

GOVERNANCE AND AUDIT COMMITTEE

**MEETING TO BE HELD AT 11.00 AM ON WEDNESDAY, 22 MARCH
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.

- 1. APOLOGIES FOR ABSENCE**
- 2. DECLARATIONS OF DISCLOSABLE PECUNIARY INTERESTS**
- 3. EXCLUSION OF THE PRESS AND PUBLIC**
- 4. MINUTES OF THE MEETING OF THE GOVERNANCE AND
AUDIT COMMITTEE HELD ON 12 JANUARY**
(Pages 1 - 4)
- 5. INTERNAL AUDIT PROGRESS REPORT**
(Pages 5 - 22)
- 6. INTERNAL AUDIT DRAFT PLAN 2023/24**
(Pages 23 - 28)
- 7. APPROVAL OF ANNUAL ACCOUNTS 2021/22**
(Pages 29 - 32)
- 8. REVISED CODE OF CORPORATE GOVERNANCE**
(Pages 33 - 48)
- 9. TREASURY MANAGEMENT**

(Pages 49 - 58)

10. COMPLIANCE AND MONITORING

(Pages 59 - 62)

11. RISK MANAGEMENT STRATEGY

(Pages 63 - 66)

12. GOVERNANCE AND AUDIT COMMITTEE FORWARD PLAN

(Pages 67 - 72)

Signed:

A handwritten signature in black ink, appearing to be 'BAM', with a horizontal line underneath it.

**Chief Executive,
West Yorkshire Combined Authority**



**MINUTES OF THE MEETING OF THE
GOVERNANCE AND AUDIT COMMITTEE
HELD ON THURSDAY, 12 JANUARY 2023 AT COMMITTEE ROOM 1,
WELLINGTON HOUSE, 40-50 WELLINGTON STREET, LEEDS**

Present:

Debbie Simpson (Chair)
Councillor Matthew Robinson
Councillor Cathy Scott (Substitute)
Councillor Jane Scullion (Substitute)

Independent Member
Leeds City Council
Kirklees Council
Calderdale Council

In attendance:

Mark Dalton
Melanie Corcoran
Angela Taylor
Bronwyn Baker
James Nutter
Craig Taylor
Ben Kearns

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

37. Apologies for Absence

Apologies had been received from Cllr Hinchcliffe, Cllr Pandor, Cllr Swift, and Joanna Wardman.

38. Declarations of Disclosable Pecuniary Interests

There were no declarations of pecuniary interests at the meeting.

39. Exclusion of the Press and Public

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

40. Minutes of the Meeting of the Governance and Audit Committee held on 13 October.

Resolved: That the minutes of the last meeting be approved.

41. Internal Audit Progress Report

Members considered a report that set out progress against the internal audit plan for 2022/23.

Members noted that recruitment continued to be problematic with two vacancies unfilled, but officers remained optimistic that the plan would be delivered in time for the 22/23 audit opinion.

A minimal assurance rating was provided for financial controls in Transport and Property services, but members were reassured that all recommendations had been accepted by management and a programme of responses was underway. An update would be brought to the committee at a future meeting to provide further assurance that mitigations had been put in place.

Members noted that one whistleblowing referral had been received in 2022/23 and was being investigated. An update would be brought back to the Committee upon the conclusion of the investigation.

Members asked whether, considering staffing shortages, conversations had been had with directorates about re-prioritising audits. Officers reported that any changes to the plan would be brought back to the Committee, but none had been made at this stage.

Resolved: That the report be noted.

42. Internal Audit Draft Plan 2023-24

Members considered a report that set out the Internal Audit Draft Plan for 2023/24 for comment. The plan had been designed with a risk based approach in mind, with reference to corporate and directorate risk registers, business plans for 23/24, and the CIIA Risk in Focus 2023 report. Conversations with Directors would be undertaken, and the plan would be brought back at a future meeting.

Members were pleased to see assurance mapping on the draft plan and discussed the cybersecurity and ICT audits and the challenges around the need to look at cybersecurity holistically. It was noted that the audit specialism bought in would help to address this.

Resolved: That the report be noted.

43. External Audit Progress Report

The Committee considered a report that provided an update on external audit matters.

Members noted that PSAA had confirmed that Mazars had been appointed as the external auditor for the Combined Authority for the next five years. Confirmation had been received that the 2020/21 Whole of Government Accounts submission was below the National Audit Office's threshold so the work could now be completed.

Resolved: That the report be noted.

44. Treasury Management

The Committee considered a report that set out the Treasury Management Statement and Strategy.

Resolved: That the position on treasury management and the treasury management statement be noted.

45. 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

46. Risk Management Strategy

The Committee considered an update on the corporate risk management strategy.

Members discussed the risk register entry for the Combined Authority's climate change target and the safety and security risk. Members noted that capital programmes had been reviewed with strategic fit in mind which includes environmental sustainability. The phase one plan had been brought to the Climate and Environment Committee which would form the basis for the net zero interventions.

Members also discussed the risk around the lack of progress in signing off funding agreements.

Resolved: That the report be noted.

47. Assurance Framework Annual Review

The Committee considered a report which set out the progress on the annual review of the Assurance Framework.

Resolved: That the report be noted.

This page is intentionally left blank



Report to: Governance and Audit Committee

Date: 22 March 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? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| Is the decision eligible for call-in by Scrutiny? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| Does the report contain confidential or exempt information or appendices? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1: | |
| Are there implications for equality and diversity? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |

1. Purpose of this report

- 1.1. To ask members to consider the contents of the report and supporting appendix 1 detailing progress against the current plan for 22/23.

2. Information

Audit Delivery for 2022/23

Recruitment

- 2.1 This remains a concern. Work with a new agency that provides temporary and permanent recruitment assistance has confirmed the same issues as direct recruitment efforts and attempts to procure co-source support. Work is, however, continuing between the audit and human resources team to try and identify other possible actions to support securing additional resource.

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 struggled to meet some of the KPIs, in particular 'progress against the plan', 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 at draft report stage.

- 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 with a fuller narrative update on progress from the minimal assurance report notified to the Governance and Audit Committee in January 2023.

Fraud/Whistleblowing/Money Laundering

- 2.4 Two whistleblowing referrals have been received to date in 22/23, one is currently being investigated as a possible external fraud case by the relevant local authority and the other is being dealt with internally. Three fraud referrals have also been received with one internal and two external, two of these are currently at investigation stage, while one of the external referrals has concluded with no fraud identified.

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

This page is intentionally left blank

6

Governance and Audit Committee Internal Audit Progress Report

March 2023

Appendix 1

1.Key Headlines / Index

Top three issues – Getting organisation evolution work right, transport for the region (bus reform, rail policy, mass transit), new integrated corporate system.

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. This, while moving slowly, is getting through the planned reviews. The Committee is, however, asked to note the proposed removal, following discussion with the Internal Leadership Board, of one review (Benchmarking Pan Programme Charges) to reflect the relative risk versus the resourcing issues in the team. There has also been one addition to the plan (Multiply) around a new funding stream which requires audit assurance in line with Department for Education requirements.

10 Outstanding actions- At **page 10** 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 12 provides details of feedback received from recently issued reports to date and these have been included.

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

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

Audit Report- Health and Safety

The review examined the adequacy and effectiveness of controls in place to mitigate risks associated with non-compliance with health and safety legislation, internal policies and ensuring employees and others are kept safe.

Internal Audit was able to provide an audit opinion of **REASONABLE** assurance. In giving this opinion Audit found that there was a comprehensive framework of policies and procedures and training in place to support and guide staff. There was also strong second line assurance activity provided by the Health & Safety team through regular site visits to assess compliance and report on actions where these were required. Audit also found a sound system of reporting accidents and near misses and management information to the Regulatory and Compliance Board each month ensuring senior management oversight.

Audit made three recommendations to strengthen internal controls further. The planned review of the Health & Safety strategy should be timetabled with milestones and agreed publication dates, the health and safety committees' terms of reference should be periodically reviewed to ensure it remains effective and membership is up to date and identifying and documenting health and safety risks on an appropriate risk register.

Audit also asked management to consider the potential to develop the roles of health and safety representatives, further training opportunities for staff in the bus stations and enhancing the process and accessibility of policies that have been signed off.

Audit Report – MCard Mobile App

The review examined the controls associated with operating the MCard Mobile App to assess whether these are being effectively managed.

Internal Audit were able to provide an audit opinion of **REASONABLE** assurance. To support this opinion audit noted that there has been good oversight of the App's development and integration into existing processes, with customer activity and usage closely monitored. Opayo (formerly SagePay) provides the payment platform for processing ticket purchases. There was no retention of customer payment data minimising risks associated with managing personal details. Ticket sale data is regularly reconciled to the Combined Authority's financial systems and access to the MCard Mobile App's back-office system (ROSA) is appropriately controlled.

Audit made two recommendations to support the strengthening of internal controls. The first recommendation is around ensuring the consistency of ticket sale reconciliation documentation. The second recommendation is around improving risk management by creating and maintaining a risk register to document risks associated with the MCard Mobile App.

11

Audit also made one observation for management to note about a known network-wide issue with the potential for customers to be able to duplicate digital train tickets. Work is ongoing nationally to resolve this issue.

Adult Education Budget (AEB) Progress Update

The Combined Authority is now in the second year of controlling the devolved Adult Education Budget (AEB) and delegated Level 3 (Free Courses for Jobs Offer).

Work has been continuing to develop a more formulaic approach to Provider audits. The two new audits started during this period are using a more standardised framework than has previously been the case, and it is expected that this will significantly improve the completion time of audits.

Resourcing of the AEB Internal Audit Team has been impacted by the resignation and departure of one of the team. The process for finding a replacement has commenced, but there are concerns that recruitment will experience the same difficulties previously encountered. There has been some movement within the Internal Audit team as a result of that resignation, which has meant further training & development activity this quarter has been needed.

There was a requirement to provide Department for Education with an assurance letter on Free Courses for Jobs funding at the start of the year. There were no significant concerns identified whilst providing this assurance.

There is one complex provider review that has progressed to draft stage, with the Provider still providing new evidence.

The other two on-going audits that have started in the quarter are close to completion, with neither currently having significant concerns. In addition the ESFA have communicated the findings from a College audit they completed in January, with a satisfactory level of assurance. There has been some follow up activity on the Local Authority assurance statements that were initially requested in Q4, 2022 – there are still three authorities that are overdue regarding submission of assurance statements, and if these remain unsubmitted it may be that there will be a requirement to include these authorities within the audit cycle for AEB.

Internal support has continued to be provided to the AEB Contracts Team with Compliance Checks, and content for the periodic AEB Newsletter.

Counter Fraud, Whistleblowing and Anti Money Laundering

Two whistleblowing concerns and three fraud referrals have been raised so far in the plan year.

One of the whistleblowing concerns has been raised since the last meeting by a member of the public via the Whistleblowing Policy. The other matters all remain as reported previously.

As concerns have been raised and recorded this year under the Whistleblowing Policy this has enabled it to be tested in practice. It is currently under full review as a result of changes to the LEP, but this will also take into account any necessary changes identified as a result of the referrals to date and any other changes to legislation or best practice.

One of the external fraud referrals has been closed after agreement with management with no fraud identified, however, a report on control improvements and clear guidelines surrounding necessary evidence will be provided to the relevant team to build good practice.

Investigations into the three other referrals are currently continuing, one of which is by a partner responsible for distributing the relevant funding. Audit are awaiting confirmation their investigations are completed and the outcome of these.

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 | 1 | 0 | 1 |
| Fraud – Internal | 1 | N/A | N/A | 1 |
| Whistleblowing | 2 | N/A | N/A | 2 |
| AML | 0 | N/A | N/A | N/A |

13

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 January 2023, Audit have reviewed and certified the following grants.

| Grant | Claim Period | Value certified £ |
|---------------------------|-------------------|-------------------|
| Connecting Innovation | Q4 (01/10- 31/12) | 429,155 |
| Rebiz (REF2) | Q4 (01/10- 31/12) | 743,848 |
| Strategic Business Growth | Q4 (01/10- 31/12) | 183,848 |

| | | |
|------------------|---------|------------|
| CRF Retrofit Hub | 2021-22 | 346,928 |
| LTP | 2021-22 | 46,593,725 |

3. Internal Audit Plan 2022/23

15

| | 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 request 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 | Health & Safety | To provide assurance that H&S policies and practices are up to date and meet legislative requirements and review processes around incidents and reporting of these and action taken as a result. | Completed Review Reasonable Assurance rating given |
| 8 | MCard APP | To examine controls around ticket sales through the new App with focus on fraud risks. | Completed Review |

| | | | Reasonable Assurance rating given |
|----|---|---|--|
| 9 | Contract Management - Battery Powered Displays for Bus Stops and Shelters | Contract review to ensure compliance with contract standing orders and contract management principles. | Draft report issued |
| 10 | Flexi Bus | To examine the Flexibus trail scheme arrangements | Draft report issued |
| 11 | 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. | Draft report issued |
| 12 | Contract Management - Leeds Bus Station Refurbishment | Contract review to ensure compliance with contract standing orders and contract management principles. | Draft reporting stage |
| 13 | Contract Management – JPB Facilities Management | Contract review to ensure compliance with contract standing orders and contract management principles. | Draft reporting stage |
| 14 | 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. | Vulnerability management – draft reporting stage |
| 15 | 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/testing |
| 16 | Security of Assets | Carry over review to be completed and scope for further review to be determined but building on previous year's work. | In progress/testing |
| 17 | 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 | In progress/testing |

| | | | |
|----|---|--|---|
| | | and claims (financial and outcomes) have followed the Funding Rules and contractual agreements in place. | |
| 18 | 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 progress/testing |
| 19 | 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. | Currently developing the detailed scope |
| 20 | 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. | Currently developing the detailed scope |
| 21 | 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. | Currently developing the detailed scope |
| 22 | 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, not yet started |
| 23 | Climate Change – external plans | To examine the CA's progress against its external climate change plans. | Quarter 4, not yet started |
| 24 | 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, not yet started |
| 25 | Counter Fraud work | Four investigations are currently underway following referrals received, although one has been passed to the relevant partner for work at this stage. A strategic level fraud and corruption risk assessment is to be carried out against best practice guidance to advise the development of a proactive counter fraud work plan for 2023/24 to strengthen our | Ongoing |

17

| | | | |
|----|--|--|--|
| | | controls to prevent, detect and investigate fraud, corruption and money laundering. | |
| 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 March / April to advise the AEB Assurance Statement to the Department for Education. | Ongoing |
| 27 | Attendance on Boards | Advice and guidance to inform the control framework | Ongoing |
| 28 | Various grant certifications | Grant certification provided In line with funding applications and funding agreements (see above) | Ongoing |
| 29 | *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 – currently developing the assurance process and testing programme |
| 30 | Grant Audits | In line with grant funding applications and funding agreements | As required |
| 31 | 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. | To be removed |

18

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).

| Status of agreed actions | | | | | |
|-------------------------------------|--------------|--------------------|--------------------|----------------|------------------------------|
| Directorate | Total | Implemented | In progress | Overdue | Not to be Implemented |
| Cross Cutting | 15 | 12 | 3 | 0 | 0 |
| Finance and Commercial | 12 | 11 | 1 | 0 | 0 |
| COO Direct report | 10 | 7 | 3 | 0 | 0 |
| Transport Policy and Delivery | 2 | 2 | 0 | 0 | 0 |
| Inclusive Economy, Skills & Culture | 1 | 1 | 0 | 0 | 0 |
| Strategy, Comm, Intelligence | 4 | 4 | 0 | 0 | 0 |
| Policing, Environment, Place | 1 | 0 | 1 | 0 | 0 |
| Transport Ops & Passenger Exp | 38 | 6 | 32 | 0 | 0 |
| Mass Transit | 0 | 0 | 0 | 0 | 0 |
| TOTAL | 83 | 43 | 40 | 0 | 0 |

At the time of writing, there were 40 recommendations in progress. Audit continues to follow up recommendations with action owners and a summary of progress against implementation of "In progress" recommendations is provided below;

| Status of In progress recommendations | | |
|--|----------------------------------|--|
| Audit Area | Number of Recommendations | Status |
| Risk Management | 3 | There is a review of risk management taking place following on from the organisational redesign work, recommendations are in progress and will form part of that review. |

| | | |
|---|----|--|
| Contract Compliance – Bus Shelters Ltd | 1 | Staff member has been absent, progress is currently being followed up with the line manager and the Commercial Team |
| Health & Safety | 3 | The Health and Safety audit has recently been completed and a summary is provided elsewhere in this report. |
| 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. |
| Climate Change Follow up | 1 | Internal Audit to continue to follow up this recommendation with the responsible person and as part of the review of Climate Change which is on the current year plan. |
| Safeguarding | 4 | An update has been provided, progress has been slightly off track due to staff leaving the organisation. Audit are following up recommendations with Management. |
| Mcard APP | 1 | The Mcard audit has recently been completed and a summary is provided elsewhere in this report. |
| Transport and Property (Financial Controls) | 26 | <p>Audit is confident that the recommendations agreed by management are in progress with some completed already (although sign off of these is going to be held over to ensure that the actions have time to bed in and demonstrate the required improvements) and while, for example, regular TPS/ Finance meetings to give oversight and challenge are happening now, there is still action to be taken as a result of those discussions, particularly in relation to seeing sustained improvement to budget management. This is also true of some of the recommendations made to improve application of controls in the finance team itself, with action taken already, but time needed to see these controls being effective as a matter of routine.</p> <p>There is also an acceptance that the broader work happening in the Combined Authority Corporate Centre, along with some separately procured work on systems and process development in TPS, will address some of the recommendations, but that this work is still underway. There is a similar position in relation to the new Integrated Corporate Systems, due to go live in the new financial year.</p> |

| | | |
|--|--|--|
| | | Audit is being kept updated on the progress of recommendations and the Committee has already seen the proposal to include a full follow up of the TPS report and recommendations in the new plan year. |
|--|--|--|

5. Customer Feedback

Since we last reported to Committee, Audit have received positive feedback for the Health and Safety report we issued in March 2023, Audit continues to monitor its performance and any feedback received is used to inform its quality assurance improvement programme.

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 | Mar | YTD |
|--|-----------------------------------|------|------|------|------|------|------|------|------|-----|-----|------|-----|------|
| Annual Governance Statement deadline 2021/22 - to include annual audit opinion | May (draft) November (final) | NA | 100% | NA | NA | NA | 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 | NA | NA | NA | | 100% |
| Customer Satisfaction (including question around EDI approach) | 80% good or above | 100% | NA | 100% | NA | 100% | NA | NA | 100% | NA | NA | NA | | 100% |
| Reports issued within 10 working days from completion of audit work | 95% | 100% | 100% | 100% | 100% | 0% | 0% | 100% | 100% | NA | NA | 50% | | 80% |
| 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% | 23% | 33% | | 33% |
| Percentage of recommendations agreed | 90% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | NA | NA | 100% | | 100% |

| | | | | | | | | | | | | | | |
|---|------|------|-----|----|-----|------|------|-----|------|------|------|----|--|------|
| Fraud/ Whistleblowing acknowledgement, where appropriate, within 10 working days | 100% | 100% | NA | NA | NA | NA | NA | NA | 100% | 100% | 100% | NA | | 100% |
| Fraud/ Whistleblowing reports to be issued within 10 working days of investigation completion | 95% | NA | NA | NA | 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 | 100% | 0% | NA | | 58% |



Report to: Governance and Audit Committee

Date: 22 March 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? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| Is the decision eligible for call-in by Scrutiny? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| Does the report contain confidential or exempt information or appendices? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1: | |
| Are there implications for equality and diversity? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |

1. Purpose of this report

- 1.1 To ask members to approve the final internal audit plan for 23/24 detailed in Appendix 1.

2. Information

Proposed Audit Plan for 2023/24

Background

- 2.1 Internal Audit presented the draft plan to the January Governance and Audit Committee (GAC) meeting for early comments with the commitment to then take the draft to the Internal Leadership Board (ILB) and for discussion with individual Directors. That process is now complete and the final plan is presented for approval.

Key areas to highlight

- 2.2 Changes to the initial draft plan have seen the addition of the following two reviews:
- 1) Rolling three year cycle of reviews assuring the business planning and finance process is developed (linking the two) and embedded into the organisation
 - 2) Data Quality – this assurance would be aimed at supporting the progress of the open data work being undertaken in the Research & Intelligence team.

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 approve the 23/24 audit plan.

11. Background Documents

11.1 There are no background documents referenced in this report.

12. Appendices

Appendix 1 – Internal Audit Final Plan 2023/24

Appendix 1

FINAL 23/24 Internal Audit Plan

| | Assurance Area | Provenance | Link to Corporate Risks/ Priorities |
|---|--|--|--|
| 1 | Integrated Corporate Systems (HR, Finance, Payroll) | Informed by 22/23 audit work, aim to provide assurance that new controls are effective and benefits of the new system are 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 and PCI | 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) including use of PIMS and overall view of use of funding (e.g. Gainshare) | 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) | Combined Authority Financial Regulations, External Horizon | Corporate Priorities |

| | | | |
|----|--|--|---|
| | with Fin Regs/Contracts Standing Orders) | Scanning – Org Gov/Regulations (Risk in Focus) | |
| 10 | Contract Management (sample to confirm compliance with Fin Regs/Contracts Standing Orders and good practice) | Informed by 22/23 audit work, External Horizon Scanning – Org Gov/Regulations (Risk in Focus) | Corporate Priorities |
| 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 Management and Business Planning – a rolling programme of reviews over a 3 year cycle to assess controls, governance and risk management of these linked processes. | Internal Leadership Board, External Horizon Scanning - Financial (Risk in Focus) | Corporate Priorities |
| 14 | AEB (Reviews in line with assurance framework for AEB to give programme assurance) | Directorate Risk, External Horizon Scanning – Third Party (Risk in Focus) | Corporate Priorities |
| 15 | AEB Provider Reviews – to ensure compliance with funding rules | 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 | Combined Authority Financial Regulations, External Horizon | Corporate Priorities |

| | | | |
|----|---|--|-------------------------|
| | Orders & Financial Regulations | Scanning – Financial/Regulation (Risk in Focus) | |
| 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 including responsibilities and the social element of 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 | Directorate Risk, External Horizon Scanning – Third Party (Risk in Focus) | Corporate Priorities |
| 23 | Data Quality | Directorate Risk, External Horizon Scanning - Reputation (Risk in Focus) | Corporate Priorities |
| 24 | Grant Audits | In line with funding applications and funding agreements | Corporate Priorities |
| 25 | Attendance on Boards | Advice and guidance to inform the control framework | Corporate Priorities |
| 26 | Various grant certifications | In line with funding applications and funding agreements | Corporate Priorities |

This page is intentionally left blank



Report to: Governance and Audit Committee

Date: 22 March 2023

Subject: **Approval of Annual Accounts 2021-22**

Director: Angela Taylor, Director, Finance and Commercial Services

Author: Mark Wood, Head of Finance

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

1. Purpose of this Report

- 1.1 To present to the Committee for their approval the consolidated audited annual accounts (financial statements) for 2021/22 for the Combined Authority.

2. Information

- 2.1 The government extended the statutory deadline for audit completion to 30 November 2022 for 2021/22 accounts. All efforts were made by the Finance teams of both West Yorkshire Combined Authority and West Yorkshire Police to ensure the draft accounts were prepared and published at the end of July 2022 for statutory public inspection. The public inspection period has now ended, and there was no question or objection being raised. The timing of the Governance and Audit Committee in July was such that the draft accounts had only just been completed and it was requested that they be brought back for further consideration ahead of the audit work commencing. The draft accounts were further presented to Committee in October 2022 where they were approved subject to the final audit of the accounts which would not take place until late 2022/early 2023.
- 2.2 The final audit commenced as scheduled in January 2023 and is nearing completion with some remaining audit queries. The Audit Completion Report is at Appendix 1 and whilst work remains ongoing the external auditor intends to

provide an unqualified audit opinion. While some queries are still outstanding it is not expected they will fundamentally change the accounts presented. Further detail is provided in the Audit Completion Report provided by Mazars as Appendix 1 and they will be available at the meeting to present their report. At the time of publication the auditors are completing their final review and this will necessitate minor final changes to both the completion report and the draft accounts and both the accounts and the completion report will be circulated separately a few days prior to the Committee meeting.

- 2.3 Members are reminded that the transfer of the Police and Crime functions to the Combined Authority from 10 May 2021 introduces the first set of group accounts and consolidation with the accounts of the Chief Constable, the separate legal entity which is West Yorkshire Police. The Mayor is required to keep a fund known as the Police Fund, separate from those of the CA general fund reserve. The Combined Authority is the legal entity which is responsible for administering the Police Fund including assets and liabilities associated with it and executing the Mayor's decisions in her role as Police and Crime Commissioner. The Police Fund balances for the year 2021/22 cover 10 months and 22 days (10 May 2021 to 31 March 2022). The comparator year 2020/21 covers 12 months (1 April 2020 to 9 May 2021) including only the continued Combined Authority balances. Subsequent financial years will be 12 months from 1 April to 31 March for both entities.
- 2.4 The Chief Constable financial statements were considered at the meeting of the Joint Independent Audit Committee on 23 February, along with the external auditor's completion report. Subject to the finalisation of a small number of minor items the accounts were approved to be recommended for signature. The information from these accounts has been used to prepare the consolidated accounts presented today.
- 2.5 The accounts have been prepared on an International Financial Reporting Standards (IFRS) basis in accordance with the CIPFA Code of Practice on Local Authority Accounting UK.
- 2.6 There are a number of accounting / other matters in the accounts which are drawn to the Committee's attention below.
- 2.7 The going concern principle is always required to be considered as part of the year end process. The IFRS Code's underlying assumption is that accounts shall be prepared on a going concern basis where the functions of the 'authority' will continue in operational existence for the foreseeable future.
- 2.8 Accounting policies – adopted by the CA and its Group determine the accounting treatment that is applied to transactions during the financial year and in the preparation of the Annual Statement of Accounts. During last year, joint work on reviewing and realignment of accounting policies for 2021/22 has been completed between the CA finance team and the WYP finance colleagues. As both the CA and WYP are operating under the local government accounting framework, there is no significant change from those accounting policies used in previous year. The Group Accounting Policies

have also been considered by the Police's Joint Independent Audit Committee in January 2022.

Draft Accounts of the Combined Authority (appendix 2)

- 2.9 The Combined Authority's accounts comply fully with the required accounting standards.
- 2.10 The Combined Authority's final revenue budget position for 2021/22 was first reported to the Finance, Resources and Corporate Committee meeting in July 2022. The final position was a £2.8 million surplus against the budget. The surplus was mainly due to salary savings in excess of the vacancy target, alongside underspend within the concessions budget, driven by the slow recovery of bus patronage in the region. This is offset by a significant overspend on bus tendered services, also connected to changes in bus behaviours as a continuation of impacts resulting from Covid. Of the 2.8m surplus, £2m arising from the savings on the concessions budget was approved to be set aside for a ringfenced reserve to support bus funding in future years. The remaining £0.8m adds to the general reserves giving a balance of £13.8 million.
- 2.11 In comparison to 2020/21 the Combined Authority's balance sheet shows an increased level in assets. As accountable body for the Leeds City Region Enterprise Partnership, the Combined Authority has been in receipt of Getting Building Fund payments as well as several other upfront grant payments such as Brown Field Housing Fund (BHF), Transforming Cities Fund (TCF), and capital element of the Gainshare funding. There has been an increase in capital grants unapplied of £80 million and in short term investments of £95 million at the end of March 2022. The capital expenditure for 2021/22 has increased by £93 million from £159 million in 2020/21.
- 2.12 The Combined Authority balance sheet for 2021/22 also included assets deployed for delivering Policing and Crime services. These were accounted for separately in line with the Police Fund principle and were also disclosed as a supplementary Police Fund Statement on page 116 of the Draft Accounts.
- 2.13 As part of Mazars routine audit work a number of responses are required from management and those charged with governance with regard to fraud and litigation. This was presented at the October 2022 GAC meeting and remains unchanged.

3. Tackling the Climate Emergency Implications

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

4. Inclusive Growth Implications

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

5. Equality and Diversity Implications

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

6. Financial Implications

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

7. Legal Implications

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

8. Staffing Implications

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

9. External Consultees

9.1. No external consultations have been undertaken.

10. Recommendations

10.1. That the draft Annual Accounts 2021/22 be considered and recommended for approval.

11. Background Documents

There are no background documents referenced in this report.

12. Appendices

Appendix 1 Mazars completion report **TO FOLLOW**

Appendix 2 Final audited accounts 2021/22 **TO FOLLOW**



Report to: Governance and Audit Committee

Date: 22 March 2023

Subject: **Revised Code of Corporate Governance**

Director: Melanie Corcoran, Chief Operating Officer (Interim)

Author: Katie Wilby, Corporate Programme Manager

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

1. Purpose of this Report

1.1 To advise the Committee on revisions to the Code of Corporate Governance and an associated timeline for this work.

2. Information

1.1 West Yorkshire Combined Authority has previously approved each year a Code of Corporate Governance ('the Code'). This follows the guidance set out by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) with regard to the governance principles that all public authorities should define and against which they should then hold themselves to account.

1.2 Following the creation of the mayoral combined authority amendments were made to the existing guidance to reflect the extent of governance changes arising. This was approved at the Combined Authority Annual Meeting in June 2022, and a copy is included as **appendix 1**.

1.3 The Combined Authority is committed to meeting the principles set out in the Code, and it is the and responsibility of the Governance and Audit Committee to keep corporate governance matters under review. As part of this process the Committee undertakes regular reviews throughout the year with a formal review at the year end of the processes and systems in place during the year.

- 1.4 Owing to the progress of the Organisational Evolution work to review the organisation's structure, operating model and ways of working it is proposed that any such review of the Code is paused until such time that the evolution work is sufficiently complete.
- 1.5 The evolution programme is grounded in a shift away from the current 'process' based model towards an 'outcome/mission' based model, giving greater transparency of senior accountability across key areas and a greater read across from job roles to key performance outcomes for West Yorkshire. There are therefore clear links to corporate governance, accountability, transparency and delivery of value for money in public spend.
- 1.6 It is anticipated that the evolution programme will have progressed to a sufficient point by summer 2023, following which a review of the Code in alignment with the shift in operating model could reasonably be carried out to ensure alignment.
- 1.7 The Committee are asked to endorse this timeline to review and note that findings will be brought to the Committee for consideration in due course.

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 endorses the proposal to review the Code of Corporate Governance in line with the progression of the Organisational Evolution programme.

11. Background Documents

11.1 There are no background documents referenced in this report.

12. Appendices

Appendix 1 – Corporate Governance Code and Framework

This page is intentionally left blank

West Yorkshire Combined Authority

Corporate Governance Code and Framework

Introduction

The definition of corporate governance is that it is about ‘how bodies ensure they do the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and culture and values, by which bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.’

West Yorkshire Combined Authority, which includes the Mayor of West Yorkshire's Policing and Crime function, has approved and adopted a code of corporate governance which captures the Mayor's duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness, and is consistent with the principles of the best practice guidance issued jointly by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE). CIPFA/SOLACE updated this guidance in 2016 with their new framework to assist organisations in ensuring that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities. The previous six core principles are replaced by the following seven principles:

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of the law;
- B. Ensuring openness and comprehensive stakeholder engagement;
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits;
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes;
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it;
- F. Managing risks and performance through robust internal control and strong public financial management;
- G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

The Combined Authority is committed to meeting these principles and this statement sets out how the supporting principles beneath each statement will be achieved, monitored and reviewed. It is the responsibility of the Governance and Audit Committee

Item 11 - Appendix 1

to keep corporate governance matters under review. As part of this process it undertakes regular reviews throughout the year with a formal review at the year end of the processes and systems in place during the year. This includes the results of the work carried out by the internal audit section. The Committee reviews and approves the Annual Governance Statement which forms part of the statutory annual accounts which are subject to external audit. A Joint Independent Audit and Ethics Committee has oversight of the governance arrangements for the Mayor's PCC functions and West Yorkshire Police.

| Principle | Sub principles | Our actions and behaviours to achieve this: |
|--|---|--|
| <p>A. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of the law</p> <p>Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that they can demonstrate the appropriateness of all their actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law</p> | <p>We will: Behave with integrity</p> | <ul style="list-style-type: none"> • A Code of Conduct for Members and the Mayor to ensure that high standards of conduct are maintained. The Code has been extended to include private sector Panel members. • Established a procedure outlining arrangements for breaches of the Member Code of Conduct. • An Employee Code of Conduct that sets down standards of behaviour and conduct the Combined Authority expects of its employees. Reference is made to the Code on the Induction Checklist. • A Policing and Crime Team Code of Conduct. • Clear decision-making processes to ensure that all those responsible for taking decisions have the necessary information on which to do so, with appropriate and up-to-date Scheme of Delegation. • The Mayor's Scheme of Delegation, Financial Regulations and Contract Regulations and Scheme of Consent have been developed in accordance with the Home Office Financial Management Code of Practice to enable effective accountability and govern the relationship between the Mayor and West Yorkshire Police. • An employee policy for acceptance of gifts and hospitality. • Registers of Members' interests and records of gifts and hospitality are published on the Combined Authority's website. Registers of interest for LEP Board members are also published. • Members' declaration of interests are a standing item on all agendas. Minutes show declarations of interest were sought and appropriate declarations made. |

| | | |
|--|---|--|
| | | <ul style="list-style-type: none"> • A complaints policy that is published on the Combined Authority’s website and is supported by an on-line form. A complaints policy has been developed for decisions of the LEP and published on the website. • A whistle blowing policy is on the website that also covers the staff within the Policing and Crime Team. • A confidential reporting policy is in place to enable police officers and police staff to report any concerns about malpractice or unlawful actions without fear of recrimination, via ‘Anonymous Messenger system within West Yorkshire Police’ that Staff in the Mayor’s Policing and Crime Team have access who receive reports directly that refer to the conduct of the Chief Constable. |
| | We will: Demonstrate strong commitment to ethical values | <ul style="list-style-type: none"> • Policies and procedures that make up the Constitution of the Combined Authority set out delegations of the Combined Authority, to committees and senior officers, and the decision-making process to be applied. It also emphasises that the Combined Authority will act within the law. Similar processes are in place for the activities of the LEP Board, and the Mayor’s Policing and Crime functions. • Terms of Reference that exists for all committees. • Organisational values continue to be developed and embedded to ensure they influence the required behaviours for employees for the new organisation. |
| | We will: Respect the rule of the law | <ul style="list-style-type: none"> • The Head of Legal and Governance Services is designated as the Authority’s Monitoring Officer and attends all Combined Authority and LEP Board meetings • Anti-Fraud, Bribery & Corruption and Anti-Money Laundering Policies which is supported by a Whistleblowing Policy. There is a Whistleblowing hotline and procedure for employees and customers to report irregularity and fraud. • Maintenance of records of legal advice provided by officers |

| Principle | Sub principles | Our actions and behaviours to achieve this: |
|---|-----------------------|--|
| B. Ensuring openness and comprehensive stakeholder | We will: Be open | <ul style="list-style-type: none"> • Adoption of a Publication Scheme that describes the kinds of information available and provides guidance about how to access |

| | | |
|---|---|--|
| <p>engagement.</p> <p>Local government is run for the public good, organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders. NB: institutional stakeholders are the other organisations that local government needs to work with to improve services and outcomes (such as commercial partners and suppliers as well as other public or third sector organisations) or organisations to which they are accountable</p> | | <p>personal information and submit a Freedom of Information request. Details are on the Combined Authority's website</p> <ul style="list-style-type: none"> • Adoption of a standard reporting format in relation to all committee and advisory panel reports. Agendas, reports and minutes of all meetings are published on the Combined Authority's website. Meetings are open to the public unless in the case of exempt items and the Combined Authority's meetings are live streamed. • Dates for submitting, publishing and distributing reports in accordance with statutory requirements are set and adhered to. |
| | <p>We will: Engage comprehensively with institutional stakeholders</p> | <ul style="list-style-type: none"> • Ongoing partnership arrangements with District authorities are in place and under continuing development. • A Memorandum of Understanding is in place with the West Yorkshire universities, setting out areas of common interest. • The Combined Authority fosters close links with the local District Councils, facilitated by the appointment of senior politicians from these Districts to the Combined Authority. At the officer level, the Combined Authority and District Councils work closely in all areas and have made significant progress in strengthening relationships and ways of working through the transition to the Mayoral Combined Authority and beyond, to shape shared priorities and outcomes for West Yorkshire. The Chair of the Leeds City Region Enterprise Partnership (LEP) sits on the Combined Authority to assist in ensuring close working with local businesses. • The Mayor and Deputy Mayor for Policing and Crime fosters close links with the Partnership Executive Group (PEG), which is an important partnership which is well established to support the development and delivery of the Mayor's Police and Crime Plan. |
| | <p>We will: Engage with individual citizens and service users effectively</p> | <ul style="list-style-type: none"> • The Combined Authority seeks views from individuals, organisations and businesses on a number of areas including strategies, policies and detailed projects, including the development of the Mayor's Policing and Crime Plan, using a variety of means including face to face and online. Information on and links to current consultations are published on the website using the Yourvoice portal. |

Item 11 - Appendix 1

| | | |
|--|--|---|
| | | <ul style="list-style-type: none"> • The consultation team is part of the communications team to ensure its activity is linked with ongoing communications and ensure each consultation exercise can best meet its planned objectives. Consultation across the Combined Authority is increasingly managed using a calendar of planned activities. • The Combined Authority has arrangements to engage with all sections of the community including hard to reach groups and businesses. District Consultation Sub-Committees and the youth forum consider transport matters and there is extensive engagement with business through the LEP Panels and other mechanisms. • The annual tracker survey seeks views on satisfaction with public transport and highways matters. • The consultation arrangements cover much of the public facing operational roles. |
|--|--|---|

| Principle | Sub principles | Our actions and behaviours to achieve this: |
|---|-------------------------------------|---|
| <p>C. Defining outcomes in terms of sustainable economic, social, and environmental benefits.</p> <p>The long-term nature and impact of many of local government’s responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the organisation’s purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and</p> | <p>We will: Define outcomes</p> | <ul style="list-style-type: none"> • The organisation’s business plans have been developed in parallel with the Combined Authority’s budget for 2022/23. The budget was signed off at the Combined Authority meeting on 3 February 2022, where the draft Corporate Plan on a Page and Directorate Business Plans on a Page were also considered. Each plan on a page also has a more detailed document underpinning it which clearly sets out each directorate’s priorities and outputs for the year ahead. Programmes and projects are assessed against the assurance framework with outcomes set and confirmed when they are approved to progress. • Following initial endorsement at the Combined Authority meeting, the business plans have been refined further to ensure that equality, diversity and inclusion (EDI) implications are fully embedded within the plans to achieve the best outcomes for the people, communities and businesses of West Yorkshire. This is in line with the Combined Authority's EDI vision, statement and framework to meet the standards set out in the Local Government Equality Framework. |

Item 11 - Appendix 1

| | | |
|---|---|---|
| <p>institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.</p> | | <ul style="list-style-type: none"> • The Strategic Leadership Board, Senior Management Team., Finance, Resources and Corporate Committee, Combined Authority, and LEP Boards receive performance monitoring reports at regular intervals based on the corporate plan which sets out clear KPIs that are outcome focussed. |
| | <p>We will: Provide sustainable economic, social and environmental benefits</p> | <ul style="list-style-type: none"> • The Strategic Economic Framework (SEF) sets out our ambitious vision for the ongoing transformation of West Yorkshire and establishes our investment and decision-making priorities for how we will achieve this. Our priorities are as follows: • The West Yorkshire Investment Strategy sets out what the Combined Authorities Investment Priorities are for the Single Investment Fund, used to direct resources over an agreed 'investment period' building on policies and strategies agreed as part of the Strategic Economic Framework. • The Combined Authority applies social value principles in its evaluation of large service contracts and contracts for implementing projects. Through the planned update of its Procurement Strategy, which sets out efficient and effective objectives for purchasing materials, services and supplies, the Combined Authority is aiming to put a greater emphasis on social value measures such as encouraging apprentices. Spending with local suppliers will continue to be a priority and the Strategy will be used to help promote equality and fairness, ensure environmental sustainability, and build the capacity and sustainability of the voluntary and community sector. |

| Principle | Sub principles | Our actions and behaviours to achieve this: |
|---|---|--|
| <p>D. Determining the interventions necessary to optimise the achievement of the intended outcomes</p> <p>Local government achieves its intended outcomes by providing a</p> | <p>We will: Determine interventions</p> | <ul style="list-style-type: none"> • The strategic priorities of the SEF shape the decision making of the Combined Authority and ensure interventions are prioritised to deliver the aims and objectives of the Combined Authority. The statutory Local Transport Plan – the Transport Strategy - sets out specific transport interventions and the planned outcomes. • The format of decision-making reports to ensure that all relevant information is considered such as analysis of options and resource |

Item 11 - Appendix 1

43

| | | |
|---|---|--|
| <p>mixture of legal, regulatory, and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised</p> | | <p>implications. Options are clearly defined and analysed to ensure decisions are based on the best possible information.</p> <ul style="list-style-type: none"> • Project appraisal processes seek to ensure maximum value for money from investments. The assurance framework is applied to these projects and ensure that they are effectively assessed (in terms of analysis of options, resource implications and strategic outcomes) and evaluated before approval is sought to proceed and that outcomes are achieved. |
| | <p>We will: Optimise achievement of intended outcomes</p> | <ul style="list-style-type: none"> • The annual budget is prepared for scrutiny and approval by Members and published in line with agreed priorities and the medium-term financial strategy. Budget plans are shared in advance with partner local authorities. • The assurance framework provides the means to assess projects in terms of outcomes to enable a prioritisation of interventions. |
| | <p>We will: Plan interventions</p> | <ul style="list-style-type: none"> • The corporate plan sets out the planned interventions for the coming year. Longer term plans are included in detailed strategies contained within the Strategic Economic Framework. • Leadership team and Combined Authority and LEP Boards receive performance monitoring reports at regular intervals based on agreed actions and targets for the year. |

| Principle | Sub principles | Our actions and behaviours to achieve this: |
|---|---|---|
| <p>E. Developing the entity’s capacity, including the capability of its leadership and the individuals within it</p> <p>Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate</p> | <p>We will: Develop the entity’s capacity</p> | <ul style="list-style-type: none"> • The Combined Authority has now implemented much its change programme, the Mayoral Combined Authority Ready Programme, which contained a number of workstreams to support the organisation’s transition to a legal Mayoral Combined Authority alongside the internal change required. Further work is ongoing to ensure the organisation is able to discharge its functions effectively. • A training and development plan sets out how employees will be developed and an equality and diversity officer has been appointed to take this work forward. |

Item 11 - Appendix 1

| | | |
|---|---|--|
| <p>qualifications and mind-set, to operate efficiently and effectively and achieve intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an organisation operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of individual staff members. Leadership in local government is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.</p> | <p>We will: Develop the capability of the entity's leadership and other individuals</p> | <ul style="list-style-type: none"> • A Protocol on Member/Officer Relations assists both Members and officers achieve good working relationships in the conduct of Combined Authority business. • A Scheme of Delegation is in place and is reviewed annually in light of legal and organisational changes. • Officers are appointed using competency-based role profiles. Managers are required to set clear objectives including an equality, diversity and inclusion commitment, for each employee and to then measure their performance against these competencies and objectives. Appropriate training and support is provided to assist in meeting these. • There is a mandatory induction programmes for all employees and training for new members joining the Combined Authority. • Health and Safety policies designed to protect and enhance the welfare of staff are actively promoted and monitored. |
|---|---|--|

| Principle | Sub principles | Our actions and behaviours to achieve this: |
|---|---------------------------------|---|
| <p>F. Managing risks and performance through robust internal control and strong public financial management</p> <p>Local government needs to ensure that the organisations and</p> | <p>We will: Manage risk</p> | <ul style="list-style-type: none"> • A risk strategy sets out risk management arrangements that are embedded across all service areas and help inform decision making. This includes the risk appetite statement and risk management policy. • Arrangements for risk are kept under review by a Regulatory and Compliance Board (with representation from all Directorates) and the Member Governance and Audit Committee, with regular reporting to the Combined Authority and LEP Boards. |

Item 11 - Appendix 1

45

| | | |
|---|---|---|
| <p>governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability. It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority</p> | | <ul style="list-style-type: none"> • Risk registers developed for all projects, with the assurance framework ensuring these are properly maintained. Directorate risk registers have also been developed that are linked to team level registers and which enable risks to be escalated to the corporate register as necessary. • Business continuity arrangements are in place and are refreshed and updated. Incident response arrangements are also kept updated and tested. • An officer Health and Safety Committee ensures compliance with the Health and Safety at Work Act (HSAWA) and ensures a system is in place for the management of health and safety risks. • An internal audit team undertakes an annual programme of risk based audits and reports back on these to the Governance and Audit Committee. • The Mayor maintains a risk register focused on key risks associated with delivery of the Police and Crime Plan, and the working of the Policing and Crime Team. • Strategic risk is considered at the Mayor’s Good Governance Group which is attended by senior risk owners and the chair of the Joint Independent Audit and Ethics Committee. |
| | <p>We will: Have strong public financial management</p> | <ul style="list-style-type: none"> • The Director, Corporate and Commercial Services is designated section 73 Officer and ensures compliance with matters of financial regulation and control. • Following transfer of the policing and crime function from the PCC to the Mayor in May 2021 the Managing Director of the Combined Authority became the statutory Head of Paid Staff and the Director, Corporate and Commercial Services, became the S73 Officer • Financial procedures are documented in the Financial Regulations and detailed procedures exist as required at an operational level within the central Finance team. A full Financial Procedures manual will be developed during the year to detail further the financial processes that officers need to follow. • Annual accounts are produced promptly and presented for external audit in accordance with statutory timescales. |

| | | |
|--|---|---|
| | | <ul style="list-style-type: none"> • The financial position is reported quarterly to Governance and Audit Committee and monthly to Combined Authority / Leadership Team. • The Combined Authority participates in the bi-annual National Fraud Initiative whereby final records are shared / matched / potential frauds investigated across public authorities. |
| | <p>We will: Manage performance</p> | <ul style="list-style-type: none"> • Key indicators have been identified which support the corporate plan which sets out the actions required in year to deliver the corporate objectives. These corporate KPIs will be set at the start of each year and performance managed against them. • The Scrutiny Standing Orders provide for the three Scrutiny Committees to call in any Combined Authority decision. Throughout the year the Overview and Scrutiny Committees have a programme that they define and that enables it to consider policy and objectives before, during and after decisions are made. A Scrutiny Officer has been appointed to provide full support to this Committee. • Agendas, minutes of the various Scrutiny meetings and any associated reports with recommendations to the Combined Authority are published on the Combined Authority’s website. • Contracts Standing Orders and Financial Regulations set out the Authority’s arrangements and ensure that processes continue to operate consistently. These are updated annually. |
| | <p>We will: Have robust internal controls</p> | <ul style="list-style-type: none"> • An annual report is produced by Internal Audit which provides an opinion on the Combined Authority’s control environment, and a self-assessment of its arrangements against the public sector internal audit standards and CIPFA’s guide to the role of the Head of Internal Audit. • Financial Regulations ensures responsibility and controls over expenditure are clearly assigned. • The Annual Governance Statement (AGS) is produced for inclusion in the annual accounts that are subject to review and approval by the Governance and Audit Committee. • The Governance and Audit Committee oversees the management of governance issues, internal controls, risk management and financial |

| | | |
|--|-------------------------|---|
| | | <p>reporting with the latter reported to every full Combined Authority meeting</p> <ul style="list-style-type: none"> • The Governance and Audit Committee Terms of Reference are reviewed annually and revised to reflect professional bodies' expectations and best practice. |
| | We will: Manage data | <ul style="list-style-type: none"> • Procedures for the effective, fair and lawful processing of data are set out in the Data Protection Policy and supporting information governance framework. The Combined Authority will be compliant with the requirements of the General Data Protection Regulation (GDPR) and Data Protection Act 2018 (Data Protection Legislation). • The Combined Authority's ICT policies control access to the network and data held on it, with information regarding the use of passwords and sharing of data set out. These policies have recently been reviewed and updated. • Effective information sharing is undertaken in accordance with the Data Protection Legislation and the Combined Authority's Data Protection Policy. • Data Subjects are informed why their personal information is being collected and how it will be processed (including when shared with other bodies) through the appropriate form of privacy notices. These processes have been updated in the light of the new requirements contained within the Data Protection Legislation. • Information Sharing Agreements are in place to document the sharing of information with other organisations. • Data verification and validation processes are integrated within systems and processes. |

| Principle | Sub principles | Our actions and behaviours to achieve this: |
|---|---|--|
| G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability | We will: Implement good practice in transparency | <ul style="list-style-type: none"> • Agendas, reports and minutes for Combined Authority and LEP Boards, Panels and formal committees are published on the Combined Authority website in accordance with statutory deadlines. • Adoption of the Transparency Code and a Publication Scheme providing information on the website regarding Combined Authority |

Item 11 - Appendix 1

| | | |
|--|--|--|
| <p>Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.</p> | | <p>business, expenditure and governance. The process for making Freedom of Information requests is clearly set out on the website.</p> <ul style="list-style-type: none"> • The Combined Authority moved to the live streaming of Combined Authority meetings in 2017. The LEP Board holds its meetings in public with papers published online five days beforehand. |
| | <p>We will: Implement good practices in reporting</p> | <ul style="list-style-type: none"> • Annual Financial Statements are compiled, published to timetable and included on the Combined Authority’s website. This includes the Annual Governance Statement (AGS) • The external auditor’s report on the accounts is published on the website. • An annual business plan is published which also includes a review of achievements in the previous year. |
| | <p>We will: Provide assurance and effective accountability</p> | <p>The AGS sets out the Combined Authority’s governance framework and the results of the annual review of the effectiveness of the Combined Authority’s internal controls and governance arrangements.</p> <ul style="list-style-type: none"> • An effective internal audit service is resourced and maintained. The team has direct access to members if required and provides assurance on governance arrangements via an annual report containing an opinion on the Combined Authority’s internal control arrangements. • External Audit provides an annual opinion on the Combined Authority’s financial statements and arrangements for securing value for money. • The assurance framework governing investment decisions is reviewed annually and compliance with official guidelines reported to government. • The Police & Crime Panel has oversight functions in relation to the Mayor’s exercise of police and crime functions as the Police and Crime Commissioner (PCC), including reviewing the PCCs Police and Crime Plan, the Mayor’s annual report on PCC Functions and the appointment of the Chief Constable. |



Report to: Governance and Audit Committee

Date: 22 March 2023

Subject: Treasury Management

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 provide members with an update on Treasury Management activities since the last meeting held in January 2023.

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 at the last meeting held on 16th January 2023, with Leeds City Council, nor at the meeting with Wakefield Council on 9th March 2023 in relation to the Police Fund. The high level of cash balances and the challenges with regard to placing funds with approved counterparties, is unchanged as previously reported.
- 2.2. It remains the intention to bring together all the treasury management arrangements such that they will be administered by a single partner authority and this is a key outcome in the Finance Plan on a Page for 2023/24.
- 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 Treasury Management Statement and Strategy was approved by the Combined Authority at their meeting held on 2nd February 2023 following approval by Governance and Audit Committee in January 2023.

Implementation of the CIPFA Codes of Practice 2021 – key update

- 2.5. Work remains 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 and a new reporting pack for GAC will be developed for the next meeting.
- 2.6. An indication of the new reporting pack has been provided in this paper at Appendix 1 which shows the summary of the Prudential Indicators and comparison to those presented at the meeting to the Combined Authority in February 2023. Appendix B shows the current 10 year liability benchmark graph. As you would expect there has been little change since the budget and all indicators remain positive with no issues of concern.
- 2.7. Although the Capital Financing Requirement (CFR) is predicted to increase over the forecast period external borrowing is not expected to increase as the strategy is to internalise available cash balances. This strategy has the added advantage of reducing counterparty risk in the cash investment portfolio. The CFR is a balance sheet view of how much the Authority needs to borrow to finance its capital programme which is not funded by other means (e.g. grant)
- 2.8. At the year-end 2022/23 external investment and cash are now expected to be in the region of £670m up from the reported position of £621m mainly due to DLUHC grants received in February and lower operational spend than anticipated.
- 2.9. Appendix 2 shows the 10-year liability benchmark graph and emphasises the expected and significant turnaround in the Authority's cash and investment position. This is projected on the utilisation of the significant cash grants that have been received and the capital programme spend particularly for those programmes that result in a borrowing requirement. The purpose of the graph is to highlight the gap between the liability benchmark (expected need to borrow externally – the red dotted line) and comparing that to the stock of external borrowing anticipated (the stacked bars on the graph). The gap between the two elements highlights the exposure to external borrowing interest rate risk. This is not a significant factor until 2027/28 based on current projections.

Economic Outlook

- 2.10. At its meetings on 2nd February the Monetary Policy Committee (MPC) of the bank of England Raised interest rates from 3.50% to 4.00% as widely expected. The next meeting is scheduled for 23rd March where a further increase of 0.25% is expected by markets. Leeds City Council's Treasury management advisors are forecasting a peak of 4.50% by the summer with a first cut in base rate forecast for early 2024 (See table 1 below)
- 2.11. Inflation has fallen from its peak of 11.1% recorded in October 2022 to a current level of 10.1% in January. Further falls over the coming months are expected as the significant increases seen in early 2022 due to most notably supply side issues and the invasion of Ukraine begin to fall out of the calculation. The MPC

sets base rate to target a 2% inflation rate and as inflation falls base rate is expected to fall likewise.

- 2.12 As with any forecast the above is subject to change and revision as market and economic conditions evolve.

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 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 notes the report.

11 Background Documents

None.

12 Appendices

Appendix 1 – Summary of Prudential Indicators
Appendix 2 – Liability Benchmark Graph

This page is intentionally left blank

DRAFT TREASURY PRUDENTIAL INDICATOR Notes

| Period 11 | Budget Report Feb 2023 | | | | Current projections | | | | |
|---|-------------------------|-------------------|-------------------|-------------------|-------------------------|-------------------|-------------------|-------------------|---------|
| | Current year 2022.23 | Year+1 2023.24 | Year+2 2024.25 | Year+3 2025.26 | Current year 2022.23 | Year+1 2023.24 | Year+2 2024.25 | Year+3 2025.26 | |
| PRUDENTIAL CODE INDICATORS | | | | | | | | | |
| CAPITAL EXPENDITURE | | | | | | | | | |
| <u>Estimate of Capital Expenditure</u> | a | | | | | | | | |
| WYCA - General | £k | 231,890 | 421,366 | 431,615 | 317,201 | 231,890 | 421,366 | 438,615 | 317,201 |
| <u>Capital Financing Requirement</u> | | | | | | | | | |
| <u>Borrowing</u> | b | | | | | | | | |
| WYCA - General | £k | 100,188 | 116,280 | 152,756 | 218,916 | 98,457 | 118,487 | 160,993 | 304,157 |
| <u>Other Long Term Liabilities</u> | | | | | | | | | |
| WYCA - General | £k | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| Total Capital Financing Requirement - WYCA General | £k | 100,188 | 116,280 | 152,756 | 218,916 | 98,457 | 118,487 | 160,993 | 304,157 |
| EXTERNAL DEBT | | | | | | | | | |
| <u>Operational Boundary</u> | c | | | | | | | | |
| WYCA - General | £k | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 |
| <u>Authorised Limit</u> | c | | | | | | | | |
| WYCA - General | £k | 229,000 | 282,000 | 282,000 | 282,000 | 229,000 | 282,000 | 345,000 | 318,000 |
| <u>Actual External Debt (year end Forecast)</u> | d | | | | | | | | |
| WYCA - General | | | | | | | | | |
| PWLB | £k | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 |
| Market (Inc LOBO) | £k | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 |
| Short term (Actual) | £k | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Gross External Debt | £k | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 |
| <u>Other Long Term Liabilities</u> | £k | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| Total Including OLTL | £k | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 | 75,000 | 75,001 |
| <u>Gross Debt and the CFR</u> | e | | | | | | | | |
| WYCA General External Borrowing | | ok | ok | ok | ok | ok | ok | ok | ok |

53

DRAFT TREASURY PRUDENTIAL INDICATOR Notes

| Period 11 | Budget Report Feb 2023 | | | | Current projections | | | | |
|--|-------------------------|-------------------|-------------------|-------------------|-------------------------|-------------------|-------------------|-------------------|---------|
| | Current year 2022.23 | Year+1 2023.24 | Year+2 2024.25 | Year+3 2025.26 | Current year 2022.23 | Year+1 2023.24 | Year+2 2024.25 | Year+3 2025.26 | |
| AFFORDABILITY | | | | | | | | | |
| Estimate of Financing Cost to Net revenue Stream | | | | | | | | | |
| WYCA - General | | | | | | | | | |
| Financing Cost | £k | 7,045 | 7,134 | 6,798 | 6,993 | 7,025 | 7,112 | 6,824 | 7,099 |
| Net Revenue Stream | £k | 99,375 | 103,533 | 102,269 | 101,127 | 98,375 | 103,533 | 102,269 | 101,127 |
| Ratio | % | 7.16% | 6.89% | 6.65% | 6.92% | 7.14% | 6.87% | 6.67% | 7.02% |
| INVESTMENTS - WYCA General Only | | | | | | | | | |
| Limit on non-Treasury Investments | g | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 |
| Estimate of Net Income from Investments for Commercial and Service Purposes | g | | | | | | | | |
| Income | £k | 108 | 108 | 75 | 57 | 108 | 108 | 75 | 57 |
| Ratio of Income from Commercial and Service Purposes to Net revenue Stream | % | 0.11% | 0.10% | 0.07% | 0.06% | 0.11% | 0.10% | 0.07% | 0.06% |
| Net Income from Investments for Commercial and Service Purposes as a Proportion of usable Reserves | g | | | | | | | | |
| Useable Reserves | £k | 346,053 | 430,000 | 300,000 | 210,000 | 346,053 | 430,000 | 300,000 | 210,000 |
| Ratio of Income from Commercial and Service Purposes to Usable reserves | % | 0.03% | 0.03% | 0.03% | 0.03% | 0.03% | 0.03% | 0.03% | 0.03% |

DRAFT TREASURY PRUDENTIAL INDICATOR Notes

Budget Report Feb 2023

| Current projections | | | |
|---------------------|---------|---------|---------|
| Current year | Year+1 | Year+2 | Year+3 |
| 2022.23 | 2023.24 | 2024.25 | 2025.26 |

Period 11
TREASURY MANAGEMENT CODE INDICATORS

Liability Benchmark for Borrowing

See annexe 2

| Maturity Structure of Borrowing 2023/24 | h | Lower | Upper | CA General Fund | |
|---|---|-------|-------|--------------------------|--------|
| | | | | Projected £m 31/03/23 | % |
| 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% | - | 0.0% |
| 10 years and within 20 years | | | | - | |
| 20 years and within 30 years | | | | 9.00 | |
| 30 years and within 40 years | | 25% | 100% | 41.00 | 100.0% |
| 40 years and within 50 years | | | | 15.00 | |
| 50 years and above | | | | 10.00 | |
| | | | | 75.00 | 100.0% |

| CA General Fund | |
|--------------------------|--------|
| Projected £m 31/03/23 | % |
| - | 0.0% |
| - | 0.0% |
| - | 0.0% |
| - | 0.0% |
| - | |
| 9.00 | |
| 41.00 | 100.0% |
| 15.00 | |
| 10.00 | |
| 75.00 | 100.0% |

Upper limit for long term Treasury Investments to mature in following years i

| | | |
|---------|--------|--------|
| Year +1 | 20,000 | 20,000 |
| Year +2 | 20,000 | 20,000 |
| Year +3 | 20,000 | 20,000 |

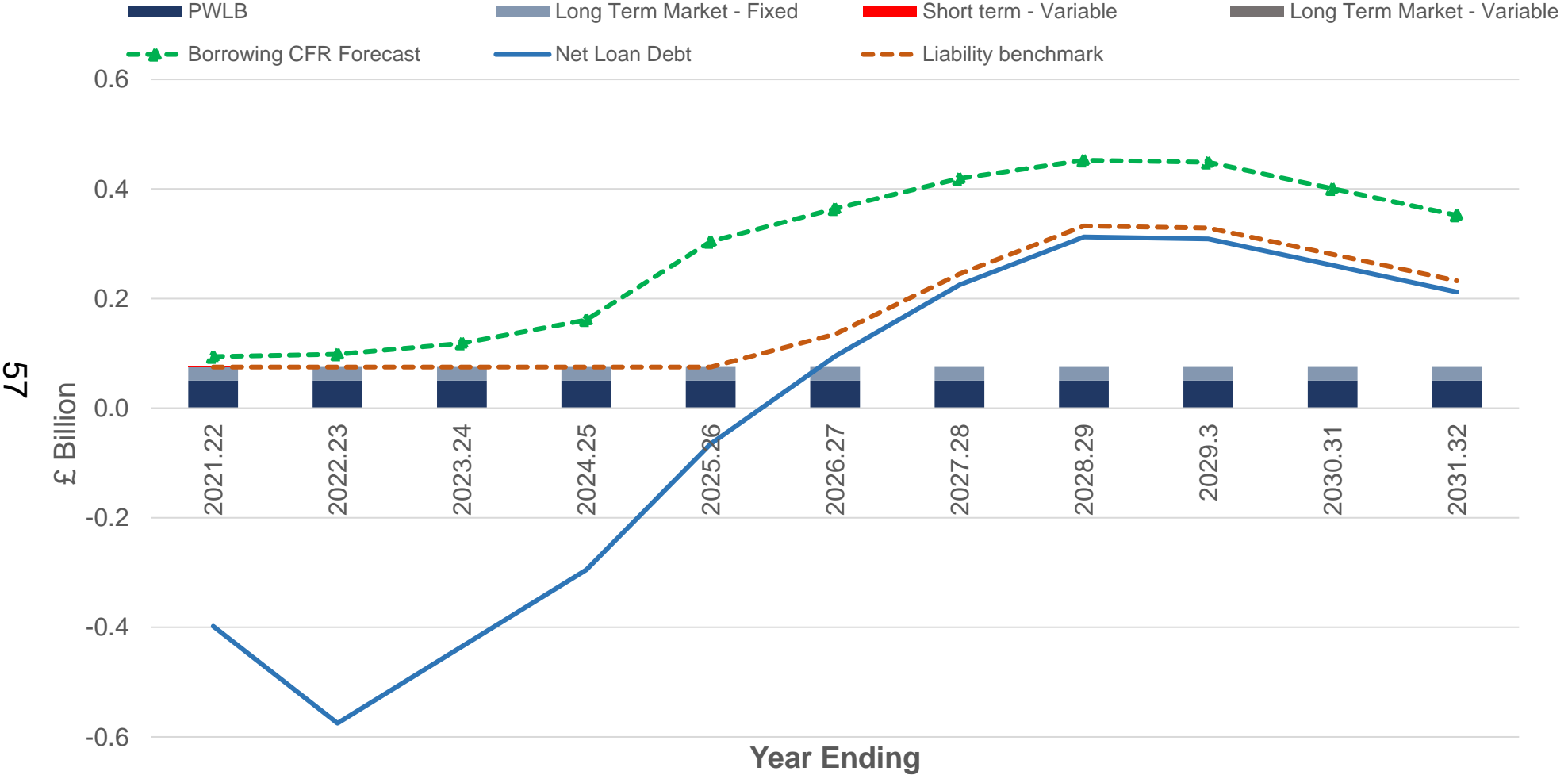
55

Notes

- a Forecast of capital expenditure for year at period end, actual at year end outturn
- b Forecast of CFR for year end at period end, actual at year end outturn
- c Authorised limit and Operational Boudary as set at the Budget setting time should only change in exceptional circumstances
- d This is the year end forecast for DEBT and OLTL with Short term being the balancing figure
- e In order to ensure that over the medium term debt will only be for a capital purpose, the local authority should ensure that total gross debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. If in any of these years there is a reduction in the capital financing requirement, this reduction is ignored in estimating the cumulative increase in the capital financing requirement, which is used for comparison with gross external debt. This is a key indicator of prudence. (This is shown as "OK" or "Breach" depending on the result of the above comparison)
- f Code only requires full comparison of debt costs including OLTL to Net revenue Streams however the Council have always reported the external borrowing metrics which are more informative.
- g This is all investments under the code for Service or Commercial purposes and excludes Investments for Treasury Management purposes
- h This now includes all external debt including variable and short term external debt
- i This is non specified Treasury Management investments typically with a duration of greater than 364 days

This page is intentionally left blank

Appendix 2 - Liability Benchmark - WYCA General Borrowing 10 years from 2021/22



This page is intentionally left blank

Report to: Governance and Audit Committee

Date: 22 March 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.
- 2.3 Work continues on the implementation plan for the integrated Finance, HR and payroll system CIAnywhere and progress has been made in considering the control environment. In particular access controls and security which have been considered by the Project Board which includes the Director, Finance and Commercial Services, Head of Finance 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 provides an update on its activities as a separate agenda item.

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.

Q3 2022/23 Financial Update

- 2.8 The Combined Authority approved a revised revenue outturn budget at its meeting on 2 February along with the proposed revenue budget for 2023/24. Both of these presented a broadly balanced position after taking the opportunity to set aside some non recurring savings in 2022/23 to provide support in the coming year to bus tendered services and inflation on capital programmes.
- 2.9 Regular budget monitoring has continued in parallel with the detailed presentation to the 2 February meeting and this has identified a number of movements within individual budget lines as well as changes resulting from further funding receipts and approvals. This moves the net position from a small surplus of £145k as previously reported to a small deficit of £250k. It is expected as the year end approaches further revisions will be made and any budgeted expenditure not spent in the current year will be used to contribute to reserves and support the funding challenges in future years.

Capital Programme Update

- 2.10 The table below summarises the total expenditure on the Combined Authority's capital programme as at quarter 3 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 | Forecast as at Combined Authority February 2023 | Expenditure upto Quarter 3 2022/23 | % of CA Forecast |
|---|--|--|---------------------|
| Transport Programmes | | | |
| City Region Sustainable Transport Settlement | £66,059,941 | £25,621,635 | 38.79% |
| Transforming Cities Fund (inc. Tranche 1) (non CRSTS) | £37,940,399 | £25,454,935 | 67.09% |
| West Yorkshire plus Transport Fund | £58,626,946 | £46,041,525 | 78.53% |
| Zero Emissions Bus Regional Areas | £3,818,701 | £0 | 0.00% |
| Leeds Public Transport Investment Programme | £2,870,000 | £1,732,822 | 60.38% |
| Integrated Transport Block (CA legacy projects) | £4,666,883 | £2,941,672 | 63.03% |
| Active Travel | £6,856,529 | £2,874,993 | 41.93% |
| New Station Fund | £3,687,541 | £3,731,910 | 101.20% |
| Economic Development Programmes | | | |
| Getting Building Fund | £11,377,575 | £10,575,616 | 92.95% |
| Brownfield Housing Fund | £9,000,000 | £299,787 | 3.33% |
| Social Housing Decarbonisation Fund | £4,661,627 | £1,544,808 | 33.14% |
| British Library North | £6,000 | £0 | 0.00% |
| Corporate Projects | £1,897,281 | £1,083,158 | 57.09% |
| Broadband | £1,204,119 | £1,208,410 | 100.36% |
| Growth Deal - Economic Development | £123,300 | £0 | 0.00% |
| Business Accelerator Fund | £2,301,895 | £2,202,883 | 95.70% |
| Flood Alleviation Scheme | £12,565,000 | £0 | 0.00% |
| Total Capital Spend | £227,663,737 | £121,902,861 | 53.55% |

- 2.11 Expenditure of over 50% (of the 2022/23 February 2023 forecast) at quarter 3 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.
- 2.16. Most of the Combined Authority's forecast expenditure in 2022/23 is concentrated across five major programmes: the new City Region Sustainable Transport Settlement (CRSTS); the Transforming Cities Fund (TCF); the West Yorkshire plus Transport Fund; Getting Building Fund (GBF); and the Brownfield Housing Fund (BHF).

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: 22nd March 2023

Subject: **Risk Management Strategy**

Director: Alan Reiss, Director of Strategy Communications and Intelligence

Author: James Nutter, Corporate Planning and Performance Manager

1. Purpose of this report

1.1 To provide the committee with an update on the Combined Authority's risk management strategy.

2. Information

Corporate risk review

2.1 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.

2.2 The last meeting of the Committee in January of this year heard that the corporate risk management strategy, in place since January 2020, needs to be reviewed to ensure it is still fit for purpose.

2.3 The risk management strategy and associated risk management tools are being updated to reflect the Combined Authority's outcome led organisational operating model and structure. This will update how and where risks are viewed and managed across the Combined Authority.

Areas of change

2.4 **An approach revolving around delivery of outcomes and corporate performance:** The organisation has moved to a new outcome led operating model and structure, as well as integrated outcome led business plans. Work is continuing through the Evolution Programme on further developing and

embedding the operating model including through the re-design of the 'Corporate Centre', as well as a renewal of corporate performance monitoring. There may be an implication from this work on the organisation's approach to risk and risk management.

- 2.5 **A simpler, active, discussion led approach** – The current organisation-wide approach to risk management is heavily process led and focussed on the creation of lengthy and detailed risk registers. This leads to very laborious and time-consuming exercises to keep registers up to date to help support the mitigation and management of risk. In a resource constrained world this approach does not lend itself to having regular proactive conversations about the management of risk, nor to the determination and effective application of mitigations.
- 2.6 **A differentiated approach to risk management at the different levels of management of the organisation** - The Corporate Risk Register needs to be refreshed as part of the preparations for the new financial and business plan year, and the performance monitoring thereof. The intention is that this aligns with the emerging modus operandi for the organisation from the ongoing Evolution Programme. In terms of risk, this includes a focus on quality rather than quantity to ensure that precious time is spent managing and mitigating the most important existential, compliance and outcome delivery risks.

The table below highlights as an example some areas for discussion and deliberation in relation to a possible new approach. The Committee is asked to consider and provide input to this:

| Forum | Planning horizon | Nature of risk management | Level of detail |
|------------------------|------------------|--|--|
| ILB | Medium – long | Risk to delivery of multi-year business plan and budget, internal and external. Organisation and region-wide | 5–7 no. risk register, detailed mitigations. Macro, existential, horizon scanning, impact and outcome focussed |
| SMT | Medium | Organisation-wide, risk to delivery of annual business plan and budget. Internal and external. | 5-10 no. risk register based on themes from directorates, detailed mitigations. Horizon scanning, outcome and compliance focussed. |
| DMTs | Short - medium | Risk to delivery of annual directorate business plan and budget | 5-7 no. risk registers, detailed mitigations. Outcome and output focus. |
| Heads of Service Teams | Short | Operational level risk to delivery of service level annual business plan | Use of integrated, outcome led business plan. Output focussed. |

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

- 10.1 That the Committee considers the report and provides input on a new approach to risk management.

11. Background Documents

None.

12. Appendices

None

This page is intentionally left blank



Report to: Governance and Audit Committee

Date: 22 March 2023

Subject: **Governance and Audit Committee Forward Plan**

Director: Angela Taylor, Director, Finance and Commercial Services

Author: Bron Baker, Head of Internal Audit

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

1. Purpose of this report

- 1.1. To allow members to comment on and agree the forward plan for 23/24 and to identify any areas for inclusion following the outputs from the workshop session held after the Governance and Audit Committee (GAC) on the 12 January 2023.

2. Information

Background

- 2.1 Members attended a workshop after the January GAC meeting to undertake a self assessment of audit committee effectiveness. The workshop used the newly published and updated CIPFA guidance and position statement on 'Evaluating the impact and effectiveness of the audit committee'. This workshop identified a number of areas that were felt to be working well and a number that would potentially benefit from additional focus and inclusion on the GAC Forward Plan for 23/24.

Workshop Outputs

- 2.2 The following were felt to be areas of strength: independent chair very important, questions are asked and dealt with respectfully, risk reporting that was working well (but keeping that under review and possibly potential to align

the risk registers with the different committees), good relationships between members/officers, good coverage of internal audit work (but potentially at the expense of some more governance focused feedback).

- 2.3 Some areas for focus and potential development were identified as follows: possibility of undertaking a skills audit, potential to recruit additional independent members to aid with continuity and skills, future training, further feedback on vfm from external audit, potentially a risk register for this committee, potential for benchmarking, comparability and sharing good practice with other MCAs, development of and sharing an assurance/accountability framework, greater understanding of the different directorates and their work and possibly development of reporting dashboards.

Proposed Areas for Inclusion on the Forward Plan

- 2.4 It was suggested that the Committee undertake:
- 1) a deep dive on the Code of Corporate Governance
 - 2) review development of the assurance/accountability framework
 - 3) undertake a deep dive on matters relating to specific delivery on significant projects/programmes.

Future items also to potentially include counter fraud/Anti Money Laundering and whistleblowing particularly to understand any potential themes/issues and vfm from external audit.

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 agree a timetable for items to be added to the forward plan.

11. Background Documents

This report makes reference to CIPFA's Audit Committees Practical Guidance for Local Authorities and Police 2022.

12. Appendices

Appendix1 – Current Forward Plan for 22/23.

This page is intentionally left blank

Agenda Forward Plan 2022/23
Governance & Audit Committee

| Meeting Date | Report Title | Notes | Lead Officer / Author | Key Decision (Y/N) |
|------------------------|--|---|-----------------------|--------------------|
| 28 July 2022 | | Key Decision deadline: 1 July 2022 | | |
| | Governance Arrangements | | | |
| | Review of Internal control and effectiveness of Internal Audit | | | |
| | Internal Audit Annual Report and opinion | | | |
| | Internal Audit Progress Report | | | |
| | External Audit Progress Report | | | |
| | Draft Annual Accounts 2022 | | | |
| | Compliance and Monitoring | | | |
| | Treasury Management | | | |
| | Risk Management Process | | | |
| | Annual Accountability Report | | | |
| 13 October 2022 | | Key Decision deadline: 11 September 2022 | | |
| | Internal Audit Progress Report | | | |
| | External Audit Progress Report | | | |
| | Draft Annual Accounts 2021/22 | | | |
| | Treasury Management | | | |
| | Workplan Committee Development | | | |
| | Compliance and Monitoring | | | |
| | Revised risk management Strategy | | | |
| 12 January 2023 | | Key Decision deadline: 13 December 2022 | | |
| | Early consideration of internal audit plan 2022/23 | | | |
| | Internal Audit Progress Report | | | |
| | External Audit Progress Report | | | |
| | Compliance and Monitoring | | | |
| | Risk Management Strategy | | | |
| | Treasury Management | | | |
| | Assurance Framework Review | | | |
| 22 March 2023 | | Key Decision deadline: 21 February 2022 | | |
| | Internal Audit Progress Report | | | |
| | Internal Audit Final Plan 2023-24 | | | |
| | Annual Accounts 2021-22 | | | |
| | Revised Code of Corporate Governance | | | |
| | Treasury Management | | | |
| | Compliance and Monitoring | | | |
| | Risk Management | | | |
| | Governance and Audit Committee Forward Plan | | | |
| Future Meetings | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

71

This page is intentionally left blank