's attention. How well internal audit departments continue to align their efforts to the needs of their organisations is likely to become more of a pressing issue as large-scale interconnected risks continue to rise with unprecedented speed in the years to come.



Geopolitical risk has risen to third, up from seventh in 2022

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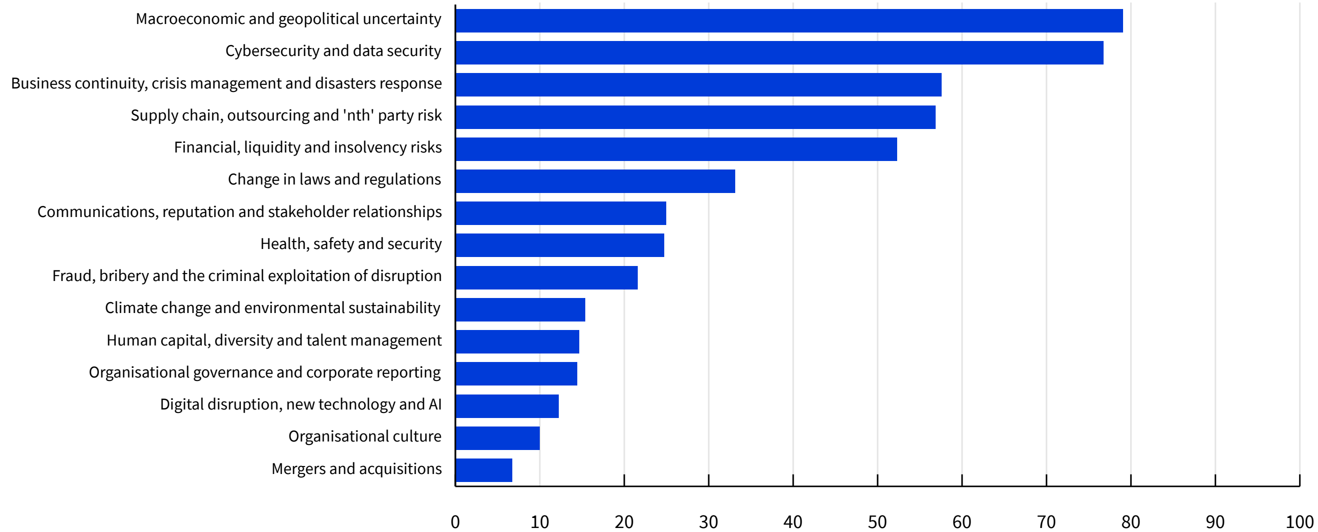
Auditing in a time of crisis

Macroeconomic and geopolitical uncertainty has jumped up the risk rankings in 2022, but such recent events could indicate a permanent change in the nature of emerging risk. Internal auditors must adapt to provide relevant assurance to their organisations.

The war in Ukraine took many organisations by surprise, including those with deep commercial interests in the region. As the Risk in Focus 2023 survey took place during the first quarter of 2022 when the conflict was just beginning, the crisis helped to push macroeconomic and geopolitical uncertainty into 3rd place in the survey, up from seventh just a year ago. With 46% citing it as a top five risk this year, compared to 32% last year.

In a special question on the war, internal auditors said that the event's immediate impact on their risks included most prominently macroeconomic and geopolitical uncertainty.

What top five risks has the War in Ukraine had the most impact on?



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Yet, internal auditors also said in the response to the general questions in Risk in Focus 2023 that risks associated with macroeconomic and geopolitical uncertainty ranked only 15th in terms of their time and effort – and was only likely to rise to 13th place on this metric in three years' time. As the extended ramifications of the conflict continue to unravel, this lack of attention to such a key risk seems either short-sighted or untenable.

The conflict has forced businesses into swift, often large-scale action. Organisations with ties to Russian businesses and the government severed them. Some organisations sold Russian subsidiaries at rock-bottom prices while others scrambled to source supplies of goods and services from outside the country. In response to sanctions by the European Union, the United Kingdom and the United States, Russia cut its supplies of oil to Bulgaria, Finland and Poland – pushing up prices. At the time of writing this report, the situation is highly volatile.

The war has also impacted financial liquidity and insolvency risk. While ranked ninth considered as the top risk facing organisations in the Risk in Focus 2023 survey (down from sixth last year), the risk scored fifth when considered as a direct impact of the conflict in Ukraine. The crisis comes at a time when Europe is winding down its unprecedented €2.3 trillion[1] aid package for businesses and governments across the zone and inflation – stoked by a cocktail of rising energy costs, wages and food prices – is on the rise. Not only are businesses readjusting to a changing customer landscape following the pandemic, but the war has also helped push the eurozone into becoming a lower growth, higher inflation region[2]. Coming into the winter of 2023, these tensions are likely to intensify, especially if food and gas shortages worsen.

Further pressure on corporate finances is likely during 2022 and 2023 as the European Central Bank looks set to end 8 years of negative interest rates to deal with inflationary pressures. But perhaps surprisingly, the perceived impact of financial liquidity risk and insolvency risk dropped from sixth place in 2022 to ninth in the Risk in Focus 2023 survey, suggesting that many organisations that had survived the depth of the pandemic felt more confident about their prospects. Yet the speed at which high-impact change can impact organisations raises the uncomfortable question over whether internal auditors have given this risk enough prominence.

> "Chief audit executives should re-examine their audit planning process to see if it is fit for the 2023 risk landscape"

[1] COVID-19: the EU's response to the economic fallout, European Council of the EU, June 2022
[2] Spring 2022 Economic Forecast: Russian invasion tests EU economic resilience, European Commission, May 2022

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Rapid changes to sanctions

If a major area of focus in last year's survey was environmental regulation, this year it is the sudden acceleration of sanction risks. Internal auditors said dealing with changes in laws was the 3rd biggest risk in terms of the time and effort for their departments – the same as last year. While not a new threat, the scale and intensity of sanctions imposed on Russia by the European Union, United Kingdom and the United States has been unprecedented. Not only does it target Russian commercial and political interests, but individuals associated with the regime too.

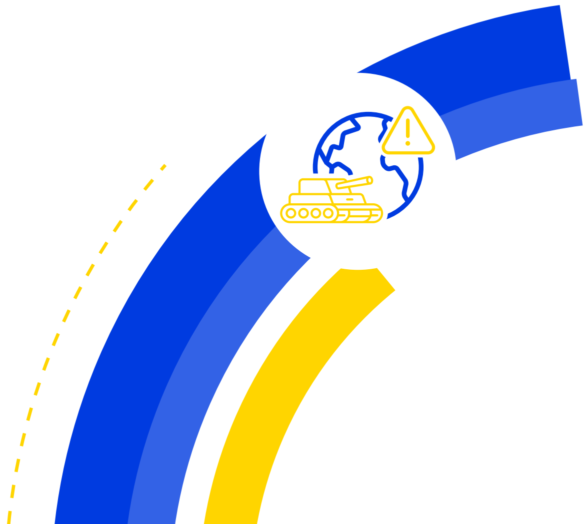
It is a risk that is likely to grow in 2023 and beyond, partner at BDO specialising in economic crime Angela Foyle says. She warns that sanctions will increasingly become a weapon of choice for countries as they continue to wage economic war against opposing regimes. Tackling the fallout could force internal auditors and risk professionals to allocate more time to business continuity, supply chain and liquidity risks - all identified by Risk in Focus 2023 survey respondents as impacts of the crisis.

Agility of risk assessments

"Sanctions of this scale and complexity are a nightmare to police," Foyle says. Since they originate from different jurisdictions and apply to both organisations and individuals, simply keeping risk assessments up to date can be challenging. Businesses must map the restrictions imposed by all countries across their global enterprise - including those relating to sources of funding. Tracking the money trail when assets can be held by family members of those individuals who have been sanctioned can be difficult, time-consuming and costly.

Just as the quantity and depth of measures are altering, penalties are rising too. In 2022, for example, the UK introduced strict liability for sanctions breaches for both corporate entities and, potentially, directors, as well as name-and-shame procedures for those caught on the wrong side of the line[3]. Foyle says internal auditors should support their organisations to both maintain up-to-date risk assessments in this area and strengthen controls for screening those with whom they do business, including both suppliers and shareholders. Having easy access to such data may mean beefing up data governance to increase transparency.

This is a key area where internal auditors must seek to work in co-ordination with first and second lines – especially legal, compliance and risk management. While many chief audit executives participating in Risk in Focus roundtables said they worked with other parts of the business, the practice of combined assurance is not as widespread as it might be – despite being the topic of IIA Standard 2050[4].



[3] The UK government passed the Economic Crime (Transparency and Enforcement) Act 2022 on 15 March 2022, which included these provisions
[4] Combined Assurance: One Language, One Voice, One View, Sam C. J. Huibers EMIA, RO, CRMA, The IIA Research Foundation, 2015

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Emerging risks changing in nature

For Greg Schlegel, founder of the Supply Chain Risk Consortium in the US and Adjunct Professor for teaching enterprise risk management for Villanova University's EMBA programme, first the pandemic and now the conflict in Europe have underlined a fundamental shift in the nature of emerging risks.

Instead of being siloed into the kind of categories that appear on most risk registers, such threats cut across all business areas and are fundamentally outside of the organisation's control. Low-probability, high-impact events such as natural disasters, political upheaval, inflation, pandemics and wars may turn out to be more common than people think. Supply chains not only face disruptions from geopolitical tension, but from shortages of raw materials and components – from grain to computer chips – and from a lack of workers following the pandemic and events such as Brexit. In fact, Schlegel says the strategic threats posed by supply chain disruption are often existential either to lives or organisations.

Too many assurance professionals overlook their importance, he says, or perhaps some boards set different priorities for them. While internal audit priorities may not always map onto strategic risks, a recurring issue flagged by the Risk in Focus 2023 survey (as well as in the 2022 survey) is a persistent mismatch between what internal auditors identify as their organisations' key risks and where they spend most of their time. For example, respondents rated human capital and macroeconomic risks in 2nd and 3rd place in the biggest risk ranking - but 10th and 15th place for the time allocated to deal with it. By comparison, behind cybersecurity, internal auditors spend most time on organisational governance and corporate reporting, and changes in laws and regulations.

"When auditors see one of these low-probability, high-impact strategy risks, they tend to kick the can down the road," Schlegel says. It is a trend he sees among his manufacturing clients where many spend the most time on tactical and operational risks which have minimal impact on the business. If chief audit executives find themselves in this situation, he urges them to re-examine their audit planning process to see if it is fit for the 2023 risk landscape. "Auditors have to get executives involved in this process," he says, "by putting together a compelling, forward-looking business case that clearly spells out the risks and rewards."

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Supply chain disruption

In particular, Schlegel predicts that stress on supply chains will be a constant feature over the next few years, especially since the European Commission's Proposal for a Directive on Corporate Sustainability Due Diligence seeks to further tighten environmental and human rights protection in law[5]. In this year's survey, supply chain, outsourcing and "nth" party risk ranked eighth in terms of its potential impact (up from ninth in 2022) and respondents said it ranked sixth in terms of the areas where internal audit functions spend most time and effort.

The nature of extended enterprises means that organisations are increasingly exposed to high-impact events directly and through their supply chains. The answer? "Get clear visibility of your supply chains then digitise them," Schlegel says. That means taking the entire supply chain structure and putting it into a digital model so that internal auditors can do "what if scenarios?" for their businesses. Once management sees how the supply chain reacts and what the potential cost of such events are, they will be able to begin building risk mitigation plans grounded in reality. It will also help build the case for better funding for the second and third lines.

Yet over and above these systemic risks that cut across many areas of the business, operating in a permanent state of emergency poses its own challenges.

Crises now systemic

"It is more than three years now since we have been in a state of emergency, including most recently from the situation in Ukraine, and we can see that these crises are becoming systemic," Stanislas Martin, chief risk officer at the French energy company EDF who is responsible for crisis management at the business, says.

Every sector has its own story. As well as the pandemic, a storm-induced, winter energy outage in Texas in 2021 triggered concerns in the industry that exceptional worsening weather conditions could lead to more frequent shutdowns elsewhere in the world. Energy systems are generally designed to withstand peaks in demand during cold snaps - but not if they happen in all parts of the system (or across inter-connected countries) at the same time. It sparked a global rush in energy businesses to understand which lessons could be learnt from the Texas storm and to ensure that they could manage such risks in future. Then, from September 2021 – and set to continue into 2023 – energy shortages started to send prices high, a situation that has spiralled into a full-blown global crisis because Russia is a key supplier of gas in Europe.

> "These crises are becoming systemic"

[5] Just and sustainable economy: Commission lays down rules for companies to respect human rights and environment in global value chains, European Commission, February 2022

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Crisis management systems broken

> "How do you think through a scenario when it is a potential issue and before it gets to the stage of crisis?"

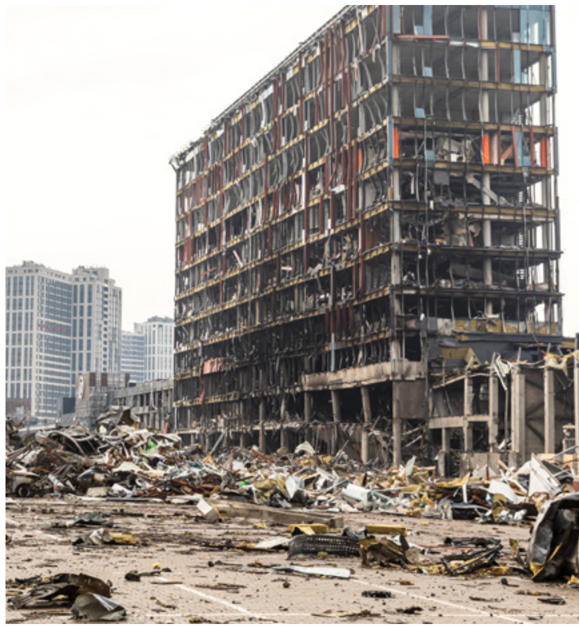
Martin agreed with Schlegel that while in the past, crises generally were contained in one or two areas of the business, now they infuse all aspects of an organisation with urgency and a heightened sense of threat – but enterprises that are not properly trained through global crisis management exercises find it difficult to resolve issues quickly because of the scale and complexity of their potential impact and the fact they have no control over their causes.

Traditionally, an operational crisis management team would help the part of the business affected deal with the event and attempt to bring it under control. If several crises arose in a year, people would be rotated in and out of the team because of the intense nature of the work. These types of arrangements have been fundamentally broken by recent events because it is beyond the scope of a crisis management structure to cope with non-stop emergencies. Internal auditors responding to the Risk in Focus 2023 survey rated business continuity, crisis management and disaster response fifth as the risk area where they spent most time and effort – compared with fourth in the 2022 survey.

In many industries, the entire enterprise has effectively become the crisis management team whether they have been prepared for it or not. In addition, says Martin, the impact of such threats can jump unpredictably from one area of a business to another within days, weeks and months - in effect creating sub-crises of differing intensities - in a way that makes resource allocation critical.

"The cumulative level of fatigue and employee burnout has also to be taken into consideration," he says. Additional pressure on staff from waves of colleagues falling ill during the pandemic, or key posts remaining vacant, have added to a sense of exhaustion, not just in front line services such as health and retail, but more generally in all sectors where rolling crises have become the norm.

Given that businesses are already struggling to retain and attract staff, risk managers and internal auditors need to push training and well-being centre stage in 2023 to help both organisations and their departments improve their resilience (see Human capital chapter, defining better controls).



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Reassessing global risk

The conflict in Ukraine has revealed that the interconnected global energy systems that were established to ensure stability of supply can become a cause of vulnerability and risk, says Ken Marnoch, Executive Vice President, Internal Audit and Investigations, Shell International. Not only are the energy implications of reducing Europe's reliance on Russian energy complex, but could take years to play out.

"The situation is similar to what happened with the COVID-19 pandemic. Based on experience with dealing with other virus outbreaks, for example severe acute respiratory syndrome, or SARS, there was initially a belief that the COVID-19 pandemic would be a localised problem." he says. "That meant that very few people asked the question, 'what happens if our global supply chains get disrupted because of a pandemic?', much less prepared for it."

Risk mitigation plans often missed the possibility of global demand for the same pieces of medical equipment at the same time as a global disruption to supply chains. With the benefit of hindsight, the assumptions and the natural tendency to 'hope for the best' did impact the response to such a large-scale event.

Over the last couple of years, Shell businesses have rethought 'risk management'. The kinds of credible worst-case scenarios that used to be relatively confined to the crisis management team have now become much more readily disseminated and discussed within the businesses as part of everyday risk management. In addition, business continuity planning is now reframed to think with a local or regional focus as well as discussing what could happen if all parts of the organisation were affected by the same or linked events - such as the switch in energy usage patterns and IT network loads when working from home became a global phenomenon.

"How do you think through the range of scenarios, including the credible worst case, when those scenarios are still only a potential issue and not yet a crisis?" he says. "From a practical point of view, that can entail consciously encouraging critiques to be actively raised and considered."

Clarifying risk appetite

Marnoch and his team are engaging in what he calls "stronger conversations about risk appetite". He says having a clear understanding of how much risk each business can take on in specific areas is most useful during a dilemma - where all choices may have potential upsides and downsides. Then, clarity on the appetite for the risks associated with the different choices can act as a guiding light through the problem.

Historically, Shell's internal audit had focused on operational, culture and conduct-based risks. The internal audit group has now set up a specific team to focus on the risks and control framework associated with the delivery of strategic objectives.

"If you break strategic objectives down to measurable goals, the related risks, the explicit controls, and an understanding of

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how business leaders know that the controls are working, then you have the scope for an internal audit," he says. "Part of the role of the new team is to help people move away from fixed thinking around the correctness of assumptions they made at the beginning of a project, or strategy, when so much in the world is changing dramatically. How to be actively inquisitive, to find information that tests the beliefs and the fast feedback on the current reality are required to navigate an uncertain future."

"If you let go of the need to be right and acknowledge it was a decision made with the best information at the time, you will be more open to looking for information that challenges your thinking. That opens up a lot more power in managing a key risk in the delivery of your strategic objectives."

Key questions for internal audit in evaluating the risks of the organisation

1. In terms of the time and effort spent on internal auditing assignments, how is internal audit aligned to the organisation's strategic objectives – including on geopolitical risk and climate change?
2. How strong is the support for internal audit activities in areas such as strategy and crisis management and what can be done to improve that support where it is lacking?
3. How far is internal audit able to leverage resources of other lines to provide proper coverage and minimise the duplication of effort?
4. How do you know whether the assumptions the organisation (and the internal audit function) have made about the nature of key risk areas are still valid today and fit the circumstances likely to arise in 2023?
5. Does the organisation have up-to-date risk assessments for sanctions risk and robust controls for screening third party ownership and company shareholders?
6. How far does the organisation take advantage of digital tools to model key risks and to run "what if" scenarios?
7. Have you reassessed the relationship between the organisation's business continuity, crisis management and risk management teams to ensure they are fit for purpose?
8. Does the organisation seriously consider critical voices and those of external experts in their assessment of risks?

CLIMATE CHANGE AND ENVIRONMENTAL SUSTAINABILITY

Transition to climate change auditing

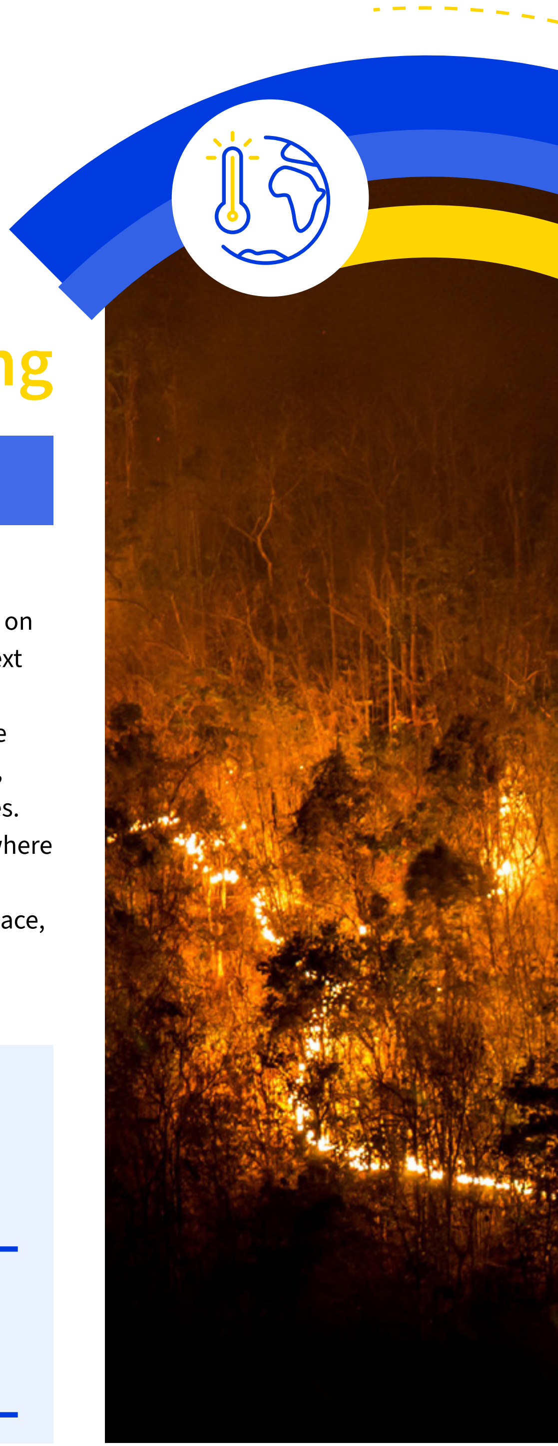
Auditors are beginning to get to grips with auditing environmental sustainability, but helping organisations achieve their objectives requires a holistic approach.

While internal auditors have had climate change on the agenda for some time, chief audit executives taking part in this year's Risk in Focus 2023 roundtable on the topic agreed that it was moving higher up their agendas. "Last year we were starting to wake up to the issue with training and seminars; this year we are getting into the detail and starting to implement environmental issues in every audit," said one participant.

In the Risk in Focus 2023 survey, internal auditors said that climate change was the 6th most important risk they faced, up from 8th from last year. With 37% citing it as a top five risk compared to 31% last year. And they expect it to move up to 3rd place in the risk rankings and 4th in terms of the amount of time they spend in three years' time – that makes it one of the most dynamic, fast-moving risk areas for the profession.

As temperatures soared to unusually high levels across Europe at the time of writing, the evidence of unpredictable change is clear – yet unless internal auditors get a firm grip on the issue now, the risk could become the next big crisis that organisations are unprepared for. While internal auditors are shifting more resources into climate change assignments, they do not yet give it the priority it deserves. Today, it ranks only 11th place in terms of where they say they spend their time and effort. If internal auditors want to move it to 4th place, they need to step up their efforts in this area today.

37% of internal auditors cited **climate change** as a top five risk compared to 31% last year.



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CLIMATE CHANGE AND ENVIRONMENTAL SUSTAINABILITY

COP26's stretching goals

The Conference of the Parties (better known as COP 26) set fresh climate goals that organisations may struggle to help meet. Key targets included securing net global emissions by 2030 to keep warming to 1.5 degrees within sight[6]. In addition, in 2022 the European Financial Reporting Advisory Group released the Exposure Drafts for European Sustainability Reporting Standards, a key component of the Corporate Sustainability Reporting Directive. These are due to be finalised by the end of 2022, as are the International Sustainability Standards Board's own financial rules on climate and sustainability-related disclosures[7].

In key sectors, the impact of COP26 will be huge. "For Shell, Powering Progress sets out our strategy to accelerate the transition of our business to net-zero emissions by 2050. Shell's current operating plans do not reflect our 2050 net-zero emissions target. In the future, as society moves towards net-zero emissions, we expect Shell's operating plans to reflect this movement. However, if society is not net zero in 2050, as of today, there would be significant risk that Shell may not meet this target. This is a global challenge and one where we also need to work with our customers and across sectors to accelerate the transition to net zero. We can learn from the experiences from the response to the pandemic and the conflict in Ukraine," Ken Marnoch, Executive Vice President, Internal Audit and Investigations, Shell International, says. The world needs more and cleaner energy solutions to power progress, and this requires fast learning, complex decision-making and effective risk management at Shell.

Climate change framework

Shell is developing its management frameworks to enable it to make the transition to net zero, and Marnoch wants his team to be part of the assurance around the frameworks as they are being built. Shell Internal Audit is therefore asking questions on the business objectives, the risks associated with those objectives, what controls would be appropriate and how assurance around those controls can be integrated as the frameworks develop.

He says that internal auditors should make sure that they can be involved during the carbon transition journey. They can provide timely feedback and provide assurance to the Audit Committee about how it is developing and how risks are being managed instead of coming in a couple of years down the line and raising concerns.

> "The energy transition to renewables has very similar dynamics to the pandemic and the conflict in Ukraine"

[6] COP 26 goals, UN Climate Change Conference UK 2021, 2021
[7] NEW PROPOSALS FOR EUROPEAN SUSTAINABILITY REPORTING STANDARDS, Accounting for Sustainability, May 2022

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CLIMATE CHANGE AND ENVIRONMENTAL SUSTAINABILITY

Internal audit's role

Because organisations are at different levels of maturity in their journey to achieving environmental sustainability, internal audit's role can be hard to pin down with certainty. Those who are unsure should consult Chartered IIA UK and Ireland's paper, Harnessing internal audit against climate change risk, which urges boards to give functions the authority to work at a strategic level on the issue[8]. IIA Netherlands paper *Climate change and environmental risk*[9] advises to centre efforts around assurance on reporting, the risk management of sustainability goals and (or) climate-related consultancy where needed. (This risk can be tackled by internal auditors in five ways outlined in the Risk in Focus 2021 special supplement.[10])

Chief audit executives at the Risk in Focus 2023 roundtable agreed that, as well as helping management shape strategies and goals, internal auditors must lead the way in helping raise awareness and drum up meaningful support for environmental initiatives. "Some people will want to just chase the key performance indicators, but others at all levels of seniority really believe in the climate agenda," said one chief audit executive. "Get those people involved and set goals from the bottom as well as the top of the business to create a full process that is driven by those who want to see change happen."

Chief audit executives should also ensure that those team members who are most committed to helping address climate change issues are assigned key roles in assignments where feasible. They are more likely to challenge management and push for internal audit recommendations to be completed. Assessing the attitudes of internal audit team members on the issue can be tested in staff evaluations.

[8] Harnessing Internal Audit Against Climate Change Risk, Chartered IIA UK and Ireland, October 2021
[9] Climate Change and Environmental Risk - challenges and tools for Internal Audit, IIA Netherlands, 2021
[10] RiF 2021 Practical guidance on climate change and environmental sustainability, European Institutes Research Group, January 2021

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CLIMATE CHANGE AND ENVIRONMENTAL SUSTAINABILITY

Avoiding box-ticking and green-washing

> “We can make some big improvements without overloading people as they struggle to cope with various crises”

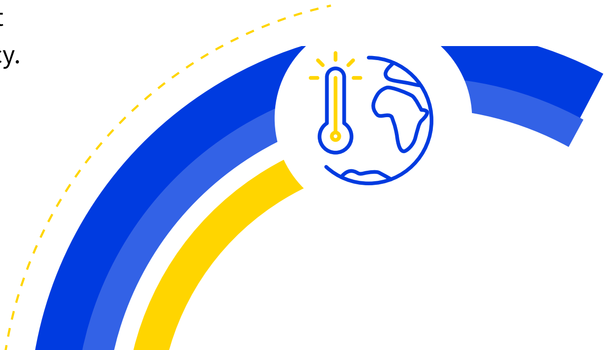
Moving to a more practical approach has thrown up some thorny questions. For example, attendees at the roundtable agreed that there is currently too much emphasis placed on the important topic of reporting - not surprising given regulatory pressures in both the United States and Europe - a key topic in Risk in Focus 2022. But that leaves open the question of how an organisation’s governance model is to work effectively to integrate sustainability goals without it being relegated to a box-ticking exercise around regulatory requirements. In addition, a separate study by IIA Netherlands found that measures taken to tackle climate change risk range from including the topic in the risk register (47%) to using KPI’s (41%) – but none of the initiatives were used by over half the organisations surveyed[11].

Internal auditors must ensure that their organisation’s basic compliance efforts do not replicate the worst excesses of the culture created by the 2002 Sarbanes-Oxley Act over controls around financial reporting. That pushed swathes of internal auditors into low-level compliance exercises, sometimes at the expense of being able to provide more value adding services.

“It is easy to build a SOX-style system that does not help the organisation achieve its environmental objectives,” The chief audit executive at an international IT company says. “There is a risk that there will be many companies who are good at communicating on environmental risk, but poor at managing it.”

But, he says, chief audit executives must accept that it will be a long journey, not least because the activity is in its infancy. In his view, the risk of green-washing is partly an outcome of having relatively low levels of maturity in the non-financial reporting standards currently available and in development. He sees a parallel with the development of more stringent capital adequacy requirements, particularly the self-assessment of risks, that arose in the financial services industry following the economic crisis of 2007-2008.

“From that example, it is easy to see that it will take time for KPIs around environmental reporting to make sense and become properly comparable,” he says.



[11] Climate Change and Environmental Risk - challenges and tools for Internal Audit, IIA Netherlands, 2021

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CLIMATE CHANGE AND ENVIRONMENTAL SUSTAINABILITY

Focus on ESG

Echoing comments made by chief audit executives during the Risk in Focus environmental roundtable, he adds that his recommended approach for internal auditors is to consider that Environmental, Social and Governance (ESG) really begins with the "G" of Governance[12]. In fact, while organisational governance and corporate reporting ranked 10th as a risk in the Risk in Focus 2023 survey, it ranked 2nd in terms of the area where internal auditors spend their time – suggesting many see it as an opportunity to help their organisations manage a wide range of issues, including climate change[13].

"You could say that governance is the mother of all concerns and all solutions," the chief audit executive at an international IT company says. "Good governance will provide the transparency you need to protect you from green-washing. And it also provides assurance to key stakeholders that you are on the right path."

For some organisations, such as banks, the business' own environmental impact is relatively easy to measure in terms of its infrastructure of buildings and energy consumption. More difficult is its risk assessment of the carbon impact related to loan books, for example - a key third-party risk.

Linking controls to environmental strategy

"Banks' policies and philosophies on financing transition, who you will or won't do business with is fundamental," John Devine, risk committee chair for abrdn, says. "These decisions are wider than just climate change, they feed into the entire ESG agenda."

Devine says that because the situation is fluid internal audit must adapt its approach accordingly. Irrespective of specific new developments, every organisation must have a clear strategy, which it can talk about to investors and "walk the walk."

"Since every company is making legal, voluntary and marketing disclosures in these areas, internal auditors need to make sure that the control processes underpinning what a company is saying really resonates back to the core strategy," he says, "because the big risk is that those statements are wrong."

If banks are lending to coal-burning companies on the axis of transition, for example, they must have policies in place to validate that external business' carbon transition plan. Internal audit's role is to ensure that the bank has robust controls in place around those validation processes.

The driver that will continue to push accurate reporting beyond heavily regulated industries, Devine believes, is shareholder pressure. Proxy agencies, pressure groups and individual investors, for example, may take a relatively binary view on whether a business is meeting its environmental targets, he says. Over the past few years, that pressure has driven the need for better control processes to validate information and led, in Devine's view, to the need for the professionalisation of non-financial indicators.

[12] Internal Audit and ESG Criteria, IIA Spain, November 2021
[13] GLOBAL PERSPECTIVES & INSIGHTS - The ESG Risk Landscape, Global IIA, 2022

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CLIMATE CHANGE AND ENVIRONMENTAL SUSTAINABILITY

Building skills and knowledge

Over and above the necessary technical auditing skills, the chief audit executive must understand the business, the context in which it operates, and crucially must have influence. “The chief audit executive must have a seat at the table, be able to talk to the CEO, the audit committee, and get things on the agenda and make sure audit’s voice is heard and is listened to,” he says.

While Devine accepts that outside of larger, multinational industries, chief audit executives do not always enjoy that status, he says that organisations that want to get to grips with climate change and broader ESG issues must give the function the prominence it needs to do its job.

Chief audit executives at the Risk in Focus 2023 roundtable mostly said they were taking a blended approach to auditing particular environmental issues, although some departments had yet to start full-scale, real-life auditing. A blended approach entails both conducting audits on the specific impact of the business on the environment - using, for example, standards such as ISO14001 - at the same time integrating sustainability issues into other audits, where possible.

For those who have started environmental auditing, one of the biggest challenges has been to up-skill their teams – a difficulty for all departments given the struggle to attract and retain high-quality staff into internal auditing, an issue raised by most Risk in Focus 2023 roundtable participants under all topics covered by this year’s report. Understanding the complex global regulatory landscape and its potential significance for the business can be a major undertaking and many businesses seek help from external audit firms and global consultancies. But it is only half the picture. The other is being able to bring in engineers, scientists and other experts to help with building subject matter expertise. While some assistance can be found within the business, increasingly chief audit executives are turning to external sources for help to source such experts. Internal auditors must ensure their departments have access to the right skills and knowledge to get on top of climate-related risk before it is too late.

> “You could say that governance is the mother of all concerns and all solutions”

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CLIMATE CHANGE AND ENVIRONMENTAL SUSTAINABILITY

How internal audit can help the organisation

1. Talk to the CEO or board to help them reflect on where the company stands on climate change and what it really wants to achieve compared with regulations, competitors and societal expectations.
2. Understand the company's goals and current maturity on climate-related sustainability and assess how far this is reflected in the business and action plans on different levels.
3. Assess how far management has both considered the organisation's impact on the environment and the environment's impact on the business – the issue of double materiality.
4. Assess the reliability of the organisation's climate-related KPIs.
5. Assess the robustness of the controls and risk management processes associated with these goals and risks.
6. Assess how well the second line monitors climate-related risk and the accuracy of climate-related data.
7. Assess the extent to which corporate stakeholder communications on climate change initiatives are supported by sufficient data to avoid the charges of green-washing and its attendant reputational risks.

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HUMAN CAPITAL, DIVERSITY AND TALENT MANAGEMENT

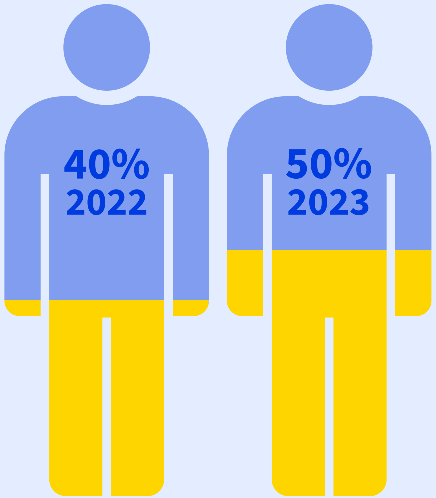
The human factor

Organisations need to find their social purpose to overcome their human capital challenges, which means internal auditors must focus less on the numbers.

In the wake of an ongoing pandemic, organisational culture and talent management have become key areas of competitive advantage for organisations. Human capital, diversity and talent management ranked 2nd in Risk in Focus 2023's risk ranking, up from fourth place in 2022. With 50% citing it as a top five risk this year compared to 40% last year. Eighteen per cent of respondents said it was their number one priority. It is a risk that is firmly cementing itself among the hardest challenges businesses face and internal auditors say that it will rank as the second largest risk three years from now – with 21% saying it will be their number one priority.

Chief audit executives taking part in the Risk in Focus 2023 roundtable on the issue agreed that the pandemic had fuelled new challenges as well as accelerated longer running trends. In 2023, the global talent shortage is likely to increase, particularly for those organisations seeking to employ people with technical expertise, because luring people back into workplaces while ensuring their psychological well-being has moved higher up the agenda. More recently, inflation has moved pay settlements and industrial action centre stage – and with the rising operational costs, some businesses will struggle more to retain staff.

“Not being able to keep pace with all of the expectations around social issues and the impact on organisational culture is a huge risk,” said one chief audit executive at the roundtable. “But companies are not quick to adapt in this area and need to speed up significantly.”



50% citing **human capital, diversity and talent management** as a top five risk this year compared to 40% last year.

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Adapting to hybrid working

Hybrid working styles were already on the rise before Covid, but offices are struggling to accommodate workers who want the more flexible working conditions that arose during the pandemic to continue, according to a 2022 survey by Microsoft. Almost 7 out of 10 (69%) of European managers wanted to do more to help teams meet employee expectations but said they did not have the influence or resources to do so. And 53% said their organisations were out of touch with what employees wanted[14].

The greater problem, though, is that fewer people want to work at all. While in the United States, the so-called great resignation saw record numbers of people dropping out of the workplace altogether, in Europe pressure on wages has been intensified by, among other trends, a lack of skilled workers and younger people quitting work[15].

“What’s really bothering us is the number of skilled, experienced, older people who are choosing to leave the workforce altogether to do something less pressurised, while at the same time younger people are staying longer in education, “Kate Shoesmith, deputy CEO of the Recruitment Employers Confederation in the UK, said in this year’s Risk in Focus 2022 supplementary report, Risk overview: human capital, diversity and talent management[16].

The combination of leeching institutional knowledge, skills and personnel shortages has increased the sense of burnout in many organisations and left businesses with hard-to-fill gaps for key projects, such as digitalisation – a process that promises to alleviate staff shortages through automation. If there was one single issue that all chief audit executives that took part in the various roundtable sessions and one-to-one interviews agreed on, it was this.

[14] 2022 Work trend index: annual report: Great expectations: making hybrid work work, Microsoft, March 2022
[15] Why The Great Resignation is Happening in Western Europe Too, YPulse, November 2021
[16] RiF 2022 Risk overview: Human capital, diversity, and talent management, European Institutes Research Group, March 2022

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Defining normal working practices

John Devine, risk committee chair for abrdn, says that organisations need to understand when they are coming out of the crisis and what it means to normalise working practices. In his experience, such events accelerate and force change – and successful organisations are quick to adapt. Businesses that expect things to go back to how things were prior to the event may be missing opportunities or, worse, not recognising challenges to their business models. Internal auditors are well placed to help the business to distinguish between what may be just cyclical trends and the deeper, more permanent changes that are taking place.

“Internal audit needs to understand what the new normal is both for the business and itself, and that is likely to entail recutting and retooling organisational culture,” he says. That can involve making changes to employment policies to create flexibility where needed around work-life balance, which will differ depending on the sector and organisation.

More fundamentally, though, whatever policies organisations have, businesses need to ask, “how do I create an organisation with a heart?” Devine says. That means creating a core that accommodates diversity but that is operational, productive and functional whether people are at home or not. But, he says, in the new emerging risk landscape, businesses will need to be open to adapt as circumstances inevitably continue to change.

Building social purpose

Younger people tend to be more interested in working in organisations whose social purpose is aligned with their own goals and beliefs. The rise of social enterprises in the past decade is just one indication of that shift in priorities. While internal auditors ranked human capital as the second biggest risk their organisations faced in this year’s Risk in Focus 2023 survey, the organisational culture that could help attract new talent only ranked in eleventh place.

In fact, there is a gap between how people at different seniority levels in organisations perceive their relationship with the business, according to a study by the consultant McKinsey, which could suggest why human capital and organisational culture may sometimes be considered as separate issues. While 85% of executives and upper managers agreed that they could live the purpose of the organisation in their day-to-day lives, only 15% of frontline managers and employees agreed.

> “When employees at any level say that their purpose is fulfilled by their work, the work and life outcomes they report are anywhere from two to five times higher than those reported by their unfulfilled peers”

[17] Help your employees find purpose—or watch them leave, McKinsey & Company, April 2021

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HUMAN CAPITAL, DIVERSITY AND TALENT MANAGEMENT

ESG sustainability goals

Anita Punwani, who represented the UK as an expert in the development of the international standard in governance at the International Organization for Standardization, and head of the Environmental and Social Governance Group at the Institute of Risk Management, says that organisations often fail to connect their own values and purpose with changes happening in society at large.

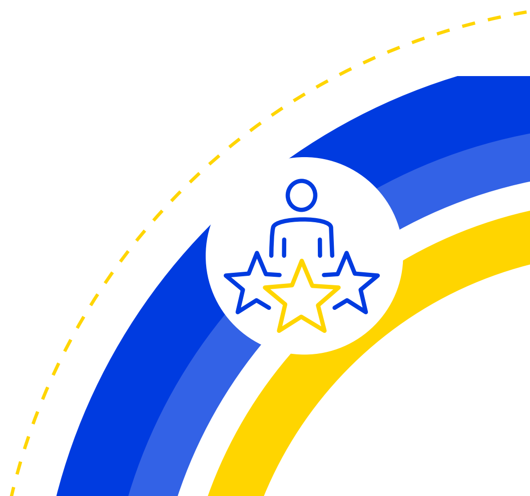
The advent of the use of smartphones together with discussions taking place on social media has made such an attitude untenable, not least because every key stakeholder, including members of staff, now are commentators on the behaviour as well as the performance of a business.

Organisations can use the UN Sustainable Development Goals as a starting point for their ESG ambitions and work back from there to consider how that impacts their own purpose and goals. Internal auditors can use that project to speak to a wide array of stakeholders, which will help inform the company of the specific social context in which they are operating. In fact, the EU's pandemic recovery plan – NextGenerationEU[18] – represents a unique opportunity for internal auditors to underline the importance of ESG in corporate governance since it is built on the UN's goals. NextGenerationEU is highly focused on climate change, biodiversity and gender equality to build a more equitable Europe in the wake of the pandemic.

> "Not being able to keep pace with all of the expectations around social issues and the impact on organisational culture is a huge risk"

Refreshing the governance framework could help businesses align with such initiatives. "Organisations are structured in a certain way to deliver on strategies and goals, so bringing about change is not easy," Punwani says. "In some cases there will be the building blocks for change; in others it may need a whole change programme."

Those in the first, second and third lines are often too focused on reporting. But internal auditors are uniquely placed to use their facilitation skills and breadth of reach across their organisations to foster a constructive discussion to help management to create a purpose that is relevant and resonates with the cultures in which they operate.



[18] Recovery plan for Europe, European Commission, July 2022

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HUMAN CAPITAL, DIVERSITY AND TALENT MANAGEMENT

Creating the right metrics

Chief audit executives participating in the Risk in Focus 2023 roundtable said internal auditors should separate those areas that could be usefully dealt with by assigning clear metrics to goals - for example, achieving diversity objectives that seek to increase the representation of women and ethnic groups across the business - from less quantitative areas.

One chief audit executive said that he split his assignments on cultural issues into measurable components and issues that were less well defined. "Those assignments do not necessarily lead to concrete recommendations but help us link company values with some of the key behaviours we identify," he said. "We may include results of our quantitative interviews with customers in an appendix to feedback to management so they can understand how the results fit into the wider context of what's happening in the organisation." The key is to link the right metric with identified strategic goals and risks.

Defining better controls

While human capital, diversity and talent management ranked 2nd in both the current and future risk categories in the Risk in Focus 2023 survey, the topic only scored 10th and 8th respectively in terms of how much time auditors spend on the issue. In fact, recent research by Chartered IIA UK and Ireland showed that only 37% of internal auditors integrated culture into their standard audits – and over half (52%) said they had not been asked by the board or audit committee to produce reports on the issue, suggesting many do not take the matter seriously[19].

Historically, internal auditors have audited mainly procedural, hard controls, although recently there has become more attention focused on soft controls and auditing culture and behaviour. This could be one reason challenges such as organisational culture tend to receive less attention. But with issues such as human capital, it is harder to define the controls and, where there are controls in place, they are most likely to be directive human resource controls, such as policies and procedures. These are not the controls that are driving talent management. Auditors must work harder to define those controls that align with the organisation's strategic human capital objectives. For example, research by Google scholars[20] found that psychological safety was a key player in team effectiveness and affected how long staff stayed at the organisation. Internal auditors must fully understand what factors influence the creation and development of successful teams and ensure that those issues are brought to the audit committee or board for action[21].

Chief audit executives attending the Risk in Focus 2023 roundtable said that internal audit professionals should not be looking for quick fixes, especially when trying to define the organisational

> "How do I create an organisation with a heart?"

[19] Cultivating a healthy culture, Chartered IIA UK and Ireland, March 2022
[20] https://rework.withgoogle.com/print/guides/5721312655835136/

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culture of enterprises that span different geographical zones. That is because in reality there is likely to be a wide range of business and geographical cultures to take into consideration.

> "The more we invest in boosting their skills, the more we risk losing them to organisations with deeper pockets"

Internal audit's role

A first step can entail internal audit reviewing existing cultural norms and using the results as a catalyst to define the business' current culture. That review can be used to develop a roadmap for change. Seeking views outside of the business is key. Customers and stakeholders - such as vendors and contractors - often have a clear view of the prevailing culture based on continuous interaction with staff. When they say they feel valued and respected and are not subjected to unfair or dictatorial behaviour, those comments can indicate that the culture is moving in the right direction.

The roadmap should also show how the desired cultural behaviours are embedded in an organisation's processes, and are aligned with clear roles and responsibilities, as well as being assigned to individual accountabilities. But chief audit executives agreed that from the outset of any cultural change programme the tone from the top was key. "Staff want to be proud of management and the organisation's ethical conduct," said one chief audit executive. "Management can drive a big difference in behaviour."

The organisational culture must be clearly articulated throughout the business. A well-understood set of desired behavioural attributes can then be included in talent management and training programmes, employee selection and onboarding procedures, job descriptions, and even picked up on during out-boarding interviews to make sure problems are identified in specific areas of the business. In fact, internal auditors seem to be waking up to this reality as they are spending more time and effort in this area than the pure risk rankings suggest. For example, organisational culture ranked 11th as a risk in 2023, but 9th in terms of time and effort spent.

[21] RiF 2022 Risk Overview: human capital, diversity and talent management, European Institutes Research Group, March 2022

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Coping with shortages

The acceleration of digitalisation in organisations around the world has helped to create a global shortage of people with the right skills and competencies in both businesses and their internal audit teams. Money is certainly a problem.

For a publicly funded organisation such as the World Intellectual Property Organisation (WIPO) attracting, training and retaining qualified data scientists and IT auditors is a struggle, Rajesh Singh, director of its internal oversight division, says. Singh's operation includes three elements – evaluation, investigation and pure internal audit. The internal audit team has three people and is being boosted by a data scientist and a full-time, mid-grade audit member with IT auditing expertise. But because the internal audit section is small, people tend to leave after two or three years as there are few options for promotion, even though WIPO invests heavily in training. Second line functions in the organisation suffer from the same issue for staff with IT expertise.

"The more we invest in boosting their skills, the more we risk losing them to organisations with deeper pockets," Singh says. "It creates a loss of institutional knowledge that is hard to rebuild because turnover is relatively fast." Like many chief audit executives, he partners with third-party suppliers, but a single assignment sometimes can cost the same as an IT auditor's annual salary, which he finds hard to stomach.

He has decided to become more opportunistic. As well as investing in the same training for all team members to ease the skills gap when someone leaves, he is setting budget aside to try to poach high-flying IT specialists who may want a sabbatical or be in between jobs. If successful, those will be shorter-term hires, young people who may be happy to stay for six months, and from whom Singh's team can learn. The longer-term plan is to continue automating routine audit assignments to free his team up to focus on more strategically relevant work.

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HUMAN CAPITAL, DIVERSITY AND TALENT MANAGEMENT

How internal audit can help the organisation

1. Evaluate how far are the organisation's human resources strategies aligned with its vision and mission, and whether they are suitable for these times of scarcity when it is key to attract and retain employees within the organisation.
2. Assess how well those strategies are implemented at the different levels within the organisation and whether they are discussed periodically, including at board-level meetings.
3. Test whether the organisation's employment policies and procedures strike a fair balance between the potentially changing demands of employees and the preferred organisational culture.
4. Evaluate how quickly and effectively can the business' technological and physical infrastructures adapt to future changes in working patterns.
5. Assess how well and widely the organisation's social purpose is clearly defined, disseminated and lived in practice.
6. Assess how well the social purpose of the business and its organisational culture are embedded in talent acquisition and management processes.

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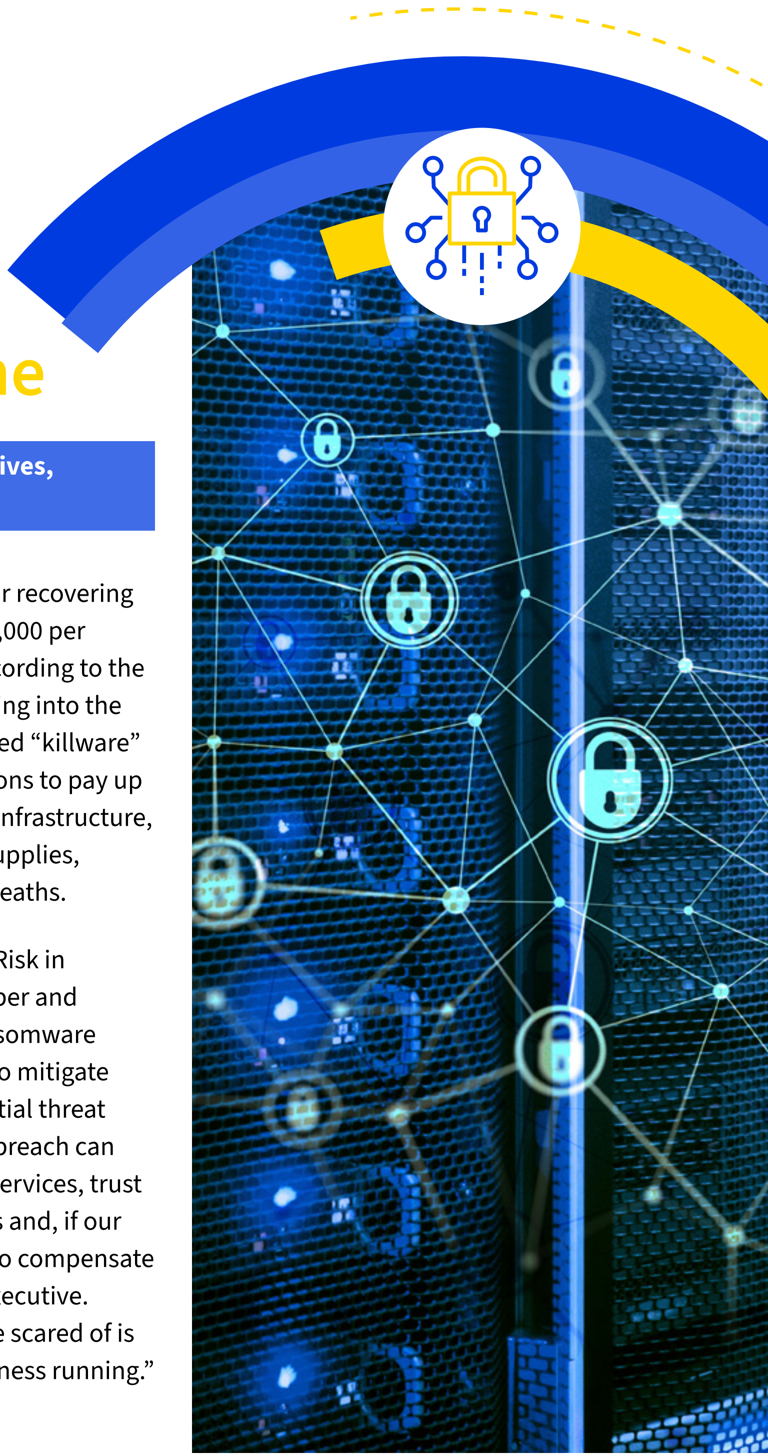
CYBERSECURITY AND DATA SECURITY

Auditing at the speed of crime



With hackers now able to threaten critical infrastructure and people's lives, internal auditors must move faster than ever to combat threats.

Cybersecurity and data security retained its hold as the number one threat in the Risk in Focus 2023 survey – with 82% of respondents saying it was a top five risk (the same as in 2022). It is also the area on which internal auditors say they spend most time and effort. In three years' time, internal auditors expect the risk to still rank highest as a threat to their organisations but with slightly fewer ranking it a top five risk (77%).

In fact, the threat landscape has become more dangerous – not least because of the war in Ukraine. Survey respondents said cybercrime and data security was their second biggest risk from the conflict. In addition, ransomware attacks increased by 80% in 2022, according to cyberthreat analyst Sophos[22]. That growth was driven in part by hackers taking advantage of the burgeoning ransomware-as-a-service industry. The average price for recovering stolen data soared from $170,000 per infringement to $812,360, according to the survey. Hackers are also moving into the more ominous area of so-called "killware" to put pressure on organisations to pay up - those attacks target critical infrastructure, such as hospitals or energy supplies, which could result in actual deaths.

Chief audit executives at the Risk in Focus 2023 roundtable on cyber and data security agreed that ransomware risk continues to be difficult to mitigate and poses a potential existential threat to businesses. "A major data breach can impact on the quality of our services, trust and reputation, our financials and, if our clients lose money, we have to compensate them," said one chief audit executive. "But the biggest threat we are scared of is that we cannot keep our business running."

[22] The State of Ransomware 2022, Sophos, April 2022

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CYBERSECURITY AND DATA SECURITY

Cybercrime business models maturing

"The maturation of business models around cybercrime is becoming a major threat," the chief audit executive of an international IT company says. He says that the ability of low-skilled hackers to buy sophisticated off-the-shelf attacks should be on every internal audit team's radar. "It is now an open battlefield and auditors should ensure they keep up-to-date on the main evolutions in cyber-attack strategies." While technicians are best placed to develop and deploy defences, he says, internal auditors should help to effectively spread new counter measures and advice from those teams throughout the organisation.

"Every day, this issue becomes more rather than less important," said another chief audit executive at the Risk in Focus 2023 roundtable on the issue. "It has all the characteristics of an emerging risk, which are often the most difficult to tackle. This year, for example, we could face increased Russian cyber-attacks, next year it could be something else. It is the biggest risk we have."

Raising board awareness

Auditors must help to connect the dots between what is going on in the business and the board. A qualitative survey by the UK government earlier this year uncovered limited board understanding of cybersecurity risk[23]. This had led, it said, to efforts to pass on the risk to outsourced cyber providers, insurance companies or even non-board level colleagues.

Risk in Focus 2023 roundtable participants agreed it could be difficult to find board time for IT-related topics, including cybercrime, despite the fact the pandemic had pushed digitalisation efforts further up the agenda. In last year's Risk in Focus survey, for example, the threat from digitalisation ranked third – compared with fifth this year.

"I participate in both risk and audit committees," said one chief audit executive at a financial services firm, "and while we talk a lot about lending, compliance and credit risk, we don't discuss IT." That was left to a separate meeting with the chief information officer and those in the second lines.

An internal audit presence at IT security committees, or with chief information and security officers[24], is effective for driving better security, but board-level engagement is key. Chief audit executives can play a major role in raising awareness of cyberthreats in board rooms. They should explain how much money their organisations stands to lose when specific risks crystallise – and avoid cloaking the topic in technical jargon.

[23] Cyber Security Breaches Survey 2022, Department for Digital, Culture, Media and Sport, UK Government, July 2022
[24] Cybersecurity in 2022, Part 2: Critical Partners — Internal Audit and the CISO, The Institute of Internal Auditors, June 2022

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Third parties create weak links

While many large organisations are relatively well-protected by strong cyber defences and regular up-to-date training, this year has seen more of a shift to hackers targeting third-party suppliers with less mature security systems. Yet European legislation such as the General Data Protection Regulation[25] and, more recently, guidance by the European Banking Authority, place responsibility squarely on the shoulders of the organisation that owns the data[26]. This trend is likely to continue to grow under Europe's revised cybersecurity directive, NIS2[27]. Like many new emerging risks, identification, control and mitigation lies partly outside of the business' remit.

Those concerns extended to cloud service providers, especially since many organisations have signed up to the same few major businesses to accelerate their digitalisation plans. Given that the levels of service are standardised by each provider, chief audit executives said that organisations often had little negotiating power to agree or force controls on those suppliers. "Everything becomes a bit too far from our site from an internal audit point of view and it can be hard to assess and mitigate risk."

Greg Schlegel, founder of the Supply Chain Risk Consortium in the US and Adjunct Professor for teaching enterprise risk management for Villanova University's EMBA programme, says that internal auditors must focus on such third-party risks over the next twelve months – even though the time internal auditors spend on supply chain issues is likely to fall from sixth to nineth place, according to Risk in Focus 2023 survey. While he accepts that data security is a key issue in terms of protecting the organisation's digital assets and infrastructure, auditors should also ensure that the cloud service providers (and others who supply critical data infrastructure) are financially secure.

> "The biggest threat we are scared of is that we cannot keep our business running"

"The business needs some methodology to assess the financial health of third-party suppliers because the world at the moment is a very uncertain place, especially with inflationary pressures and energy supply risk increasing," Schlegel says. He also advises internal auditors to ensure that the business knows where suppliers are located physically. While software security is often framed in terms of the cloud, if the sites where those services are based become subject to power outages - such as the one at Amazon Web Services in 2021[28] - that could bring an organisation's critical infrastructure to a halt.

[25] What is GDPR, the EU's new data protection law?, GDPR EU, 2022
[26] GDPR and Corporate Governance: The Role of Internal Audit and Risk Management One Year After Implementation, ECIIA, November 2019
[27] Review of the Directive on security of network and information systems In "A Europe Fit for the Digital Age", European Parliament, June 2022
[28] Power outage in Amazon's cloud service disrupts technology throughout the United States, World Socialist Web Site, December 2021

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Cyber and economic crimes merging

Cybercrime taxonomies are also evolving. Cyber enabled crime involves attacks, such as phishing emails, that may lead to a hacker defrauding a company. Pure cybercrime, or cyber dependent crime, on the other hand, entails hacking to steal or ransom data. But these categories are increasingly blending because technologies now enable more sophisticated attacks to combine several elements in one infringement.

“Fraud or criminality was never traditionally included in categories such as economic crime - such as those involving money laundering, sanctions, bribery and corruption - but governments are increasingly seeing these as inter-related economic crimes,” partner at BDO specialising in economic crime Angela Foyle says.

A business’s understanding of these taxonomies has led many to segment their cyber and data security teams into separate functional departments - often with poor communication lines. For example, a ransomware attack may be treated by the IT team as a standalone attack by many organisations. But today that approach is no longer adequate.

For instance, if a business loses some of its data from a ransomware attack and decides to pay the criminals to get it back - an increasingly common practice, according to the Sophos report - not only may the data not be returned, but the company’s exposure to regulatory action could grow. If regimes such as North Korea or Russia are behind the attack, then the business could fall foul of breaching sanctions regimes.

“It is critical that organisations make sure they have links across the different elements of the business dealing with cyber and data security, and with regulatory compliance,” Foyle says. “Internal auditors must ensure that those lines exist and that the controls ensuring fast and clear communication are in place and work.” Ideally, the internal audit team would have at least one member of staff with sound cyber skills and knowledge, she adds.

“It is critical that organisations make sure they have links across the different elements of the business dealing with cyber and data security, and with regulatory compliance”

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Controls must be implemented

Not only did the pandemic weaken many organisations' cyber defences as staff were forced to work at home, the culture around data security also deteriorated. As online communication became the norm, one of the hacker's favourite weapons of choice – the spoof email – was less easy to detect as most correspondence moved online.

Foyle said that audit controls should include training and alerts so that people become more aware of the latest hacks. "Quite simple things, such as always hovering over email to make sure it is one that you recognise or would expect to see, can make a difference," she says.

Also, applying risk frameworks with policies and procedures, including ISO 27100, NEST and COBIT are a must. But they are not enough. "We have excellent IT policies and standards that follow best practice – but the simplest error is that people often fail to implement them," said one chief audit executive at the Risk in Focus 2023 roundtable event.

While larger organisations tend to have specialist cyber security expertise in-house, general internal auditors can make a big difference by refocusing on the basics. That includes the security culture of the organisation, which a Chartered IIA UK and Ireland study found was often a blind spot for internal auditors and businesses[29].

[29] Mind the Gap: Cyber security risk in the new normal, Chartered IIA UK and Ireland, February 2021

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Internal audit's role

First, internal audit can considerably reduce threats by focusing in detail on whether policies had been implemented on the ground. Ensuring that software patches are applied in a timely way and keeping on top of which staff have access to systems makes a big difference. In addition, proper back-up procedures need to be in place and should be included in routine internal audits.

Second, auditing access rights, ensuring remote parts of the business have applied software patches and helping to communicate policies and procedures are all important exercises for the internal audit team. Where those are already at a more mature stage, facilitating data breach simulations and tabletop exercises can make sure that systems designed to contain breaches work and everyone concerned knows their roles and responsibilities. That can include ensuring there is redundancy in the system so that if a key member of the response team is unavailable it does not stop the remediation process.

Longer-term, those who work closely with in-house IT departments should build up knowledge in the internal audit team. This approach also increases risk awareness in technology departments. But in some areas co-sourcing or outsourcing with external providers is a must.

Rajesh Singh, director of internal oversight division at World Intellectual Property Organisation, has three people in his internal audit team, all of whom are certified in IT and cyber security.

On a recent cybersecurity audit, he brought in a large consultancy to lead on the project. "The certifications certainly help," he says, "but because we are not dealing with these issues every day, our skills and knowledge cannot match those of experts who are immersed in the topic on a daily basis." A recent survey said that more organisations are turning to third party help for security because of an increasing shortage of skills in this area[30]. In fact, human capital, diversity and talent management ranked as the second highest risk in the Risk in Focus 2023 survey and many roundtable participants agreed most internal audit departments are struggling to attract and retain the right staff.

"We have excellent IT policies and standards that follow best practice - but the simplest error is that people often fail to implement them"

[30] Security leaders relying more heavily on MSPs amid talent crunch, helpnetsecurity, April 2022

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CYBERSECURITY AND DATA SECURITY

Insurance hard to secure

Insuring against cyber-attacks is becoming more difficult to secure, according to Risk in Focus 2023 roundtable attendees. One hurdle is that the business' financial calculations of potential risk may not be accurate enough for insurance purposes. Where there is a specific ongoing risk, such as phishing attacks, for instance, quantifying a monthly amount for insurance purposes is often feasible. But with ransomware attacks where the future of the organisation may be in question, there may be too many variables to calculate the likely cost of cover needed.

Many organisations use a risk management process to map and cost risks, but those looking to start the process for the first time are likely to need to progress through trial and error. "It is super-complicated," said one chief audit executive at the roundtable event, "and you don't get it right first time - it is something you improve with experience." But with insurance difficult to obtain at the right price, internal auditors must work harder and smarter to defend their organisations against increasingly sophisticated cyber threats.

How internal audit can help the organisation

1. Assess whether the organisation has effective and timely mechanisms in place to spread information on new cyber threats, countermeasures, and advice throughout the business.
2. Assess whether the board has a firm grasp on the business risk cyber and data security pose to the organisation's strategy.
3. Focus on third-party technology supplier threat, including from vulnerabilities to their physical infrastructure.
4. Assess whether strong links exist between the different parts of the business involved in cybercrime, data security, fraud, economic crime and regulatory compliance.
5. Test that security practices, patches and procedures are implemented consistently in all parts and locations of the business, or ensure that the organisation (usually the second line) does perform such tests.
6. Assess whether adequate recovery plans are in place.
7. Assess whether the information underlying the business' financial calculations on assessing the potential loss from cyber-risk are valid and accurate enough to support insurance claims.

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Switching to automatic

While internal auditors are turning their attention to artificial intelligence systems, they must also ensure that their organisations have got the basics right for digitalisation.

The pandemic pushed organisations' digitalisation efforts into third place in the risk rankings in the Risk in Focus 2022 survey as they moved staff to homeworking and shifted sales online. Not surprisingly, perhaps, this year internal auditors ranked it as the 5th biggest risk their organisations faced. With 38% citing it a top five risk this year compared to 45% last year.

Internal auditors said they expected to spend an increasing amount of time on the issue so that in three years' time it will rank as the 2nd biggest area for internal audit effort in terms of time spent, according to the Risk in Focus 2023 survey. But with rocketing inflation, pressure to increase pay and supply chain disruption, it may be that in 2023 many businesses do not have the funds to carry out these plans.

Organisations are naturally at different levels of maturity with their innovation strategies - from having basic networked computers to being digital-first businesses built on sophisticated online platforms. Most sit somewhere in between.

Developing an innovation culture

"Perhaps more important than considering digitalisation from a technical point of view, organisations must first get to grips with the innovation culture within their businesses to succeed," the chief audit executive at an international IT company says.

"A corporate culture that fosters transparency, openness, fairness, collaboration and that has a strong customer-focus is very important," he says. That must be backed up with a clear strategic vision, the right talent and an ability to maintain a helicopter view of projects so that they continue to head in the right direction. A culture that enables people to make mistakes and try new things without fear of failure can also help develop and attract the right talent, an increasingly scarce resource in this field.

"The more siloed an organisation is and the less open to collaboration, the less harmonised the culture will be around innovation," he says.

Chief audit executives at the Risk in Focus 2023 roundtable on the issue agreed that they had a key role to help assess and foster their organisations' innovation cultures. But they also said internal auditors needed to keep an eye on those areas of the business with fast-moving, technological projects – particularly in organisations with agile philosophies – where the threat from potential data risk could be high.

It only takes a few minutes for a manager, for instance, to download a third-party app to quickly fix a bottle neck in a system. Internal audit must make itself aware of every project that, for instance, could be processing data in ways that breach legal rules such as those set out in the General Data Protection Regulation on the storage and handling of personal data.

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Measuring innovation gains

The chief audit executive at an international IT company agrees that these can be potential problems but says that it is not for the audit team to set the balance between innovation and risk - that is the role of management. “Chief audit executives should help by bringing visibility and assess whether different types of innovation efforts are more or less productive,” he says. “Or whether they are well-aligned to achieving strategic objectives.”

On a practical level, auditors should help measure how much financial value innovation creates for the business. That can include calculating business gains in areas that are digitalising and, perhaps, measuring any increase in value of its intellectual property portfolio. Overall, internal auditors must ensure that they understand the alignment of the culture of innovation with the organisation’s strategic goals - a task that does not necessarily require deep technical expertise to exist in the function’s team.

> “Heads of audit should help digitalisation efforts by assessing whether different types of innovation efforts are well-aligned to the organisation’s strategic objectives”

Valuing data

Unlike digital-first companies, many organisations have legacy systems that are poorly integrated. In practice, that can mean the same customer is often dealing with multiple departments in an organisation, but their data is spread over separate systems.

“The fragmentation of the data landscape is a key barrier to digitalisation in any large organisation that has not been built on a newer digital platform,” Shehryar Humayun, audit director - applications, data and applied sciences at Lloyds Banking Group, says.

He says that culturally, organisations tend not to prioritise their data because it is costly to do so and seems less of a priority than, say, creating new business propositions. But putting monetary value on data is the key to turning this attitude around. Internal auditors should help their organisations on this awareness and cultural journey by highlighting the opportunities and value their data assets unlock but also the risks that the lack of data focus carry. That can be through, for example, potential monetisation through personalisation, or potential loss via compliance or data breaches, or through poor customer service. Developing an enterprise-wide governance framework is a must.

Internal auditors must have clear, comprehensible understanding of all technologies in the business so that they can communicate effectively with the board – especially given the relatively low understanding of technology risk in many boards (see, cyber chapter).

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Focusing on strategic data risk

When the root cause is data, Humayun says, risk can manifest in many areas at the same time, including for example, reputational, regulatory, operational, financial and other risks. But unlike emerging systemic risks, businesses are in the fortunate position of being able to control the situation with the right focus and prioritisation.

For Lloyds Banking Group, the importance of focusing on data was highlighted when the Group added data risk to its risk taxonomy a few years back. Sorting out the source data can mitigate risks in multiple areas of the organisation where the risk manifests itself in various forms. This approach involves more stakeholder engagement across multiple divisions of the organisation, and is often cumbersome and more expensive to resolve, but when done right it solves the organisation's strategic data risks rather data risk in a single business unit.

Humayun's teams within the group internal audit function include an applied sciences group to enable data-driven assurance and another team that carries out thematic audits on data risks across the business, such as privacy, ethics, data by design, data retention, metadata and other areas. This arrangement ensures the teams have experience of both understanding the power of harnessing data and being able to highlight the impact of data challenges. "Audit has a brilliant vantage point under this arrangement to take a holistic view across the organisation and to help it on its journey to get to grips with a fragmented data landscape with legacy tech in a practical way," he says.

While other approaches are likely to be effective in different organisations, internal auditors must ensure they build skills and capabilities around data to help organisations approach data risk from a strategic point of view.

> "The fragmentation of the data landscape is a key barrier to digitalisation in any large organisation that has not been built on a newer digital platform"

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Internal audit's role

This year's emerging topic is artificial intelligence. Some chief audit executives attending the Risk in Focus 2023 roundtable event were at the more mature end of the digitalisation spectrum. They had begun not only to audit AI within the business but had begun introducing AI programs within the internal audit process itself.

Results in both of these emerging areas have been mixed. Some internal audit functions have been identifying which first and second line AI implementations can be incorporated into existing audit engagements.

It is a process that puts a heavier burden of work on the auditees because they must be prepared to work closely with the internal audit function to share knowledge. That includes details of the AI models they have deployed, which can be complex and increases the level of specialist knowledge needed within the internal audit team. One roundtable attendee said he had brought in these skills initially from an external supplier. However, as the organisation digitalised it had decided to create a dedicated team of experts in-house that internal audit could buy days from through an internal exchange system. While that worked well, finding subject matter experts in the business areas affected by AI remained challenging.

The European Union's proposal for draft regulation on artificial intelligence, which was published in 2021, is well underway. That is likely to require certification for AI models and business areas that are considered high risk - such as those making decisions that could affect people's lives. Organisations are expected to have to register their systems with the authorities and conduct regular compliance checks. Internal auditors already said that changes in laws and regulations was the fourth biggest risk to their businesses in the Risk in Focus 2023 survey, but as digitalisation increases this focus is likely to intensify. Not only do organisations need to protect and use data ethically, but they must also ensure any artificial intelligence scripts are free from bias throughout the organisation – whether that relates to the gender and diversity of customers or employees. A bias script can have serious reputational, legal and talent management risks. Internal auditors must work with the organisation and vendors to ensure bias does not become baked into the business' decision-making processes.

AI in internal audit

While several roundtable attendees said they had trialled AI processes within their functions - such as chat bots and machine learning routines - most said those experiments had mostly served to highlight where data systems needed improvement and how AI might be used better in future. One attendee had used machine learning to carry out anomaly detection routines. That had helped the internal audit team understand where potential risk areas were in the data prior to an assignment and the results of the exercise informed the audit plan.

Making the leap from data analytics to AI is a sound strategy, provided that the jump is not too big. "It is best to get comfortable with data analytics and then move into AI," said one attendee. In fact, existing tools can help create continuous auditing systems that offer 100% data coverage and anomaly detection. Those without advanced capabilities in these techniques may be wise to wait until their analytics programs mature.

Although potential benefits include greater audit coverage, continuous monitoring and a further standardisation of audit methodologies as they become embedded

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in AI programs, there can be a mismatch between the time it takes to train new algorithms and the typical audit cycle. If, for example, an AI routine takes six months to train and the audit cycle for that assignment is only 12 weeks, it would be impractical for most departments to begin the training process.

Creating AI routines for predictive analytics has proven to be even harder. For example, some chief audit executives attending the roundtable said they had tried to use predictive analytics to help them understand when the conditions in the business were reaching a point where risk had crystallised in the past. But the process was too complex. “It was a useful exercise,” said one chief audit executive, “but there were too many data points to accurately predict control failures.”

> “There is no point in trying to reinvent the wheel if you can customise a vendor’s emerging AI tools.”

Real-life applications

Rajesh Singh, director of internal oversight division at World Intellectual Property Organisation, has a small but highly certified team and has been running advanced data analytics pilots, which he expects to launch this year. That comprises over 55 scripts that query and monitor core areas twice a year, such as procurement, human resources and ERP and financials. Recruiting a data scientist and a full-time IT auditor will help him further develop that program into the more commercial aspects of the organisation’s activities as well as moving to test controls on a continuous basis.

Singh secured the buy-in of the Director General, which he says was key. But he decided it would be better for internal audit to develop and run its own data analytics systems even though the in-house IT and security assurance departments had ongoing projects in those areas. “Given the mandate of internal audit, in my view some objectivity for internal audit needs to be maintained,” he says. “We don’t duplicate because I take the results of those departments and feed them into my engagements as an assurance mechanism.” But he says being independent allows him to sample those results if he feels it is worthwhile.

But he agrees that the opportunity cost for developing bespoke AI auditing tools at this stage is perhaps too stretching. Instead, in future he intends to use the AI embedded in the commercial auditing programs that are available and get the vendor’s help to enable his function to deploy what is most readily feasible. “There is no point in trying to reinvent the wheel if you can customise a vendor’s emerging AI tools,” he says.

Retaining a human point of view

More fundamentally though, too great a focus on automation and what can be audited by intelligent systems threatens to narrow the potential scope of what auditors can offer. “Putting all of our energy into automating systems that are sophisticated is okay but are we in danger of missing risks in those grey areas that are not as visible in AI applications?” asked one Risk in Focus 2023 roundtable attendee.

To provide valuable assurance to the business over AI in future, internal auditors must ensure that the right balance between human and artificial intelligence exists in the business.

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How internal audit can help the organisation

1. Assess how far corporate culture strikes the right balance between innovation and risk mitigation.
2. Evaluate whether the organisation monitors its digitalisation and innovation initiatives in relation to its goals.
3. Assess how far the organisation has developed effective metrics to monitor and control its digitalisation and innovation efforts (such as monetary value or market share) and the quality of its data.
4. Evaluate how far the organisation considers data as a strategic risk in its taxonomies and whether the management of threats and opportunities are aligned to that strategic relevance.
5. Assess whether the organisation has a roadmap for progressing to artificial intelligence, including the risk and mitigation measures.
6. Evaluate the organisation's process for assuring the reliability and validity of its artificial intelligence tools.
7. Assess whether the selection and management of third-party vendors are adequate for the organisation's needs if it needs to customise their AI tools.

ABOUT RISK IN FOCUS

For the past seven years, Risk in Focus has sought to highlight key risk areas to help internal auditors prepare their independent risk assessment work, annual planning and audit scoping. It helps Chief Audit Executives (CAEs) to understand how their peers view today's risk landscape as they prepare their forthcoming audit plans for the year ahead.

This year, Risk in Focus 2023 involved a collaboration between 14 Institutes of Internal Auditors spanning 15 European countries which included: Austria, Belgium, Bulgaria, France, Germany, Greece, Italy, Luxembourg, the Netherlands, Slovenia, Spain, Sweden, Switzerland and the UK & Ireland. The highest number of European countries involved so far.

The survey elicited a record-breaking 834 responses from CAEs across Europe. Simultaneously, four roundtable discussions were organised with 39 CAEs on each of the risk areas covered in the report. In addition, we also conducted 9 one-to-one interviews with subject matter experts that included CAEs, Audit Committee Chairs and industry experts to provide deeper insights into how these risks are manifesting and developing.

The colour scheme for this year's Risk in Focus has been chosen as the same colours of the Ukraine flag, to express European solidarity and support with the people of Ukraine.

ECIIA – European Confederation of Institutes of Internal Auditing

IIA Austria
Institute of Internal Auditors Belgium
The Institute of Internal Auditors Bulgaria
ifaci – institut français de l'audit et du contrôle internes
DIIR – Deutsches Institut für Interne Revision e.V.
The Institute of Internal Auditors Greece
Associazione Italiana Internal Auditors
IIA Luxembourg
The Institute of Internal Auditors Netherlands
The Institute of Internal Auditors Slovenia
Instituto de Auditores Internos de España
IIA Sweden
The Institute of Internal Auditors Switzerland
Chartered Institute of Internal Auditors

December CA Mayoral Business Planning 2023-24

Transport Policy and Delivery

Transport Implementation
The team will continue to have a clear focus on delivering the £1.8 billion West Yorkshire Transport Fund and City Region Sustainable Transport Settlement portfolios, as well as wider activity in delivering active travel and LTP schemes. A number of schemes will be completing construction including White Rose Station, Halifax Bus Station, City Square closure (Leeds) and Steeton & Silsden Car Park extension – with a further tranche scheduled to be going into construction.

Wider activity will include ongoing strengthening of quality, EDI and carbon impacts as part of project development and delivery, with a particular emphasis on embedding these aspects through the pipeline and early project development phases. Further work around managing the impacts of inflation on programmes as well as pipeline development will also be key priorities

Transforming Cities Fund

The team will continue to progress transformational projects that deliver priority improvements for bus, rail, cycling and walking. The £457m TCF programme covering Access to Places, Multi-modal Corridors and Hubs and Interchanges will see a number of key projects enter and continue through the delivery phase in the coming year.

The team will also be driving progress on the West Yorkshire Zero Emission Bus programme and we will see bus manufacture and charging infrastructure installation begin.

Whilst managing the CRSTS Safe Roads programme, we will also support the development and implementation of the West Yorkshire Vision Zero road safety strategy.

Transport Policy

Over the next year, the team will continue to work in partnership with the district Authorities and delivery partners to develop the policies, strategies and transport schemes that will support the new Local Transport Plan and transport pipeline.

New Mayors Local Transport Plan and Transport Pipeline
The Team will focus on progressing the new Local Transport Plan and supporting transport pipeline of schemes ready for adoption in March 2024. In partnership with the District Authorities, the team will establish a new Vision, Ambition and targets for transport in West Yorkshire, for delivery by 2040.

The Local Transport Plan will be supported by a series of new supplementary strategies and scheme pipelines, covering a number of thematic and modal areas, including, rail, Park and Ride, Walking and Cycling, Vehicle Technology (including an Electric Vehicle Strategy), Air Quality, Freight, Shared Transport and approach to the use of highway space.

Rail Strategy
The team will continue to work with Government, Transport for the North and Network Rail to support the case for development and delivery of Northern Powerhouse Rail, Transpennine Route Upgrade and enhancements to Leeds Station.

Working with Partners, the team will also focus on developing the next steps of the rail scheme pipeline for West Yorkshire.

Bus Service Improvement Plan and Bus Reform
The team will further develop the proposals in the Bus Service Improvement Plan, including the Bus Network Plan, as part of the Local Transport Plan. The Bus Network Plan will build on the early deliverables to be funded by the Bus Service Improvement Plan and set out the priorities for further integration of the transport network to ensure the bus network provides connectivity and meets the vision set out in the Bus Service Improvement Plan.

The team will also continue to progress the assessment for Bus Reform. The assessment will be presented to the Combined Authority in June to enable an Audit followed by a consultation to enable a Mayoral decision on the outcome of the Bus Reform assessment to be taken in March 2024.

Transport Ops & Passenger Experience

Passenger Experience

The Passenger Experience Team secure free and cheaper bus travel, provide the MCard range of tickets and deliver information services to enable people plan their journeys across the region.

In 2023/24 the team will deliver the initiatives established in the Bus Service Improvement Plan to encourage more people to travel by bus. The Team will seek to improve and modernise how the Combined Authority provides services to its customers and how we can make sure we are inclusive of the needs of our communities. Key projects for the team in 22/23 will be

- Develop the MCard Mobile app to be the “go-to” app for planning and paying for travel in West Yorkshire
- Enabling passengers to pay for travel using “tap on/ tap off” across all buses in the region.
- Improving the reliability and functionality of real time bus information enabling customers to see where their bus is on a mobile app

Mobility Services

The Mobility Services team commissions socially necessary bus services, AccessBus and school transport. As part of its Bus Service Improvement Plan, the Combined Authority is reviewing the bus network and will commission new and changed bus services in response to community need. The team will monitor changes to commercial bus service provision and will seek to maintain community connectivity. Key projects for the team in 22/23 are

- Implementation of new and changed bus services as the first phase of the Bus Network Development Plan
- A full re-procurement of Combined Authority funded bus services
- Review and modernise the AccessBus and FlexiBus demand responsive transport services

Assets Service
The Assets Team manage the Combined Authority’s property portfolio and operates the regions’ bus stations, interchanges, bus shelters and stops. The team will maintain and deliver the portfolio against the Authority’s Asset Development Plan with a particular focus on reducing carbon and energy consumption whilst making our facilities safer and more accessible. Key projects for the team in 22/23 will be

- Opening a new bus station in Halifax

- Install solar panels at bus stations and bus shelters with the aim of making them carbon neutral bus stations and shelters
- Strengthening the Safer Travel Partnership with West Yorkshire Police which deploys uniformed offices to support passengers to feel safe on public transport

Mass Transit

Mass Transit

The Mass Transit team is a dedicated outcome-led team responsible for managing the development and delivery of the strategically important and transformational Mass Transit Programme for West Yorkshire.

In 2023/24 the Mass Transit team will manage the development of the business case workstreams to prepare the Strategic Outline Case for Phase 1 of the Mass Transit Programme and maintain the overall Programme-level Strategic Outline Case. In parallel with this they will manage the development of the Outline Business Case model build including the extensive data collection to provide a contemporaneous database for assessment. This will be supported by the concept design development of the potential route corridors and city-centre routes to inform the subsequent route selection and consultation processes.

These development workstreams will be progressed with the managed engagement of the District Partners working in collaboration with the Mass Transit team and supply chain partners to bring local delivery-led experience and technical stakeholder support. The Mass Transit team will continue to engage with the bus, rail and active travel teams and stakeholders to promote the integration of the Mass Transit Programme with the public transport networks, and with the wider initiatives on EDI, sustainability, climate change, and carbon reduction.

The Mass Transit team will continue to grow in capability and capacity to match the required roles and responsibilities of the Mass Transit Programme. This will be complemented by the development of tools, processes and procedures required to manage and control the Programme. This will in turn supports the enhanced governance processes and key strategies being developed for the Programme.

Inclusive Economy, Skills & Culture

Supporting Inclusion, Equality and Diversity

The Enterprise WY programme will offer support to 500 start-ups and a more intensive package of bespoke support for a smaller number of innovative entrepreneurs from diverse backgrounds.

Adult Education Budgets will provide more support to BME, women and poorer learners. The Enterprise West Yorkshire programme will deliver employment support to 3,200 people, particularly to diverse and disadvantaged groups. Engagement with our network of over 185 schools and colleges will improve careers education and destinations of disadvantaged young people, particularly those with special educational needs and disabilities.

We will work alongside Leeds 2023 and Kirklees Year of Music with a focus of widening participation. We will also develop plans on social prescribing alongside the NHS to support our communities.

Tackling the Climate Emergency

The new Business Sustainability Programme will support 150 SMEs with advice, guidance and funding on energy efficiency, sustainable and active travel, flood prevention measures and recycling.

The recommendations of the Mayor's Green Jobs Taskforce will be delivered to support our approach to tackling the climate emergency and ensure that 1,000 green jobs are created.

Ensuring businesses have access to the support they need

The Business Support Service will support over 3,000 businesses in the year, half of which will access more intensive advice and funding. This will include a stronger focus on outreach activity with partners and communities to engage a more diverse range of SMEs. There will be work to explore how our approach better supports co-operative business and social enterprises.

As least 198 employers will be supported to build a talent pipeline and an inclusive workforce. New support for SMEs to recruit graduates will be developed. We will continue support for SMEs to recruit apprentices through levy transfer.

There will be three international trade and market focused initiatives assisting around 350 businesses to explore potential export opportunities. Regional businesses awareness of overseas market opportunities will be improved by generating 1,000 hits per month to the new West Yorkshire Trade portal.

Supporting our learners to reach their potential

61,900 adults will be provided the opportunity to gain basic skills for work, to upskill and re-train through strategic commissioning of £80m+ adult skills funding. The all-age careers platform will be developed and improved, helping people understand the career opportunities in West Yorkshire and routes to accessing them.

Measures will be developed to deliver the West Yorkshire Digital Skills Plan.

Stronger links will be built with Department for Work and Pensions and the Department for Education to influence national approaches. The authority will work closely with the new Local Skills Improvement Plan being delivered by the Chambers Of Commerce. A successor will be launched to West Yorkshire's ground-breaking delivery agreements with the seven FE colleges in West Yorkshire.

Attract Inward Investment to the Region

Through our inward investment activity, 2,000 new and safeguarded jobs will be created by attracting around 30 new projects to the region. The Combined Authority will manage relationships with around 115 of the region's foreign owned businesses and seek to drive 10 new R&D partnership with regional universities. The Authority will further promote the region through a presence at UKREiiF in May 2023.

Promoting innovation and grow productivity

The service will deliver the new WY Innovation Support programme, including a voucher scheme for 100 SMEs to support the development of new products and processes, the Mayor's Innovation prize and the third annual WY Innovation Festival.

The Business Productivity Programme will also be progressed, providing 100 SMEs across all sectors with advice and finding on how to embed lasting productivity improvements, and the manufacturing sector will also benefit from the Made Smarter regional programme to help 100 SMEs digitise their operations to improve efficiency and competitiveness.

The relationship with Innovate UK will be strengthened through developing a new Local Action Plan, building on the devolution deal commitment. This will drive increased Innovate UK investment in businesses in West Yorkshire. As convener of the regional Healthtech Cluster, we will drive investment into health innovation for the benefit of the economy and patient outcomes. The Authority will Support Space Hub Yorkshire in developing our regional space capability across innovation and R&D, digital transformation and investment.

Creative new deal

On-going delivery of several initiatives to enhance the productivity of the regions creative industries base including an export support programme for 30 creative industries businesses, a targeted mentoring scheme to up-skill a cohort of 20 aspiring TV/Games executives. The Creative Catalyst scheme will also oversee the continuation of the Mayors Screen Diversity Programme – Beyond Brontës which delivers work placement opportunities to over 70 young people aged 18-30. The programme will also seek to generate a more vibrant and connected ecosystem by supporting creative groups and events which specifically engage with disadvantaged groups and underrepresented communities.

We will continue to deliver the creative new deal. This includes developing a package of skills and business support for the creative sector. We will also work closely with Bradford 2025 City of Culture, Culturedale 2024 and Wakefield 2024 to ensure their years of culture are a success.

Commercial Development & Investment

Over the course of 2023-24 the Commercial Development and Investment department is going to:

- Continue to monitor the recently launched Foresight SME Investment Fund as it makes further investments in business within the region.
- Continued focus upon the Enterprise Zone sites to ensure optimum performance of the sites and to deliver long term business rates growth and associated investment and employment benefits.
- Working with internal and external teams to assist with the optimal outcome for the CA for projects with property related assets.
- Working with external stakeholders to deliver alternative funding solutions to provide
- Work with the Commercial Team to help deliver the vision of the Authority wide Commercialisation Project.

Policing Environment & Place

Economic Implementation

The team will commence delivery activity in support of the Climate and Environment Plan, progressing key workstreams in Natural Flood Management and Flood Infrastructure as well as Solar. They will continue to lead on housing Retrofit activity, particularly with the West Yorkshire Housing Partnership through Social Housing Decarbonisation work and the Mayor's Retrofit Booster scheme, whilst commencing early feasibility work aligned to the Better Homes Hub. The team will continue to focus on enabling stalled housing sites to progress in the penultimate year for the Brownfield Housing Fund, supporting delivery of much needed homes and affordable housing in the region. The team will continue to support the British Library in its plans to establish a new physical presence in Leeds, together with conclusion of Superfast West Yorkshire and York including final closure of the programme with Building Digital UK.

Place and Environment Policy

The focus of the place and environment policy team is policy and programme development to support sustainable growth, resilience and tackling the climate emergency. Our activity aims to accelerate delivery and improve the quality of infrastructure including housing, employment sites, digital, flood and energy. Our activity supports a cross-boundary and cross-policy approach to infrastructure planning and delivery, seeking opportunities for cost and efficiency savings. Our activity aims to influence government policy to the benefit of West Yorkshire, to secure additional government funding and to unlock commercial investment. We have a critical role to play in leveraging / mobilising private finance to support the regions infrastructure transition in the context of our 2038 net zero target (the finance required to deliver the 3-year West Yorkshire Climate and Environment Plan is up to £4.4billion). Programme and policy development priorities include building a 249million investment ready Capital Flood Programme, a 7.1million Natural Flood Management Programme, retrofit activity in West Yorkshire through our Better Homes Hub programme, maximising delivery of Project Gigabit broadband in West Yorkshire, creation of an investment ready Flexible Gigabit Grant Programme and implementing our Strategic Place Partnership with Homes England to unlock housing investment in West Yorkshire.

Policing and Crime

During 2023-24 the following strategies will be co-produced to support delivery against the Mayor's Police and Crime Plan: Safer Places and Thriving Communities (Place), Vulnerability and Safeguarding Strategy, Responding to Multiple and Complex Needs

The Mayor's Partnership Executive Group will be developed to give more strategic oversight of partner performance against the Police and Crime Plan. Scrutiny of West Yorkshire Police will continue through the Mayor's accountability structures, including quarterly reporting on performance against the performance framework set out in the Police and Crime Plan. The Mayor will set the police Council Tax Precept and will agree the police budget. The Mayor will continue to have oversight of the way that police complaints are dealt with and will continue to have responsibility for dealing with formal reviews of police complaints. The Mayor will publish an annual report

Joint work with partners will continue through the Local Criminal Justice Board, the Vision Zero Board, Community Safety Partnerships Forum and a range of local partnership boards some of which include: Victims and Witnesses, Mental Health, Modern Slavery, and six others.

The Mayor will continue to work with regional partners on tri-services provision and regional and organised crime governance. Work will continue with the Home Office and police forces and Police and Crime Commissioners/Mayors across England and Wales to agree a transition for the National Police Air Service (NPAS). A fleet replacement commission for NPAS will be agreed. The Mayor will continue to engage with West Yorkshire communities to inform a refresh of the Police and Crime Plan in early 2024.

The Mayor will commission services with Government funding of up to £15m for the period 22 – 25 including: Restorative Justice Service, Sexual Assault Referral Centre (regional provision), Domestic Abuse and Sexual Violence, Independent Domestic Violence Advisers and Independent Sexual Violence Advisers, Victims and Witnesses Support Service, Stalking Advocacy Service

Violence Reduction Unit

The West Yorkshire Violence Reduction Unit (VRU) has received £5.8m in 22/23 to continue its role to lead and coordinate the local response to serious violence. This is part of a three-year arrangement with indicative funding available during 2023/24 and 2024/25. The VRU team costs are affordable throughout the funding period.

As a condition of the funding received from the Home Office the VRU will produce an annual refreshed Needs Assessment and Response Strategy. The current documents can be found here. We are in the process of producing a refresh of both which will be available end of this year and will drive/inform delivery 2023-24. The Response Strategy provides a framework for preventing and reducing serious violence. Informed by an evidence base, the strategy sets out The VRU's understanding of serious violence, local needs and how it will respond to this. From the priorities in the strategy, we will develop a new delivery plan which include programs and interventions. The team will also continue to evaluate all programs as per the home office requirement and will commission a number of research programs to inform our response.

We will deliver the response strategy 2023/24 in partnership and whilst we have flexibility to adopt a broader definition of serious violence, the focus cohort is young people under the age of 25. The Home Office have outlined three key success measures for VRUs which we will aim to achieve as part of our approach, all relate to young people:

- A reduction in hospital admissions for assaults with a knife or sharp object and especially among those victims aged under 25,
- A reduction in knife-enabled serious violence and especially among those victims aged under 25,
- A reduction in all non-domestic homicides and especially among those victims aged under 25 involving knives.

Strategy Comms & Intelligence

(Structure subject to review)

Strategy, Transformation & Corporate Policy
We will create a new service to bring together our existing strategy team with corporate performance, in order to bring greater alignment to our external and internal planning and strategies. We will increase further our focus on Equality, Diversity and Inclusion, making progress towards the ambitious targets included within our Action Plan, and supporting the Mayor's Inclusivity Champion.

We will enter into negotiations with Government about further development of our devolution arrangements, following commitments made in the Levelling Up White Paper and Autumn Statement. We will continue to grow West Yorkshire's impact with Government through the promotion of the West Yorkshire Plan and the convening of partners around the Plan and the ambitious targets within it.

We will continue to support the Mayor and Leaders to make effective decisions about the deployment of funding across the West Yorkshire Investment Priorities, and the relative prioritisation of programmes that support our objectives. We will coordinate the delivery of the UK Shared Prosperity Fund, and continue to develop and deepen our partnership arrangements and relationships across the region.

Research & Intelligence
Based on our existing resources and budget the Research and Intelligence team will continue to provide:

- As a top priority, the data collection and modelling to enable the businesses case for Mass Transit and Bus Reform to be developed. This will include model specification, sign-off and validation of model components (demand, highways and public transport); the integration of model data capture and surveys into the baseline Mass Transit model specification, and following sign off the model will be used to inform the business case.
- Ongoing primary research to support the CA's monitoring, reporting and advocacy in support of the cost of living and doing business.
- Monitor and evaluate major programmes including CRSTS, Transforming Cities Fund, and prepare for gateway review.
- Provide access to a number of key intelligence tools which are needed to support cost of living and doing business, State of the Region and annual LMI report.
- Resource, procure and manage key primary research which supports State of the Region and internal KPI monitoring – such as the West Yorkshire Business Survey – collecting key metrics for policy teams.
- Support the delivery of currently identified business plan outcome measures including the delivery of State of the Region 2023 and its supporting EDI companion document – both of these documents are central to corporate performance monitoring.

Communications

Completing the restructure
Throughout 2022/23, work has been ongoing to build essential capacity, resilience, process and structure into the Communications department. This included a Peer Review from the LGA, which endorsed our existing plans for the development of the service and provided further support and challenge that will help us to develop and refine ways of working. There is still work to be done to refine structures, roles and responsibilities, identify funding and recruit throughout 2023/24, whilst ensuring value for money is provided.

Whilst work to secure posts is ongoing, structures and processes continue to be established and embedded to create efficiencies. A major focus will be the completion and rollout of the Communication strategy – a central approach with more detailed strategies for individual areas. This will be cleared by the Mayor and senior leadership, and will involve greater flexibility on the approaches and use of resource to support funded programmes, as we focus on outcomes and improving lives.

News and Media
We are creating a new press office to replace the old external affairs function. This team will proactively promote the work of the Mayor and Combined Authority and respond to reactive media enquiries in a transparent and timely manner.

We will also transform our digital communications by focusing on the creation and delivery of high-quality, impactful content across all our digital and social channels.

Media engagement will be ramped up with a focus on high-quality news moments, building stronger relationships with key journalists to increase the Mayor's visibility nationally on key issues, being innovative and exploring new ways to reach our audiences, and by prioritising our press and social media work on specific campaigns aligned to the new communications strategy.

A crisis communications plan will be developed to support the organisation through such an event. And we will create a West Yorkshire narrative to help tell our story consistently and effectively across all press and media activity.

Marketing and Campaigns

Communities, consultation and engagement
Work to develop our inclusive approach will continue with wider tactics being used including use of digital / online engagement and more face to face activity, which is essential to reaching seldom heard groups.

Community engagement will ramp up with greater focus on building relationships with community groups in person and online and increasing engagement with young people. A citizen panel will also be explored.

Travel, transport and behaviour change

A cross cutting approach to travel and transport will be finalised for 2023/24, bringing teams together working to a single plan across active travel, transport marketing and strategic transport (including mass transit). Activity will refocus onto modal shift, emphasis benefits and be fronted by real life stories.

Economic growth
The marketing and communications approach will continue to evolve as the new outcome led directorates are embedded into 2023. This will enable end to end storytelling and campaigning, with a focus on high-level messaging and conversion to product and service take up at the end of the funnel.

Climate, environment and place
During 2023 we will establish a new team reflecting changing structures in the organisation. A business case for the Climate Action Plan comms approach will be concluded and launched.
We will continue to develop approaches to place and culture, heritage and sport as resource allows. Unless funding becomes available, this will continue to be delivered through press and online channels rather than campaigns, including our involvement in the Culture framework, Leeds 2023 and other cultural festival, plus telling the story of our successful economic regeneration.

Corporate communications

- A refreshed approach to Colleague Communications will continue with a focus on engagement over broadcast. This will mean more in person activity, making Wellington House our home and revisiting opportunities with staff network groups.
- Our change programme will continue to be a key strand of communication including the evolution of intranet content and use.
- The brand review will be at rollout stage, supported by new guidelines, workshops, templates and assets. Workshops and roadshows will run throughout Q1 to embed a consistent approach and respect for our brand.
- Market research will be more visible, using Your Voice to give more people a chance to engage and to inform our audience understanding.

Finance & Commercial Services

(Structure subject to review)

Commercial

Over the course of 2023-24 based on our existing resources and budget the Commercial team are going to produce:

- New policies and procedures reflecting updated public procurement law
- A minimum of 21 Strategic and 31 Operational procurements.
- Improved collaborative working across Anchor organisations in West Yorkshire.
- Sub-category procurement category strategies.
- An increase in social value commitments.
- An increase in local suppliers to the CA.
- Improvements in the benefits achieved through effective management of contracts.
- In support of the commercialisation project and alongside colleagues from across the organisation; delivery of the action plan, an upskilled and more resilient workforce and a training programme.
- Improved due diligence processes.

Internal Audit

Over the course of 2023-24 and based on our existing resources and budget the Internal Audit team will produce the following outcomes:

- A risk based audit plan that ensures sufficient breadth and depth to provide the statutory requirement for an annual audit opinion to be included the Annual Governance Statement
- A plan of audits of both the Adult Education programme and the Adult Education training providers to ensure sign off of the annual assurance statement for the Department for Education
- Sign off and audit, where appropriate, of grant certifications whose funding agreements require these
- A programme of work in relation to Counter Fraud, Whistleblowing and Anti Money Laundering including investigations and support for the organisation with risk assessments, awareness raising and supporting documentation including reviews of all relevant policies
- A review of the audit universe for the CA including support for the development of an assurance map and accountability structure along with a review of the team structure and design
- Development of the data analytics capability in the team to support real time auditing
- Complete a self-assessment against the Public Sector Internal Audit Standards along with an updated Quality Improvement Plan in preparation for an external assessment in 2024

- Provide a dedicated resource to support the development of the new Multiply programme

Finance

During 2023/24 the finance team will introduce a new team structure which will support robust financial control, financial support for the organisation and provide improved information for decision makers. The team will build on the efficiencies and capabilities of the new integrated corporate systems and produce:

- Group consolidated statutory accounts in line with legislative requirements
- Budget proposals for 2024/25
- Robust in year budget management processes and reporting
- Streamlined treasury management support arrangements and enhanced reporting on this to Members
- Enhanced regular reporting packs of budget and funding information for decision makers
- Continued effective delivery of all core finance support functions including payroll, debtor and creditor management, banking and tax.
- Agile processes for managing funding through the Single Investment Fund, ensuring available funds are maximised to deliver the Combined Authority objectives.

ICT Services

Over the course of 2023-24 based on existing resources and budget ICT Services will deliver:

- Digital transformation:
    - Migration of data and technology services to the Microsoft Cloud for best-in-class availability, mobility and stability.
    - A new call centre solution for improved public engagement.
    - The migration of remaining Skype for Business users to Microsoft Teams for better collaboration across the organisation.
    - The development of a new business to business customer relationship management system for Economic Services.
    - The implementation of a Data and Information Management Strategy.
    - Enhanced digital security operating 24/7 with external monitoring, staff training and stress testing of infrastructure.
    - The implementation of improved geographic information systems to deliver the recommendations of the Location Intelligence Strategy.
    - Rigorous and embedded disaster recovery processes.
    - Digitisation of existing manual processes to improve efficiencies.
    - Empowerment of staff to give more digital skills to stimulate creativity and innovation.

- A new Corporate Technology Strategy.
- Implementation of a new Microsoft Enterprise Agreement and maximisation of its benefits to the organisation
- Management of modern, secure and reliable live technology services that remain operational within the hours covered by their SLA.
- Management of a modern, secure and reliable development technology service to deliver new and enhanced internally produced solutions.
- A high-quality customer centric ICT Service Desk responding to over 600 requests per month.
- New Service & Operational Level Agreements to provide tailored technology services based on business need.
- Support and technical management of the Yorkshire wide real time information system with operational improvements.
- Collaboration with Communications to produce a new online website and social media strategy.
- An annual technology accessibility review with implementation of recommendations.
- Accreditation of Cyber Essentials Plus.

Chief Operating Officer

(Structure subject to review)

Legal & Governance

The Service will support the progression or delivery of key projects across the Authority including: -

- Mass Transit and Bus Reform, Projects and programmes within the WY Plus Transport fund portfolio/CRSTS programme/delivery of LTP schemes and active travel/TCF/Carbon mitigation programme
- Flood resilience projects, Housing retrofit & Solar PV programme
- Brownfield Housing Fund
- British Library North
- Adult Education Budget and Business Support programmes

The Service will continue to support the Authority in relation to its land and property portfolio and will support the strategic evaluation of land and property in line with the Asset Development Plan

In relation to the Policing and Crime (PCC) functions held by the Mayor, the Service will:

- Support the further development of governance arrangements in respect of the Mayor's PCC functions and in particular advise and assist on the development of strategies and decisions taken by or under the delegated authority of the Mayor and advise and assist the Mayor on statutory responsibilities in relation to complaints.
- Support delivery of the Mayor's Police and Crime plan and the commissioning of targeted services.
- Represent the Mayor's interests as LLPB in the transition of NPAS to a new hosting arrangement

The Service will retain a key role in providing both proactive and reactive legal advice and support in relation to all regulatory and compliance matters including health & safety, employment and litigation, with priority to embedding the public sector equalities duty and supporting safeguarding arrangements.

The Service will continue to provide advice and support in relation to Information Governance, as well as the Authority's legal obligations in respect of data protection/GDPR and freedom of information/environmental regulation requests, ensuring the transparency and publication requirements for the Authority are effectively maintained – led by the Data Protection Officer.

The Service will maintain its oversight of the governance of the Authority under the lead of the Monitoring Officer and ensure effective, accountable and transparent decision making a both a political and officer level. This includes ensuring the Authority and its committees comply with the prescribed statutory framework and the associated ethical requirements and providing the role of Statutory Scrutiny Officer.

Key activity will relate to the changes resulting from the organisational evolution programme at an officer level and the integration of the LEP Board into the Combined Authority at a political level.

The Service will continue to provide input in relation to national initiatives and negotiations (e.g. exploring opportunities for further devolution) and also at an organisation level (e.g. supporting the commercialisation of the Authority, the development of the Information Management Project and the EDI initiatives and action plan). The Service will also play a leading role on the lead up to the 2024 Mayoral election.

The Service will continue to build resilience to meet the organisation's needs, implementing a new Legal restructure, reviewing the Governance Services structure and implementing a new case management system.

HR

Over the course of 2023-24 based on existing resources and budget HR will seek to progress and deliver :

- Renegotiation and implementation of revised Terms and Conditions of Employment
- A revised outcome based organisational structure including recruitment to senior roles
- Implement the new ICS system with a focus on the HR elements and reflecting the revised organisational structure, including the development of the talent and succession function
- Continue the work to support the organisation improvement the profile of the workforce to better reflect the communities we serve, including reviewing our recruitment policies and practices and upskilling managers
- Completion of the 5 year Health and Safety strategy including the implementation of a Health and Safety Management System
- Progress the Learning and Development offer to the organisation via the appointment to the Learning and Development Partner role and a review of the function and outputs
- Deliver an annual Health and Wellbeing initiative across the organisation

Portfolio Management and Appraisal

Over the course of 2023-24 based on our existing resources and budget PMA are going to produce:

- A revised Assurance Framework that builds on our existing exemplar AF by undertaking a peer review with other MCAs, that:
    - Incorporates emerging and current funding settlements and continue to introduce flexibilities in process.

- Strengthens our approach to business case development in economic regeneration investment propositions including assessing value for money.
  - Strengthens the assessment of equality, diversity and inclusion and inclusive growth.
  - Embeds the assessment of carbon and wider climate change impacts into appraisals.
- Working with Policy, projects and programme business cases from the IPs and CRSTS that are developed sufficiently and dealt with flexibly and pragmatically.
- Working with the Evaluation team, monitoring and evaluation plans in all business cases
- Improvements in the quality and consistency of programme and project appraisal to support effective decision making, including Appraisal Specification Reports (ASR).

Find out more

westyorks-ca.gov.uk

West Yorkshire Combined Authority
Wellington House
40-50 Wellington Street
Leeds
LS1 2DE

All information correct at time of writing

Report to:	Governance and Audit Committee
Date:	12 January 2023
Subject:	**External audit progress report**
Director(s):	Angela Taylor, Director, Finance and Commercial Services
Author(s):	Mark Wood, Interim Head of Finance

Is this a key decision?	☐ Yes ☒ No
Is the decision eligible for call-in by Scrutiny?	☐ Yes ☒ No
Does the report contain confidential or exempt information or appendices?	☐ Yes ☒ No
If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1:	
Are there implications for equality and diversity?	☐ Yes ☒ 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 an Audit Update Report prepared by Mazars which details progress on the 2020/21 and 2021/22 external audits and provides an update on other audit matters.

2. Information

Confirmation of Auditor Appointment

2.1 On 19 December 2022, the Public Sector Appointments Ltd (PSAA) wrote to the Authority to confirm their Auditor Appointment for 2023/24. The PSAA is responsible for appointing an auditor from 2023/24 to eligible bodies that have chosen to opt into its national auditor appointment arrangements. Following consultation, they confirmed the appointment of Mazars LLP as external auditor of West Yorkshire Combined Authority for five years from 2023/24 to 2027/28. This appointment is made under regulation 13 of the Local Audit (Appointing Person) Regulations 2015 and was approved by the PSAA Board at its meeting on 16 December 2022.

<u>2020/21 Audit of Accounts</u>

2.2 Mazars have received confirmation that WYCA's 2020/21 Whole of Government Accounts (WGA) submission is below the NAO's (National Audit Office's) audit threshold, and they can now complete this work. A clean audit opinion has previously been confirmed and the audit certificate can now be issued to conclude the audit work for that year.

<u>2021/22 Audit of Accounts including Value for Money</u>

2.3 Audit fieldwork has commenced in line with the agreed timescales, and it is planned that the audit findings will be shared by Mazars in February 2023.

2.4 Mazars have yet to fully complete their VFM planning and risk assessment work, however, to date, they have not identified any risks that significant weaknesses in arrangements exist.

2.5 Mazars have provided an audit update which is attached at **Appendix 1**. There are no issues to highlight in the report and Mazars will be present at the meeting to provide any further updates and respond to questions.

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 implications 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.

10. Background Documents

None.

11. Appendices

Appendix 1 – Audit Progress Report prepared by Mazars

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Audit Progress Report

West Yorkshire Combined Authority

Governance and Audit Committee January 2023

Agenda Item 7

Appendix 1

mazars

1. Audit Progress
2. National publications

01

Section 01:

Audit Progress

Audit progress

Purpose of this report

This report provides the Committee's January 2023 meeting with updates on:

- the 2020/21 and 2021/22 audits; and
- recent reports and publications for your information as listed in Section 2.

2020/21 Audit of accounts

Whole of Government Accounts (WGA)
We have received confirmation that WYCA's 2020/21 WGA submission is below the NAO's (National Audit Office's) audit threshold, we can now complete this work. We plan to work with management to complete the 2020/21 WGA audit at an appropriate time.

Audit Certificate
The Audit Certificate will be issued, and the audit formally 'closed', when the remaining stages set out above have been completed.

2021/22 Audit of Accounts

Financial statement's audit
Our final draft Audit Strategy Memorandum (ASM) for 2021/22 was reported to the July 2022 Governance and Audit meeting. This has been reviewed by our Engagement Quality Control Review (EQCR) Partner and we can confirm there are no further changes to our approach or to the risks identified. We have received the 2021/22 draft financial statements and as per our ASM we have started the fieldwork stage of the audit. We plan to report our findings in February 2023.

As highlighted in Section 2 of this report, there is currently some uncertainty over CIPFA's proposed resolution of the Infrastructure accounting matter. As at the time of drafting this report, we expect CIPFA to provide a resolution to the issue early in 2023. We are continuing to liaise with management on this matter and will keep the Committee informed as the audit progresses.

Value for Money Work
The scope of the value for money (VFM) assessment is largely unchanged since 2020/21 and the management self assessment with supporting evidence, provides a good platform for the 2021/22 assessment. The Financial Stability theme is expected to be an area of focus, as in common with our other local government clients, the sector faces increasing uncertainty over future funding and cost pressures.

Although we have not fully completed our VFM planning and risk assessment work, to date, we have not identified any risks that significant weaknesses in arrangements exist. We will report any identified risks to the Audit and Governance Committee on completion of our planning and risk identification work. We plan to issue our Auditor's Annual Report within the NAO's three month deadline, following the completion of the 2021/22 financial statements audit.

02

Section 02:

National publications

National publications

	Publication/update	Key points
Chartered Institute of Public Finance and Accountability (CIPFA)		
1	CIPFA LASAAC issues urgent consultation on Code of Practice – Infrastructure Assets	The CIPFA LASAAC Local Authority Code Board has released temporary proposals to update the Code of Practice on Local Authority Accounting in the United Kingdom for infrastructure assets. This is yet to be resolved
2	CIPFA : Audit Committees Practical Guidance for local authorities and police	Guidance and resources for audit committee members.
National Audit Office (NAO)		
3	Guide to Corporate Finance in the Public Sector	The guide uses insights from NAO stakeholder engagement and draws on NAO experience of auditing government interventions and corporate finance activities
4	Improving government data: A guide to senior leaders	The aim of the guide is to encourage decision-makers to realise the benefits of better use of data by helping them understand in more detail the core issues to be addressed which have held back progress in the past
5	WGA 20-21 and 21-22	The NAO's Whole of Government Accounts (WGA) team has now issued Group Audit Instructions (GAI) and the Assurance Statement in respect of the 2020-21 and 2021-22 WGA processes
Financial Reporting Council (FRC)		
6	FRC Major Local Audit Inspection Report	Outcome of the FRC inspection of audit quality from 2020/21 audits
Public Sector Audit Appointments Ltd		
7	Consultation on proposed auditor appointments from 2023/24	Consultation document

NATIONAL PUBLICATIONS

CIPFA

1. CIPFA LASAAC issues urgent consultation on Code of Practice – Infrastructure Assets

The issue of accounting for infrastructure assets is a technical accounting one, and arises principally because of information availability relating to these assets.

Accounting for infrastructure in local government has not historically been considered to be an area of significant audit risk, due to the inalienable nature of the assets and the use of a historical cost basis of accounting. However, concerns have been raised that some authorities are not applying component accounting requirements appropriately. The issue raised is in relation to the derecognition (removal of the carrying amount) of parts of infrastructure assets when replacement expenditure is undertaken. There are also related issues for the reporting of gross historical cost and accumulated depreciation. Infrastructure assets are one of the few categories of property, plant and equipment assets measured at historical cost rather than at ‘current value’. The valuation process for these assets was deemed to be too costly and, therefore, infrastructure assets are held in local authority balance sheets at depreciated historical cost.

Normal custom and practice for (highways) infrastructure assets is that derecognition does not affect asset balances because the assets are expected to have been fully used up before the replacement expenditure takes place; this does require that assets are properly depreciated in line with the requirements of the Accounting Code. This issue arises in part because of limitations on historical information relating to when the assets were first recorded on balance sheets in the early 1990s, and where there have been transfers of assets because of local authority reorganisations. It is also extremely difficult to clearly identify the parts of the assets which are being replaced.

The CIPFA LASAAC Local Authority Code Board has released temporary proposals to update the Code of Practice on Local Authority Accounting in the United Kingdom for infrastructure assets. An urgent consultation on these proposals closed on 14 June 2022.

The temporary proposals address the above issue regarding the derecognition of parts of local authority infrastructure assets as they are replaced. CIPFA LASAAC and CIPFA established a Task and Finish Group to find a solution to this issue and consider the outcome of any proposed changes to the code. Following advice from the Task and Finish Group, CIPFA LASAAC has now issued temporary proposals for changes to the code relating to how these issues are reported. They include:

- confirming the accounting consequences of derecognition, e.g. that the effect on the carrying amount is nil (on a presumption that the replaced parts are fully depreciated);
- temporarily adapting the code to remove the reporting requirements for gross historical cost and accumulated depreciation
- providing extra guidance on how depreciation may be applied for infrastructure assets
- CIPFA LASAAC will consult on a longer-term solution later in the year.
- As at the time of writing this report this matter has yet to be resolved.

https://www.cipfa.org/policy-and-guidance/urgent-task-and-finish-group-local-authority-infrastructure-assets

NATIONAL PUBLICATIONS
CIPFA

2. CIPFA : Audit Committees Practical Guidance for local authorities and police 2022 edition – October 2022

The guidance and suite of publications (only available for those with a subscription) has separate guidance resources for audit committee members in authorities, members of police audit committees, and a supplement for those responsible for guiding the committee. New aspects include legislation changes in Wales and new expectations in England following the Redmond Review.

The link to the publication is here: **https://www.cipfa.org/policy-and-guidance/publications/a/audit-committees-practical-guidance-for-local-authorities-and-police-2022-edition**

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NATIONAL PUBLICATIONS

National Audit Office

3. Guide to Corporate Finance in the Public Sector - September 2022

The NAO recently published a guide to corporate finance in the public sector. The guide uses insights from NAO stakeholder engagement and draws on NAO experience of auditing government interventions and corporate finance activities. It covers 14 themes over three core areas:

• Principles and concepts

• Organisations and functions

• Transactions

The interactive guide contains insights from 139 NAO reports and sets out key questions for senior decision-makers to consider when overseeing corporate finance activities. It may also be of interest to professionals supporting the government to deliver a range of transactions, including commercial investments, loans and guarantees. While not directly focussed on local public services the guide may be of interest to local auditors and audited bodies.

https://www.nao.org.uk/insights/guide-to-corporate-finance-in-the-public-sector/

4. Improving government data: A guide to senior leaders - July 2022

The NAO has published Improving government data: A guide for senior leaders aimed at accounting officers, chief executives, director generals, directors and chief operating officers and people responsible for government services. The aim of the guide is to encourage decision-makers to realise the benefits of better use of data by helping them understand in more detail the core issues to be addressed which have held back progress in the past. The guide focusses on data to support the operational delivery of public services, but much of the guide will also be relevant to data for decision-making and to improve performance

https://www.nao.org.uk/insights/improving-government-data-a-guide-for-senior-leaders/

NATIONAL PUBLICATIONS

National Audit Office

5. Whole of government accounts (WGA)

WGA 2020-21 - July 2022

The NAO's Whole of Government Accounts (WGA) team has now issued Group Audit Instructions (GAI) and the Assurance Statement in respect of the 2020-21 WGA process. In a change to the process for 2020-21, HM Treasury have elected to raise the threshold for local government to £2bn, aligning it with the central government threshold. While all entities above the minor bodies threshold will continue to have to complete and submit a WGA return, only those above the threshold as set by HM Treasury will be required to have their return subject to audit.

The rights and requirements of the NAO can extend beyond the thresholds set by HM Treasury, which do not prejudice the rights of the NAO. As group auditor, the NAO WGA team will need to consider the revised HM Treasury thresholds alongside HM Treasury's developing analytical review controls to determine whether they require, for their purposes, any assurances from auditors of components who are below the HM Treasury thresholds.

The deadline for submission of returns for the 2020-21 WGA process is 31 August 2022. Completed returns should be sent to: wgareturns@nao.org.uk

WGA 2021-22 - August 2022

The HM Treasury wrote to component finance teams notifying them that the deadline for submitting Cycle 2 returns has been extended to 30 September 2022. As a result of this, the WGA audit team have revised the deadline for assurance statements to 30 September, to align with HM Treasury's deadline. HMT also highlighted the WGA guidance for preparers, as it can be helpful for addressing a number of general queries:

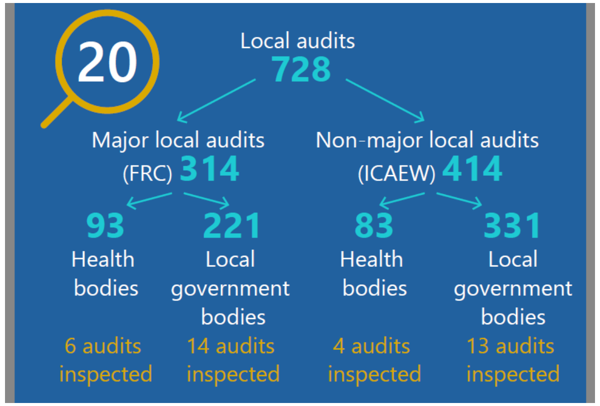
https://www.gov.uk/government/publications/whole-of-government-accounts-2020-to-2021-guidance-for-preparers

NATIONAL PUBLICATIONS
Financial Reporting Council

6. FRC Major Local Audit Inspection Report - October 2022

The FRC is responsible for monitoring the quality of the audits of the largest health and local government entities (called Major Local Audits or MLAs). They do this by annually inspecting a sample of MLAs from each of the audit firms who deliver this work. In their most recent publication, they reported on their review of 20 MLAs, three of which related to Mazars. The ICAEW also reviewed 17 non-MLAs (none from Mazars).

Audit firms undertaking local audits	Number of major local audits (within scope of AQR inspection)	Market share %	Reviewed by AQR in 2021/22
Grant Thornton UK LLP	125	39.8%	7
Ernst & Young LLP	72	22.9%	4
Mazars LLP	55	17.5%	3
KPMG LLP	24	7.7%	2
BDO LLP	21	6.7%	2
Deloitte LLP	17	5.4%	2
Total	**314**		**20**



For Mazars, the FRC found that all 3 2021.22 files reviewed met the expected standards.

This was the second successive year of 100% compliance for Mazars.

Whilst the sample size is small and focused on the higher risk audits, these strong outcomes reflect the investment we have made in people, technical expertise, specialists (such as building an in-house valuation team) and strengthening our audit methodology. Maintaining and improving audit quality is a key objective of the firm and our investment will continue.

Overall, the FRC found that the number of audits categorised as good or limited improvements required has remained consistent with the prior year. However, there was an increase in the number of audits assessed as requiring significant improvements and they deemed this as unacceptable.

NATIONAL PUBLICATIONS
Public Sector Audit Appointments Ltd

7. Consultation on proposed auditor appointments from 2023/24, October 2022

PSAA has consulted on the on the proposed auditor appointments for all opted-in bodies for audits from 2023/24 to 2027/28. The consultation closed on 14 November 2022.

https://www.psaa.co.uk/2022/10/consultation-on-proposed-auditor-appointments-from-2023-24/

Contact

Mazars

Director : Mark Dalton

Email: mark.dalton@mazars.co.uk

Manager: Mark Outterside

Email: mark.outterside@mazars.co.uk

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

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Report to:	Governance and Audit Committee
Date:	12 January 2023
Subject:	**Treasury Management**
Director(s):	Angela Taylor, Director, Finance and Commercial Services
Author(s):	Celia Yang, Group Finance Manager

1 Purpose of this report

1.1 To endorse the Treasury Management Statement and Strategy prior to their consideration by the Combined Authority.

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 on 20th October and 10th November 2022, with Leeds City Council and 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. It is intended to bring together all the treasury management arrangements such that they will be administered by a single partner authority. The Treasury Management Strategy encompassing the whole organisation is attached as **Appendix 1**.

2.3. 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.

2.4. The full budget report is in preparation for the Combined Authority meeting of 2 February 2023. This will include the Treasury Management Statement and Strategy. These are included at Appendix 1 and comments on the draft statements are invited from members. Members are asked to note that the Treasury Management Statement (TMS) and arrangements are required to cover the whole organisation but recognising that the decision making arrangements are different for policing activity and for the rest of the Combined Authority. The draft TMS has been updated for the new requirements of the Codes of Practice as set out below, and provides the framework for planned treasury activities, and the capacity for these to be extended for any further borrowing required.

Implementation of the CIPFA Codes of Practice 2021 – key update

2.5. Members were informed in the last meeting that work was ongoing in the implementation of CIPFA's revised Codes of Practice for Capital and Treasury Management from 1 April 2023. The Treasury Strategy Statement 2023/24 has incorporated those requirements. The key areas updated are as follows:

Treasury Management Reporting

Annual strategy report (this report), and half year report and outturn report to be introduced from 2023/24.

Prudence in borrowing and investment

Non treasury investment should be clearly identified and reported reflecting their service or commercial purposes, especially for those commercial investments taken or held primarily for financial return. The objective is that risks associated with such investment are proportionate to its financial capacity.

Prudential Indicators (PIs)

- New PI's for non- treasury investments (for above)
- Liability benchmark for debt - a tool of monitoring and planning for future borrowing requirement (separate for the CA fund and police fund). It aims to minimise or reduce refinancing, interest rate and credit risks by profiling the borrowing portfolio against a benchmark. It equals net loans requirement plus short-term liquidity allowance. Any substantial mismatches between actual loan debt outstanding and the liability benchmark should be explained. Any years where actual loans are less than the benchmark indicate a future borrowing requirement; any years where actual loans outstanding exceed the benchmark represent an overborrowed position, which will result in excess cash requiring investment.
- PI monitoring tool for in year reporting with financial health is reported quarterly from 2023/24.
- PI's reflect ring fenced accounts (i.e. Police Fund portfolio)

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 The treasury management strategy will inform and shape future financial decision making.

7 Legal Implications

7.1 The appendices seek to ensure compliance with the CIPFA Code of Practice.

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 the position on treasury management and the attached treasury management statement and provide any feedback on its contents.

11 Background Documents

None.

12 Appendices

Appendix 1 – Treasury Management Strategy Statement 2023/24

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Appendix 1 – Treasury Management Strategy Statement

1. This statement sets out the Treasury Management Strategy for 2023/24 and limits under the prudential framework. It has been prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice 'Treasury Management in Public Services' which is re-adopted each year by Members of the Combined Authority. The statement and its implementation are currently updated twice annually in the final accounts and budget reports and also reviewed quarterly at Treasury Management meetings with any key findings reported to the Governance and Audit Committee.

2. The Combined Authority is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the Authority's low risk appetite in this regard, providing adequate liquidity initially before considering investment return.

3. The second main function of the treasury management service is the funding of the Authority's capital plans. These capital plans provide a guide to the borrowing need of the Authority, essentially the longer-term cash flow planning, to ensure that it can meet its capital spending obligations. This means that the Combined Authority must calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This means that capital expenditure must be limited to a level where increases in charges to revenue from additional external interest and running costs are
affordable within the projected income levels for the foreseeable future.

4. CIPFA defines treasury management as:
"The management of the local authority's borrowing, investments and cash flows, including its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

5. The Local Government Act 2003 and Local Authorities (Capital Finance and Accounting) Regulations 2003 set out the system of capital finance to be followed by all local authorities from 2004. This appendix is intended to take account of the requirements of the regulations and to set them in the context of the Treasury Management Code of Practice. It also takes into account the risk appetite of the Combined Authority in this regard and the focus on ensuring security of the funds is set out further in section 15.

6. The treasury management arrangements must encompass all activities undertaken by the Combined Authority. This treasury strategy recognises the borrowing necessary to fund the capital programme requirements of both the General Fund (Combined Authority excluding policing) and the Police Fund. It should be noted that the decision making arrangements will differ for these two elements with the revenue costs of borrowing being included within the revenue budgets of the general fund and police fund accordingly.

7. For the Combined Authority non-policing activity borrowing is required to support the delivery of the full West Yorkshire plus Transport Fund and to support corporately determined schemes for which no capital resource other than borrowing has been identified. In addition, local funding has been committed to the Transforming Cities Fund and the arrival of gainshare funding provides an income stream which is intended will be used at the appropriate time to support borrowing. Estimates of the likely funding required are set out in the capital annex below and further work is underway to ensure there is a full robust programme of delivery for all schemes that will enable the borrowing requirements for future years to be fully understood. The short term borrowing requirement is likely to be offset as external investments are internalised to reduce counterparty risk implicit within external investments. Work is underway to determine the extent to which future years' gainshare will be utilised to support a future capital programme and the extent of any borrowing required. The forecasts will be updated as these plans are crystallised. Borrowing is also required to support the delivery of policing in West Yorkshire, with a range of projects in development.

Treasury Management activity – Borrowing and Investments

8. The overall treasury management portfolio as at 30 November 2022 and for the projected position as at 31 March 2023 are shown below for both borrowing and investments.

Total Loans outstanding at 01/4/2022	**£m**
Fixed term loans - CA General Fund	75.0
Fixed term loans- Police Fund	74.4
Activity during 2022/23:	
Loan repayment - CA General Fund	0.0
Loan repayment - Police Fund	(0.6)
Anticipated loan outstanding at 31/03/2023:	**148.8**
Activity expected during 2023/2024:	
New borrowing for the Capital Programme - CA General Fund	0.0
New borrowing for the Capital Programme - Police Fund	0.0
Borrowing repaid - CA General Fund	0.0
Borrowing repaid - Police Fund	(0.6)
Anticipated loans outstanding at 31/3/2024	**148.2**
Total Investments	
Investment - CA General Fund at 1 April 2022	498.5
Investment - Police Fund at 1 April 2022	84.0
Net of new Investment in year - CA General Fund	122.5
Net of new Investment in year - Police Fund	25.8
Anticipated CA General Fund investment placed at 31/03/2023	**621.0**
Anticipated Police Fund investment placed at 31/03/2023	**109.8**

9. Since the start of 2022/23 the interest rate environment has been driven by global supply bottlenecks, the implications following the Russian invasion of 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 3.5% and forecast to rise further, possibly past 4%. Opportunities to refinance loans remain limited.

10. Leeds City Council undertakes the monitoring of the financial markets on behalf of the Combined Authority. The agreed policy is to seek to minimise the rates at which the Combined Authority borrows and to continue to refinance any longer term loans if rates appear advantageous. No such opportunities have arisen so far in 2022/23. The Combined Authority has a loan portfolio with historically competitive rates and the economic climate has been such that there have been no suitable opportunities identified for refinancing.

11. The business planning and budget report sets out the estimated requirement for borrowing to supplement the capital grants received. The calculations in the annex demonstrate how this works through the capital financing requirement and set out the financing costs which are then included within the appropriate revenue budget.

12. 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. This has led to the changes agreed during previous years to enable these larger sums to be better managed. Over the past three years the limits and counterparties have been kept under regular review to ensure the sums available for investment are able to be placed appropriately. The Authority has a portfolio of investments in fixed deposits but also keeps an element of liquid cash in call/notice accounts to manage day to day cashflow needs. For longer term deposits the selected counterparties are constantly monitored and meet the strict eligibility criteria stipulated under Leeds City Council's investment policy which has been adopted by the Combined Authority. This approach will continue during 2023/24 with an expectation that the Combined Authority will continue to have high cash balances to invest due to the advance payment of capital and other grant funding. Within the existing policy the Combined Authority can also invest in money market funds and this opportunity may also be taken to enable effective management of what is expected to be further significant cash advances of City Region Sustainable Transport Settlement, Brownfield Housing, Adult Education Budget, and other capital funding initiatives under the Mayoral Combined Authority in 2023/24, including the £38 million annual gainshare payment.

13. The general level of borrowing and investments is handled efficiently by Leeds City Council and has produced a situation where the Combined Authority has, in relative terms, very low borrowing costs. Regular meetings are held with the Leeds City Council staff who undertake treasury work for the Combined Authority under the terms of a signed service level agreement, and these meetings ensure a satisfactory level of control and monitoring is achieved. These meetings also consider the overall treasury management strategy and ensure that the policies in place continue to be appropriate to ensure that the Combined Authority's funds are managed to provide security and liquidity. A similar arrangement is in place for the policing funds, with support currently provided through Wakefield Council.

14. The Combined Authority has strict rules on investment criteria which are set out in paragraphs 15 to 18 for consideration and re-approval. These are set to minimise the risk to the Combined Authority's funds but does also mean that interest earned on deposits is lower than taking a higher risk approach would be. It is therefore in the Combined Authority's interest to seek to utilise any cash balances to reduce the costs of long term borrowing and this policy will continue to be pursued to reduce external Counterparty risk.

Treasury Management Activity – Investments Criteria

15. In general it is intended there should be no long term investments by the Combined Authority with any surplus cash being invested short term up to a maximum term of one year. The level of future investments will fluctuate on a short-term basis due to cash flow requirements but will be maintained as low as possible. Any investments undertaken by the Combined Authority follow the guidance of the Department for Levelling Up, Housing and Communities (DLUHC) having regard to the concept of security, liquidity and then yield with emphasis being placed on the "return of funds" rather than the "return on funds".

16. It is proposed that the existing policy of utilising external support for treasury management continues. At present this is provided by the Treasury Management Teams in Leeds City Council (for CA general funds) and Wakefield Council (for the Police Fund) and it is expected that these services will continue to be provided by one of the local authority partners.

17. The Combined Authority has several rules in place for short term investments/borrowing, as set out below and that these should continue to be applied, with changes highlighted in bold below: -

    17.1. The Chief Finance Officer (Director, Finance and Commercial Services) shall determine the amounts and periods.

    17.2. The procedural documents as approved for their Treasury Management Division by Leeds City Council and Wakefield Council shall be adopted in relation to the Combined Authority's short-term investments encompassing the Council's list of approved financial organisations and the maximum lending limits per organisation, as specified in that document from time to time.

    17.3. No investment will be for a period exceeding 12 months other than with other local authorities and then only for a period not exceeding 36 months. The limits for each of the next three years are that for investments for a period greater than 364 days, that no more than £20 million (for each of the CA general fund and police fund portfolios) will mature in each of 2023/24, 2024/25 and 2025/26.

    17.4. Investments with Leeds City Council will not exceed £15 million, the interest rate for such deposits being agreed between the Chief Finance Officers of both organisations. This arrangement is a continuation of approved arrangements put in place some years ago to recognise the potential conflict of interest that could arise.

17.5. Investments with any one counterparty should not exceed £15 million (for each of the CA fund and police fund portfolios).

17.6. Investments with the Combined Authority's bankers are specifically excluded from the limits set out, in recognition of the fluidity of such arrangements.

18. The proposals above would provide the flexibility for the Combined Authority to invest its surplus funds which, as they are expected to continue to increase, will become increasingly difficult to place on the market. As the capital programme progresses and new borrowing requirement increases it is anticipated that external investments will be internalised to fund this borrowing requirement pending locking into long term funding and also reducing external Counterparty risk. The proposals are deemed low risk and are in accordance with the criteria applied by Leeds City Council to its treasury arrangements.

THE PRUDENTIAL INDICATORS

19. The principal purpose of the prudential system is to allow authorities as much financial freedom as possible whilst requiring them to act prudently. There is no formal requirement arising from this to set government borrowing approvals but government retains the power to do so and it has determined that Combined Authorities are required to agree a debt cap with government.

20. The debt cap operates on long-term external debt and does not limit capital spending funded from internal cash flow or short-term external debt (less than 1 year). The agreement will be reviewed in light of emerging initiatives, local or national, which have a material impact on the Combined Authority borrowing totals. Agreement made with the government on limit on the Authority's total long-term external debt for 2022/23 is £304.1 million, and indicatively as £381.6m for 2023/24 and £477.4m for 2024/25. This limit has been derived from the current agreed long-term investment plans of the authority including those investment required for provision of policing services, with some significant headroom to enable flexibility.

21. The projection of external debt figures outlined in this report falls well within the year end ceilings incorporated into the debt deal.

22. Irrespective of this cap restrictions are imposed through the CIPFA Prudential Codes which require every authority to set prudential indicators and limits and thus be satisfied that it can afford the results of its borrowing and to ensure investment is in line with its place making remit and not solely for financial yield. These limits, which must not be exceeded, must be formally agreed by the Authority before the start of each financial year.

23. The applicable codes governing our arrangements are the "Treasury management in the Public services – Code of Practice and the "Guidance notes 2021" and "The Prudential Code - for capital finance in Local Authorities 2021", as well as Treasury management in the Public Services Guidance Notes for Local Authorities including Police bodies and fire and rescue authorities 2021 which is now formally part of the CIPFA codes as well as recognising the DLUHC Investment guidance which has always had statutory

underpinnings. In summary these Codes emphasise that local authorities must ensure that all its capital and investment plans and borrowing are prudent and sustainable. In doing so it will consider its arrangements for the repayment of debt and consideration of risk and the impact, and potential impact, on the authority's overall fiscal sustainability. While indicators for sustainability are required to be set over a minimum three year rolling period, indicators should be set in line with a capital strategy and asset management plan that is sustainable over the longer term.

24. A capital strategy should demonstrate that the Combined Authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability. The Capital Strategy, last approved in April 2021, is being reviewed and updated, and will be reviewed alongside the West Yorkshire Investment Strategy in the first part of this year.

25. The Code requires full capital and revenue plans to be prepared for at least three years forward in order to assess the financial effects of the planned capital investment. In the Combined Authority the three year financial strategy is considered by Members on a regular basis and to ensure a level of affordability, it is currently the policy that borrowing to meet capital expenditure will be limited to proposed levels. Restricting borrowing in this way ensures that all debt charges are covered by known income streams, including through its levy on the Districts, gainshare funding or through precept/Home Office funding for borrowing on delivering policing services.

26. In accordance with the above, overall capital expenditure will be met firstly by grants and other resources leaving the balance to be met by borrowing.

27. There are significant levels of grant provided to the Combined Authority under a range of programmes and with the prospect of future funds through any successor programmes. Recognising the demands upon infrastructure investment it is proposed that other alternative methods of financing during the year remain under consideration as and when appropriate. The financial viability and value for money of such methods will require investigation and savings found within the budget to accommodate the costs involved. Members will be asked to approve any such methods before they are implemented.

28. The Combined Authority has in place a five year borrowing facility with the European Investment Bank (EIB) which provides a flexible financing offer to support the West Yorkshire Plus Transport Fund. Many of the schemes in the West Yorkshire plus Transport Fund meet the EIB funding criteria and this provides an attractive alternative to the traditional PWLB lending. The UK's withdrawal from the European Union does not preclude this arrangement taking place.

29. When the Combined Authority last reviewed the borrowing limits in the light of market rates, it was determined that the limit was to be set at a level sufficient for the current year plus the equivalent of two years anticipated borrowing requirement which is derived from the capital allocations. This was intended to

provide flexibility for fund management allowing borrowing to take place when rates are low rather than being tied into strictly annual borrowing.

30. The Annex initially creates limits set at the required level of borrowing for 2023/24 and 2024/25. To provide more flexibility in managing the funding operation it was previously agreed that approval be given to borrow to cover loan requirements for the current plus the following two years.

31. The attached (**Annex 1**) shows the calculation of the following prudential indicators separately for the CA general fund portfolio and the ring fenced police fund portfolio:

31.1. Gross external Borrowing requirement (Gross Debt and CFR). The gross borrowing requirement should not exceed the Capital Financing Requirement (CFR).

31.2. The ratio of debt charges to overall expenditure. This is not significant to the Combined Authority as it is effectively controlled through the level of the levy, and the level of precept for the police fund (as referred to above).

31.3. The operational boundary should reflect the maximum anticipated level of external debt consistent with budgets and cash flow forecasts. It should be seen as a management tool for on-going monitoring of external debt, and may be breached temporarily due to unusual cash flow movements.

31.4. The authorised limit represents the legislative limit on the Combined Authority's external debt under the Local Government Act 2003. It should be set with sufficient headroom above the operational boundary to allow flexibility for planned borrowing to be undertaken, in order for prudent treasury management decisions to be taken and temporary cash flow fluctuations to be managed.

31.5. The limit on non-Treasury Investment should not exceed £20m. It also includes a ratio of estimated return on investment against revenue stream and net income from investments as a proportion of usable reserves.

31.6. The Combined Authority is required to set upper and lower limits for the maturity structure of its borrowings. This is designed to limit the risk of exposure to high interest rates by restricting the level of maturing debt in any given year. The limits represent the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. It is proposed that these limits remain unchanged.

32. The Liability Benchmark (or gross loans requirement as **Annex 2**) looks at a net management of the treasury position. It aims to minimise/reduce refinancing, interest rate and credit risks by profiling the borrowing portfolio against a benchmark. Liability bencharks are broken down between the CA general fund and the ringfenced Police Fund in accordance with CIPFA

guidance. There is no mismatch between the actual loan debt outstanding and the liability benchmark based on the current forecast.

33. The Prudential Code requires Members to have an approved Treasury Management Policy (this is set out above) and to agree limits for variable and fixed rate loans. It is recommended that the maximum limit for variable rate loans continues to be set at 40% and the limit for fixed rate loans remains at 200%. This reflects the current position that arises from the increase in cash balances and investments resulting from an increase in advance grant funding.

Minimum Revenue Provision (MRP) Policy Statement

34. Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, where the Authority has financed capital expenditure by borrowing it is required to make a provision each year through a revenue charge (MRP).

35. The Authority is required to calculate a prudent provision of MRP which ensures that the outstanding debt liability is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits. The recommended MRP statement is as follows:

    a) For expenditure incurred before 1 April 2008 which forms part of supported capital expenditure, the MRP policy will be 4% reducing balance

    b) From 1 April 2008 for all unsupported borrowing the MRP policy will be Asset life method (annuity) – MRP will be based on the estimated life of the assets such as land and buildings.

36. Capital expenditure incurred during 2023/24 will not be subject to an MRP charge until 2024/25, or in the year after the asset becomes operational. The Combined Authority will apply the asset life method for any expenditure capitalised under a Capitalisation Direction.

37. The CA's policy is to finance shorter lived assets from capital receipts, grants and contributions where possible, with borrowing generally reserved for long term assets generated such as land and buildings.

Annex 1 - Treasury Management Strategy Statement Performance Indicators

DM10e		Current year 2022.23 Forecast	Year+1 2023.24 Estimate	Year+2 2024.25 Estimate	Year+3 2025.26 Estimate
PRUDENTIAL CODE INDICATORS					
CAPITAL EXPENDITURE					
Estimate of Capital Expenditure					
WYCA - General	£k	231,890	421,366	438,615	317,201
WYCA - Police Fund	£k	41,757	52,866	25,100	11,868
Total	£k	273,647	474,232	463,715	329,069
Capital Financing Requirement					
Borrowing					
WYCA - General	£k	100,188	116,280	152,756	218,016
WYCA - Police Fund	£k	120,166	154,051	162,469	161,527
Sub Total Borrowing	£k	220,354	270,331	315,225	379,543
Other Long Term Libilities					
WYCA - General	£k	0	0	0	0
WYCA - Police Fund PFI	£k	81,883	79,326	76,100	72,598
Sub Total Other Long Term Liabilities	£k	81,883	79,326	76,100	72,598
Total Capital Financing Requirement	£k	302,237	349,657	391,325	452,141
EXTERNAL DEBT					
Operational Boundary					
WYCA - General	£k	100,000	100,000	100,000	100,000
WYCA - Police Fund (incl. Other LTL PFI)	£k	219,000	258,000	253,000	252,000
Total		319,000	358,000	353,000	352,000
Authorised Limit					
WYCA - General	£k	229,000	282,000	345,000	318,000
WYCA - Police Fund (incl. Other LTL PFI)	£k	269,000	275,000	261,000	259,000
Total	£k	498,000	557,000	606,000	577,000
Actual External Debt (year end Forecast)					
WYCA - General					
PWLB	£k	50,000	50,000	50,000	50,000
Market (Inc LOBO)	£k	25,000	25,000	25,000	25,000
Short term (Actual)	£k	0	0	0	0
Total Gross External Debt	£k	75,000	75,000	75,000	75,000
Other Long Term Liabilities	£k	0	0	0	0
Total Including OLTL	£k	75,000	75,000	75,000	75,000
WYCA - PCC					
PWLB	£k	64,776	64,146	63,516	62,886
Market (Inc Fixed Rate)	£k	9,000	9,000	9,000	9,000
Short term (Actual)	£k	0	0	0	0
Total Gross External Debt	£k	73,776	73,146	72,516	71,886
Other Long Term Liabilities	£k	0	0	0	0
Total Including OLTL	£k	73,776	73,146	72,516	71,886
AFFORDABILITY					
Estimate of Financing Cost to Net revenue Stream					
WYCA - General					
Financing Cost	£k	7,045	7,134	6,798	6,993
Net Revenue Stream	£k	98,375	103,533	102,269	101,127
Ratio	%	7.16%	6.89%	6.65%	6.92%
WYCA - PCC					
Financing Cost	£k	5,885	6,135	6,186	6,594
Net Revenue Stream	£k	147,863	156,656	165,405	170,521
Ratio	%	3.98%	3.92%	3.74%	3.87%
INVESTMENTS - WYCA General Only					
Limit on non-Treasury Investments		20,000	20,000	20,000	20,000
Estimate of Net Income from Investments for Commercial and Service Purposes					
Income	£k	108	108	75	57
Ratio of Income from Commerical and Service Puposes to Net revenue Stream	%	0.11%	0.10%	0.07%	0.06%
Net Income from Investments for Commercial and Service Purposes as a Proportion of usable Reserves					
Useable Reserves	£k	346,053	430,000	300,000	210,000
Ratio of Income from Commerical and Service Puposes to Usable reserves	%	0.03%	0.03%	0.03%	0.03%

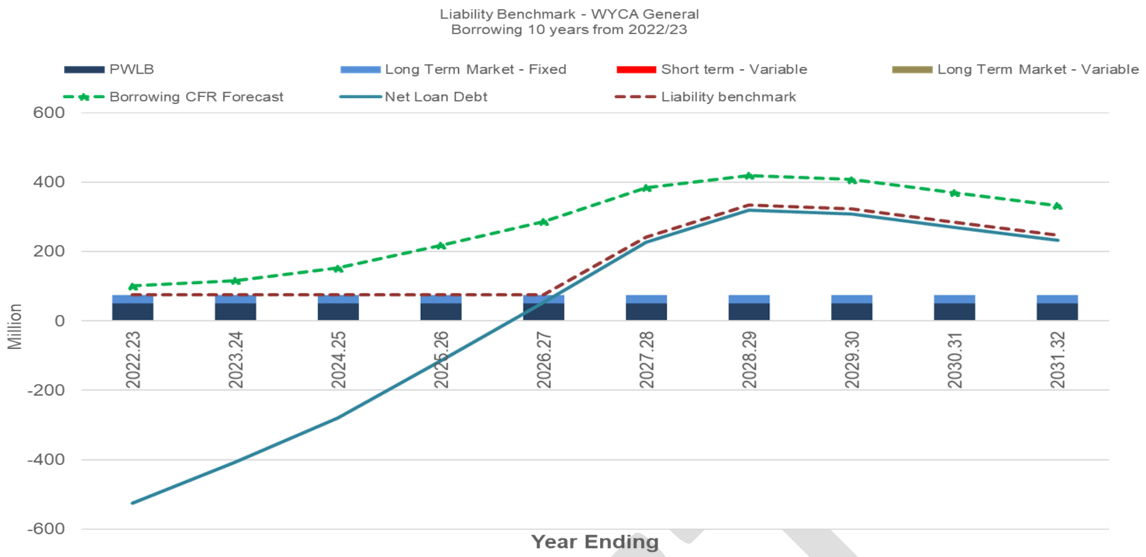
TREASURY MANAGEMENT CODE INDICATORS

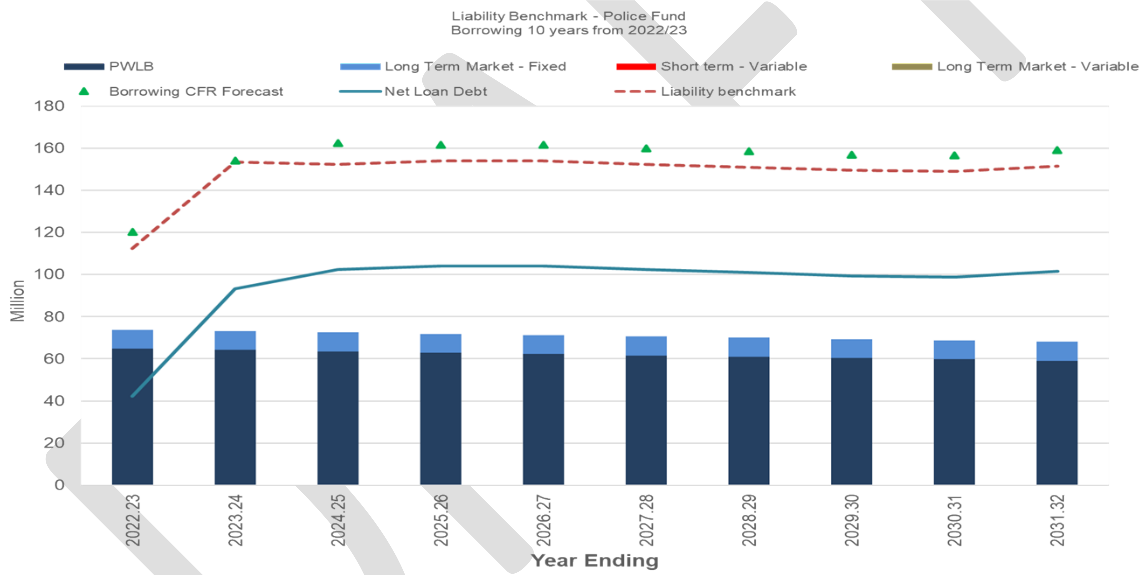
Liability Benchmark for Borrowing	See Annex 2
Liability Benchmark for Investments	Not Applicable

Maturity Structure of Borrowing 2023/24	Lower	Upper	CA General Fund Projected £m 31/03/2023	%	Police Fund Projected £m 31/03/2023	%
under 12 mths	**0%**	**30%**	-	0%	-	0%
12 mths and within 24 mths	**0%**	**20%**	-	0%	-	0%
24 mths and within 5 years	**0%**	**50%**	-	0%	-	0%
5 years and within 10 years	**0%**	**75%**	-	0%	5	7%
10 years and within 20 years			-		-	
20 years and within 30 years			9		52	
30 years and within 40 years	**25%**	**100%**	41	100%	-	93%
40 years and within 50 years			15		17	
50 years and above			10		-	
			75	100%	74	100%

Upper limit for long term Teasury Investments to mature in following years	CA General Fund	Police Fund
Year +1	20,000	20,000
Year +2	20,000	20,000
Year +3	20,000	20,000

Annex 2 – Liability Benchmark





Report to:	Governance and Audit Committee
Date:	12 January 2023
Subject:	**Compliance and Monitoring**
Director(s):	Angela Taylor, Director, Finance and Commercial Services
Author(s):	Mark Wood, Interim Head of Finance

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.

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. The Combined Authority has approved changes to the officer sub delegation scheme following the restructure of the senior team but this has not directly affected any internal controls.

2.3 Work is continuing on the implementation plan for the integrated Finance, HR and payroll system CIAnywhere and prior to go live the control environment for the system will be considered and approved by the Project Board which includes the Director, Finance and Commercial Services and the Head of Internal Audit.

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, safeguarding, statutory returns and transparency arrangements. Actions are being identified to ensure compliance is adequately documented and evidenced. Internal Audit has recently completed a compliance audit of financial controls in the Transport and Property Services directorate. Further details are included in agenda item 5.

Key indicators

2.5 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.

2.6 No RIDDOR incidents have been reported since the previous meeting and in this financial year.

2.7 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.

Q2 2022/23 Financial Update

2.9 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.

2.10 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 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.

2.11 Work is underway to ensure that the year end position will be a break even one, with staffing savings due to higher than planned vacancies balancing out the other in year pressures arising from inflation.

2.12 The draft budget proposals taken to the Combined Authority on 8 December set out an approach that keeps the transport levy unchanged, recognising the challenging financial environment for local authorities and utilising some in year savings on concessionary reimbursement to meet the expected increase in bus tendered services in 2023/24. Further work will be required during 2023/24 to consider the affordability of the current levels of bus support as government funding comes to an end and higher contract prices are expected to continue to emerge. This work will include a review of the provision and funding of school services.

Capital Programme Update

2.13 The table below summarises the total expenditure on the Combined Authority's capital programme as at quarter 2 2022/23. This includes the current expenditure forecast 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.

Capital Programme Expenditure	Indicative Forecast Combined Authority February 2022	Revised In-Year Forecast as at September 2022	Expenditure upto Quarter 2 2022/23	% of in-year Forecast
Transport Programmes				
City Region Sustainable Transport Settlement		£68,280,000	£5,283,946	7.74%
Transforming Cities Fund (inc. Tranche 1) (non CRSTS)	£129,518,965	£64,467,093	£13,401,738	20.79%
West Yorkshire plus Transport Fund	£102,395,761	£59,726,739	£29,572,653	49.51%
Zero Emissions Bus Regional Areas		£3,818,701	£0	0.00%
Leeds Public Transport Investment Programme	£368,755	£2,870,000	£1,431,447	49.88%
Integrated Transport Block (CA legacy projects)	£4,281,941	£5,288,676	£1,739,830	32.90%
Active Travel		£7,489,580	£2,671,396	35.67%
New Station Fund	£10,000,000	£3,687,541	£3,731,910	101.20%
Economic Development Programmes				
Getting Building Fund		£11,377,575	£8,783,808	77.20%
Brownfield Housing Fund	£29,178,719	£29,178,719	£150,552	0.52%
Social Housing Decarbonisation Fund		£5,061,627	£253,685	5.01%
British Library North	£3,803,586	£3,803,586	£0	0.00%
Corporate Projects	£2,609,900	£2,609,900	£821,457	31.47%
Broadband	£2,429,409	£1,525,169	£85,018	5.57%
Growth Deal - Economic Development		£123,300	£0	0.00%
Business Accelerator Fund	£3,070,000	£3,070,000	£2,165,255	70.53%
Total Capital Spend	**£284,587,036**	**£272,378,206**	**£67,842,421**	**24.91%**

2.14 Expenditure of almost 25% (of the current expenditure forecast) at quarter 2 is in line with prior years and seasonality of the Combined Authority's annual capital spend. The majority of spend, often over 60%, tends to be achieved in the final quarter.

2.15 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.

2.16 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.

Report to:	Governance and Audit Committee
Date:	12 January 2023
Subject:	**Risk Management Strategy**
Director:	Angela Taylor, Director, Finance and Commercial Services
Author(s):	James Bingham, Corporate Planning and Performance Officer

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 to ensure it is still fit for purpose and reflects the needs of the evolving organisation and environment we are working within. The Risk Strategy and associated risk management tools will be updated to reflect the Combined Authority's outcome led organisational operating model and structure. This will update how risks are viewed and managed across the Combined Authority.

The areas that have already been addressed and actioned include:

- An update of the directorate risk registers to make them more user friendly and fit for purpose
- The creation of a risk management working group that consists of seven risk coordinators across the directorates and two corporate planning and performance officers. This working group meets monthly to discuss all aspects of risk management in all of the directorates.
- Clarification of the escalation process from a directorate level risk and corporate level risk.
- Initial steps taken towards integration of the policing and crime team risk management.

Further areas that are being addressed over the coming months are:

- Review of the current risk registers and re-alignment to the new structure of the organisation – current risks need to be moved to the correct directorate and risk owners will need to be reassigned.
- An update of the corporate risk register to be more user friendly and fit for purpose.
- Following the finalisation of the 2023/24 business plans an update of the specific risks across the directorate risk registers and corporate risk register will be carried out. This will include closing risks that are no longer relevant, adding new risks that are identified through the outcomes stated on the business plans.
- The new corporate risk register design will explicitly link to the seven corporate objectives to place a greater causal link on risk to delivery of long term impacts.
- Further integration of the Policing Teams in the Risk Strategy and Risk Register.
- Further investigation of the risk appetite categories and scoring.

2.2 The Corporate Planning and Performance Team is working in partnership with Directorates to embed a focus on more active risk management, ensuring the strategy is consistently applied and that teams are supported to monitor and control risks and issues more effectively. Corporate Planning and Performance Officers meet on a monthly basis to assess and support the risk management process across all directorates.

2.3 Recent work has focused on feedback from the senior team in the following areas:

- Differentiation in the Corporate Risk Register between potential risks that might occur, and risks that are currently active. This has been actioned and the corporate risk register now differentiates between risks (aspects that have the potential to occur), and Issues (risks that have materialised and are currently affecting the Combined Authority)
- The importance of risks focusing on equality, diversity and inclusion (EDI). This has been actioned and now there are multiple risks on the register relating specifically to EDI.
- Support for prioritising review of the escalation process to ensure consistency of approach. This has been actioned and there is now clear information on each risk register of the escalation process.

3. Tackling the Climate Emergency Implications

3.1 There are no climate emergency implications directly arising from this report. The risk management strategy and tools will allow the Combined Authority to identify and mitigate risks associated with tackling the climate emergency.

4. Inclusive Growth Implications

4.1 There are no inclusive growth implications directly arising from this report. The risk management strategy and tools will allow the Combined Authority to identify and mitigate risks associated with Inclusive Growth.

5. Equality and Diversity Implications

5.1 There are no equality and diversity implications directly arising from this report. The risk management strategy and risk management tools will allow the Combined Authority to identify and mitigate risks associated with Equality and Diversity.

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 – December 2022 Update. The Corporate Risk Register will be updated following the integration of the new organisational structure on January 1 2023 to reassign risk owners to the new directorate and roles.

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RISK REGISTER

Register:	Corporate Risk Register
Date:	16-Dec-22

Type	Risk	Consequences	Existing Mitigations	Likelihood	Impact	Rating	Rating at Last Review	Direction of Travel	Further Mitigations	Risk Owner	Last Review Date	Risk/ Issue
Environmental	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.	Why may cause the CA to suffer reputational harm if targets are not met; Unacceptable levels of environmental harm if targets are not met.; Significant resource pressure on delivering our other corporate priorities, particularly in delivering pipelined projects which require environmental assessment	1. Climate and Environment Plan agreed based on the Carbon Emissions Reduction Pathway. 2. Pipeline of schemes in development e.g. Better Homes Hub, Business Sustainability package. Climate and Environment is identified as on of the six Investment Priorities. 3. Gainshare funding allocated to climate and environment Investment Priority. 4. Carbon Impact Assessment tool agreed and embedded into Assurance Framework. All schemes applying through the Assurance Framework must use it. 5. PMA will report cumulative potential carbon reduction impact of schemes. Progress towards the carbon target is reported through the State of the Region.	**5 Very Likely**	**3 Moderate**	**High Risk**	**Medium**	▲	1. Delivery of programmes through the Climate and Environment plan.	Director of Strategy, Communications, and Intelligence	16/12/2022	Risk
Reputational	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.	Which may cause significant delays to delivery; an inability to coordinate effective responses to regional challenges	1. Continue work to strengthen key partnerships; 2. Member and Officer representation on formal and informal groups, panels and committees across every aspect of the organisation's work.	**2 Unlikely**	**4 Serious**	**Medium Risk**	**Medium**	—	1. Continue to strengthen key partnerships 2. Partnership communication strategy being developed 3. Strategic approach to managing relationships to be embedded across the organisation	Managing Director	03/10/2022	Issue
Safety and Security	Due to the high volume of people and inherent operational risks present in a bus station, transport interchange or CA facility, there is a risk that a major accident or injury occurs at a CA facility	Which may cause serious injury or loss of life to staff, service user or member of the public; financial loss through legal costs or service disruption; loss of public confidence; disruption to services and service users	1, Health and safety policies, procedures and processes in place 2. Ongoing staff training 3. Continual monitoring of Health and Safety risks 4. Working with district emergency planning units to share knowledge and develop joint plans	**2 Unlikely**	**5 Critical**	**High Risk**	**High**	—		Director of Transport Operations and Passenger Experience	16/12/2022	Risk
Service Delivery and Operational	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.	Which may cause additional pressure on the CA to fund replacement services; disruption or significant alteration to existing services This may also create an opportunity to improve services and reform existing arrangements.	1. Close relationships with operators to obtain early warnings 2. Dialogue with DFT, TFN	**3 Possible**	**4 Serious**	**High Risk**	**High**	—	1. Internal work in progress on potential operator models and scenarios	Director of Transport Operations and Passenger Experience	16/12/2022	Risk

Service Delivery and Operational	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	Which may cause significant operational issues, as well as generate resourcing pressures and challenges	1. Continued dialogue with Government 2. Policy and Strategy directorate continuing to monitor emerging national trends	**3 Possible**	**5 Critical**	**Very High Risk**	**High**	▲	1. Continued work with local LEPs and Combined Authorities. 2. improved partnership working between the local authorities and combined authority	Managing Director	03/10/2022	Risk
Service Delivery and Operational	Due to over-optimistic profiles, capacity within District partners and recruitment and retention challenges, there is a risk that we fail to fully deliver projects and programmes (e.g. TCF & WYTF) within timescales or budget, or with the anticipated level of benefits	Which may cause harm to the Combined Authority's reputation; loss of / lower future funding allocations and grant approvals; a poor outcome at milestone reviews.	1. Significant monitoring and controls in place through PMA 2. Continuing support to districts through secondment of projects/programme staff 3 Challenge on delivery profiles of individual schemes through Assurance Framework	**3 Possible**	**5 Critical**	**Very High Risk**	**Very High**	—	1. Annual review of WY+TF & TCF portfolio with Chief Highways Officers [Craig Taylor / Dave Haskins / Mark Ramsden]	Director, Delivery	03/10/2022	Issue
Finance and Resources	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.	Which may cause the suspension of services that threaten our future delivery capability; significant disruption to our ability to increase economic productivity and tackle climate change.	1. Budget discussions taking place with Districts as part of annual budget & business planning process 2. Ongoing Devolution discussions with key stakeholders and Government, including the UK Shared Prosperity Fund.	**3 Possible**	**4 Serious**	**High Risk**	**High**	—	1. Continuing to Liaise with Government on clarity over funding through UK Shared Prosperity Fund, Levelling-Up Fund 2. Funding sources being considered through annual budget setting process, including Gainshare 3. Indicative Gainshare allocations to be considered by CA in Feb 22 including pipeline development	Director of Inclusive Economy, Skills and Culture	03/10/2022	Issue
Service Delivery and Operational	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	Which may cause reputational damage and the need to fundamentally reconsider organsiational business priorities.	1. Research and Intelligence continue to model potential impacts and long term scenarios 2. Working closely with partners and representative groups to identify possible long term impacts and develop joint responses	**3 Possible**	**5 Critical**	**Very High Risk**	**Very High**	—	Business plans revised for 2022/23 and corporate objectives updated to reflect changing organisational and external environment.	Managing Director	03/10/2022	Risk
Service Delivery and Operational	Due to staffing availability issues as a result of an increase in Covid-19 cases and/or self isolation, there is a risk that frontline services and business as usual activities cannot be adequately provided	Which may cause Possible closure of bus stations if staffing levels not adequate Inability to meet demand for business enquiries/ support Reputational damage if business critical services not delivered	1.Staffing levels being monitored and individual circumstances being regularly reviewed Individual resilience plans in place for frontline services National guidance on testing and isolating changing which will also help mitigate this risk	**1 Very Unlikely**	**4 Serious**	**Medium Risk**	**Medium**	—		Director of Transport Operations and Passenger Experience	16/12/2022	Issue
Finance and Resources	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	Which may cause inability to deliver against corporate objectives and business plan priorities.	1. Financial scenario undertaken and being continually updated 2. Continued liaison with Government to understand funding opportunities 3. Budget Working Group meeting to oversee response	**3 Possible**	**5 Critical**	**Very High Risk**	**Very High**	—		Managing Director	03/10/2022	Issue
Reputational	Due to technology limitations, there is a risk to the CA's EDI external view from partners and the public.		An EDI host page is to be created that can better bring into view the EDI related pages on the website. Where the CA has agreed EDI accreditations/charters/definitions, associated actions are to be shaped.	**4 Likely**	**3 Moderate**	**High Risk**	**High**	—		Director of Strategy, Communications, and Intelligence	03/10/2022	Risk

Finance and Resources	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	Negative impact on revenue, failure to meet agreed cost targets, budget pressures for the CA.	Pricing strategy and marketing campaigns and launch of new sales platforms	**5 Very Likely**	**4 Serious**	**Very High Risk**	**Very High**	–	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%. Review and restructure of TPN with keen focus on b2b sales Review of residential MCard sales to seek opportunities from above Potential developments of further products and functionality within the MCard mobile app Potential integration of journey planning tool in the MCard app to encourage one-stop shop and higher volume	Head of Passenger Experience	16/12/2022	Risk
Service Delivery and Operational	Due to operator business failure there is a risk of significant change to bus services. The outlook remains volatile and uncertain into 2023 due to a combination of external factors including - inflation, interest rates, uncertainty on Govt funding beyond March 23, driver shortages, recession/cost of living crisis etc.	Service cancellations/withdrawals, increased tender costs, reduced community accessability.	Negotiating/ contacting replacement services.	**4 Likely**	**4 Serious**	**Very High Risk**	**Very High**	–	Early warning system for business failure. Close consultation with industry.	Head of Mobility Services	16/12/2022	Risk
Environmental	Due to existing portfolio programmes and projects Carbon zero may not be achieved by 2038	No realisation of one of the six CA priorities Reputational damage	Climate Emergency action plan in place (but not funded) £40m gainshare and £8m TCF funding is available for Net Zero projects (TCF funds fully committed) Escalated to ILB / SLT	**5 Very Likely**	**4 Serious**	**Very High Risk**	**Very High**	–	Full review of all programmes to determine scale of problem Possible de prioritisation/ scope change required	Director of Transport Policy and Delivery	03/10/2022	Risk
Finance and Resources	Due to Covid-19, Brexit and the war in Ukraine, there is a risk inflation will impact on the delivery and affordability of funding programmes. Due to significant rising inflation and energy costs there is a risk that costs increase significantly across Combined Authority programmes and projects.	Funding Programmes are unaffordable and therefore some projects may need to be de prioritised or outputs / outcomes reduced Potential reduction in external funding drawdown (eg SHDF) Partners may not wish to bid for future external funding (eg SHDF Wave 2) if they have to carry inflation cost Which may cause projects and programmes to need to be re-scoped or deprioritised to remain within funding envelopes, resulting in fewer positive outcomes being delivered for West Yorkshire.	TCF and WY+TF annual reviews Cap CA funding for projects, seek sponsors to underwrite cost over runs / value engineer Escalated to ILB / SLT all Project Managers to consider the potential impact inflation rates may have on budgets and delivery Early discussions with funders, BEIS / MHCLG etc Value engineer and therefore aim to keep costs within project allocations. 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. 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 could be considered as part of the funding programme annual reviews from 22/23.	**5 Very Likely**	**4 Serious**	**Very High Risk**	**Very High**	–	Full review of WY+TF and TCF projects to determine scale of problem Possible re-prioritisation of projects required	Director of Transport Policy and Delivery	03/10/2022	Issue
Finance and Resources	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	No control over partner spend against projects as they are progessing outside of funding agreements, partners coming back for additional funding and the CA not having clear sight of what has been spent to date, lack of ability to reimburse partners for genuine expenditure on projects, risk around funding providers withdrawing funding and leaving partners and/or CA liable for sunk costs. Lack of opportunity for overage.	Work arounds agreed in principle between CA Legal and Partners, but not being adhered to, some FA's are now 12-24 months in and not been signed by partners. Escalated to ILB / SLT	**5 Very Likely**	**4 Serious**	**Very High Risk**	**Very High**	–	See existing controls	Director of Transport Policy and Delivery	03/10/2022	Issue

Service Delivery and Operational	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	Funding agreements delayed leading to subsequent delays in payment of eligible spend and / or inability to demonstrate 'commitments' to government on specific funding programmes. Increased costs due to requirement for external support. Poor contract management of external resources inpacting on deliverables and VfM Delays in procuring / instructing external advisers to act on CA's behalf.	New framework agreement with Pinsent's available for external legal advice Monthly meetings held with both Legal and Procurement to review pipeline of work and to prioritise Budget allocation from capital programme agreed by CA to support Corporate Services personnel focussed on Delivery Capital funding provided to support the procurement of external resources Buddying support provided to less experienced Delivery staff to support drafting of technical briefs (e.g. on overage) Dedicated Legal resource agreed to support EZ programme	**4 Likely**	**4 Serious**	**Very High Risk**	**Very High**	**–**	RfDs to SLT for additional resource to support the delivery of CRSTS and Gainshare Further discussion may be required on SLAs Progression of decisions on Legal & Commercial ODs required from SLT	Director of Finance and Commercial Services	16/12/2022	Risk
Finance and Resources	Due to rising national inflation and energy costs there is a risk that the Combined Authority's costs, including energy will rise significantly.	Which may cause significant extra cost to the organisation for which additional funding will need to be found.	Energy reduction measures designed in to building refurbishments 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	**4 Likely**	**3 Moderate**	**High Risk**	**High**	**–**	Wellington House refurbishment has introduced measures to reduce energy costs and increase efficiency e.g. installation of solar panels Further work required to scope measures on other CA assets such as bus stations	Director of Finance and Commercial Services	16/12/2022	Issue
Safety and Security	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.		Significant activity in place to promote wellbeing and signpost staff to support Specific support services in place including Employee Assistance Programme and Mental Health First Aiders Capacity issues being identified and monitored through Senior Leadership Team and Organisational Designs being implemented where required.	**3 Possible**	**4 Serious**	**High Risk**	**High**	**–**		Managing Director	03/10/2022	Risk
Service Delivery and Operational	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.		Interim improvements to advertising of vacancies put in place. HR advisor appointed to drive targeted recruitment campaign with a focus on diversifying the profile of staff in the organisation. Extensive action plan developed and working through to implementation. 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. 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. People Plan scheduled in the Organisational Evolution programme revising staff values and behaviours, staff development, staff culture etc. 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. ICS programme in development to ensure that staff profiling data can be analysed and used to inform improvement in recruitment processes.	**3 Possible**	**4 Serious**	**High Risk**	**High**	**–**		Director of Finance and Commercial Services	03/10/2022	Risk
Legal and Compliance	Due to internal capacity, there is a risk that the Equality, Diversity and Inclusion (EDI) objectives for the CA are not met.		EDI is now fully embedded as a workstream within the Organisational Evolution programme. an EDI Action Plan has been developed. An EDI gap analysis is being completed to identify areas of strength and areas where there are opportunities to develop further.	**4 Likely**	**3 Moderate**	**High Risk**	**High**	**–**		Director of Strategy, Communications, and Intelligence	03/10/2022	Risk

Transformational Change	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.		MCA Change Programme now concluded which included significant projects to update systems and processes. MCA Digital programme in delivery to further improve ICT infrastructure and tools. Integrated Corporate Systems project in delivery to modernise the organisation's HR/Finance systems. Corporate objectives have been revised to reflect the organisation's broadened scope and directorate business plans have been designed around these to ensure delivery. The likelihood is expected to reduce in approximately 6 months as the projects referenced deliver.	**3 Possible**	**3 Moderate**	**Medium Risk**	**Medium**	–		Director of Finance and Commercial Services	16/12/2022	Risk
Service Delivery and Operational	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.		Capacity and skills gaps identified through business planning process and partnership work and these are being addressed. Organisational design (OD) processes underway across the organisation to ensure adequate capacity and structure of teams. Whilst ODs are likely to conclude in the near future there remains ongoing pressures related to capacity / recruitment.	**3 Possible**	**3 Moderate**	**Medium Risk**	**Medium**	–		Director of Finance and Commercial Services	16/12/2022	Risk
Reputational	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.		One structural review took place in 2020 and a significant organisational restructure of the service is underway.	**3 Possible**	**3 Moderate**	**Medium Risk**	**Medium**	–		Director of Strategy, Communications, and Intelligence	03/10/2022	Risk
Safety and Security	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.		Security review undertaken for individuals and practical actions being implemented as a result of this. Security review of buildings undertaken and practical measures being implemented. Training and awareness raising for staff is underway.	**2 Unlikely**	**4 Serious**	**Medium Risk**	**Medium**	–		Managing Director	03/10/2022	Risk
Finance and Resources	Due to challenges in bringing forward Enterprise Zone sites within Growth Deal / GBF funding and occupier incentive timescales, there is a risk that there is insufficient occupied floorspace to generate projected business rates income.	Which may cause a requirement to use corporate reserves to meet the shortfall; Harm to future service provision which is revenue dependant, with subsequent impact on ability to deliver economic objectives set out in the SEP.	1. Prudent level of income forecasting included within 20/21 - 22/23 budget projections 2. Dedicated HoS in place to focus on residual sites (Jan 22)	**3 Possible**	**4 Serious**	**High Risk**	**High**	–		Director of Inclusive Economy, Skills and Culture	16/09/2022	Risk
Reputational	Due to the negotiations on revised terms and conditions not being agreeable to the trade union and staff there is a risk of industrial action and reputational damage	Which may result in Unison advising members against agreeing to the proposals, and result in the new Terms and Conditions not being implemented.	Ongoing engagement with trade unions post negotiation stage. Delay on Mcard causing a delay in seeking agreement and implementation. TU undertaking indicative ballot to seek agreement to move towards ballot for acceptance or rejection	**2 Unlikely**	**4 Serious**	**Medium Risk**	**High**	▼	Detailed negotiations with the TUS on all aspects of the proposals and early sight of employee handbook etc. TU undertaking indicative ballot to seek agreement to move towards ballot for acceptance or rejection	Head of HR	08/03/2022	Risk
Reputational	Due to a lack of resources, sufficient partner support or effective performance measures, there is a risk that the benefits of the CA and LEP aren't communicated successfully to the region	Which may cause a reduction in perceived impact of LEP/CA work; weakened partnership or public relations; increased lack of partner buy-in	1. Continued embedding of communications service and strategy	**3 Possible**	**3 Moderate**	**Medium Risk**	**Medium**	–	1. Continuing development of performance and reporting measures and metrics 2. Development of refreshed communications and marketing strategy. 3. Internal communications to be developed to ensure that all parts of the organisation understand their role in sharing information with the communications and marketing team, so that progress can be communicated effectively with all relevant audiences.	Director of Strategy, Communications, and Intelligence	01/11/2021	Issue

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Report to:	Governance and Audit Committee
Date:	12 January 2023
Subject:	**Assurance Framework Annual Review**
Director:	Melanie Corcoran, Interim Chief Operating Officer
Author:	Craig Taylor, Head of PMA

1 Purpose of this report

1.1 To report on progress on the annual review of the Leeds City Region Local Framework which must be reviewed annually and uploaded onto the Combined Authority's and LEP's website by 28 February 2023.

1.2 For the Governance and Audit Committee to provide feedback on the proposed revisions to the Leeds City Region Assurance Framework.

2 Information

2.1 The Local Assurance Framework was developed in 2015 as part of the Growth Deal with Government and in February 2021 was updated to comply with changes arising from the West Yorkshire Devolution Deal for a Mayoral Combined Authority. Its purpose is to ensure that the necessary systems and processes are in place to manage funding effectively, and to ensure the successful delivery of the Strategic Economic Framework (SEF) and West Yorkshire Investment Strategy (WYIS) ambitions. Its focus is to ensure that necessary practices and standards are implemented to provide the Government, Combined Authority, the LEP and local partners with assurance that decisions over funding (and the means by which these decisions are implemented) are proper, transparent and deliver value for money. It covers all projects and programmes funded (revenue and capital) from Government or local sources that flow through the LEP and / or the Combined Authority.

2.2 The Local Assurance Framework must be reviewed annually and uploaded onto the Combined Authority's and LEP's website. The deadline for this to be completed is 28 February 2023.

2.3 In the period after 28 February 2022, minor changes have been made on two occasions by Written record of an officer decision (WROD):

- In June 2022 to reflect the new Adult Education Budget (AEB) delegations in Appendix 7 as approved by resolution of the Combined Authority on 17 March 2022.
- In November 2022 to reflect the changes to the Committee Structure approved by the Combined Authority at its Annual Meeting on 23 June 2022, to update all references to the Managing Director to Chief Executive and to revise the AEB table of delegations to include Multiply, that was approved at the Combined Authority on 21 October 2022.

2.4 The Assurance Framework has been prepared in accordance with HM Government Local Growth National Assurance Framework guidance (September 2021) and builds on a body of existing good practice. The LEP has to comply with this guidance for the relevant funding streams, but the principles are also applied to the Combined Authority, as the accountable body for the LEP for all funding streams.

2.5 The Governance and Audit Committee is requested to note that no further update has been published by DLUHC with regards the Local Growth National Assurance Framework guidance since September 2021. An update is expected to be published prior to 28 February 2023 but is not expected until late November / December 2022. Any changes to Assurance Framework resulting from this update will be reflected in this year's review of the Local Assurance Framework as soon as these are available. Significant changes are not expected and therefore this year's review will focus on changes requested by Combined Authority officers, partners and LEP Board members.

2.6 The Combined Authority's Internal Leadership Board (ILB) have provided the following comments that will be incorporated:

- Include in the Introduction a lay persons explanation of what the Assurance Framework is.
- Better definition of the LEPs role and the Leeds City Region.
- Internal feedback on the Assurance Framework to be sought and incorporated as necessary.

2.7 The draft Assurance Framework draft has been presented to and supported by the LEP Board at its meeting on 1 December 2022. It will also be shared with Corporate Scrutiny Committee on 20 January 2023.

2.8 A copy of the latest draft Local Assurance Framework 2023 (with track changes) can be found be found at Appendix 1. The key changes to date are outlined below:

- The updates outlined in 2.3 above.
- Branding update.
- Section 8. The Combined Authority's approach to evaluation has been updated.

- Include in the Introduction a simple explanation of what the Assurance Framework is.

2.9 Further updates will be made based on the updated Local Growth National Assurance Framework guidance and the outcome of the committee reviews and the proposed peer review as outlined below.

Proposed Peer Review

2.10 The Local Assurance Framework continues to adopt a flexible and proportionate approach based on an assessment of risk, cost, and deliverability. For example:

- A low cost or low risk scheme may proceed from Activity 2 to Activity 4 with either a simplified business case template (business justification) or a strategic outline case.
- A programme level strategic outline case may allow individual schemes to develop a final business case only for approval.
- The Portfolio Management and Appraisal Team (PMA) work with promoters to give guidance and advice for a proportionate approach to be achieved.
- Approvals can be delegated as appropriate to shorten timescales.

2.11 Although our Assurance Framework is seen as exemplar, experience shows that flexibility and proportionality can be improved and in the current climate, we are keen to ensure improvement. Therefore, a peer review will be undertaken as follows:

- Collect the Assurance Frameworks from the other eight MCAs (completed).
- PMA to compare these Assurance Frameworks against the West Yorkshire Combined Authority's and note the similarities and differences.
- PMA to contact each PMA / PMO equivalent in each of the MCA's and discuss how theirs is working, how they would change it, what issues they have had, what is working well etc. and whether they are having the same issues and if so, what are their plans, if not why not. To begin this process, an MCA Assurance Network has been set up. The first meeting is on 24 November 2022.
- Engage with users of the Assurance Framework (Combined Authority and partners) to determine from their perspective what is working well, what issues they have, what changes they would like to see etc.
- PMA to report back their findings with recommendations so that decisions can be made as to what further work / changes are required.

2.12 It is difficult to predict what the review will recommend and therefore it is difficult to put a timescale on the review. However, it is unlikely that the review can be incorporated into the revised Assurance Framework on 28

February 2023 and therefore it is proposed the Assurance Framework will be further updated at the Combined Authority's annual meeting in June 2023.

Next Steps

2.13 The proposed revisions to the Assurance Framework will also be reported to the Scrutiny Committee on 20 January 2023.

2.14 Following Governance and Audit Committee and after the publication of the revised Local Growth National Assurance Framework guidance, the Department for Business, Energy & Industrial Strategy (BEIS) will be sent the draft Local Assurance Framework 2023 for their review.

2.15 The revised Assurance Framework will be reported to the Combined Authority for review and approval on 2 February 2023 with the request to delegate authority to the Combined Authority's Chief Executive in consultation with the LEP Chair and the Combined Authority Chair for final approval in case there are further changes that are needed prior to its publication.

3 Tackling the Climate Emergency Implications

3.1 Climate emergency benefits and implications have been embedded throughout the Assurance Framework and the related templates and guidance documents to ensure that the climate emergency is considered by all schemes that come through Assurance Framework.

3.2 To strengthen decision making, a robust, quantifiable methodology for assessing all new schemes predicted carbon emissions / wider clean growth impacts has been developed (carbon impact assessment tool – CIA). The CIA has been included in all business case templates and approvals will not be sought until a CIA has been completed.

3.3 Climate emergency benefits and implications are required to be included in all project approvals reports which ensures that the business cases evidence their climate emergency impact.

4 Inclusive Growth Implications

4.1 Inclusive growth implications have been embedded throughout the Assurance Framework and the related templates and guidance documents to ensure that inclusive growth is considered by all schemes that come through Assurance Framework.

4.2 Inclusive growth benefits and implications are required to be included in all project approvals reports which ensures that the business cases evidence their inclusive growth impact.

5 Equality and Diversity Implications

5.1 Equality and diversity benefits and implications have been embedded throughout the Assurance Framework and the related templates and guidance documents to ensure that equality and diversity are considered by all schemes that come through Assurance Framework.

5.2 The recently revised and strengthened equality and diversity toolkit has been included in all business case templates and approvals will not be sought until an EqIA has been completed.

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

6 Financial Implications

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

7 Legal Implications

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

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 and reflected in the Assurance Framework at this stage.

10 Recommendations

10.1 The Governance and Audit Committee are requested to:

i) Provide feedback on the draft updated Local Assurance Framework document.

ii) Endorse the changes that have been made to the Local Assurance Framework, as set out in this report.

11 Background Documents

11.1 There are no background documents referenced in this report.

12 Appendices

12.1 Appendix 1: Assurance Framework 2023.

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West Yorkshire Combined Authority

Working in partnership with the Leeds City Region Enterprise Partnership

West Yorkshire Combined Authority

Assurance Framework

October 2022

CONTENTS

1 Introduction

1.1 About the Assurance Framework

This is the joint Assurance Framework for the West Yorkshire Combined Authority (Combined Authority) and the Leeds City Region Enterprise Partnership (the LEP). The Assurance Framework sets out the arrangements that the Combined Authority and the LEP have in place to ensure that public money is managed effectively. It explains how the Combined Authority and the LEP identify, appraise, and evaluate schemes to achieve value for money.

The Assurance Framework covers expenditure on programmes and schemes funded by Government or local sources in the Leeds City Region. This includes funding received by the Combined Authority in respect of the Single Investment Fund (SIF) and as the accountable body for the LEP. Further details on the SIF can be found in section 2.1.

1.2 Purpose of the Assurance Framework

The purpose of this Assurance Framework is to ensure that the necessary systems and processes are in place to manage funding effectively, and to ensure the successful delivery of our Strategic Economic Framework (SEF) ambitions[1]. Its focus is to ensure that necessary practices and standards are implemented to provide the Government, Combined Authority, the LEP and local partners with assurance that decisions over funding (and the means by which these decisions are implemented) are proper, transparent and deliver value for money.

This framework also sets out the respective roles and responsibilities of the Combined Authority and the LEP, including how the formal accountability relationship between the Combined Authority and the LEP works.

1.3 Updating the Assurance Framework

The Assurance Framework is reviewed and updated on an annual basis and signed off by the Combined Authority, the LEP and the statutory Section 73[2] Chief Finance Officer in line with the requirements of the National Local Growth Assurance Framework (2021). The Assurance Framework also takes into consideration the guidance set out in the Strengthened Local Enterprise Partnerships report (2018) and has been prepared in accordance with guidance issued by the Chartered institute of Public Finance and Accountancy.

[1] The priorities of the SEF are 1. Boosting productivity, 2. Enabling inclusive growth, 3. Tackling the climate emergency, 4. Delivering 21st century transport, 5. Securing money and powers. The SEF will be implemented in April 2021.

[2] Appointed under Section 73 Local Government Act 1985

1.4 The Seven Principles of public Life

The Seven Principles of Public Life (the Nolan principles)[3] underpin this Assurance Framework to ensure that the Combined Authority and the LEP, their members and officers, are upholding the highest standards of conduct and ensuring robust stewardship of the resources they have at their disposal.

[3] These are selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

2 About West Yorkshire

2.1 West Yorkshire Combined Authority

The West Yorkshire Combined Authority was established in 2014 to bring together local councils and businesses to champion the region's interests nationally and internationally, securing investment from Government and other sources to drive the economy forward, by carrying out economic regeneration and development functions as well as acting as the local transport authority for West Yorkshire.

In March 2020, the West Yorkshire councils and the Combined Authority agreed a "minded to" devolution deal with Government. The deal detailed £1.8bn of Government investment (including £1.14bn over 30 years), to be subject to local influence and decision-making, enabling spend on local priorities, together with a range of new devolved functions. The devolution deal was subject to the Combined Authority adopting the model of a directly elected mayor (the Mayor) over the Combined Area (West Yorkshire), that is becoming a Mayoral Combined Authority.

The Combined Authority has now been established by Order as a Mayoral Combined Authority, with the first election for a Mayor taking place in May 2021. The Mayor is directly elected by the local Government electors in West Yorkshire. **Appendix 1** to this Assurance Framework sets out which Functions are the responsibility of the Mayor.

A key element agreed in the devolution deal was a "**Single Pot**" approach to funding which consolidates funding lines and reduces ring-fences. This gives the Combined Authority greater control, flexibility and responsibility over funding streams and their outcomes. The new funding will form a **Single Investment Fund (the SIF)**.

The new devolved functions exercised by the Combined Authority as a Mayoral Combined Authority include:

- **Transport-related powers** including in relation to highways, traffic management and permit scheme functions.
- **Adult education and skills functions** thus enabling decision-makers to closer align spending on skills with the opportunities and needs in the local economy in order to engage adults and provide them with the skills needed for entering and sustaining employment, an apprenticeship, traineeship, or other further learning.
- **Housing functions** relating to compulsory purchase, plus provision of housing and land, land acquisition and disposal, and development and regeneration of land.
- **Economic development** – duty to prepare an assessment of economic conditions.

- **Policing and Crime functions**[4], [5].

2.2 Leeds City Region Enterprise Partnership

The Leeds City Region Enterprise Partnership (the LEP) is an autonomous business-led public-private local partnership, which brings together the private and public sectors from across the City Region to:

- Provide strategic leadership.
- Unlock the region's vast potential by enabling businesses to grow and develop.
- Stimulate growth that will create jobs and prosperity for everyone who lives, works and does business in the region.
- Develop strategy and policy aimed at meeting both the current and future needs of the region's economy.
- Deliver schemes that support businesses and accelerate growth.

2.3 The West Yorkshire Combined Authority and the LEP

The West Yorkshire Combined Authority (Combined Authority) and the LEP work in partnership to achieve their shared goals. There are several practical ways in which this happens, notably:

- One member of the LEP Board is a member of the Combined Authority.
- The Mayor, as well as chairing the Combined Authority is a member of the LEP Board.
- The Strategic Economic Framework (SEF) details the priorities of both the Combined Authority and LEP (see section 2.5 below).
- West Yorkshire council leaders are members of the Combined Authority and the LEP.
- The Assurance Framework is adopted by both the Combined Authority and the LEP and applies across all programmes and schemes managed by Combined Authority and the LEP.
- The Chief Executive of the Combined Authority is also the Chief Executive Officer of the LEP.

2.4 Accountability

As a Mayoral Combined Authority, the Combined Authority has a democratic mandate to invest in its local area. The directly elected Mayor provides a single point of accountability for residents and is held responsible for their decisions

[4]The exercise of these functions are subject to separate assurance processes, and do not therefore come under this Assurance Framework.

[5] The Mayor exercises Police and Crime Commissioner functions, but the exercise of those functions is subject to separate assurance processes and do not fall within the scope of this Assurance Framework.

through the local elections, as well as through the Combined Authority's Overview and Scrutiny Committees.

The Combined Authority is the accountable body for the Single Investment Fund (SIF), which means it is directly accountable to Government for complying with any conditions or requirements attached to funding.

In addition, the Combined Authority is the accountable body for the LEP, responsible for:

- Carrying out finance functions on behalf of the LEP.
- Oversight of the LEP's financial and governance, transparency and accountability arrangements.
- Providing additional support as agreed by the LEP.

Appendix 2 to this Assurance Framework sets out the specific roles and responsibilities of the Combined Authority as the accountable body for the LEP.

The statutory Section 73[6] Chief Finance Officer of the Combined Authority as the accountable body, is responsible for overseeing the administration of the Combined Authority's financial affairs. This role is extended to include the financial affairs of the LEP.

The Section 73 Chief Finance Officer also has a critical role in maintaining good governance and standards for the LEP, in particular compliance with this Assurance Framework.

Appendix 3 to this Assurance Framework sets out the responsibility arrangements agreed by the Chair of the LEP and the LEP's Chief Executive Officer with the Section 73 Chief Finance Officer, recognising the role of the Section 73 Chief Finance Officer in relation to instilling good and proportionate LEP governance, including the oversight of the proper administration of the LEP's financial affairs

2.5 Geography

The West Yorkshire Combined Authority and LEP cover the same geographical area, namely the districts of Bradford, Calderdale, Kirklees, Leeds, and Wakefield. The Assurance Framework applies across all programmes and schemes managed by the Combined Authority and the LEP, some of which cover a broader geography than these five districts.

The Combined Authority and LEP will continue to explore opportunities for further collaboration with partner councils, including Harrogate Borough Council, Craven District Council, Selby District Council, City of York Council and North Yorkshire County Council, and across the whole of Yorkshire through the Yorkshire Leaders' Board.

[6] Section 73 of the Local Government Act requires the Combined Authority to appoint an officer to be responsible for the proper administration of the authority's financial affairs. This role is carried out by the Combined Authority's Director of Corporate Services.

2.6 Strategic Economic Framework (SEF)

In September 2020, the Combined Authority and the LEP agreed to formally adopt the SEF as the overarching strategic framework for the region, replacing the Strategic Economic Plan (SEP) in March 2021.

The SEF will guide investment decisions. It has been designed to be flexible and agile, able to contain a range of policies and be easy to amend and expand. It brings together existing and subsequent policies and strategies under a single banner, ensuring greater alignment between our strategies, priorities and vision for the City Region. To allow for greater flexibility in the SEF, it is not a single, published document but is hosted on the Combined Authority's website.

It sets out our vision for West Yorkshire to be "recognised globally as a place with a strong, successful economy where everyone can build great businesses, careers and live supported by a superb environment and world-class infrastructure."

Five priorities have been set to achieve this:

- **Boosting productivity** - Helping businesses to grow and bringing new investment into the region to drive economic growth and create good jobs.
- **Enabling inclusive growth** - Enabling as many people as possible to contribute to, and benefit from, economic growth in our communities and towns.
- **Tackling the climate emergency** - Growing our economy while cutting emissions and caring for our environment.
- **Delivering 21st century transport** - Creating efficient transport infrastructure to connect our communities, making it easier to get to work, do business and connect with each other.
- **Securing money and powers** - Empowering the region by negotiating a devolution deal and successfully bidding for substantial additional funds.

All our policies and strategies work toward meeting at least one of these priorities.

2.7 West Yorkshire Investment Strategy

The West Yorkshire Investment Strategy (WYIS) sets out the transformational investments that the Combined Authority will commit resources to, and the process required to make those investment decisions over an agreed investment period. The WYIS, as well as setting out the context, objectives and targets of the Combined Authority derived from the SEF, will also identify the criteria that will be used to select and prioritise schemes:

- Investments with the highest potential contribution to the Combined Authority's targeted objectives and outcomes.
- Selection of schemes must also be driven by those which support inclusive growth, our climate emergency ambitions, drive social value,

tackle market failure, maximise value for money and provide different kinds of return to the SIF.

- The SIF should be guided by the funder of last resort principle - demonstrating a clear strategic case for public investment.

The design of the SIF should not mean an equal share across themes or geographies and therefore Places could expect to benefit in different ways and at different times.

The WYIS was approved by the Combined Authority on 24 June 2021.

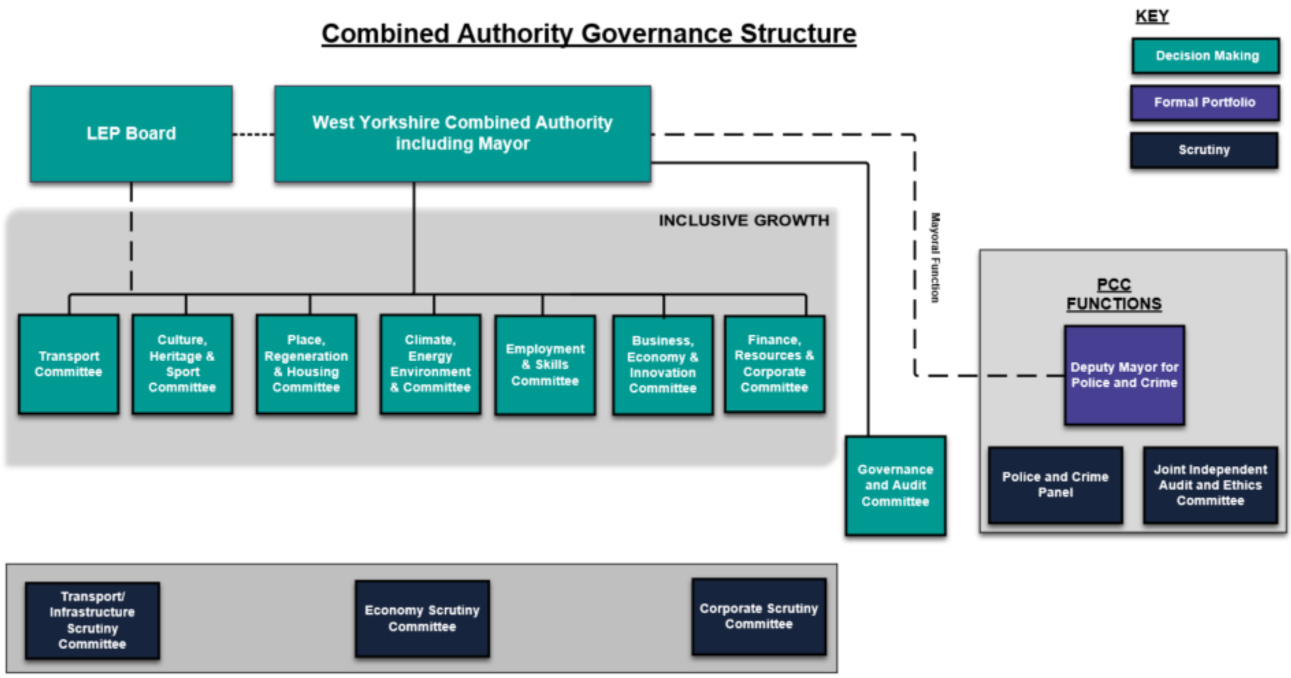
3 Governance

The principal decision-making bodies for the Leeds City Region are the Combined Authority and the LEP.

A structure chart of the Combined Authority and the LEP is set out below.

Committees and Panels concerned with the Mayor's Police and Crime (PCC) Functions are subject to separate assurance processes and do not fall within the scope of this Assurance Framework.

Governance structure



3.1 The West Yorkshire Combined Authority

Appendix 4 sets out the governance arrangements of the Combined Authority, including membership. The Mayor by virtue of their office is a member and the Chair of the Combined Authority.

The Mayor is responsible for carrying out some specific functions (Mayoral Functions). The Combined Authority is responsible for any function of the Combined Authority which is not the responsibility of the Mayor (any Non-Mayoral Function).

Decisions *on Non-Mayoral Functions* may be taken:

- **By the Combined Authority**, (that is, at a meeting of the members of the Combined Authority acting collectively), or
- **By a committee** of the Combined Authority which has delegated authority for the function,

- Under **joint arrangements** with other local authorities, or
- **By an officer** of the Combined Authority under delegated authority.

The Mayor's vote is required in support of any decision taken at a meeting of the Combined Authority about any Non-Mayoral Function which the Combined Authority acquired when it became a Mayoral Combined Authority, that is, further to the devolution deal.

Any decision about a Mayoral Function (that is a function which is the responsibility of the Mayor) must be taken by the Mayor, or by

- The Deputy Mayor,
- Another member of the Combined Authority, under delegated authority from the Mayor, or
- An officer of the Combined Authority under delegated authority from the Mayor.

3.2 The LEP Board

The LEP is responsible for setting strategic direction and will hold partners to account in the delivery of the strategic objectives. Responsibility for LEP decision-making rests with its LEP Board[7], the decision-making forum for the LEP.

The LEP's Constitution can be found here.

Appendix 4 provides information about the membership arrangements of the LEP Board.

3.3 Decision-making committees

In addition to the Combined Authority and the LEP Board, the following committees have decision-making powers:

Transport Committee	This Committee is authorised to carry out any Non-Mayoral Function of the Combined Authority relating to transport including any function of the Combined Authority in its role as local transport authority, travel concession authority or transport authority, where the cumulative total of the financial approval and tolerance is within the threshold agreed by the Combined Authority. The Committee also has a specific role in liaising with the Climate, Energy and Environment Committee and the Place, Regeneration and Housing Committee to secure the decarbonisation of transport infrastructure.

[7] The LEP Board may delegate decisions in accordance with the LEP's Constitution and the LEP Board's Procedure Rules

	The terms of reference, membership of the Committee, the dates of future meetings and agenda items can be found here.
Culture, Heritage and Sport Committee	This Committee is authorised to carry out any Non-Mayoral Function of the Combined Authority relating to culture, heritage and sport where the cumulative total of the financial approval and tolerance is within the threshold agreed by the Combined Authority. The Committee also has a specific role in liaising with the Place, Regeneration and Housing Committee in relation to infrastructure planning for culture, heritage and sport to promote the visitor economy and support heritage schemes. The terms of reference, membership of the Committee, the dates of future meetings and agenda items can be found here
Place, Regeneration and Housing Committee	This Committee carries out any Non-Mayoral Functions which promote quality of place through spatial infrastructure planning for transport, strategic land use and asset management where the cumulative total of the financial approval and tolerance is within the threshold agreed by the Combined Authority. It also carries out the Combined Authority's role as lead authority for One Public Estate Programme and acts as a Housing and Land Board. The Committee has a role in decarbonisation of infrastructure, planning for sustainable development and flood risk management in liaison with the Climate, Energy and Environment Committee. The terms of reference, membership of the Committee, the dates of future meetings and agenda items can be found here.
Climate, Energy and Environment Committee	This Committee carries out Non-Mayoral Functions relating to green and blue infrastructure, climate resilience and emission reduction and the development of any regional flood resilience plan where the cumulative total of the financial approval and tolerance is within the threshold agreed by the Combined Authority. The Committee will liaise with Place, Regeneration and Housing Committee and Transport Committee to progress decarbonisation of infrastructure and planning for sustainable development. The terms of reference, membership of the Committee, the dates of future meetings and agenda items can be found here.

Employment and Skills Committee	This Committee carries out Non-Mayoral Functions relating to employment, skills, and adult education, and serves as the Skills Advisory Panel for the LEP where the cumulative total of the financial approval and tolerance is within the threshold agreed by the Combined Authority. It has a specific responsibility to liaise with the Business, Economy and Innovation Committee to ensure good employment, skills and training. The terms of reference, membership of the Committee, the dates of future meetings and agenda items can be found here.
Business, Economy and Innovation Committee	This Committee is authorised to carry out Non-Mayoral Functions which promote business growth and productivity, provide business support and drive trade and inward investment where the cumulative total of the financial approval and tolerance is within the threshold agreed by the Combined Authority. It is required to liaise with the Employment and Skills Committee to secure good jobs, skills and training and ensure good employment. The terms of reference, membership of the Committee, the dates of future meetings and agenda items can be found here.
Finances, Resources and Corporate Committee	This Committee is authorised to carry out Non-Mayoral Functions including asset management, human resources and information and communication technology where the cumulative total of the financial approval and tolerance is within the threshold agreed by the Combined Authority. This includes equality, diversity and inclusion, health and safety and issues which fall outside of the terms of reference of any other committee. The terms of reference, membership of the Committee, the dates of future meetings and agenda items can be found here.

3.4 Other committees of the Combined Authority

The Combined Authority also has the following committees:

Overview and Scrutiny Committees:	These are three statutory committee of the Combined Authority which reviews and scrutinises decision-making by the Combined Authority (including in its role as accountable body for the LEP) and the LEP. See below and further section 5.8 and 5.9 for more detail.
Transport/	This Overview and Scrutiny Committee is responsible for the scrutiny of any functions relating to transport, or any transport-related function, or any function relating to place, regeneration and housing.

Infrastructure Scrutiny Committee	The terms of reference, membership, meeting dates, agenda items and minutes of the Committee can be found here.
Economy Scrutiny Committee	This Overview and Scrutiny Committee is responsible for the scrutiny of any functions relating to: • business, economy, and innovation, • climate, energy, and the environment, • culture, heritage and sport industries, and • employment and skills, The terms of reference, membership, meeting dates, agenda items and minutes of the Committee can be found here.
Corporate Scrutiny Committee	This Overview and Scrutiny Committee is responsible for the scrutiny of any functions relating to finance, resources, or corporate issues, or, any function that does not fall within the terms of reference of any other Overview and Scrutiny Committee. The terms of reference, membership, meeting dates, agenda items and minutes of this Overview and Scrutiny Committee can be found here.
Governance and Audit Committee	This committee fulfils the Combined Authority's statutory requirement to appoint an audit committee. It also carries out functions relating to promoting standards of conduct. See further section 5.7. The terms of reference, membership, meeting dates, agenda items and minutes of the Committee can be found here.

3.5 Adult Education and Skills

There are separate assurance arrangements in place for administering the adult education and skills functions of the Adult Education Budget (AEB) provided by the Department of Education (DfE). Further detail on the separate arrangements for the AEB are provided in Annex C of the National Local Growth Assurance Framework. The assurance process as set out in section 7 of this Assurance Framework does not therefore apply.

A summary of the arrangements for administering, monitoring and evaluating the AEB is set out in **appendix 7** to this Assurance Framework.

4 Decision-making

4.1 Investment Decisions

All investment decisions are made by reference to:

- How well they contribute to the strategic priorities as set out in the SEF and the West Yorkshire Investment Strategy (when approved).
- Statutory requirements.
- Any grant conditions attached to funding.
- Local transport objectives.
- Funding programme objectives.

Decisions are based on merit, taking into account all relevant information.

All investment decisions are taken in accordance with the assurance process stages and activities, subject to agreed exceptions (such as bids to Government / re-prioritisation, small grant programmes, adult education functions, where alternative arrangements are in place).

Section 7 of the Assurance Framework sets out in detail the assurance process for schemes, and the **decision points** that take place at the end of each activity.

Any investment decision which has not been delegated (including those decisions where a scheme has fallen outside of the tolerances identified by the Combined Authority) must be taken by the Combined Authority.

The Combined Authority sets a bespoke approval pathway and approval route to be followed for each scheme. This may delegate decisions to any of the Combined Authority's decision-making committees, or to the Chief Executive, subject to any scheme staying within agreed tolerances.

Except where otherwise specified in this Assurance Framework all programmes and schemes require **approval from the Combined Authority at Decision Point 2** (Strategic Outline Case (SOC)), in order to proceed to Stage 2 (Scheme Development).

Before taking any funding decision, a decision-maker needs to be satisfied that the Assurance Framework has been complied with. The Combined Authority's Strategic Assessment Prioritisation (SAP) group and the Programme Appraisal Team (PAT) have a key role in ensuring compliance with the Assurance Framework, see Section 7 below.

The Committees of the Combined Authority have authority to make any decision to progress a scheme[8] under the Assurance Framework[9] in accordance with any

[8] Including determining change requests
[9] After decision point 2 (SOC) only

bespoke approval pathway and approval route for the scheme[10], as delegated by the Combined Authority

Any investment decision taken by the Chief Executive under delegated authority, is usually taken in consultation with the Combined Authority's Senior Leadership Team. The Chief Executive reports delegated decisions to the appropriate decision-making committee as delegated to by the Combined Authority at Decision Point 2.

4.2 Business Support Service, Economic Development Loans and Business Grants

There are currently specific arrangements in place in relation to the approval and appraisal of business grants and economic development loans, which are not therefore subject to the assurance process set out in section 7.

Business Support Service	The Business Support Service for the City Region is funded directly from the Department for Business, Energy and Industrial Strategy (BEIS), with £350,000 awarded for 2022/23 for the Leeds City Region operation and £40,000 for the CA's role as Growth Hub cluster lead for Yorkshire. This is 50% reduction in the BEIS funding received for 2021/22, which resulted in the CA underwriting circa £300k of delivery costs for 22/23. Additional funding of £1.7m has been secured from the European Regional Development Fund (ERDF) from April 2019 to June 2023. 20 SME Growth Managers operate within the City Region's local authority partner councils (the five WY ones, plus Harrogate and York). 9 Growth Managers are fully funded through ERDF funding and 11 are funded on a 50 / 50 basis via the CA underwrite of circa £300k. Progress on the Business Support Service project is reported on a quarterly basis to the Business, Economy & innovation Committee (BEIC), and as required on a 6-weekly basis to the LEP Board by the BEIC Chair (who is the Leader of Kirklees Council). There is also a private sector lead on the BEIC, who is the owner of a small business in West Yorkshire. The BEIC is responsible for reviewing whether the project's output and expenditure targets are met and for identifying and addressing risks and opportunities. In addition, detailed six-monthly reports and quarterly financial claims are sent to BEIS and the Department for Levelling Up Communities and Housing.
Economic Services Loans & Equity	The CA has recently procured a fund manager (the Foresight Group) to deliver the new £20m SME Investment Fund. The fund is providing loans and equity investment to SMEs from £50k to

[10] With the exception of those cases where the decision would result in a revised financial approval which exceeded the cumulative total of the financial approval and tolerance threshold agreed by the Combined Authority at decision point 2 (SOC), or decision point 3 (OBC) by more than 25%, in which case the decision must be taken by the Combined Authority.

	£2m with the aim of generating a commercial return for the CA and supporting economic growth. All decisions on the investments made into SMEs by the fund have been delegated to Foresight as part of their contract with the CA. The BEIC and LEP Board will receive regular progress reports and will provide oversight and scrutiny of the fund and its delivery.
Economic Services Grants	Arrangements in relation to economic services grants are set out in Appendix 5.
ESIF Sustainable Urban Development (SUD)	Arrangements relating to the principles for European Structural Investment Fund Sustainable Urban Development (SUD) purposes are set out in Appendix 6.

5 Transparency and Accountability

The Combined Authority and the LEP are mindful of the need to build the trust and confidence of stakeholders and the public, in relation to the ability to take investment decisions. Promoting transparency in its decision-making is a key part of this. We are committed to keeping records which demonstrate that all legal obligations are met, and all other compliance requirements placed upon us, and these are accessible as set out below.

The Combined Authority designates a statutory Monitoring Officer who is responsible for ensuring that decisions conform to the relevant legislation and regulation[11]. This role is carried out by the Combined Authority's Head of Legal and Governance Services, who is responsible for providing legal advice to the Combined Authority and the LEP. A key part of the Monitoring Officer's role is ensuring that the legal responsibilities of the Combined Authority as accountable body in relation to ensuring the transparency provisions are met, as set out below.

The Monitoring Officer also has a key role in relation to conduct, including maintaining and publishing registers of interest for the Combined Authority and the LEP – see further below.

5.1 Publication of Information

For transparency, the Assurance Framework is published on the West Yorkshire Combined Authority and LEP websites, together with supporting information.

The Combined Authority website, which is accessible from the LEP website, contains details of our West Yorkshire Investment Strategy (WYIS), Strategic Economic Framework (SEF) and its underpinning policies and strategies as well as information relating to progress on delivery of all programmes.

An overview of all scheme business cases and evaluation reports are published on the Combined Authority website. These scheme pages also include links to relevant news articles. The Combined Authority is committed to meeting the Government branding guidelines for projects under this Assurance Framework.

Summaries of business cases to be considered by the West Yorkshire and York Investment Committee as part of the assurance process are published electronically ahead of meetings.

5.2 Combined Authority Transparency Arrangements

Specific statutory requirements apply to the Combined Authority in relation to transparency. Additionally, the Combined Authority also complies with a number of good practice recommendations. The key arrangements in place are:

[11] The Monitoring Officer is required by law to formally report to the Combined Authority where it appears to the Monitoring Officer that any proposal, decision or omission of the Combined Authority is unlawful or amounts to maladministration.

- The public's right to attend meetings and inspect documents of the Combined Authority as set out in its Procedure Standing Orders.
- Meetings of the Combined Authority are live streamed, enabling the public to watch the meeting over the internet.
- Agendas and reports of meetings of the Combined Authority and its committees (including advisory panels) are available to the public on its website, five clear days before a meeting here.
- Minutes of meetings are published on the Combined Authority website here.
- Business case summaries of all schemes / programmes coming forward for a decision are published on its website. Summaries of schemes / programmes can be found here.
- Key decisions taken by officers are published on the Combined Authority website here.
- The Combined Authority adheres to the Local Government Transparency Code which requires the publication of additional data.
- The business at each ordinary meeting of the Combined Authority includes receiving the minutes of the LEP for information.

Notice of any proposed key decision is published on the Combined Authority website 28 days in advance of the decision, in accordance with the Access to Information Rules in Part 4 of the Constitution here. This includes any decision taken under the decision points of the assurance process as set out in section 7 of this Assurance Framework.

5.3 LEP Transparency Arrangements

The LEP is responsible for setting strategic direction and will hold partners to account in the delivery of the strategic objectives. Responsibility for LEP decision-making rests with its LEP Board[12].

Key roles and responsibilities of the LEP Board can be found at Appendix 4 setting the strategic direction for the sustainable economic growth of the City Region economy.

- Proposing key objectives and investment priorities to deliver the overall vision and strategy of the LEP.
- Overseeing the continued delivery of the SEP along with the transition to and implementation of the SEF during 2020.
- Leading the development of Enterprise Zones (Ezs) in the City Region.
- Agreeing funding criteria, leading and coordinating funding bids and leveraging funding from the private and public sector to support the delivery of agreed LEP priorities.

[12] The LEP Board may delegate decisions in accordance with the LEP's Constitution and the LEP Board's Procedure Rules

- Working with the Combined Authority to set the forward strategy for attracting new financial and business investment into the area.
- Jointly approving a Business Plan and performance reporting with the Combined Authority on its plans along with the SEP and SEF.
- Influencing key sub-regional, regional, national and international strategies.
- Publishing an annual report.
- Providing a link to Government on all aspects of the LEP's work.

Additional information on the LEP's transparency and accountability arrangements is set out in Appendices 2, 3 and 4.

Agendas, reports and minutes of the LEP Board are published on the Combined Authority website, which is also accessible from the LEP website.

The LEP Board procedure rules and Access to Information rules in Part 4 of the Constitution set out the details on decision-making including quorum arrangements for meetings of the LEP Board. All meetings of the LEP Board are open to the public (including the LEP's annual meeting), except to the extent that the public are excluded in relation to confidential or exempt information, in accordance with the Procedure Rules and Access to Information Rules[6].

A process for the LEP Chair to take urgent decisions outside of LEP Board meetings is set out in the LEP Constitution. This provides for any such decisions to be reported to the next meeting of the LEP Board and recorded and published in the minutes of that meeting. This power may be exercised, for example, to approve amendments to the LEP governance documents, in order to comply with government requirements.

The business at each LEP Board meeting also includes receiving the minutes of, or an update from, the Combined Authority and its committees.

5.4 Diversity Statement

Leeds City Region is committed to achieving diversity and equality of opportunity both as a partnership and as a commissioner of services. The LEP promotes equality of opportunity and does all it can to ensure that no member of the public, service user, contractor or staff member working within a partner organisation will be unlawfully discriminated against.

We aim to integrate diversity and equality into all that we do, and the work that others do on behalf of the Leeds City Region. In practice this means doing what we can to positively promote equality and diversity across the delivery of projects, programmes and services and in relation to our own structure. The Equality and Diversity Policy including Diversity Statement can be found here.

5.5 Requests for Information and Data Protection

The Combined Authority is subject to the Freedom of Information Act 2000 and the Environmental Information Regulations 2004 and responds to statutory information requests in accordance with approved procedures.

The Combined Authority also deals with any requests for information from the LEP on its behalf, in accordance with the same procedures. Further information on the Combined Authority's Freedom of Information / Environmental Information Regulations & Transparency Policy can be found here.

The Combined Authority is subject to the General Data Protection Regulation and Data Protection Act 2018 and must by law appoint a Data Protection Officer (DPO). The DPO[13] assists the Combined Authority on the monitoring of compliance with the data protection legislation, advises on data protection obligations, provides advice regarding Data Protection Impact Assessments and is the contact point for data subjects and the supervisory authority.

The Combined Authority and the LEP respect and are committed to compliance with the Data Protection legislation. The privacy notice can be found here.

Requests made by data subjects under the General Data Protection Regulation and Data Protection Act 2018 will be dealt with in accordance with approved procedures.

The Combined Authority's Data Protection and Confidentiality Policy can be found here.

5.6 Use of Resources and Accounts

The use of resources by the Combined Authority are subject to the usual local authority checks and balances, including the financial duties and rules which require councils to act prudently in spending. These are overseen by the Combined Authority's Section 73 Chief Finance Officer[14], its Director of Corporate Services. This post has statutory responsibility to administer the Combined Authority's financial affairs and is responsible for ensuring that funding is used legally and appropriately. The Section 73 Chief Finance Officer's role extends to the LEP – see further Section 2.4 above and Appendix 3. All reports to the LEP Board must include any written advice on the matter provided by the Combined Authority's Section 73 Chief Finance Officer and Monitoring Officer.

The Combined authority has clear accounting processes in place to ensure that all funding sources are accounted for separately and that funds can only be used in accordance with formal approvals made under the Combined Authority and LEP decision-making arrangements.

The Combined Authority has a statutory duty to keep adequate accounting records and prepare a statement of accounts in respect of each financial year. This

[13] The DPO sits within the Combined Authority's Legal and Governance Services team
[14] Appointed under Section 73 of the Local Government Act 1985

statement of accounts is published here usually in June in draft and in July as fully audited, although this may change in accordance with legislative requirements. The statement will cover expenditure funded from the Single Investment Fund and other funding sources, including those received from Government. A separate financial statement for LEP expenditure is published annually in line with the timeframe for the statement of accounts.

The Combined Authority publish a public notice each year, setting out a specific period during which any person may inspect and make copies of the Combined Authority's accounting records for the financial year.

During the same period, the external auditor must give a local Government elector (someone registered to vote in the local elections) within West Yorkshire (or their representative) an opportunity to question the external auditor about the accounting records, and objections may be made to the external auditor about any relevant item.

5.7 Audit

The Combined Authority complies with statutory requirements relating to audit arrangements, principal elements of which are:

- Appointing an **audit committee**
- Inspection by **external auditors**
- Adopting **internal audit arrangements**

These audit arrangements apply to the LEP and to LEP funding in respect of which the Combined Authority is the accountable body.

The Combined Authority's Governance and Audit Committee fulfils the requirement to appoint an **audit committee.** By law this must include at least one independent person. The membership now includes two independent persons and one of these has been appointed to chair the Committee in the current municipal year.

The terms of reference, membership, meeting dates, agenda items and minutes of the Committee can be found here.

An annual independent audit is conducted by **externally appointed auditors** ensuring the Combined Authority operates a robust financial management and reporting framework, including in relation to the LEP.

The Combined Authority's **internal audit** function carries out independent and objective appraisals of relevant systems and processes, including ensuring that effective procedures are in place to investigate promptly any alleged fraud or irregularity. The Combined Authority's internal auditors provide assurances to the Combined Authority (through its Governance and Audit Committee, the Section 73 Chief Finance Officer) and to the LEP.

The Combined Authority's financial regulations set out further detail in relation to the Combined Authority's audit arrangements (found here).

5.8 Scrutiny

To secure independent and external scrutiny of decisions, the Combined Authority's statutory Overview and Scrutiny Committees (Corporate, Economy and Transport/Infrastructure) review and scrutinise decision-making by the Combined Authority (including decisions taken by the Mayor) and by the LEP.

No member of the Combined Authority or the LEP may be appointed to any Overview and Scrutiny Committee. The terms of reference, membership, meeting dates, agenda items and minutes of the Committees can be found here Corporate Scrutiny Committee, Economy Scrutiny Committee, Transport/Infrastructure Scrutiny Committee.

The Committees operate in accordance with Scrutiny Standing Orders, which can be found here. These provide for the Committees to require any member of the Combined Authority (including the Mayor, the LEP Member or a Chair of any committee or Panel) to attend to answer questions or provide information.

The Combined Authority and the LEP receive an annual report from the Committees at their annual meetings.

Scrutiny of investment decisions

The pre-decision scrutiny review process serves as an important function in parallel to the assurance process.

With the exception of any decision which the decision-maker has resolved is urgent, the Overview and Scrutiny Committee may "call in" decisions for further scrutiny, including investment decisions which are taken:

- By the Combined Authority, or
- By a Committee, or
- By an officer, where the decision is a key decision.

The Committee may direct that any such decision should not be implemented until the Committee has reviewed it and made recommendations to the decision-maker.

Scrutiny of the LEP

The Committees may produce independent reports and make recommendations on any matter considered by the LEP or relating to LEP governance. It may also review or scrutinise any Combined Authority decision in its role as accountable body for the LEP.

The LEP may also seek input from any of the three Committees on any issue relating to policy and strategy development, or otherwise.

Further details on the LEP's agreement with the Combined Authority (in its role as Accountable Body) in respect of scrutiny arrangements are set out in Appendix 2.

5.9 Code of Conduct

Statutory provisions require the Combined Authority to adopt a Members' Code of Conduct which applies to members of the Combined Authority, including the Mayor, and to voting members of committees and panels appointed by the Combined Authority, including the advisory panels which report to the LEP. The Code sets out the conduct expected of members, including procedures for declaring and registering:

- Acceptance or receipt of a gift or hospitality.
- Disclosable pecuniary interests, which are defined by the code.

The Code is publicly available here.

Failing to comply with requirements for registering and disclosing pecuniary interests may be a criminal offence.

Members' interests are publicly available on the Combined Authority website through each of the Committee home pages here.

The Combined Authority has also approved arrangements under which allegations that the Code has been breached can be investigated and for making decisions on such allegations. These can be found here.

The LEP is committed to ensuring that LEP Board members and officers demonstrate the highest standards of conduct, and act solely in the public interest.

All LEP Board members are subject to a LEP Board Members' Code of Conduct here which reflects the Nolan Principles of public life.

The LEP Board Code of Conduct also requires LEP Board members to declare and register:

- Acceptance or receipt of an offer of a gift or hospitality.
- Specific pecuniary and non-pecuniary interests.

A register of the interests disclosed by each LEP Board member is accessible from the LEP website and published on the Combined Authority website, as is the Register of gifts and hospitality for LEP Board members. The Code sets out comprehensive requirements in relation to declaring interests at meetings, and the circumstances in which a conflict of interest will preclude a LEP Board member from participating in decision-making.

At the beginning of each meeting, all members present are asked to declare any potential conflict of interest. These declarations are minuted.

The LEP has also approved arrangements under which allegations that the Code of Conduct has been breached can be investigated and for making decisions on such allegations. These can be found here.

5.10 Conflict of Interest

The Combined Authority and the LEP have adopted a Conflicts of Interest Policy which provides an overview of how conflicts of interest are managed. Appended to the Policy is a Conflicts of Interest Protocol: loans or grants to businesses which sets out a process which the Combined Authority and the LEP follow to demonstrate that applications from businesses for loans or grants are dealt with in an impartial, fair and transparent way here.

Officers

Combined Authority officers serve both the Combined Authority and the LEP. Officers must comply with the Combined Authority's Code of Conduct for Officers, which also reflects the Nolan Principles of public life and requires officers to register personal and prejudicial interests. Officers also need to comply with a Gifts and Hospitality policy. Failure to comply with the Code may lead to disciplinary action.

Senior officers and other officers involved in advising on LEP decisions are also required to complete and keep under review a separate LEP Officer register of interests. The register of the LEP's Chief Executive Officer is published on the LEP website here.

5.11 Complaints Policy

The Combined Authority will consider any complaints received in accordance with its agreed complaints procedure, which can be found here.

Any complaints about the LEP will be dealt with in accordance with the approved complaints process. The LEP has adopted a confidential complaints procedure, which can be found here.

5.12 Whistleblowing Policy

The Combined Authority has adopted a whistleblowing policy, which can be found here to investigate and resolve any case where it is alleged by stakeholders, members of the public or internal whistle-blowers that the Combined Authority is acting in breach of the law, failing to adhere to the framework or failing to safeguard public funds. The LEP has adopted a whistleblowing policy, which can be found here.

5.13 Resources and Capabilities

The Combined Authority and the LEP ensure that members and officers have the capacity and capability to deliver their respective roles. They support people to develop their expertise and update it to take account of developments.

The Combined Authority has the necessary staff resource with the necessary key functions to enable it to:

- Manage the process, including supporting business case development.
- Carry out programme and project appraisal.

- Co-ordinate and manage the decision process (e.g. time of meetings and associated paperwork).
- Oversee the delivery, monitoring and evaluation of schemes (e.g. benefits realisation management, financial and resource management, risk).

The Combined Authority draws on external expertise and technical support such as financial, economic, property, legal and evaluation advice, for example through consultancy frameworks or from partner organisations including Homes England, local authorities, Skills Funding Agency, and others

6 Local Engagement and Partnership Working

6.1 Local Engagement

Engagement with stakeholders and the wider public is regarded as a central part of the process to develop, monitor and implement strategies, funding programmes and all other aspects of the work of the Combined Authority and the LEP.

To support this process, a set of consultation and engagement protocols have been developed and the Consultation and Engagement team work with colleagues to ensure these principles are applied in any consultation and engagement activities that are undertaken. As well as carrying out insightful and robust consultation and engagement activities, relevant legislation must be adhered to. Partners are encouraged to adhere to these protocols where possible.

Engagement with stakeholders and the wider public is as inclusive as possible, using the following principles:

- Stakeholders and members of the public are aware of the approach to consultation and activities.
- Stakeholders and members of the public are able to have their say on proposals when they are still at a formative stage.
- Consultation is open, transparent and accessible.
- The consultation process is well planned, managed and coordinated and achieves value for money.
- Consultation is effective, meaningful and of a consistently high quality.
- Consultation feedback is properly considered, and outcomes are reported in a timely way.

To support any face-to-face engagement, a digital engagement hub (yourvoice) has been developed that enables information to be shared and feedback sourced electronically in a more interactive way.

Stakeholders are engaged in all work that the LEP and Combined Authority undertake. Regular updates are provided to existing panels and committees such as the District consultation sub committees.

As part of the LEP's work with business, a Business Communications Group (BCG) has been established, made up of representatives from key business organisations in the City Region. This group reports to the LEP Board. The group plays an active role in supporting business growth in the region by helping to coordinate effective communications between the LEP and the business community. The group also acts as an advisory group to the LEP Board; consulting with their members on barriers to growth and ensuring businesses are at the heart of all activities.

The Chair of BCG is the identified LEP Board member to represent the SME business community.

A Partnership Strategy has been developed and engagement and communication with partners takes place through a range of channels, including social media, press releases, websites, events and e-newsletters. Social media has been used particularly effectively for informal engagement on policy, future strategy and project development.

New methods to engage with key stakeholders, businesses and the public are continually sought, and effectiveness and lessons learnt are monitored.

6.2 Arrangements for Collaborative Cross-LEP Working

The LEP is committed to collaborating across boundaries, where interests are aligned when developing strategies and interventions to maximise their impact across their different objectives. This helps to ensure a more efficient use of resources and secure a better outcome than operating in isolation.

The LEP collaborates with other neighbouring LEPs on many areas of its businesses and details about these collaborations, and further potential opportunities, are regularly reported to the LEP Board. The LEP is committed to working with the LEP Network.

7 Assurance Around Programme and Project Delivery

Leeds City Region Assurance Process

7.1 Overview

This section sets out how the assurance process is used in the development and delivery of all project and programme investments. The assurance process will be applied to the assessment of schemes and programmes that flow through Combined Authority and the LEP, drawing on current national guidance (e.g. HM Treasury Green Book, DfT TAG and DLUHC Appraisal Guidance).

The assurance process (set out below) has three stages; Stage 1: Assessment and Sequencing, Stage 2: Scheme Development, Stage 3: Delivery and Evaluation. It provides a practical 'step-by-step' framework to aid the development of business cases, to ensure successful delivery and to enable monitoring and evaluation. The assurance process is transparent and proportionate and offers a structured process for appraising, developing, planning, delivering and evaluation that is in line with HM Treasury guidance to deliver best public value.

The assurance process is used by the following:

- **Scheme promoters:** it provides a pathway to allow promoters to develop proposals in a way that will ensure their schemes have a robust business case, show value for money and show that they address the Combined Authority's investment priorities.
- **Decision-makers:** it is a framework to provide the information they need to take investment decisions and to prioritise between different proposals in a clear and transparent manner.
- **Partners and the wider public:** to give confidence that there is a clear and transparent framework to appraise and prioritise schemes and to take investment decisions.

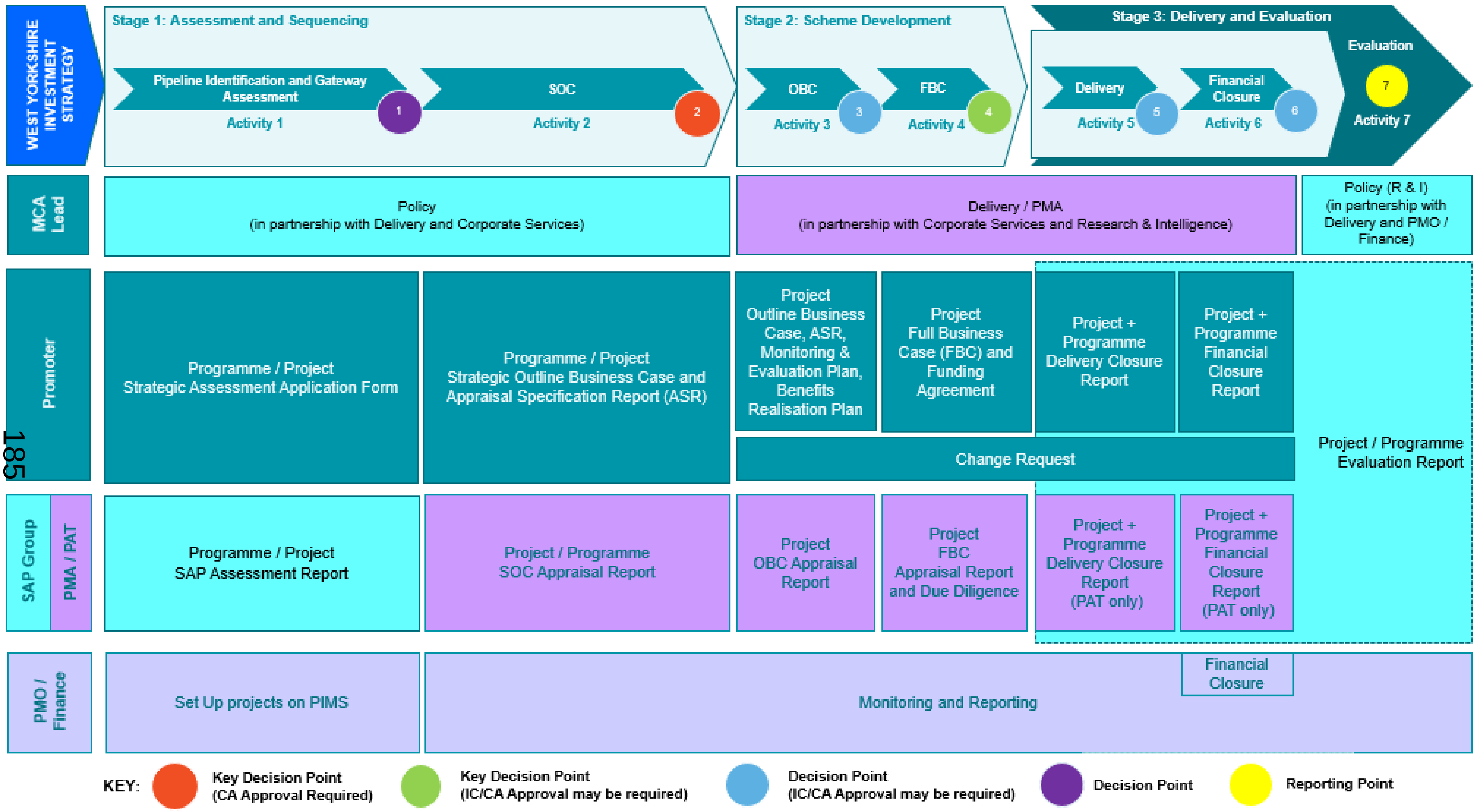
Under each stage outlined there are a series of activities (7 in total) that need to be carried out in order to progress each scheme. Whilst there are seven possible activities, not all would apply to all schemes and the process and intensity of appraisal applied can be tailored for each scheme depending on its type, scale and complexity, with the appropriate activities applied (e.g. not all schemes will be required to complete an outline business case (decision point 3); they could proceed straight to full business case (FBC), (decision point 4).

At the end of each activity, a scheme is required to go through a decision point (DP1 to DP6) or reporting point (DP7). It is here where a scheme is appraised using the HM Treasury 'five cases model'[15]. As such, scheme sponsors must demonstrate that a robust, accurate and compelling business case exists at each stage of the process (subject to the assurance pathway and approval route as recommended by the Combined Authority's Programme Appraisal Team (PAT)).

[15] The HM Treasury "five cases model" includes the Strategic, Commercial, Economic, Financial and Management cases.

Subject to the exceptions, such as small grant programmes, for example, business growth grants and loans, where alternative arrangements are in place, all programmes and schemes require approval from the Combined Authority at Decision Point 2 (Strategic Outline Case (SOC)), in order to proceed to Stage 2: Scheme Development. It is at decision point 2 where the Combined Authority approve the indicative funding, approval pathway and route and tolerance levels.

Development funding for development of the next stage / activity can be approved at any decision point.


WEST YORKSHIRE INVESTMENT STRATEGY
Stage 1: Assessment and Sequencing
Pipeline Identification and Gateway Assessment
1
Activity 1
SOC
2
Activity 2
Stage 2: Scheme Development
OBC
3
Activity 3
FBC
4
Activity 4
Stage 3: Delivery and Evaluation
Delivery
5
Activity 5
Financial Closure
6
Activity 6
Evaluation
7
Activity 7
MCA Lead
Policy
(in partnership with Delivery and Corporate Services)
Delivery / PMA
(in partnership with Corporate Services and Research & Intelligence)
Policy (R & I)
(in partnership with Delivery and PMO / Finance)
Promoter
Programme / Project
Strategic Assessment Application Form
Programme / Project
Strategic Outline Business Case and Appraisal Specification Report (ASR)
Project
Outline Business Case, ASR, Monitoring & Evaluation Plan, Benefits Realisation Plan
Project
Full Business Case (FBC) and Funding Agreement
Project + Programme Delivery Closure Report
Project + Programme Financial Closure Report
Change Request
Project / Programme Evaluation Report
SAP Group
PMA / PAT
Programme / Project
SAP Assessment Report
Project / Programme
SOC Appraisal Report
Project
OBC Appraisal Report
Project
FBC
Appraisal Report and Due Diligence
Project + Programme Delivery Closure Report
(PAT only)
Project + Programme Financial Closure Report
(PAT only)
PMO / Finance
Set Up projects on PIMS
Monitoring and Reporting
Financial Closure
KEY:
Key Decision Point
(CA Approval Required)
Key Decision Point
(IC/CA Approval may be required)
Decision Point
(IC/CA Approval may be required)
Decision Point
Reporting Point

7.2 Stage 1: Assessment and Sequencing

Criteria for prioritisation

As set out in section 2 above, the aim of the Strategic Economic Framework (SEF) is to form the new overarching economic framework for the region, building on the successes of the Strategic Economic Plan (SEP). It sets out the vision for the region and our priorities for achieving this.

The West Yorkshire Investment Strategy (WYIS) will provide a vehicle for translation of the Combined Authority's SEF objectives, Recovery Plans, the Mayor's manifesto commitments and the City Region's devolution agreements in to funding and operating priorities that deliver the wider strategic aims of the Combined Authority, thus providing a sound basis for taking investment decisions. Partners will be able to apply for funding clearly aligned to our investment priorities.

The WYIS will be reviewed annually to take account of changing economic circumstances, updates to the SEF, what is working well and what is not, and new funding and investment opportunities which set out the focus for our investments as well as align with the Assurance Framework annual review.

Activity 1: Pipeline Identification and Gateway Assessment:

Programmes / schemes will start to be developed through an ongoing dialogue with the Region's businesses, third sector and public organisations, in line with the WYIS. It will also ensure stakeholders are informed about the availability of funding the WYIS objectives, allow them to identify, develop and co-design project/programme opportunities from an early stage and apply for funding clearly aligned to our investment priorities. The LEP is expected to play an important role in identifying sector led opportunities.

Other avenues for potential schemes to access funding opportunities could be through either a commissioning process or through open calls with specified deadlines for submissions. Any commissioning or open calls will aim to address specific gaps to help the Combined Authority achieve its overall economic ambitions.

Programmes / schemes will be assessed on a case-by-case basis by the Strategic Assessment Prioritisation Group (SAP) to determine if they are eligible to proceed, through an early-stage gateway check and challenge review. The role of SAP is explained below in section 7. If programmes / schemes are eligible, they will be awarded *'approved development status'* (Decision Point 1) and will then progress to Strategic Outline Case (SOC) as part of the assurance process (Activity 2). Programmes / schemes at this stage will be provided with feedback and can be rejected or deferred until further supporting information is provided. This is carried out by assessing strategic fit against the WYIS. The SAP Group will recommend a Strategic Assessment (SA) decision notification for approval by the Chief Executive (or by an officer under sub-delegated authority from the Chief Executive) (Decision Point 1).

The City Region's carbon emission reduction target was set in July 2019. This target commits the region to be net-zero carbon by 2038, with significant progress by 2030. Therefore, the vast majority of schemes funded by the Authority will be expected to contribute to this commitment. The Combined Authority has developed an approach to carbon appraisal which forms an integral part of the Assurance Framework and features in all stages of business case development from SA through to FBC.

Activity 2: Strategic Outline Business Case (SOC):

Eligible programmes / schemes will, once awarded approved development status at Decision Point 1, submit a SOC whereby a full appraisal will be undertaken. At SOC scheme promoters will be expected to set out their proposed approach to establishing value for money (VfM) at a programme / scheme level for review by the Combined Authority before commencing to the next stage of the assurance process. For transport scheme, promoters will be required to submit an Appraisal Specification Report (ASR).

The SOC will be appraised by the Combined Authority's Portfolio Management and Appraisal Team and / or Research & Intelligence Team and a recommendation presented to the Programme Appraisal Team (PAT) for progression of the scheme.

The programme / project will then be presented for recommendation by the Programme Appraisal Team (PAT) for approval by the Investment Committee and Combined Authority.

It is at the end of this stage where the Combined Authority approve the indicative funding, approval pathway and route and tolerance levels (Decision Point 2).

7.3 Stage 2: Scheme Development

Once a programme / scheme has gained SOC approval from the Combined Authority, the scheme will then be required to submit an Outline Business Case (OBC), unless the approval pathway set at decision point 2 does not require this. The OBC should revisit the options identified within the SOC to identify the option which optimises public value, confirm the affordability of the scheme and put in place the arrangements to ensure successful delivery.

The OBC should be prepared in accordance with the Green Book five-case model and should include a draft Monitoring and Evaluation Plan and a Benefit Realisation Plan, Carbon Impact Assessment and Equality Impact Assessment. The Economic Case must be developed in consistency with the agreed ASR.

Guidance will be provided to scheme promoters around the level of detail to be submitted at this stage with regards to proportionality of the business case.

The OBC will be appraised by the Combined Authority's Portfolio Management and Appraisal Team and a recommendation presented to the Programme Appraisal Team (PAT) for progression of the scheme. The role of PAT is explained below in section 7. The programme / project will then be presented for recommendation by the Programme Appraisal Team (PAT) for approval by the decision-maker (Decision Point 3) as set out in the approval pathway and route approved at Decision Point 2.

The Full Business Case (FBC) confirms the contractual arrangements for the preferred option. Affordability of the scheme is reiterated, and the scheme puts in place the final arrangements for delivery and monitoring and evaluation of the scheme. A Monitoring and Evaluation Plan and a Benefit Realisation Plan are mandatory products at this stage. The FBC should also be prepared in accordance with the five-case model and any conditions set at SOC or / and at OBC should be resolved within the FBC submission. If conditions have not been met, the scheme may be required to return to Activity 3 (OBC). The Economic Case must be developed in consistency with the agreed ASR.

The FBC will be appraised by the Combined Authority's Portfolio Management and Appraisal Team and a recommendation presented to the Programme Appraisal Team (PAT) for progression of the scheme. The programme / project will then be presented for recommendation by the Programme Appraisal Team (PAT) for approval by the decision-maker (Decision Point 4) as set out in the approval pathway and route approved at Decision Point 2.

The FBC approval will be granted with a condition that the scheme remains within set tolerances. Where this condition has been met approval to proceed into Delivery (activity 5) will be granted by the Chief Executive (or by an officer under sub-delegated authority from the Chief Executive) following a recommendation from the Programme Appraisal Team (PAT). If the condition is not met, the project will be required to re-submit the FBC.

7.4 Stage 3: Delivery and Evaluation

Once a programme / scheme gains FBC approval and the conditions set have been met, the scheme can progress into Activity 5 (Delivery).

Upon scheme completion, a Delivery Closure Report is required that details how the scheme has performed. This includes whether delivery has remained within the timeframes specified within the business case, has achieved the objectives of the scheme and associated outputs, documents what has been delivered and highlights the overall costs.

The Delivery Closure Report will be appraised by the Programme Appraisal Team (PAT) for progression of the scheme. The programme / project will then be presented for recommendation by the Programme Appraisal Team (PAT) for approval by the decision-maker (Decision Point 5) as set out in the approval pathway and route approved at Decision Point 2.

Following completion of Activity 6, the scheme will be required to submit a Financial Closure Report (Activity 6). The Financial Closure Report confirms the final costs for the scheme, ensuring all payments have been completed.

The Financial Closure Report will be appraised by the Programme Appraisal Team (PAT) for closure of the scheme. The programme / project will then be presented for recommendation by the Programme Appraisal Team (PAT) for approval by the decision-maker (Decision Point 6) as set out in the approval pathway and route approved at Decision Point 2.

The purpose of the Delivery and Financial Closure Reports is to assess the success of the scheme, identify best practice for future schemes, resolve all open issues and to capture feedback and lessons learnt to inform the development and delivery of future schemes.

Activity 7 (Evaluation) will be managed by the Combined Authority's Research & Intelligence team. This is a reporting point as opposed to the previous decision points in the process and will be undertaken when the Programme (or project in some circumstances), is completed for an evaluation of the benefits, outcomes and economic impact compared to the overall programme objectives set out in the SOC. Insights and learning intelligence from evaluation will also be fed back into policy and strategy in order to inform the design and development of future programmes and schemes. Interim evaluations may also be undertaken as required as set out in the Monitoring and Evaluation Plan.

7.5 Change Requests

During any Stage / Activity, if a scheme requires additional funding, an increase in timescale or changes in scope, a change request is required to be submitted for the scheme to be re-appraised to ensure value for money is still being achieved.

Change requests will be appraised by the Combined Authority's Portfolio Management and Appraisal Team and a recommendation presented to the Programme Appraisal Team (PAT) for progression of the scheme. The change request will then be presented for recommendation by the Programme Appraisal Team (PAT) for approval by the decision-maker, dependent upon the tolerances set out at Decision Point 2.

Appraisal

7.6 Who will undertake the appraisal of schemes?

The Combined Authority appraisal function

Each programme / scheme will be assigned a lead appraiser, who will be responsible for carrying out the objective appraisal of the business case. This may be done using expertise from the Combined Authority's Portfolio Management and Appraisal Team and / or Research & Intelligence Team, or where necessary bringing together expertise from within the Combined Authority or from external advisors and partners. This may cover financial, transport, economic, property, legal matters, and experience of the relevant priority areas of the SEP.

After the lead appraiser's appraisal, Business Cases and Change Requests will be further appraised by the Programme Appraisal Team (PAT) or the Strategic Assessment Prioritisation Group (SAP). The programme / scheme will then be presented to the decision-maker as set out in the approval pathway and route approved at Decision Point 2.

There will be a clear separation between the appraisal function and the project sponsor / promoter. This means that staff carrying out appraisal will not be involved in advising on project and business case development activity. As part of the appraisal process, scheme promoters will be engaged to review any key issues arising from the ongoing appraisal as appropriate.

The Combined Authority appraisal function, the SAP group and Programme Appraisal Team (PAT) scrutinise, and quality assure the process to ensure that the work undertaken is independent of the authority promoting the scheme.

Strategic Assessment Prioritisation Group (SAP)

The SAP is responsible for undertaking the assessment of potential schemes, for alignment and contribution to the policies and strategies of the Combined Authority, through the Strategic Assessment form that is submitted to the Combined Authority, at activity 1. The assessment will focus on how;

- A project / programme will address the key problem which a project / programme is seeking to address (and hence the reasons why the public sector should intervene and fund).
- Clarity and robustness of a schemes design - through a clearly designed logic chain – where the relationship between need and problem is clearly linked to outputs, impacts and outcomes much earlier in the design process.
- Manage the potential project development costs required.
- Establish and share potential innovation / collaboration opportunities with respective applicants. Any local best practice and knowledge sharing that can be used to enhance the proposal.

The SAP provide evidence and recommendations to the Director of Delivery and the Director, Strategy Communications and Policing on a decision for every Strategic Assessment submitted, for approval. The SAP agree any conditions that are required as part of a project / programme progressing through activity 1, and which, subject to approval, will form part of the Strategic Assessment certificate.

The SAP consists of a core membership representing Combined Authority policy, strategy and communications, finance, delivery and PMA functions. Attendance at SAP meetings is supplemented by appraisers, independent technical advisers, promoters and their advisors, and other attendees as required to supplement the decision-making process. Other officers may be invited onto the group, including relevant Policy Managers, depending upon the Strategic Assessment that is due to be submitted.

The SAP is an internal assurance group and has no formal approval making powers. The SAP make recommendations, which are then reported through the Combined Authority's governance arrangements for a formal decision.

Programme Appraisal Team (PAT)

The Programme Appraisal Team (PAT) is comprised of West Yorkshire Combined Authority officers who oversee the assurance process as schemes / programmes progress through it.

The PAT consists of a core membership representing Combined Authority programme delivery, PMA, policy, economic, legal, and financial functions. Attendance at PAT meetings is supplemented by case officers, independent technical advisers, promoters and their advisors, and other attendees as required to supplement the decision-making process.

The PAT is an internal officer assurance group and has no formal approval making powers. The PAT make recommendations, which are then reported through the current Combined Authority governance arrangements for a formal decision.

7.7 Who will approve schemes?

At Decision Point 1 the Combined Authority's Chief Executive (or by an officer under sub-delegated authority from the Chief Executive) approves 'approved development status' and where required can approve development funding for SOC production.

At Decision Point 2 (SOC) the Combined Authority approve the indicative funding, approval pathway and route, tolerance levels and development funding for future stages.

At Decision Point 3 and 4 the decision-maker (as set out in the approval pathway and route approved at Decision Point 2) approves indicative funding, approval pathway and route, tolerance levels and development funding for future stages.

The FBC approval will be granted with a condition that the scheme remains within set tolerances. Where this condition has been met approval to proceed into Delivery (activity 5) will be granted by the Chief Executive (or by an officer under sub-delegated authority from the Chief Executive)). If the condition is not met, the project will be required to re-submit the FBC.

At Decision Point 5 and 6 the decision-maker (as set out in the approval pathway and route approved at Decision Point 2) approves the Delivery Closure (DP5) and Financial Closure (DP6). The decision-maker for Change requests is dependent upon the tolerances set out at Decision Point 2.

7.8 Appraisal proportionality

The Combined Authority will use national guidance for scheme appraisal; HM Treasury's Green Book, including supplementary and departmental guidance, such as the Department for Transport's (DfT) TAG and DLUHC's Appraisal Guidance where appropriate.

The Combined Authority may also use local methodologies for this purpose with decision-makers determining the most appropriate for each scheme appraisal.

The Combined Authority's approach for Value for Money Assessment is dynamic; as advances in techniques becomes clear this will be incorporated in its methodology and provided as supplementary guidance for promoters to that of the HM Treasury Green Book.

It is important to note the Combined Authority's climate change aspirations. As of 2021 the Authority's methodology for carbon assessment forms part of the appraisal process, a proportionate approach will be utilised, and guidance will be given on a scheme by scheme basis on the level of requirement. The Carbon Assessment Guidance can be found here.

The assurance process adopts a proportionate approach based on an assessment of risk, cost, novelty and deliverability. For example, a low cost, low risk scheme may proceed from Activity 2 to Activity 4 with a simplified business case template requirement for evidencing value for money.

The Authority uses a variety of templates with 'How to Guidance' provided to the promoter in order for the authority to gather the evidence required to assure value for money and realistic business case proposals. Officers will work with promoters to give additional guidance in order for a proportionate approach to be achieved.

7.9 Methodology to assess Value for Money (VfM)

The range of toolkits (HMT Green Book, DfT TAG, DLUHC, Appraisal Guidance etc) are used to demonstrate the economic, social and environmental benefits and cost over an appropriate appraisal period in order to assess the VFM of a scheme. In line with recognised VfM guidance, the assessment will consider:

- **Economy**: Minimising the cost of resources used.
- **Efficiency**: The relationship between the output from goods or services and the resources to produce them.
- **Effectiveness**: The relationship between the intended and actual results of public spending (outcomes and meeting objectives).
- As set out in the LEP National Local Growth Assurance Framework guidance, the methodology used to assess VfM will be in line with the established guidance prescribed by the relevant Government department:

Compliance with Department for Transport's TAG guidance

All transport schemes will be subjected to the minimum requirements on modelling and appraisal in developing a Value for Money (VfM) statement, as set out in the National Assurance Framework Guidance (LEP and Single Pot). This includes using the definitive version of the National Trip End Model (NTEM) (DfT's planning dataset) in forecasting the Central Case scenario. This essentially means that although the local development dataset, as supplied by the local planning authorities, will be used the total future demand will be constrained to NTEM at a suitable geographic level. However, the Combined Authority will also advise promoters to develop a range of sensitivity scenarios based on alternative planning assumptions to present to decision-makers on how the scheme's VfM performs under different future conditions.

The modelling and appraisal work will be independently scrutinised to ensure it has been developed in accordance with TAG, is robust, and is fit for purpose. A review panel made up of the senior officers of the Combined Authority, referred to as the Programme Appraisal Team (PAT), will be used, so that appropriate and independent recommendations can be provided to decision-makers. Responsibility for quality assurance of the assessment and scrutiny will rest with the Combined Authority's Head of Portfolio Management and Appraisal (PMA).

In-line with TAG, the promoter will not carry out any modelling and appraisal work for any activity in Stage 2 prior to Appraisal Specification Report agreement with the Combined Authority's assigned officer. All evidence supplied as part of economic case in all activities in Stage 2 will be appraised against the methodology set out in the agreed ASR. An Appraisal Summary Table (AST) and VfM Statement will be produced by following TAG and DfT's VfM guidance.

The Economic Appraiser will provide an assessment on the VfM Statement for decision-makers, summarising as part of the appraisal. The conclusions from VfM assessment will take into consideration whether benefits outweigh the costs whilst identifying key risks and sensitivities that may affect the VfM conclusion. The experts will also set out what level of Analytical Assurance PAT and decision makers may attach to the VfM position based on quality of work, uncertainty in appraisal and risks.

Preference will be given to schemes which offers at least ‘High Value for Money’, accounting for significant non-monetised impacts and key uncertainties. The justification for a recommendation for a project to proceed with a Value for Money less than ‘High’ will be set out in the reports seeking approval from the relevant decision-makers.

In line with the recently revised Green Book, in assessing value for money, a stronger emphasis may be placed on the strategic case and how the strategic objectives and priorities of the Combined Authority will be met through the delivery of the project. This might for example include, but not limited to, supporting the climate change and good growth agenda (the Combined Authority aims to achieve net-zero by 2038), supporting an increase in active mode and public transport use and / or supporting / accelerating housing development. The specific approach will be determined on a programme by programme basis as funding and investment streams come forward.

To establish Value for Money the Combined Authority follows the new Green Book advice and reviews the following:

- Objectives: A number of SMART objectives and Critical Success Factors are used at Strategic Outline Case stage to ensure the short-list options, that will be assessed in fuller detail at Outline Business Case (OBC) stage, are aligned with strategic objectives of the organisation and as a result is likely offer VfM to the society.

- Benefits: Net present value to society of all social, economic and environmental benefits. The benefits may be monetised, quantitatively or qualitatively. This is carried out in greater detail at OBC stage.

- Costs: Net present public resource costs following whole life costing method. This includes capital costs, operating and maintenance costs and as well as opportunity costs (if appropriate). This is carried out in greater detail at OBC stage.

- Risk: Risk costs associated with managing and mitigating identifiable and significant risks. This is carried out in all stages with increasingly detailed analysis as the scheme progresses through different business case stages. Residual ‘hard to quantify’ risk and uncertainty, where it is likely to be significant, are also considered as part of the value for money judgment. For example the impact of public transport fare revenue due to increased practise of work from home and online shopping.

- Wider Impacts: Additional wider impacts which are not readily or credibly quantifiable or monetisable, but which are considered decisively important enough to be taken into account are considered. The Combined Authority requires an economic narrative or other ways of justification for such impacts. This is carried out in greater detail at OBC stage.

- Equality and Diversity: The distribution of the likely impact in different parts of the society and across protected characteristics are considered in the VfM judgement.

Estimating economic and wider benefits

All programmes and schemes will be expected to have a positive (direct or indirect) impact on growth through job creation, skills improvement, increased productivity, and improved connectivity, to ensure that the good growth aspirations articulated in the SEF are realised. This also includes inclusive growth and clean growth aspirations.

A range of tools and models will be used to help estimate the direct, indirect and wider economic impact of scheme proposals in order to facilitate the prioritisation and decision-making process. It would be expected that the promoter engages with the Combined Authority on the approach and the preferred model(s) to be used to appraise the economic benefits, reflecting the scheme context and scope. For transport schemes this should be set out in the ASR.

The Combined Authority have developed a robust methodology (quantitative and qualitative) for assessing all new scheme's predicted carbon emissions / wider clean growth impacts, to strengthen how clean growth and climate change impacts are considered as part of all new schemes that come through the Combined Authority's Assurance Framework. The Carbon Assessment Guidance can be found here.

7.10 Due diligence

Due diligence refers to the process of undertaking independent verification of key information provided by scheme promoters in support of funding proposals. It is intended to supplement the appraisal process and support the effective management of risk. It will be undertaken by the Combined Authority's Programme Manager and may take place at any stage in the assurance process prior to entering into a grant funding agreement (GFA).

The scope of due diligence with depend on the nature of the funding proposition and the promoter. Where the promoter is a private sector body it is likely to take the form of an independent assessment of ownership structure and financial standing and any other appropriate risk considerations determined at that time.

7.11 Risk Management

Risk is managed in line with HM Treasury 'Orange Book' Guidance on the Principles and Concepts of Risk.

The LEP has agreed that the Combined Authority, through the Section 73 Chief Finance Officer, manages risk on the LEP's behalf.

The Combined Authority recognises that effective risk management is an integral part of good corporate governance and as such should be a part of everyday management processes. The Combined Authority is committed to ensuring the robust management of risk, and as such a corporate risk management strategy is in place to set out a consistent approach to all risk management activities undertaken throughout the Organisation. This includes the Combined Authority's risk appetite statement, which is based on risk category. The Risk Management Strategy can be found here and the description of the risk faced by the LEP is part of the reports reviewed by the LEP Board at each meeting.

Full scheme-level risk analysis and mitigation plans are required for each programme and scheme when developing their business case. These are required to comply with the Combined Authority Risk Management Strategy and are assessed as part of the appraisal process set out in this Assurance Framework.

Robust processes for the identification, analysis and management of risks is contained within the Combined Authority's Risk Management Strategy and supporting documents. These provide details on the regularity with which to review risks and guidance for effective risk identification, assessment and escalation.

7.12 Funding Agreements

At the point where funding is released, the Combined Authority will enter into a funding agreement with the promoter. Any funding conditions will be specified in the funding agreement and can include but not limited to:

- A funding cap.
- The promoter's Chief Internal Auditor to provide assurance and to certify all expenditure on an annual basis.
- Claw-back provision in place to ensure funding is only to be spent on the specified scheme and that any cost savings achieved on the completed scheme are returned.
- Where projects could trigger a return on investment, they may be subject to overage. A consistent overage mechanism will be applicable where projects receive support through either grant or loan support or on disposal of property or assets.
- The Combined Authority, as the accountable body, will determine when to release funding.
- The Combined Authority may arrange for local audit of schemes to detect any misuse of funds.
- All organisations that receive funding through the Combined Authority and / or LEP are contractually required to acknowledge this, and that of Government in all communications and marketing activity. This includes

use of logos on relevant communications materials, inclusion of specified wording in press releases and development of stories and case studies that showcase the impact of schemes.

The Combined Authority and the LEP will look to recover funding where there has been non-compliance, misrepresentation or under-performance. The Accountable Body arrangements in Appendix 2 set out how concerns are escalated, including taking a legal opinion on the likelihood of recovery.

7.13 Management of contracts

West Yorkshire Combined Authority has implemented a performance management process which is aimed at ensuring contract performance is achieved and that all contract deliverables and obligations are met. The process will ensure that the following key contract management elements are implemented:

- Contract managers who understand all contract requirements, deliverables and provider obligations.
- Contract managers have a detailed understanding of the Combined Authority's responsibilities within external funding agreements linked to supplier agreements.
- Regular contract performance meetings are held with providers to review contract delivery in order to maintain ongoing quality and performance of the contract.
- Performance reporting updates are submitted on a regular basis by providers, highlighting performance against key performance indicators and service levels (as appropriate).
- Implementation of regular quality and compliance audits which provide the required evidence in support of contract compliance for LEP funded programmes and agreements.
- Ongoing contract management to include programme risk and issues management.
- Ensure ongoing delivery of value money through effective change management control in accordance with the contract terms and conditions.
- Problem resolution and implementation of improvement plans where necessary to support increased performance.

The Finance, Resources and Corporate Committee and LEP Board receive regular high-level reports on the progress of funded programmes and schemes together with any significant risks, issues and opportunities. More detailed reporting including specific supplier performance against these programmes and schemes are reported to the relevant panel / committee / project board and also to the Combined Authority's Senior Management Team.

Any contract negotiations that result in material changes will be assessed and dealt with through the standard variation process as determined within the Combined Authority Contract Standing Orders.

The LEP Board will be consulted on all contract changes that are considered to be critical in nature towards the delivery of LEP funded programmes and schemes.

8 Monitoring and Evaluation

8.1 Monitoring

All schemes are monitored throughout their progression through the assurance process. The Combined Authority use a web-based Portfolio Information Management System (PIMS), to ensure a consistent approach to monitoring and management of all schemes. A key benefit of PIMS is that information is available to view by all parties to the project. This helps to ensure the accuracy of the data held.

The system provides the following benefits:

- **Transparency**
  - Allows informed and improved decision making.
  - Provides visibility of scheme progress.
  - Provides a full audit trail of scheme data.
  - Linkages and dependencies between various schemes in the portfolio can be viewed and managed more easily.
- **Consistency**
  - Provides a robust and automated method of scheme assurance.
  - Standardised templates and reports offer robust scheme controls.
  - Centralised repository for cost and risk management activities will provide a uniform approach.
- **Efficiency**
  - Manual data input and manipulation is retained by the PMA and verified by project sponsors.
  - Standardised reports, documents and dashboards enable project teams and stakeholders to concentrate on delivery.
  - Resource management allows for resource planning ahead of demand.
  - The organisation's ability to plan using future scheme deliverables is increased.
  - Lessons learned can be more easily understood and shared between stakeholders.
- **Focus on delivery**
  - Aggregation of scheme data can identify trends in advance.
  - Facilitates alignment of schemes to corporate strategy.
  - Recommendations and actions to be carried out in a more structured and timely way.

Programmes and schemes funded by the Combined Authority and the LEP are required to have a Monitoring Plan (formerly Benefits Realisation Plan) as part of business case development. These should be drafted as part of activity 2 (SOC) , and refined as required through activity 3 (OBC) and finalised at the end of activity 4 (FBC). These should be linked to Evaluation Plan to ensure a joined-up approach to appraisal, monitoring, and evaluation.

Key metrics of information on performance are reported at regular intervals. The Monitoring Plan template is intended to capture Outputs, Outcomes, and Impacts—information needed for funders' monitoring returns and effective evaluation. However, schemes are also required to monitor expenditure, progress, risks and issues, as well as match funding, and this should be recorded separately.

8.2 Evaluation

Programmes and schemes funded by the Combined Authority and the LEP are required to have monitoring and evaluation plans as part of business case development. The aim is to embed evaluation at scheme design stage in order to ensure clarity from the outset about how we expect interventions to work to achieve their objectives, and how we intended to measure outcomes and impacts that stem from delivered schemes.

To this end, a draft Logic Model is required at activity 1 (SA). These should be refined as the Evaluation Plan (Part 1 – Approach), and the Monitoring Plan are developed at activity 2 (SOC)). At the end of activity 4 (FBC), the Evaluation plan should be further refined (including Part 2), and the Monitoring Plan finalised and in place (this should be submitted alongside the Evaluation Plan as an appendix).

The Outputs, Outcomes and Impacts from the Monitoring and Evaluation plans, will be used to assess the effectiveness of the public investment, and the extent to which schemes are contributing to the overall objectives of the Combined Authority and the LEP.

An Evaluation Strategy has now been adopted by the Combined Authority and can be accessed through this link.

The introduction of the Evaluation Strategy shapes the design and development of project level evaluation activity through its focus on Logic Models as the basis of “activity 7” of the Assurance Framework reporting. Logic models set out the relations between what we deliver and the outcomes and impacts we hope to achieve The aim is to ensure clarity on how we expect interventions to work and that we are collecting the right data to measure this effectively. The Evaluation Strategy sets out how logic models should be developed.

Our approach to the development of the Evaluation Strategy recognises that it is locally owned, managed and draws on local systems; it will be proportionate and selective i.e. not everything will be evaluated). In section 1.3 – Designing Effective Evaluation, the Evaluation Strategy provides guidance on Evaluation, the Evaluation

Strategy working with LEPs and Government Government takes place to identify opportunities for thematic evaluations that could be conducted across key areas or centrally commissioned.

Introducing these changes to our approach to monitoring and evaluation and focusing the evaluation around WYIS success measures will align the LCR Assurance Framework with the “National Local Growth Assurance Framework” (MHCLG, September 2021).

These key themes focus on:

- **Strengthening understanding of the expected impacts, outcomes and additionality of all forms of schemes at an early stage in their design to improve the ex-post evaluation of interventions.** All project sponsors will be required to adopt a consistent approach to the use of “Logic Models”. Logic models represent an essential element of project and programme development and whilst the requirements for the use of logic models will be proportionate to the scale of the intervention, it is viewed that all schemes will benefit from this approach as through review their will be learning through delivery of what the project did relative what it was designed to achieve.
- **Communicating and synthesising the learning from project evaluation** – the strategy places a greater focus on synthesising consistent messages from project learning across all project types – with these insights flowing directly from the relationships set out in the project logic model. Greater emphasis is placed on the structured communication of the outputs from project closure reports through learning and dissemination events and the project closure reports will be designed to shape this messaging.
- **Understanding the wider benefits flowing from our funding programmes** – the strategy more clearly defines the relationship between project monitoring, benefits realisation and the net additionality achieved across the wider City Region geography. The updated strategy in this theme consolidates and aligns with the ‘Independent Evaluation of Local Growth Interventions’ currently being conducted by DLUHC.

Stage 3: Delivery and Evaluation

Activity 7 (Evaluation) will be managed by the Combined Authority’s Research & Intelligence team. This is a reporting point as opposed to the previous decision points in the process, and will be undertaken when the Programme (or project in some circumstances), is completed . The aim is to evaluate outcomes and impacts compared to the overall programme objectives set out in the SOC. Insights and learning intelligence from evaluation will also be fed back into policy and strategy in order to inform the design and development of future programmes and schemes. Interim evaluations may also be undertaken as required in line with the Monitoring and Evaluation Plan.

8.3 Five Year gateway reviews

As part of the Leeds City Region Growth Deal agreement, the West Yorkshire plus Transport Fund is subject to five-yearly gateway reviews to assess impact. The first review in 2019 has been passed successfully and funding confirmed until 2024/25. The next review will be undertaken in 2024.

The devolution deal and the Single Investment Fund (SIF) also requires an independent panel to assess investments' impact on economic growth at five-yearly Gateway Reviews. This additional evaluation provides a further incentive to encourage appropriate project appraisal, assurance and value for money processes.

9 Appendices

Appendix 1 – Mayoral Functions

The following functions are the responsibility of the Mayor:

a) Transport

(i) Power to draw up a local transport plan and strategies (although the Combined Authority may amend these).

(ii) Power to request local regulations requiring large fuel retailers to provide Electric Vehicle charging points.

(iii) Bus franchising powers.

(iv) Ability to pay grants to operators.

b) Housing and regeneration

(v) Land acquisition powers to support housing, regeneration infrastructure and community development and wellbeing subject to consent from specified Combined Authority members.

(vi) Power to designate a Mayoral Development Area and then set up a Mayoral Development Corporation subject to consent from specified Combined Authority members.

c) Finance

(vii) Setting a precept on council tax to fund Mayoral Functions.

(viii) Power to charge business rate supplement (subject to ballot).

Appendix 2 – Accountable Body Arrangements

Agreement between the Leeds City Region Enterprise Partnership and the West Yorkshire Combined Authority

1. Introduction

The LEP is a strategic body responsible for driving inclusive growth, increase prosperity and improve productivity ("LEP activity"). The LEP works collaboratively and in partnership with the West Yorkshire Combined Authority, as its accountable body ("the Accountable Body").

2. Accountable Body roles and responsibilities

Underpinning good governance is an expectation of mutual support between the LEP and the Accountable Body. The Accountable Body is responsible for:

- Carrying out **finance functions** on behalf of the LEP.
- **Oversight** of the LEP's financial and governance, transparency and accountability arrangements.
- Providing **additional support** as agreed by the LEP.

The LEP has agreed that the Accountable Body's specific roles and responsibilities are:

a) Finance functions

On behalf of the LEP, the Combined Authority holds, allocates and releases all funding for LEP activity ("LEP funding.

This includes approving and entering into agreements relating to LEP funding. The Accountable Body does not use any LEP funding for their own purposes, nor without a clear mandate from the LEP.

The Section 73 Chief Finance Officer shall ensure that appropriate financial statements are provided to the LEP in a timely manner; a separate financial statement for LEP funding is published each financial year.

The Accountable Body is responsible for treasury management and borrowing functions relating to LEP activity and funding.

LEP funding is included in the Accountable Body's accounts, and the LEP's web-site links to the Accountable Body's accounts.

b) Oversight functions

The Accountable Body has oversight of the LEP's financial and wider governance, transparency and accountability arrangements, including compliance with the Assurance Framework. The Accountable Body through its Section 73 Chief Finance

Officer ensures that LEP funding is administered properly, that is, that LEP funding is spent or released:

- In accordance with formal approvals only, and not for unapproved purposes[16].
- With propriety and regularity and to deliver value for money.
- Subject to the statutory checks and balances which require the Accountable Body to act prudently in spending.
- In accordance with the Assurance Framework and any other relevant procedure.
- In compliance with any grant requirements and conditions.

The Accountable Body ensures that decisions on LEP funding are:

- Reached in line with clear and transparent processes.
- Made on merit.
- Taken in accordance with the Assurance Framework.
- Compliant with all legal requirements including relating to State Aid, public procurement, transparency, data protection and the public sector equality duty.

The Accountable Body also promotes the highest standard of conduct by the LEP, LEP Board members and officers, by reference to the seven principles of public life.

Scrutiny

The Combined Authority's statutory Overview and Scrutiny Committees have a key role in securing independent and external scrutiny of LEP activities. The Committees' terms of reference reflect that the Committee may make reports or recommendations on any matter considered by the LEP or relating to LEP governance. The Committees may also review or scrutinise any decision made, or other action taken, in connection with any function of the Combined Authority, including in relation to its role as Accountable Body.

The LEP recognises the role of the Combined Authority's statutory Scrutiny Officer in facilitating the Overview and Scrutiny Committees to carry out appropriate scrutiny of LEP Board decision-making and LEP achievements.

The LEP agrees to respond positively to any request to share information with the Committees, so that the Committees have the necessary information to provide robust scrutiny and advice. Any member of the LEP Board, including any private sector representative, may be asked to attend or otherwise contribute to a meeting of any of the Committees.

[16] Including the services of lobbyists

The contribution of the LEP to any meeting of the Overview and Scrutiny Committees will be recorded with the outcome in the minutes (published on the Combined Authority's website). The LEP will ensure that there is a link from the LEP website to the Overview and Scrutiny Committees' published reports and minutes.

Audit

To ensure they have proper processes in place to manage risk, maintain an effective control environment and report on financial and non-financial performance, the LEP utilises the Accountable Body's Governance and Audit Committee, and its internal and external auditors to provide assurances in relation to LEP activities, as well as the Section 73 Chief Finance Officer.

The LEP and the Accountable Body (through its Governance and Audit Committee) will agree a risk based internal audit plan for each financial year of LEP and Combined Authority activities, that will provide assurance to the Section 73 Chief Finance Officer and the LEP Board at appropriate points through the financial year.

c) Support functions

The Accountable Body acts as the independent secretariat to the LEP[17], providing the following technical and other support:

- Compiling, maintaining and publishing agenda, reports and minutes of meetings in accordance with agreed procedures.
- Retaining all documentation relating to the Local Growth Fund and other funding sources.
- Dealing with any request for information, complaint or concern raised in accordance with the appropriate procedure.
- Appraisal functions as set out in the Assurance Framework.
- Legal advice.
- Recovering funding where there has been non-compliance, misrepresentation or under-performance[18].
- Risk management.

[17] The Combined Authority is not a constituent member of the LEP, although the Mayor is on the LEP Board. Local Authority representatives are appointed in their capacity as district councillors, not members of the Combined Authority.

[18] The Accountable Body will report to the LEP Board providing information on schemes which have received funding, including

- a description of schemes where concerns have been identified,
- relevant details including the amount of funding awarded and the sum at risk due to concerns, and
- where recovery of funds is considered, a legal opinion which sets out the legal basis for recover and likelihood of success

3. **Section 73 Chief Finance Officer - Resources**

The Accountable Body will ensure that the Section 73 Chief Finance Officer is given appropriate resources to carry out their functions in respect of the LEP, including audit. The LEP and the Accountable Body shall keep resource needs under review and consider if they are appropriately met.

4. **Non-compliance by the LEP**

Any decision of the LEP made in contravention of processes set out in the Assurance Framework will be invalid on the basis of non-compliance, unless the LEP has given prior approval for variation in respect of the LEP's decision-making process.

In the event that the Accountable Body is not able to endorse any decision of the LEP, the Section 73 Chief Finance Officer would refer the matter back to the LEP for re-consideration.

The LEP and the Accountable Body are committed to proactively raising with the Cities and Local Growth Unit any significant instance of non-compliance, non-delivery or mismanagement by the LEP which cannot be resolved locally. Should any such instance arise, the Section 73 Chief Finance Officer will also report it to the LEP Board and to the Combined Authority's Governance and Audit Committee.

Appendix 3 – Section 73 Chief Finance Officer – responsibility arrangements

1. Introduction

The Combined Authority must by law[19] make arrangements for the proper administration of its financial affairs and secure that one of its officers has responsibility for the administration of those affairs. This role is carried out by the Combined Authority's Director, Finance and CommercialServices and extends to include the financial affairs of the LEP.

The Chair of the LEP and the LEP's Chief Executive Officer have agreed the following responsibility arrangements with the Section 73 Chief Finance Officer of the West Yorkshire Combined Authority (the Combined Authority), recognising the role of the Section 73 Chief Finance Officer in relation to instilling good and proportionate LEP governance, including the oversight of the proper administration of the LEP's financial affairs.

2. Financial administration

The Section 73 Chief Finance Officer shall be supported by the LEP and the Combined Authority (in its capacity as accountable body for the LEP) to carry out such checks as are necessary to independently ensure the proper administration of financial affairs in the LEP.

The LEP shall act promptly working with the Combined Authority to address any concerns or improper financial administration identified. The Section 73 Chief Finance Officer will report all concerns to the LEP's Chief Executive Officer in the first instance, making recommendations about any improvements required.
The LEP is responsible for ensuring that all concerns are addressed.

The Chief Finance Officer will report any significant concerns directly to the LEP Board, setting out any improvements required. The LEP Board and the Section 73 Chief Finance Officer shall agree an action plan setting out how such concerns are to be addressed. This may include identifying training needs to ensure compliance. There will be a standing item on the LEP Board agenda reporting on progress on implementing the action plan, until the Section 73 Chief Finance Officer is satisfied that the issue has been resolved.

The Section 73 Chief Finance Officer will notify the Cities and Local Government Unit of any significant concern where:

- The concern is about systemic financial problems, repeated non-compliance or fraud, or
- An action plan cannot be agreed, or
- In the opinion of the Chief Finance Officer, the LEP Board does not achieve sufficient progress against the action plan.

[19] Section 73 of the Local Government Act 1985

3. Advice of the Section 73 Chief Finance Officer

The Section 73 Chief Finance Officer shall work with the Chair of the LEP and the LEP's Chief Executive Officer to ensure that procedures are in place to consider the financial implications of decisions before and during the decision-making process.

The LEP shall ensure that the Section 73 Chief Finance Officer is given sufficient access to information in order to carry out their role. The Section 73 Chief Finance Officer or their nominee shall be entitled to:

- Attend all LEP Board agenda setting meetings.
- Have access to all LEP Board documentation (including LEP Board reports before publication).
- Comment on any proposed decisions, by:
  - Recording an opinion on financial implications and an assessment of risk (such as delivery risks and cost overrun risks) in any report to the LEP Board or relevant Panel, and / or
  - Attending and speaking at any meeting of the LEP Board[20] or relevant Panel.

Should the LEP Board decide on a course of action which goes against the advice of the Section 73 Chief Finance Officer, the LEP Board must indicate the rationale for their decision, which will be recorded in the minutes of the meeting. However, in the event that the Accountable Body is not able to endorse any decision of the LEP, the Section 73 Chief Finance Officer would refer the matter back to the LEP for re-consideration.

If the role of the Section 73 Chief Finance Officer results in a potential conflict of interest, impartial advice should be sought by the LEP's Chief Executive Officer to ensure transparency from a source which is external to the Combined Authority.

4. Risk management

The LEP has agreed that the Combined Authority through the Section 73 Chief Finance Officer, manages risks on the LEP's behalf. The risk appetite of the LEP is understood by both the LEP Board and the Section 73 Chief Finance Officer. The Section 73 Chief Finance Officer ensures that the Combined Authority's risk management strategy addresses:

- Risks arising in relation to LEP activity.
- The process for the LEP Board to oversee risk and the escalation of risk analysis and risk management requirements within the LEP.

The LEP risk register can be found here as part of LEP Board papers at each meeting.

At the beginning of the financial year, the LEP and the Section 73 Chief Finance Officer will agree the budget risks facing the LEP. These will be kept under review

[20] See further LEP Procedure Rules. The Section 73 Chief Finance Officer is not a member of the LEP Board and does not vote

by the Section 73 Chief Finance Officer throughout the year, who will report any significant issues to the LEP Board.

5. Audit

The LEP and Combined Authority have agreed audit arrangements as set out in the Assurance Framework. The Section 73 Chief Finance Officer and the LEP's Chief Executive Officer shall report to the LEP Board on any completed audit by internal or external auditors where any recommendations relate to the LEP and provide a copy to the Cities and Local Growth Unit as appropriate.

Appendix 4 – Governance arrangements

West Yorkshire Combined Authority

Membership

The Combined Authority as a Mayoral Combined Authority comprises the following members:

- The Mayor,
- 5 elected members from each council in West Yorkshire (one appointed by each council),
- 3 additional elected members for political balance jointly appointed by the West Yorkshire councils,
- 1 elected member appointed by the City of York Council, and,
- 1 person nominated by the LEP (the LEP Member).

Of these, the elected member appointed by the City of York Council and the LEP Member are required by statute to be non-voting, except in so far as the Combined Authority gives them voting rights.

The Combined Authority's website here provide details of all current members of the Combined Authority.

Voting members on committees and panels include members from the private sector representatives and local authorities.

The Mayor appoints one of the members of the Combined Authority as a Deputy Mayor, who will act in place of the Mayor if for any reason the Mayor is unable to act or the office of Mayor is vacant.

Strategies

The Mayor is responsible for approving the local transport plan (subject to the Combined Authority's power to make amendments – see below) and may make other strategies in relation to the exercise of any Mayoral Function, in consultation with the Combined Authority.

The Combined Authority will approve any strategy in relation to Non-Mayoral Functions. Where a Non-Mayoral Function has been conferred on the Combined Authority further to the devolution deal, the approval of that strategy requires the support of the Mayor. The Combined Authority may also amend the Mayor's local transport plan if a majority of the members agree to do so.

The West Yorkshire Investment Strategy (WYIS) is approved by the Combined Authority and is subject to confirmation by the Mayor when in office.

Budgets

There are separate budgets for Mayoral Functions (the Mayor's budget) and Non-Mayoral Functions (the Combined Authority's budget).

The Mayor may raise money by precept and has the power, with the agreement of the Combined Authority and in consultation with the business community, to raise a Business Rate Supplement to fund infrastructure investment.

The Mayor's budget is subject to approval by the Combined Authority in accordance with statutory processes. These provide that the Combined Authority may:

- Approve the Mayor's draft budget, (default simple majority voting arrangement applies) or
- Veto the draft budget and approve a budget incorporating the Combined Authority's recommendations by 5 / 8 majority of the members of the Combined Authority excluding the Mayor.

Investment decisions

Decisions relating to progressing a scheme under the assurance process fall to the Combined Authority, (or a decision-making committee of the Combined Authority or officer as set out in the assurance pathway and approval route for the scheme). Any such decision by the Combined Authority which relates to exercising any Non-Mayoral Function which was conferred further to the devolution deal requires the support of the Mayor.

The Mayor also makes any decisions which relate to Mayoral Functions (or may delegate any such decisions as set out in this Assurance Framework).

Officers

Combined Authority officers serve both the Combined Authority and the LEP. They are appointed on merit in accordance with open recruitment arrangements and new officers undergo a structured induction process.

The Combined Authority complies with statutory requirements in relation to publishing officer salaries on the website here.

The authority of officers to act on behalf of the Combined Authority is set out in the officer delegation scheme here.

LEP Board

Membership

At least two-thirds[21] of the members of the LEP Board[22] must be private sector representatives[23].

The number of LEP Board members shall not exceed 20[24], excluding any additional member co-opted to the LEP Board. A maximum of 5 co-optees with specialist knowledge may be appointed to the LEP Board.

The Mayor is a member of the LEP Board.

The LEP's Constitution here sets out requirements in relation to LEP Board membership, including eligibility criteria, appointment processes, terms of office (including arrangements for resignation), and provisions relating to the LEP's Chair and Deputy Chair.

The LEP website here, and the Combined Authority's website here provide details of all current members of the LEP Board.

The LEP Board has adopted an Equality and Diversity Policy including Diversity Statement explaining how the LEP seeks to ensure diverse representation at LEP Board and on advisory Panels which is reflective of their local business community (including geographies and protected characteristics). This can be viewed here.

The LEP Board annually reviews its membership having regard to its Diversity Statement, taking into account the skills, knowledge and competencies it needs, the geography of the City Region, its key business sectors and different sizes of business operation.

The LEP Board appoints its private sector representatives, including the Chair, in accordance with open recruitment processes which are set out in the LEP recruitment procedure (which also covers engagement with the business community in relation to the appointment of the LEP Chair, succession planning and induction arrangements for private sector representatives) which can be found here.

One LEP Board member is appointed to represent and engage with the SME business community, and another as Diversity Champion.

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[21] To comply with this requirement of the National Local Growth Assurance Framework and Strengthened Local Enterprise Partnerships report (2018), new members were appointed to sit on the LEP Board on 25 February 2020, with effect of 31 March 2020.
[22] Any co-optee appointed to the LEP Board is to not be considered as a member of the LEP Board for the purpose of this requirement
[23] A private sector representative must be or have been employed by an organisation not included as central Government, local Government or a public corporate as defined for the UK National Accounts. Those from Higher Education or Further Education Institutions are not classified as public sector organisations.
[24] This requirement is met as a result of the decision made by the LEP Board with regards to the LEP Board membership on 25 February 2020, with effect of 31 March 2020.

The LEP has adopted a LEP Board Members' Remuneration and Expenses scheme which can be found here.

Appendix 5 – Economic Services: approval arrangements

The Chief Executive has delegated authority to award an Economic Services grant to a company or other legal entity[25] ("Business") under any programme or scheme approved under the Leeds City Region Assurance Framework.

In accordance with the Conflicts of Interest Protocol, where any potential conflict arises from the involvement with a Business of any person on the LEP or any relevant committee, an application must be determined by the Chief Executive, the Combined Authority or relevant committee.

A grant may only be awarded

- Where the application meets the eligibility and / or assessment criteria for the programme or scheme.

The **Advisory Groups** are set out in Table 2 below.

Table 2

Programme	Advisory Group	Membership	Thresholds
Business Growth Programme	Appraisal Advisory Group	Officers from the Combined Authority; officers from partner councils; Business Enterprise Fund	Considers any application for a grant over £50k and not exceeding £100k
Digital Investment Funds	Digital Investment Fund Appraisal Group	Officers from the Combined Authority	Considers any application for #Welcome and #Grow for a grant over £25k and not exceeding £50k

[25] Including a social enterprise, trust, partnership or sole trader.

Appendix 6 – Assurance process principles for ESIF Sustainable Urban Development (SUD) purposes

Purpose

The urban agenda and the role of cities in driving forward smart, sustainable and inclusive growth is central to the successful delivery of the 2014-20 ESI Funds Growth Programme in England.

The Leeds City Region Sustainable Urban Development (SUD) Strategy, which aims to address integrated urban challenges and opportunities in the region, was submitted to the Ministry of Housing, Communities and Local Government (MHCLG), now the Department for Levelling Up, Housing and Communities (DLUHC) back in September 2015 and was formally agreed.

The DLUHC – otherwise known as the Managing Authority - agreement of the SUD Strategy will ensure that funds worth up to 10% of the Leeds City Region European Structural and Investment Funds (ESIF), European Regional Development Fund (ERDF) allocation will be made available in order to implement the SUD strategy.

In order to put in place the delegated functions that are required by Article 7 of the EU Regulation 1301/2013, with regard to project selection, DLUHC have now established the West Yorkshire Combined Authority as an Intermediate Body (IB) in line with Articles 123 and 125 of EU Regulation 1303/2013.

The Combined Authority, as the Intermediate Body will, in order to make decisions with regard to its role in the project selection process, use the principles of the assurance process as outlined below. Any process will be undertaken in line with the selection criteria as defined by the ESIF national Growth Programme Board.

This appendix presents the Leeds City Region assurance process as the model and framework that the Combined Authority has adopted in assisting in the selection of schemes as part of the ESIF programme 2014-2020 for SUD.

Background

- In July 2012, the Leeds City Region agreed a 'City-Deal' with HM Government giving greater local control over spending and decision-making particularly with regard to economic development, regeneration and transport. This 'City-Deal' agreed to the creation of a West Yorkshire Combined Authority and a commitment to develop an assurance process. The assurance process, once approved by HM Treasury, would provide a consistent, robust appraisal process for schemes and programmes to inform investment decisions.
- In light of this, and the flexibility that is inherent within the assurance process, it represents a means to structure the local appraisal of ESIF SUD schemes rather than developing a separate process. This

approach complements the formal technical assessment carried out by DLUHC.

Introduction to selection of schemes using the Assurance Process principles

The process adopted here reflects the guidance issued by DLUHC and adheres to the process and role of the Intermediate Body.

The Finance, Resources and Corporate Committee provides advice to the Combined Authority in line with the nationally agreed criteria and in line with the agreed and signed Memorandum of Understanding between the Combined Authority and DLUHC.

The Finance, Resources and Corporate Committee provides advice to the Combined Authority to whether proposals set out at Outline and subsequently Full Application appropriately address:

Local strategic fit as defined in the Selection Criteria[26] for the ERDF 2014-2020 programme, which includes how:

- The proposed operation contributes to the needs / opportunities identified in the Call for Proposals to which it is responding.
- The proposed operation is aligned to the local growth needs set out in the local ESI Funds Strategy and contributes to the specific objectives, outputs and results of the relevant priority axes set out in the Operational Programme.

In addition, the Combined Authority provides advice to DLUHC on the following value for money and deliverability selection criteria:

Value for money

- The operation must represent value for money. In assessing value for money, DLUHC take account of:
    - Efficiency: the rate / unit costs at which the operation converts inputs to the Fund outputs.
    - Economy: the extent to which the operation will ensure that inputs to the operation are at the minimum costs commensurate with the required quality.
    - Effectiveness: the extent to which the operation contributes to programme output targets, results and / or significant strategic impact at the local level.

Deliverability

- The operation is deliverable within the requirements of the fund specific Operational Programme taking account risks, constraints and dependencies

[26] Selection Criteria here

- Evidence has shown that this type of operation is effective or where the operation is new or innovative, the risks have been considered and appropriate mitigations put in place.

Using the assurance process principles
The assurance process is designed to ensure any schemes seeking public finance should be subjected to a rigorous appraisal. HM Treasury has developed the Green Book which provides the basis for how schemes should be appraised using the 'five cases model' to carry out a holistic assessment.

The five cases are:

(i) Strategic: does the scheme fit with the aims of the City Region's Strategic Economic Plan? **(Used for selection of schemes for SUD as part of the ESIF Strategy)**

(ii) Economic**:** is the scheme value for money? **(Used for selection of schemes for SUD as part of the ESIF Strategy)**

(iii) Commercial: is there demand for the scheme and is it commercially viable?

(iv) Financial: is the scheme affordable and sustainable?

(v) Management: is the scheme deliverable with achievable objectives? **(Used for providing advice on the selection of schemes for SUD as part of the ESIF Strategy)**

The Green Book details approaches and tools that can be adopted in order to effectively appraise schemes. It is accepted that the detail and extent of appraisal should reflect the size and complexity of schemes, but within all appraisals there should be some consideration of each of the five cases.

The assurance process has been developed in line with these principles and was a key requirement that emerged from the LEP's City-Deal. The assurance process will be used by the LEP and the Combined Authority for all of its different funding regimes, providing a consistent and robust approach to appraise schemes. This means all schemes, irrespective of objectives or thematic area (transport, regeneration, housing, skills, innovation, enterprise etc.), will be assessed under this 'single' framework. This will better able the LEP and the Combined Authority to compare and prioritise schemes and programmes.

It is the assurance process which is used to form the basis for the 'local' appraisal and selection of SUD ESIF schemes outside the formal DLUHC assessment.
For the purposes of selecting SUD ERDF schemes, the key principles of the assurance process are used – but only using cases 1, 2 and for advice case 3 as described above and in line with the nationally agreed criteria and the agreed and signed Memorandum of Understanding between the Combined Authority and DLUHC.

Strategic Fit – Proposed scope

The proposed assessment of strategic fit is currently structured around the four pillars of activity that are central to the Leeds City Region Strategic Economic Plan (SEP):

1. Growing businesses
2. Skilled People, Better Jobs
3. Clean Energy and Environmental Resilience
4. Infrastructure for growth

Promoting social inclusion and combating poverty, designed to reflect aspects of the social outcomes that are promoted within the ESIF programme, are integrated within the pillars.

The pillars have been broken down into activity that could contribute to strategic outputs within the respective pillar and schemes would be scored against these criteria.

Value for Money (VfM) – Economic impact – proposed scope
In assessing the value for money of each of the schemes, the process effectively mirrors that of the assurance process - ensuring that the costs and benefits of schemes are taken into account and wherever possible quantified. This is more straightforward for some schemes than others and there is an onus on reflecting local intelligence and priorities. New jobs and catalytic schemes are 'worth' more in some areas than others simply because there are fewer jobs or because it is more difficult to create and sustain jobs in certain locations. This is especially the case where disadvantage is long-term and entrenched.

The Research and Intelligence team own and manage the Regional Econometric Model, a complex tool that enables scenarios to be assessed in terms of their net economic impact. This provides a range of outputs with a focus on impacts in terms of employment and gross value added (a measure of economic impact). These outputs can be calculated over a range of different geographies.
Other approaches are used to quantify the outputs / outcomes that by their nature have a direct impact that is more social rather than economic.

In terms of the local assessment, additional measures of value for money are being used where necessary to provide more information on the potential impact of schemes. Such measures and ratios include:

- Total GVA of the project
- Ratio of GVA to Total Cost AND public sector support
- Total cost per job
- Total GVA per job
- Cost benefit ratio
- Grant per job
- Cost per business assist
- Cost per skill outcome
- Capital / build costs

The appraisal is informed and supported by national and local research in terms of the costs of outputs and outcomes. This includes elements such as guidance issued by OFFPAT, evaluations of RDA activity and more recent, evidence emerging from the What Works Centre for Local Economic Growth and bespoke evaluations such as that carried out on the Combined Authority's Business Growth Programme (BGP).

Undertaking the work

The responsibility of the Assurance Process is the responsibility of the Director of Delivery, to whom a Head of Portfolio Management and Appraisal (PMA) reports.

The Head of PMA commissions the Head of Research and Intelligence (under the Director of Strategy, Communications and Policing), to undertake the appraisal work on local strategic fit and economic - value for money (VfM). The appropriate policy lead will also support the approach, under the supervision of the Head of Research and Intelligence, to provide the advice that is considered and discussed by the relevant thematic committee. This in turn, leads to recommendations to the Combined Authority to make decisions on the selection of operations.

Reporting

The results from the appraisal are presented in a summary assessment report, provided by DLUHC, alongside DLUHC's own formal technical assessment. This provides an insight into the strengths and weaknesses, bringing together the metrics and other qualitative and quantitative information.

Appendix 7 – Adult Education Budget and Multiply Local Investment Plan

Devolution of the Adult Education Budget (AEB) is a shift from previous centrally coordinated arrangements and will allow for local decisions to be taken to deliver learning opportunities aligned with the needs of individuals and employers across West Yorkshire.

Taking on these devolved powers is clearly a significant opportunity for the region. Previously around 90% of the funding was delivered without Local Authorities and the Combined Authority having a formal influence over AEB planning, and with no consequence to funding allocations if delivery did not meet local needs or align to our collective strategies.

Our devolved AEB Strategy proposes close working between Local Authorities and the Combined Authority to oversee provider delivery plans and performance, increasing the scrutiny on delivery and focussing on impact for our communities.

The Combined Authority is the accountable body in terms of assurance for AEB funding.

Since the AEB was devolved to the Combined Authority, the Government launched the Multiply adult numeracy programme in Spring 2023. This is part of the UK Shared Prosperity Fund and funding is devolved to the Combined Authority as the Lead Authority designated by Government. The Multiply target group and delivery activity aligns to the Adult Education Budget. To avoid duplication and ensure the programme enhances AEB delivery, Multiply will align to the AEB Table of delegations for the programme duration.

The table below sets out the decision-making in relation to policy, funding and contract allocation for AEB functions and for Multiply.

Decision-making: Policy, funding, and contract allocations

	Decision	Decision-maker	Rationale
1	To approve or vary the AEB Strategy as required, including: • Interim review 2021 (aligning to Mayoral priorities) • Refresh 2024 To approve or vary the Multiply strategy (via Local Investment Plan)	Combined Authority	The WY AEB Strategy and Multiply Local Investment Plan govern funding principles and will be revised in line with governance and assurance processes. Conflicts of interest are managed under the Members' Conflicts of Interest policy.

2	To agree the governance arrangements for AEB or Multiply functions	Combined Authority	The Combined Authority is responsible for agreeing how its functions, including AEB functions, are discharged.
3	To approve the Funding Rules and Performance Management Framework For Multiply, to approve funding agreements and performance parameters for each workstream approved in the Local Investment Plan (Funding rules for Multiply/UKSPF as defined by DfE and Investment Plan)	Chief Executive	The Rules and Framework are part of the suite of contractual documents, and are therefore operational in function. The documents set out clear parameters for contractual decisions, which can appropriately and effectively be carried out by officers in line with the strategic direction from the Combined Authority. The Chief Executive may refer this approval to the Employment and Skills Committee for recommendations, where wider sector expertise and consultation is desired. Members will need to ensure that conflicts of interest are declared, however a dispensation may be granted to allow a balanced and informed discussion For Multiply: the Chief Executive will receive advice and recommendation from the UKSPF Local Partnership Group on workstream details.
4	To reallocate budget in response to underperformance / over performance outside performance management framework. For Multiply, to reallocate budget inside parameters	Chief Executive	Decision on funding usage, in line with strategic direction. The Chief Executive may refer this approval to the Employment and Skills Committee (for Multiply, the UKSPF Local Partnership Group) for recommendations, where wider

	set within the Local Investment Plan		sector expertise and consultation is desired. Members will need to ensure that conflicts of interest are declared, however a dispensation may be granted to allow a balanced and informed discussion.
5	To make interim changes to the policy and / or AEB Strategy in response to emerging economic needs, crisis responsiveness or similar.	Employment and Skills Committee	Decision on interim measures that affect operation, responding to economic needs in line with sector intelligence. Members will need to ensure that conflicts of interest are declared, however a dispensation may be granted to allow a balanced and informed discussion. The Employment and Skills Committee may refer this approval to the Combined Authority with a recommendation, if there is a significant deviation from the WY AEB Strategy.
6	To determine Grant Agreement Allocations & Procurement values – annually agreed in March for AEB (once West Yorkshire allocation confirmed)	Chief Executive	Grant allocation amounts will be determined in accordance the methodology outlined in the AEB Strategy and Multiply Investment Plan as approved by the Combined Authority. Approval of top line procurement values by the Chief Executive while ensuring clear methodology has been followed which aligns to the Strategy. For Multiply, the Chief Executive may refer to LPG for recommendations and scrutiny, where wider sector expertise and consultation is desired.

7	To agree contracts for Services awarded through procurement and for AEB in March annually based on performance management framework.	> £1m – Chief Executive < £1m –	In accordance with the AEB Strategy, Combined Authority Procurement Strategy, Funding Rules, Performance Management Framework, and Contracts Standing Orders
8	New procurement rounds: • Planned responsiveness pot • Refresh after 4 years Bringing on new providers in light of provider base failure	> £1m – Chief Executive < £1m – Director of Inclusive Economy, Skills & Culture Advised by AEB Performance Group, UKSPF LPG (Multiply) and ES&C	In accordance with the AEB Strategy, as approved by the Combined Authority. E&SC or the UKSPF Local Partnership Group may make recommendations to the Combined Authority on any such decision. Conflicts of interest are managed under the Members' Conflicts of Interest policy.
9	To approve or vary the AEB Procurement Strategy	Sub delegated from the Chief Executive to the Director of Inclusive Economy, Skills & Culture / Head of Employment and Skills	In accordance with the AEB Strategy and with the Combined Authority's Procurement Strategy
10	To approve overperformance and contract Growth requests	Sub delegated from the Chief Executive to the Director of Inclusive Economy, Skills & Culture / Head of Employment and Skills	In accordance with the mechanism set out in Contracts, Funding Agreements, and/or Performance Management Framework. Technical expertise and performance data available at AEB Performance Group level. For Multiply, officers may refer to LPG for recommendations, where wider sector expertise and consultation is desired.
11	Underperformance and contract reduction / termination	Sub delegated from the Chief Executive to the Director of Inclusive Economy, Skills & Culture / Head	Clear mechanism will be outlined in Contracts, Funding Agreements, and/or Performance Management Framework.

		of Employment and Skills	Technical expertise and performance data available through the AEB Performance Group. For Multiply, officers may refer to LPG for recommendations, where wider sector expertise and consultation is desired.
12	To approve Funding clawback	Sub delegated from the Chief Executive to the Director of Inclusive Economy, Skills & Culture / Head of Employment and Skills	Clear mechanism will be outlined in Contracts, Funding Agreements, and/or, along with Audit and Assurance requirements. Technical expertise and performance data available at AEB Performance Group level.
13	To agree Delivery plans agreed annually with providers variation approval based on performance and/or responsiveness	Sub delegated from the Chief Executive to the Director of Inclusive Economy, Skills & Culture / Head of Employment and Skills	Expertise regarding technical delivery and alignment to strategy available from the AEB Performance Group. Will deliver strategic aims as set by the Combined Authority. Employment and Skills Panel will be informed of any decisions, in line with Conflicts of Interest policy. For Multiply, officers may refer to LPG for recommendations, where wider sector expertise and consultation is desired.
14	To add subcontractors to delivery plans within year upon request annually	Sub delegated from the Chief Executive to the Director of Inclusive Economy, Skills & Culture / Head of Employment and Skills	Expertise regarding due diligence and strategic appropriateness is available from the AEB Performance Group. In accordance with the Funding Rules which outline strict requirements regarding subcontracting practice.

			Responsiveness required in year to ensure delivery timescales are met
15	To approve subcontracting where not already approved under current ESFA regulations. ESFA guidance available here.	Sub delegated from the Chief Executive to the Director of Inclusive Economy, Skills & Culture / Head of Employment and Skills	Expertise regarding due diligence and strategic appropriateness available from the AEB Performance Group. Funding rules outline requirements regarding subcontracting practice. Responsiveness required in year to ensure delivery timescales are met.
16	To make minor technical or process driven amendments to the Funding Rules (for Multiply: contracts or funding agreements) in line with strategic direction set by the Combined Authority.	Sub delegated from the Chief Executive to the Director of Inclusive Economy, Skills & Culture / Head of Employment and Skills	Any amendments must remain in accordance with the AEB Strategy, as approved by the Combined Authority. Swift decisions needed to minimise any impact of responsiveness on delivery – decisions are predominantly technical, and process driven.

10 GLOSSARY

ASR	**Appraisal Specification Report:** A report produced by the scheme promoter, in conjunction with the West Yorkshire Combined Authority, setting out the agreed approach to appraisal of the scheme, as part of the assurance process.
AST	**Appraisal Summary Table:** A summary of the key consequences relating to the environmental, economic and social impacts of schemes. They are used to help determine which schemes should proceed and if they do, to decide which options to choose.
BCG	**Business Communications Group**: A group of people made up of key representatives from organisations in the City Region. They support business growth and act as an advisory group to the LEP Board.
BCR	**Benefit Cost Ratio:** An indicator used in cost-benefit analysis that attempts to summarise the overall value for money of a project or proposal.
BEIS	**Business, Energy and Industrial Strategy:** A ministerial department supported by 41 agencies and public bodies. It brings together responsibilities for business, industrial strategy, science, research and innovation, energy and clean growth, and climate change.
BGP	**Business Growth Programme:** The department for Business, Energy & Industrial Strategy set up grants for businesses that meet certain requirements. Businesses can apply to the Leeds City Region LEP to obtain these grants.
CBA	**Cost Benefit Analysis:** A systematic approach to estimating the strengths, weaknesses and alternatives for a decision to be made. It involves adding up the benefits of a course of action and then comparing these with the costs associated with it.
CEO	**Chief Executive Officer:** The person who is in overall charge of the running of an organisation or business. The Chief Executive Officer of the Combined Authority is also the Chief Executive Officer of the LEP.
CSF	**Critical Success Factors:** A management term for an element that is necessary for an organisation or project to achieve its goals.
DfT	**Department for Transport:** A ministerial department supported by 23 agencies and public bodies. They work with agencies and partners to support the transport network and plan and invest in transport infrastructure.
DLUCH	**The Department for Levelling Up, Housing and Communities:** Formerly known as Ministry of Housing, Communities and Local Government (**MHCLG**). A ministerial department supported by 13

	agencies and public bodies. They create great places to live and work, and to give more power to local people to shape what happens in their area.
ERDF	**European Regional Development Fund:** Aims to strengthen economic and social cohesion in the European Union by correcting imbalances between its regions. The ERDF focuses its investments on several key priority areas and is designed to reduce economic, environmental and social problems in urban areas.
ESIF	**European Structural and Investment Funds:** Includes money from the European Social Fund, European Regional Development Fund and European Agricultural Fund for Rural Development.
EU	**European Union:** An association of European nations formed in 1993 for the purpose of achieving political and economic integration. Incorporating the European Community, the European Union's member states are Austria, Belgium, Bulgaria, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, and the United Kingdom. In 2016 the United Kingdom voted by referendum to withdraw from membership in the European Union.
EZ	**Enterprise Zone:** An area in which state incentives such as tax concessions and infrastructure incentives are offered to encourage business investment. There are 24 enterprise zones in England.
FBC	**Full Business Case:** Provides the detail of the preferred solution for a project or programme. It confirms the benefit, cost and risk of delivering the preferred solution. FBC+ represents a full business case with finalised costs.
GPF	**Growing Places Fund:** Funding from the Ministry of Housing, Communities and Local Government that supports key infrastructure schemes designed to unlock wider economic growth, create jobs and build houses in England. This fund comprises of £730 million.
GVA	**Gross Value Added:** Measures the contribution made to the economy and is a key indicator of the state of the whole economy. It measures the value of goods and services produced in an area.
Green Book	HM Treasury guidance for public sector bodies on how to appraise proposals before committing funds to a policy, programme or project.
HE	**Homes England:** Formerly known as Homes and Communities Agency. An executive non-departmental public body that is sponsored by the Ministry of Housing, Communities and Local Government. HE helps create

	successful communities by making more homes and business premises available to the residents and businesses who need them.
HMT	**Her Majesty's Treasury:** The Government's economic and finance ministry, maintaining control over public spending, setting the direction of the UK's economic policy and working to achieve strong and sustainable economic growth.
LCR	**Leeds City Region:** A functional region around Leeds, West Yorkshire.
LEP	**Local Enterprise Partnership:** Locally-owned voluntary partnerships between local authorities and Businesses. Set up in 2011, they play a central role in deciding local economic priorities and undertaking activities to drive economic growth and create local jobs.
LGF	**Local Growth Fund:** Growth Deal funding provided to Local Enterprise Partnerships for schemes that benefit the local area and economy.
LIS	**Local Industrial Strategy:** Led by Mayoral Combined Authorities or Local Enterprise Partnerships, to promote the coordination of local economic policy and national funding streams and establish new ways of working between national and local Government, and the public and private sectors.
LVU	**Land Value Uplift** This is quantification of the net benefits of a scheme proposal. This measures the difference of value from the land's current use to when it is used for another purpose as an economic uplift and captures all private sector costs of development.
MCA	**Mayoral Combined Authority:** A combined authority with a mayor that is elected by the residents of the area. The mayor, in partnership with the combined authority, exercises the powers and functions devolved from Government, set out in the local area's devolution deal.
NPV	**Net Present Value:** The difference between the present value of the future cash flows from an investment and the amount of investment. NPV is used to analyse the profitability of a projected programme or project.
Nolan Principles	The seven principles of public life, which are the basis of the ethical standards expected of public office holders.
OBC	**Outline Business Case:** This sets out the preliminary information regarding a proposed project / programme. It contains information needed to help make a decision regarding the implementation of the project / programme such as envisaged outcomes, benefits and potential risks associated.
Orange Book	HM Treasury guidance for public sector bodies on risk management.

PAT	**Programme Appraisal Team:** A team formed to ensure compliance with the assurance framework. It is a formal group of West Yorkshire Combined Authority officers who oversee the assurance process.
PCR	**Project Closure Report:** The final document produced for the project and is used by senior management to assess the success of the project, identify best practice for future schemes, resolve all open issues and formally close the project.
PIMS	**Portfolio Information Management System:** A bespoke management system used to provide transparency, consistency, efficiency and focus on delivery.
PMA	**Portfolio Management and Appraisal Team:** A team formed to ensure a rigorous approach to the assurance process, including the appraisal of schemes and monitoring and reporting on our portfolio, so we get the best schemes for our money
QRA	**Quantified Risk Assessment:** A structured approach to identifying and understanding the risks associated with hazardous activities. The assessment takes inventory of potential hazards, their likelihood and consequences.
RAG	**Red, Amber and Green rating:** Also known as the traffic light system and used as a visual cue to project performance.
REM	**Regional Econometric Model:** Incorporates aspects of four major modelling approaches; Input - Output, General Equilibrium, Econometric, and Economic Geography. It estimates the changes in total regional income and employment.
SA	**Strategic Assessment:** This determines the strategic context for a programme / project and provides an early opportunity for key stakeholders to influence the direction, scope and scheme content.
SEP	**Strategic Economic Plan:** A long-term plan that shows how the LEP and Local Authorities will grow the economy and how its ambitions will be achieved. The SEP will be replaced by SEF during 2020.
SEF	**Strategic Economic Framework:** An agile, long-term strategic framework, incorporating both the new Local Industrial Strategy (LIS) as well as a full range of policies and strategies, reflecting the scale of our ambitions and priorities for the City Region.
SME	**Small and Medium Enterprises:** A company is defined as an SME if it has a staff headcount of either <50 (small) or <250 (medium sized). The company also needs to have a turnover or balance sheet total of ≤€10m (small) or ≤€50m (turnover) or ≤€43m (balance sheet) (medium).
SOC	**Strategic Outline Case (SOC)**

	The purpose of the SOC is to confirm the strategic context for the project, to make the case for change and to determine 'the preferred way forward'
SUD	**Sustainable Urban Development (part of the ESIF programme):** Part of the European Structural and Investment Funds programme operating as an Integrated Territorial Investment Instrument, which demonstrates the value of place-based solutions in responding to social, environmental and economic challenges. The area to be covered by SUD is the City Region's urban core of West Yorkshire and York.
TfN	**Transport for the North** A statutory sub-national transport body, which is a partnership of public and private sector representatives working with central Government and national transport bodies to develop and deliver strategic transport infrastructure across the North of England.
UDM	**Urban Dynamic Model:** A simulation of how transport interacts with population, employment and land-use over long periods of time, typically ten years or more. It helps understand how transport could contribute to economic regeneration.
VfM	**Value for Money:** The most advantageous combination of cost, quality and sustainability to meet customer requirements.
TAG	**Web-based Transport Appraisal Guidance:** Guidance on the conduct of transport studies. It provides advice on how to set objectives and identify problems, develop potential solutions, create a transport model for the appraisal of the alternative solutions and how to conduct an appraisal which meets the department's requirements.
West Yorkshire Transport Levy	An annual levy on the West Yorkshire authorities, which is used to invest in priority schemes / programmes across West Yorkshire, helping to deliver a number of key transport priorities.

11 Document control

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