West Yorkshire Combined Authority

GOVERNANCE AND AUDIT COMMITTEE

MEETING TO BE HELD AT 11.00 AM ON THURSDAY, 23 JANUARY 2020 IN COMMITTEE ROOM A, WELLINGTON HOUSE, 40-50 WELLINGTON STREET, LEEDS

A G E N D A

Signed:

Managing Director
West Yorkshire Combined Authority

MINUTES OF THE MEETING OF THE GOVERNANCE AND AUDIT COMMITTEE HELD ON THURSDAY, 31 OCTOBER 2019 AT COMMITTEE ROOM B, WELLINGTON HOUSE, 40-50 WELLINGTON STREET, LEEDS

Present:

Andy Clayton (Chair)	Department for Work and Pensions
Councillor David Hall	Kirklees Council
Councillor Jane Scullion (Substitute)	Calderdale Council
Joanna Wardman	Government Internal Audit Agency

In attendance:

Mark Kirkham	Mazars Auditors
Mark Outterside	Mazars
Bhupinder Chana	Leeds City Council
David Brown	Leeds City Council
Angela Taylor	West Yorkshire Combined Authority
Bronwyn Baker	West Yorkshire Combined Authority
Jonathan Sheard	West Yorkshire Combined Authority
Ben Kearns	West Yorkshire Combined Authority

15. Apologies for Absence

Apologies for absence were received from Councillor Hinchcliffe and Councillor Pandor.

16. Declarations of Disclosable Pecuniary Interests

There were no pecuniary interests declared by members at the meeting.

17. Exclusion of the Press and Public

There were no items required the exclusion of the press and public.

18. Minutes of the Meeting of the Governance and Audit Committee held on 23 July

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

19. Treasury Management

Members welcomed Joanna Wardman, a new independent member, and Mark Outterside from Mazars to the Committee.

The Committee was provided with a presentation regarding the treasury management arrangements in place for the West Yorkshire Combined Authority.

David Brown and Bhupinder Chana were in attendance and outlined the treasury management framework, the responsibilities of Governance and Audit Committee members and the treasury management strategy in place.

Members raised the following questions:

- If the Combined Authority's risk appetite was raised could this provide a greater yield from the treasury management arrangements? Members were informed that the order of priorities for the Combined Authority was first and foremost security, then liquidity and finally yield. Any arrangements for yield must pass stringent criteria to ensure minimal risk to the Combined Authority.
- Members queried whether the Combined Authority's approach to Treasury management was typical of local authorities in general. Members heard that there was broad agreement in favour of a conservative approach to treasury management and that this was also an outcome of the requirements of the Prudential Code. Although there were outliers which had a different approach they were exposed to more risk as well as potentially higher returns.
- A major aspect of the Combined Authority's treasury management arrangements included the lending of money to other local authorities and the Committee wished to know more information regarding the risks. The Committee was informed that Local Authorities were seen as a safe approach to treasury management and as low risk.

Resolved:

(i) That David Brown and Bhupinder Chana be thanked for their informative presentation and that the presentation be noted.

(ii) That the Committee receive a further presentation on treasury management at a future meeting with particular reference to the impact of Brexit.

20. Internal Audit Progress Report

The Committee considered a report which provided an update on the Internal Audit work being undertaken at the Combined Authority.

It was reported that there would be a change of methodology but the audit approach would remain compliant with public sector audit standards. Key aspects of the new methodology would include; 'agile' project management,

ongoing interim progress updates and reports, shorter end reports and a more interactive and constructive audit process.

Regarding the forward plan of audit activity amendments would be made to ensure that the focus was on high risk areas and did not repeat audits which had already returned a satisfactory opinion.

Members were also informed that there would be a revision to the way in which internal audit progress reports were presented to the Committee. Members would favour a much clearer overview paper which highlighted internal audit's progress against their plan, how this provided assurance that risks were being managed and highlighted any key emerging areas of risk.

Members welcomed the new approach to audit and in particular the more collaborative focus and the commitment to provide recommendations during the course of the audit and not just at the end. Members also queried if there were any outstanding overdue audit recommendations and were informed that there were none. Members asked for internal audit's key areas of risk: future funding, climate change, and control and governance across the directorates were identified as key areas of future activity.

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

21. Actions from the External Quality Assessment of Internal Audit

The Committee considered a report which updated the Committee on progress against the actions which arose from the External Quality Assessment of Internal Audit.

Resolved: That the progress made on addressing the actions in the External Quality Assessment of internal audit be noted.

22. External Audit Update

The Committee considered a report which provided an update on external audit matters and the annual audit letter was attached at Appendix 1 for information.

Members thanked Mazars for their work as well as for their expertise and technical knowledge provided to the Combined Authority within a tight audit fee.

The Committee was informed that two consultations regarding public sector audit were underway and were outlined in the submitted report. One of the consultations included feedback on public sector audit fees.

The Committee discussed the fact that if audit fees were set at a certain level it could limit the work that auditors could perform for the Combined Authority. It was suggested that officers could share any proposed response to the consultations with Committee members for feedback before they were

submitted.

Resolved:

(i) That the annual audit letter for 2018/19 be noted.

(ii) That the approach for the two consultations be endorsed.

23. GDPR Compliance Report

The Committee considered a report which outlined the governance progress made with GDPR implementation as well as the remaining actions. The Committee was informed that the outstanding actions all involved embedding GDPR compliance throughout the organisation.

Members asked whether the internal audit section was equipped with the IT expertise necessary to ensure compliance in GDPR. The Committee was informed that if required internal audit could buy in IT audit specialisms to assist in carrying out the work.

Resolved: That the progress made with GDPR implementation and the remaining actions be noted.

24. Compliance and Monitoring

The Committee considered a report which provided an update on the arrangements for internal control since the last meeting as well as the current financial position.

Members were informed that there had been no significant changes to internal controls and that there were no areas of concern regarding the Combined Authority's treasury management arrangements. There were no further reportable (RIDDOR) accidents reported since the previous meetings and key indicators regarding financial controls were up to date.

The Committee discussed the budget position and the £1 million gap in the 2020/21 budget. Members were informed that the budget position would be considered by the Combined Authority at its next meeting and would be considered by the Government and Audit Committee in January.

Resolved: That the report be noted.

25. Risk Management Arrangements

The Committee considered a report which provided an update on the Combined Authority's risk management arrangements. Members welcomed the ongoing improvements and supported an approach where corporate risk was clearly and concisely set out and matched to the work done by internal audit.

Members requested that mitigations to each identified risk were included in the registers and were assessed to ensure that they provided appropriate assurance. It was also requested that internal audit carry out their own scrutiny to ensure that the identified mitigations were robust and effective.

Resolved: That the work underway to improve the Combined Authority's risk management arrangements be noted.

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West Yorkshire Combined Authority

Report to:	Governance and Audit Committee
Date:	23 January 2020
Subject:	**Internal Audit Progress Report**
Director(s):	Angela Taylor, Director, Corporate Services
Author(s):	Victoria Clegg, Principal Internal Auditor

1. Purpose of this report

1.1. To ask members to consider the contents of the report and supporting appendix detailing the progress against the delivery of the annual internal audit plan.

2. Information

Audit Delivery for 2019/20

2.1 As previously reported, the Internal Audit team is now adopting an agile audit delivery methodology where the team work together on reviews, with frequent consideration of emerging issues. This makes audits more responsive and interactive, reduces reliance on a single auditor and ensures that reporting is quicker and more focused on key concerns and emerging themes.

2.2 Details of amendments made to the audit plan for 2019/20 to enable the Head of Internal Audit to give a considered annual audit opinion in the Assurance Governance Statement at year end are included in the appendix, along with the reasons why these were needed.

Completed reviews to date

2.3 Since the last Governance and Audit Committee meeting reviews on compliance with HR policies in three directorates have been completed, and at the time of writing are ongoing at the remaining two directorates. A full report on this compliance will be provided to the next meeting, by which point all the work, including management responses, will be available. In addition, an advisory report has been issued providing advice to Economic Services on appropriate counter fraud measures when investing in local businesses. The appended report provides details of all work completed to date.

Planning for 2020/21

2.4 Internal Audit is currently developing the proposed Internal Audit Plan for 2020/21. A separate report has been provided on this agenda on the process

being followed to do so, which involves analysing the risks faced by the Combined Authority in the context of the overall audit universe, and determining where assurance is being provided from elsewhere that provides mitigation against these risks.

Customer Feedback

2.5 Customer feedback has now been received for a number of Internal Audit reviews and qualitative comments will continue to be sought to identify areas for improvement.

Internal Audit Organisational Design (OD)

2.6 A new Principal Internal Auditor started in November 2019. Two existing Internal Auditors left the team in December 2019, so it is currently operating at reduced capacity. One of these was due to the scheduled ending of a fixed term contract. Temporary cover is being sought whilst a full recruitment process takes place for the other vacant post.

Fraud/ Whistleblowing/ Money Laundering

2.7 Internal Audit has been notified of an anonymous whistleblowing allegation received by HR which it has been agreed the HR team will continue to investigate. Progress will be provided to Internal Audit, but it is not expected that there will be any requirement for further work from internal audit.

2.8 There have been no money laundering incidents to investigate so far this year and no further potential fraud allegations.

3. Financial implications

3.1 None.

4. Legal implications

4.1 None.

5 Staffing implications

5.1 As noted in the report.

6. External Consultees

6.1 No external consultations have been undertaken.

7. Recommendations

7.1 That the Committee consider the internal audit progress to date.

8. Background Documents

None.

9. Appendices

Appendix 1 – Internal Audit Progress Report January 2020

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West Yorkshire Combined Authority

Governance & Audit Committee
Internal Audit Progress Report

January 2020

Agenda Item 5
Appendix 1

Key Headlines / Index

Staff changes- A new Principal Internal Auditor started in November 2019. Two existing Internal Auditors left the team in December 2019, so it is currently operating at reduced capacity. One of these was due to the scheduled ending of a fixed term contract. Until a full recruitment process can be concluded for the other vacant post temporary cover is being sought.

Reports issued- Summaries of the scope and findings of these reviews can be found at Page 3

- Economic Services- Counter Fraud- Advisory
- HR Policy Compliance Review 2019/20- Economic Services
- HR Policy Compliance Review 2019/20- Transport Services
- HR Policy Compliance Review 2019/20- Corporate Services

Revised 2019/20 Audit Plan- A summary of plan progress is provided on Page 4. Details of amendments made to the audit plan for 2019/20 to enable the Head of Internal Audit to give a considered Annual Audit Opinion in the Assurance Governance Statement at year end are at Pages 5-9.

Outstanding actions- There are two outstanding actions reported as open on the Pentana system and on the Agreed Actions Register (more recently issued reports). Only one action is overdue and this is a low priority one. We are awaiting action owners and due dates for the recently issued directorate HR Compliance Reports.

Feedback from clients- Pages 10-11 details the feedback received from our auditees received since the last Governance and Audit Committee report.

2020/21 Internal Audit Plan development - A separate report has been provided to the Committee on the process Internal Audit is following to develop the 2020/21 plan, which involves analysing the risks faced by the Combined Authority in the context of the overall audit universe, and determining where assurance is being provided from elsewhere that mitigates against these risks.

Reports Issued

Economic Services- Counter Fraud Advisory

Internal Audit was asked by Economic Services to check and provide advice on how to proactively strengthen controls and mitigate against fraud whilst delivering against their priorities that involve investment in local businesses, to minimise the impact of the high inherent risk in such relationships. While the current systems cannot eliminate fraud risk entirely, the evidence suggests that overall the controls are working effectively and are proportionate to the risks posed.

A few areas in which controls could be strengthened were identified during the review, and a fraud risk assessment workshop was conducted with the Economic Services team which has helped to raise awareness of potential frauds and what team members should be looking out for. In the main, focus should be on trying to put as much effort as possible into 'due diligence' work prior to agreement of grants and other payments. Close attention should also be paid to submitted invoices as these are a common area for fraud and where there is any suspicion of anything untoward to check back with relevant parties before payment.

As this was an advisory piece there is no assurance level provided for this area, and formal recommendations were not made in the report. However, making simple additions to current procedures and processes up front would ensure some consistency, and encourage all team members to undertake these checks.

HR Policy Compliance Review 2019/20- Economic Services, Transport Services and Corporate Services

The purpose of these audits was to utilise a standard questionnaire and evidence requirements to assess how well a sample of line managers within directorates have complied with published HR policies and guidance in a number of areas in the last 12 months. These were Recruitment and Induction, Leave and Attendance, Performance Review, Flexible Working, Disciplinary and Capability, Secondment, and the Management of Change.

As work on the remaining two directorates, and an advisory report for HR on potential improvements to policies, procedures and processes are still being completed, further details and conclusions from these reports and how they compare to each other will be provided to the next Governance and Audit Committee meeting.

2019/20 Internal Audit Plan

Summary Internal Audit Plan 2019/20

The previous detailed internal audit plan, and proposed changes to it as a result of review by the incoming Head of Internal Audit in order for them to maximise the assurance base on which to provide an annual internal audit opinion in line with the Public Sector internal Audit Standard (PSIAS) are detailed below.

In summary:

- 11 reviews have been completed.
- 10 reviews have been removed (3 of these have been replaced elsewhere in the plan, 6 are mainly financial audits where these have been delivered last year and there were no major issues identified and at least 2 of these are also covered in the work of external audit. In the remaining case an external report has been provided that gives us assurance on the area in question).
- 6 individual reviews are ongoing, three of which relate to HR Policy Compliance (Delivery and Policy, Strategy and Communications directorates and Advisory report for the Corporate HR Team). The others relate to a series of Programme Assurance reviews, a review of ICT security measures where software applications are managed by the business rather than ICT, and GDPR Compliance testing.
- Grant certifications and counter fraud work are ongoing throughout the year, as is our advice provided to Boards such as that on the Internal Governance Project.
- 3 reviews on Procurement, Contract Management and Business Recovery/ Contingency, and the Internal Audit contribution to the compilation of the Annual Governance Statement, are scheduled for Q4
- 2 reviews have been deferred to 2020/21 as the area under consideration will change as a result of the Corporate Transformation Project (CTP).

Detailed Internal Audit Plan 2019/20- including changes made

	Original Assurance Area	Revised Assurance Area	Status	Assurance level
1	Creditors	NA	Completed	Reasonable
2	Payments	Specific issue, memorandum issued	Completed	NA
3	Main Accounting – General Ledger	No major issues from previous year's audit, covered by external audit therefore removed for this year	Removed	NA
4	Debtors	No major issues from previous year's audit, covered by external audit therefore removed for this year	Removed	NA
5	Payroll	No major issues from previous year's audit.	Removed	NA
6	Expenses and Allowances	NA	Completed	Reasonable
7	Treasury Management	No major issues from previous year's audit, therefore removed for this year.	Removed	NA
8	Procurement	NA	Scheduled for Q4	NA
9	Health and Safety	External report commissioned, review of terms and output indicates that IA can place reliance on this independent report and gain assurance from it. The report clearly details its coverage and relevance of what was considered, and recommendations provided for the CA to implement.	Removed	NA

		To do another report on this area would be a duplication of effort and waste of resources.		
10	Employment Law and HR Processes	This has become part of the HR Policy Compliance reviews being carried out for each directorate and to include an advisory report for HR to consider whilst revising their policies and processes.	Ongoing	See below 31-36
11	Risk Management	NA	Completed	Limited
12	Code of Corporate Governance	NA	Completed	Reasonable
13	Business Recovery/ Contingency	Work undertaken late 18/19, but not formally reported as this was to change as a result of the CTP.	To refresh and follow up in Q4	NA
14	WYCA/ LEP Governance – decision making/ delegations	The Internal Governance Project is currently addressing these areas and rather than a formal review. The Head of Audit is now sitting on the project board to overview actions being undertaken and make recommendations for improvement where applicable in a timely manner.	Ongoing	NA
15	Recruitment Procedures and Temporary Employment Arrangements	This has become part of the HR Policy Compliance reviews being carried out for each directorate and to include an advisory report for HR to consider whilst revising their policies and processes.	Ongoing	See below 31-36
16	Annual Governance Statement	This has been on every audit plan, but is not a review, but rather is a contribution to the production of the annual governance statement and annual internal audit report.	Scheduled for Q4	NA

17	Pre-paid tickets and concessionary fares	This became ENCTS (number 20 below)	Removed	NA
18	Tendered Subsidised Bus Services	No major issues from previous year's audit, therefore removed for this year.	Removed	NA
19	Metro Travel Centre Operations	No major issues from previous year's audit, therefore removed for this year.	Removed	NA
20	English National Concessionary Travel Scheme (ENCTS)	NA	Completed	Reasonable
21	Programme Assurance	A rolling programme of reviews is to be undertaken to health check that projects and programmes are moving appropriately through the assurance framework process. Internal Audit will also contribute to the annual review of the assurance framework.	Ongoing	NA
22	Data Quality/ Business Intelligence	To defer to 2020/21 in order to assess post Corporate Technology Programme (CTP).	Deferred	NA
23	Data Security/ Data Protection	The scope of this has been amended and this is now to be a review of ICT security measures in software applications introduced/ managed in the business.	Ongoing	NA
24	GDPR	N/A	Completed	Reasonable
25	Cyber penetration testing	To undertake once the CTP programme is complete. This will require external expertise.	Deferred	NA
26	Contract Management	NA	Scheduled for Q4	NA

27	Counter Fraud work	One investigation completed, further analytical work to be undertaken	Ongoing	NA
28	Various grant certifications	Requested by Business. All pass certification after review.	Ongoing	NA
29	NEW – Economic Services, improving fraud controls – Advisory	Requested by Business. Advisory only so no assurance given.	Completed	NA
30	NEW – GDPR compliance testing	Requested by Business. To be completed after self-assessments have been piloted and rolled out by the Data Protection team.	Ongoing	NA
31	NEW - HR Policy Compliance- Economic Services	To obtain assurance regarding line manager application of policies and procedures to determine the extent to which legislation and best practice is followed replacing reviews on: - Employment Law and HR processes (10 above) - Recruitment Procedures and Temporary Employment Arrangements (15 above)	Completed	Reasonable
32	NEW - HR Policy Compliance- Transport Services		Completed	Limited
33	NEW - HR Policy Compliance- Corporate Services		Completed	Reasonable
34	NEW - HR Policy Compliance- Delivery		Ongoing	Not applicable
35	NEW - HR Policy Compliance- Policy,		Ongoing	Not applicable

	Strategy and Communications			
36	NEW - HR Policy Compliance- Advisory issues	To provide feedback to HR and advice on areas where policies and processes require improvement to assist line managers in applying them and resolve any areas of confusion when these are updated.	Ongoing	Not applicable

Client Feedback

Client feedback reports have been sent out and feedback requested for 7 reviews completed in 2019/20 as at 02.01.2020. 4 of these have been received since the last Governance and Audit Committee.

Overall satisfaction is showing as 71%, against a target of 80%.

In order to increase transparency regarding how customers think things can be improved, and what they appreciated, we have revised the customer feedback form to advise them their comments can be reported to the Governance and Audit Committee. The following comments were subsequently received:

Review name & Report issue date	What did we do well?	What could we have done better?
Economic Services-Counter Fraud Advisory **October 2019**	• The team… is much more customer focussed. There is also much more communication throughout with agreed objectives (which)…. is a really positive improvement. • Changed perception of the audit function and now very comfortable asking for advice. • Auditing all programmes at the same time was very helpful and meant that comparisons could be made… and recommendations could be made on areas where processes could be standardised. • Regular communication throughout the audit. • "The fraud workshop was really good and thought provoking and was an example of how audit can support us to develop new and better ways of working."	• Standardising feedback (different auditors used different forms). • Focus on the big picture and improvements that can be made at programme level rather than observations about minor discrepancies… that have no bearing on overall programme delivery.

	• Recommendations all related to things within our area of work which we are in control of (in the past we have received recommendations that relate to other directorates which has made recommendations very difficult to implement).	
Risk Management **October 2019**	• Approach used…professional, inclusive and insightful. • Engaged throughout the process. • Clear understanding of the lines of inquiry and of the results and responses gathered. • (Auditee) experience and understanding of current processes was valued and taken on board. • Recommendations were meaningful and relevant. • Focus on the root causes of problems… and prioritisation of key issues. • Kept sighted of developments as they arose, rather than only at the conclusion of the audit. • Creation of summary reports for Directorates was a really good step forward.	• The inclusion of one recommendation/ action per Directorate might help further strengthen the idea that improvements need to be made by Corporate and Directorate functions working in partnership.
ENCTS **August 2019**	• A thorough assessment of our arrangements. • The draft reports were presented for comment in good time.	• Initial recommendations related business decisions, rather than whether our practices were open and transparent, auditable. (NB: It was acknowledged this was amended.) • Moving forward, individual auditors to scrutinise the process, rather than the eventual technical business decision made (if this has been done in line with legislation and professional experience.)

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West Yorkshire Combined Authority

Report to:	Governance and Audit Committee
Date:	23 January 2020
Subject:	**Internal Audit Planning Methodology 2020/21 Report**
Director(s):	Angela Taylor, Director, Corporate Services
Author(s):	Bron Baker, Head of Internal Audit

1. Purpose of this report

1.1. To update the Committee on the methodology being used to develop the audit plan for 2020/21.

1.2. To ask Members to consider the content of the report and to advise on any additional areas for consideration that could be included in the plan for next year.

2. Information

Audit Planning Methodology

2.1 The internal audit team is currently starting the planning process for the next financial year and will present the draft plan to the next Governance and Audit Committee meeting for agreement. The process is going to move away from cyclical reviews to be a more dynamic and fully risk responsive plan. The intention is to consider the current risks facing the organisation, the corporate priorities and objectives and also to consider external intelligence around emerging risks from a wider business perspective.

Internal Planning Considerations

2.2 While Internal Audit will continue to build the compliance picture across the business to enable an informed and evidence based opinion on controls, governance and risk management for the annual audit opinion, audit is also intending to continue offering advisory work as needs are identified within the business. This will mean ongoing engagement with senior management throughout the year and being more open to agreed changes to the plan as risks develop – particularly important given the highly changeable political landscape. The Corporate Risk Register and Corporate Plan are going to be the primary driving force of planned audit activity, but given the scale of project work within the Combined Authority, audit intends to continue the recently started rolling programme of reviews against the Assurance Framework and will also contribute to any review of the Framework itself.

Internal Audit intends to bring some specialist resource in to conduct some ICT work that will include testing for vulnerabilities, an area that comes up both in the Combined Authority risk register and is a concern for most Boards in the wider business world. Discussions will also be held with the external auditors, Mazars, to ensure that there is no duplication and to factor in any issues they believe would enhance the audit plan.

External Planning Consideration

2.3 Internal Audit has been considering the wider, external risk horizon and has had particular regard to a report by the Chartered Institute of Internal Auditors (CIIA), Risk in Focus 2020. This work highlights the key business risks as identified by Chief Audit Executives and their Boards across the UK and Europe for the forthcoming year. The CIIA recommend this as a resource to check against when audit planning. In summary, the following areas constitute the top ten identified risks:

1. Cybersecurity and data privacy
2. Increasing regulatory burden
3. Digitalisation
4. Outsourcing, supply chains and third-party risk
5. Business resilience, brand value and reputation
6. Financial risks
7. Political risks
8. Human Resources
9. Governance, Ethics and Culture
10. Climate Change

Internal Audit will be assessing how well the plan reflects these risk areas, but initial review against the corporate risk register suggests that most of these areas will be included in some form.

Timetable for completing the audit planning process

2.4 Internal Audit will continue to review external sources of information to inform planning and will be meeting with the directors and senior managers at the end of January 2020 to discuss the plan for next year. This will be followed up with further conversations with Heads of Service as appropriate and all this information, including input from this Committee will then be re-assessed against the corporate risk register. The aim is to have a draft plan to review and agree with SLT in mid March 2020 and for that draft plan to then be presented at Governance and Audit Committee for review and approval at the March 2020 meeting.

3. Financial implications

3.1 None.

4. Legal implications

4.1 None.

5 Staffing implications

5.1 None.

6. External Consultees

6.1 No external consultations have been undertaken.

7. Recommendations

7.1 That the Committee note and agree the proposed methodology for audit planning for 2020/21 and consider any items for inclusion in the audit plan for 2020/21.

8. Background Documents

None.

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West Yorkshire Combined Authority

Report to:	Governance and Audit Committee
Date:	23 January 2020
Subject:	**External Audit Update**
Director(s):	Angela Taylor, Director, Corporate Services.
Author(s):	Jon Sheard

1. Purpose of this report

1.1 To present an update on external audit matters to the Committee.

1.2 To provide a management response to an outstanding external audit recommendation from the 2018/19 audit regarding related party disclosures.

1.3 To consider the Audit Strategy Memorandum from Mazars for year ending 31 March 2020.

2. Information

External Audit Consultations

2.1 At the previous meeting of this Committee it was agreed that a response would be submitted to the two following audit consultations:

i. One from Ministry of Housing, Communities and Local Government (MHCLG - Redmond Review) which invited views from anyone with a direct or indirect interest in local authority audit and financial reporting (deadline 22.11.19).

ii. The second one from the National Audit Office sought public feedback on proposed updates to its Code of Audit Practice, which called for greater focus on value for money in public bodies (deadline 20.12.19).

2.2 Draft responses were shared with members, via email, for comment and then amended responses were submitted by the due dates. The feedback from the consultations will be published later in the year.

External Audit Fees

2.3 Normally at this time of year the Public Sector Audit Appointments Limited (PSAA) consult on the following year's audit scale fees. However, this year is unusual in that the National Audit Office (NAO) is itself consulting on the new Code of Audit Practice that will apply to all local government and NHS audits from 2020/2021 (see para 2.1 (ii) above). The PSAA commissions audits that are Code compliant and so need the final version before they are able to consult on the scale fees.

2.4 In addition the NAO intends to consult on and then update the Auditor Guidance Notes (AGNs) that support the Code following its approval. Those AGNs will provide more detail on the auditor's responsibilities, which will be an important factor in ultimately determining the impact on any individual body. The PSAA will need to take this further consultation into account when constructing their fee proposals and will notify bodies when their consultation paper is issued. The PSAA's current plan is to consult with bodies from 27 January 2020 to 6 March 2020. This will fall outside the cycle of meetings of this Committee and it is proposed therefore that information on the consultation will be emailed to members when it is available and that a decision is delegated the Director Corporate Services, in consultation with the Chair, to determine the content of any response.

Challenges facing external audit

2.5 Though the West Yorkshire Combined Authority has not faced the same issues a number of other public bodies have faced with their annual audit, the PSAA recently provided an update on these challenges.

2.6 A significant number of audit opinions were delayed for 2018/19. The causes of delay vary from body to body, however, the most frequent explanations appear to be an increasing shortage of audit resources suitable for local government, and/or concerns about the quality of draft accounts and working papers and/or challenges resolving technical issues within increasingly complex accounts. It is also apparent that the well publicised challenges facing the auditing profession following a number of significant financial failures in the private sector have played a part.

2.7 These high profile events have led the Government to commission a number of separate reviews. It is not yet clear what the long term implications of these reviews will be, however, the immediate impact is clear - significantly greater pressure on firms to deliver higher quality audits by requiring auditors to demonstrate greater professional scepticism when carrying out their work across all sectors including public sector audits.

2.8 In addition the PSAA are aware that there is a wide-ranging debate about the areas of focus for local government audit work, including concerns that there is too much focus on figures that are not necessarily priorities for audited bodies and electors. CIPFA has recently consulted on the strategy for the

Accounting Code, including possible ways that it may evolve in the future and MHCLG also commissioned the consultation mentioned at paragraph 2.1(i).

2.9 Until such time as changes are made, however, the position is that auditors are required to ensure that they have sufficient assurance to meet the professional requirements in the current framework before they can issue their opinions. The precise impact of professional requirements will vary with the unique circumstances of individual bodies. However, audit leads will continue to provide an update on how the audit is evolving including resource, fee or timetable implications. This local dialogue is a vital part of the audit process, and there to ensure that at any given stage we are well informed about what is happening and why.

External Audit Recommendation – Related Party Disclosures

2.10 Following the 2018/19 external audit one recommendation remained outstanding and needed a further / updated management response. The recommendation was to strengthen our Member Declaration process to include 'close family' members as per the requirements of the accounting standard IAS24.

2.11 In summary the initial management response was to explore with district partners how they address this matter as the requirements of IAS24 go further than the statutory regime included in our Members Code of Conduct in relation to the disclosure of pecuniary interests. A further update would then be provided to this committee.

2.12 The feedback from partners was that at the year end they separately contact Members, Corporate Directors and other senior management who form the decision making process and ask them to complete a simple declaration form that captures the requirements of IAS24. An explanatory note is provided with the form to explain why this declaration is required.

2.13 The proposal is to simply introduce the same process at the Combined Authority.

External audit – Audit Strategy Memorandum

2.14 The Audit Strategy Memorandum is attached at **Appendix 1** and Mazars will update the Committee on the detail at the meeting.

3. Financial Implications

3.1 As set out in the report.

4. Legal Implications

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

5. Staffing Implications

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

6. External Consultees

6.1 No external consultations have been undertaken.

7. Recommendations

7.1 That the Committee consider the information provided on external audit matters.

7.2 That the Committee note the updated response to the outstanding external audit recommendation on related part disclosures.

7.3 That the Committee consider the Audit Strategy Memorandum provided by Mazars.

8. Background Documents

None.

9. Appendices

Appendix 1 – Audit Strategy Memorandum for year ending 31 March 2020

Agenda Item 7
Appendix 1

Audit Strategy Memorandum

West Yorkshire Combined Authority

Year ending 31 March 2020

MAZARS

CONTENTS

Mazars LLP

5th Floor

3 Wellington Place

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Leeds

Governance and Audit Committee
West Yorkshire Combined Authority
Wellington House
40-50 Wellington Street
Leeds
LS1 2DE

23rd January 2020

Dear Governance and Audit Committee Members

Audit Strategy Memorandum – Year ending 31 March 2020

We are pleased to present our Audit Strategy Memorandum for West Yorkshire Combined Authority for the year ending 31 March 2020

The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, Section 7 of this document also summarises our considerations and conclusions on our independence as auditors.

We consider two-way communication with you to be key to a successful audit and important in:

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

This document, which has been prepared following our initial planning discussions with management, is the basis for discussion of our audit approach, and any questions or input you may have on our approach or role as auditor.

This document also contains specific appendices that outline our key communications with you during the course of the audit, and forthcoming accounting issues and other issues that may be of interest.

Client service is extremely important to us and we strive to continuously provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 0113 394 5315.

Yours faithfully

Mark Kirkham

Mazars LLP

1. ENGAGEMENT AND RESPONSIBILITIES SUMMARY

Overview of engagement

We are appointed to perform the external audit of West Yorkshire Combined Authority for the year to 31 March 2020. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/

Our responsibilities

Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below:

Audit opinion

We are responsible for forming and expressing an opinion on the financial statements.

Our audit is planned and performed so to provide reasonable assurance that the financial statements are free from material error and give a true and fair view of the financial performance and position of the Authority for the year.

Value for money

We are required to conclude whether the Authority has proper arrangements in place to secure economy, efficiency and effectiveness in it its use of resources. We discuss our approach in section 5 of this report.

Reporting to the NAO

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

Electors' rights

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

Our audit does not relieve management or those charged with governance, of their responsibilities. The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However our audit should not be relied upon to identify all such misstatements.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance as to their knowledge of instances of fraud, the risk of fraud and their views on management controls that mitigate the fraud risks.

The Authority is required to prepare its financial statements on a going concern basis by the Code of Practice on Local Authority Accounting. As auditors, we are required to consider the appropriateness of the use of the going concern assumption in the preparation of the financial statements and the adequacy of disclosures made.

For the purpose of our audit, we have identified the Governance and Audit Committee as those charged with governance.

2. YOUR AUDIT ENGAGEMENT TEAM

- Mark Kirkham, Partner and Engagement Lead
- mark.kirkham@mazars.co.uk
- 0113 387 8850

- Mark Outterside, Engagement Senior Manager
- mark.outterside@mazars.co.uk
- 07526 372 859

- Joe Hornsby, Engagement Team Leader
- joe.hornsby@mazars.co.uk
- 07881 283 842

3. AUDIT SCOPE, APPROACH AND TIMELINE

Audit scope

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

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

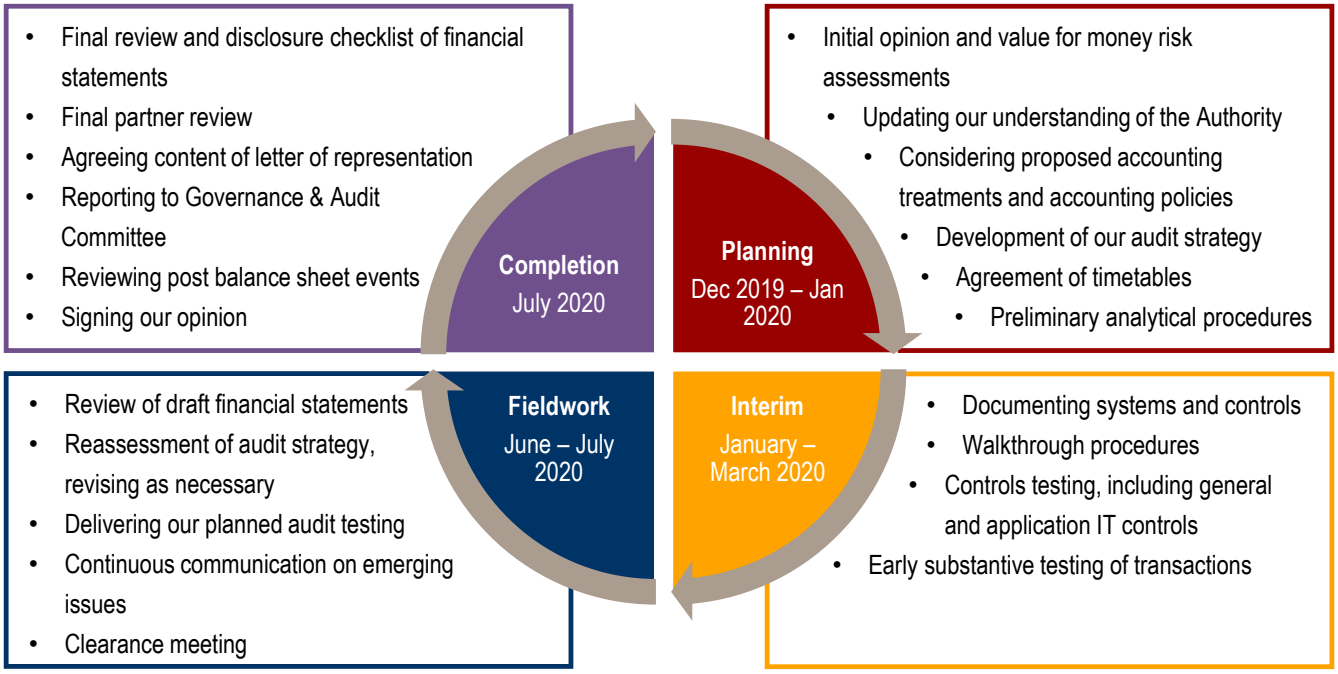
Audit approach

Our audit approach is risk-based and primarily driven by the issues that lead to a higher risk of material misstatement of the accounts. When we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

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

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

The diagram below outlines the procedures we perform at the different stages of the audit.



3. AUDIT SCOPE, APPROACH AND TIMELINE (CONTINUED)

Reliance on internal audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

Where we intend to rely on the work of internal audit, we will evaluate the work performed by your internal audit team and perform our own audit procedures to determine its adequacy for our audit.

Management's and our experts

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

Items of account	Management's expert	Our expert
Defined benefit liability	AON Hewitt Actuaries	PwC, consulting actuary, on behalf of National Audit Office
Property, plant and equipment valuation	Lambert Smith and Hampton	We will take into account relevant information which is available from third parties.
Financial instrument disclosures	Link Asset Services	NAO

Service organisations

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

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

4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS

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

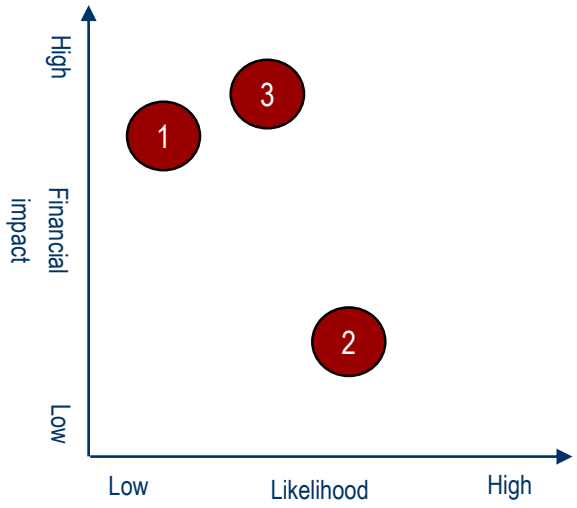
Significant risk A significant risk is an identified and assessed risk of material misstatement that, in the auditor's judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity's controls, including control activities relevant to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

Enhanced risk An enhanced risk is an area of higher assessed risk of material misstatement at audit assertion level other than a significant risk. Enhanced risks incorporate but may not be limited to:

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

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

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



Significant Risk	
1	Management override of control
2	Property, plant and equipment valuation
3	Defined benefit liability valuation

4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

We provide more detail on the identified risks and our testing approach with respect to significant risks in the table below. An audit is a dynamic process; should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Governance & Audit Committee.

Significant risks

	Description of risk	Planned response
1	**Management override of controls** Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Because of the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.	We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.
2	**Property, plant and equipment valuation** The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to PPE. The CIPFA Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. Although the Authority employs an external valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the valuation of PPE due to the significant judgements and number of variables involved in providing valuations.	We will consider the Authority's arrangements for ensuring that PPE values are reasonable and will engage our own expert to provide data to enable us to assess the reasonableness of the valuations provided by the Authority's valuer. We will review the valuation methodology used, including testing the underlying data and assumptions. We will also assess the competence, skills and objectivity of the valuer. We will compare the valuation output with market intelligence provided by Gerald Eve and consulting valuers engaged by the National Audit Office, to obtain assurance that the valuations are in line with market expectations.

4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

Significant Risks Continued

	Description of risk	Planned response
3	**Defined Benefit Pensions Valuation** The net pension liability represents a material element of the Authority's balance sheet. The Authority is an admitted body of the West Yorkshire Pension Fund, which had its last triennial valuation completed as at 31 March 2019. The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Authority's overall valuation. There are financial assumptions and demographic assumptions used in the calculation of the Authority's valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Authority's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes. There is a risk that the assumptions and methodology used in valuing the Authority's pension obligation are not reasonable or appropriate to the Authority's circumstances. This could have a material impact to the net pension liability in 2019/20.	As part of our work we will review the controls that the Authority has in place over the information sent to the Scheme Actuary, including the Authority's process and controls with respect to the assumptions used in the valuation. We will also evaluate the competency, objectivity and independence of the scheme Actuary, AON Hewitt. We will review the appropriateness of the methodology applied, and the key assumptions included within the valuation, compare them to expected ranges, utilising the information provided by PwC, consulting actuary engaged by the National Audit Office. We will review the methodology applied in the valuation of the liability by AON Hewitt.

Key areas of management judgement and enhanced risks

Key areas of management judgement include accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement. These areas of management judgement represent other areas of audit emphasis.

	Area of management judgement / enhanced risk	Planned response
1	**Leases** The Combined Authority has classified leases as either finance or operating leases based on the extent to which the risks and rewards incidental to ownership lie with the lessee or lessor. The Combined Authority has classified certain contracts as operating leases although the legal form of the arrangement is not a lease.	We plan to address the enhanced risk of error via misclassification of leases by reviewing leases and lease terms of contracts considered operating leases under IFRIC 4 and IFRIC 12. Values will be recalculated and agreed to supporting contractual documentation and lease terms will be reviewed to ensure compliance with the aforementioned accounting standards.

5. VALUE FOR MONEY CONCLUSION

Our audit approach

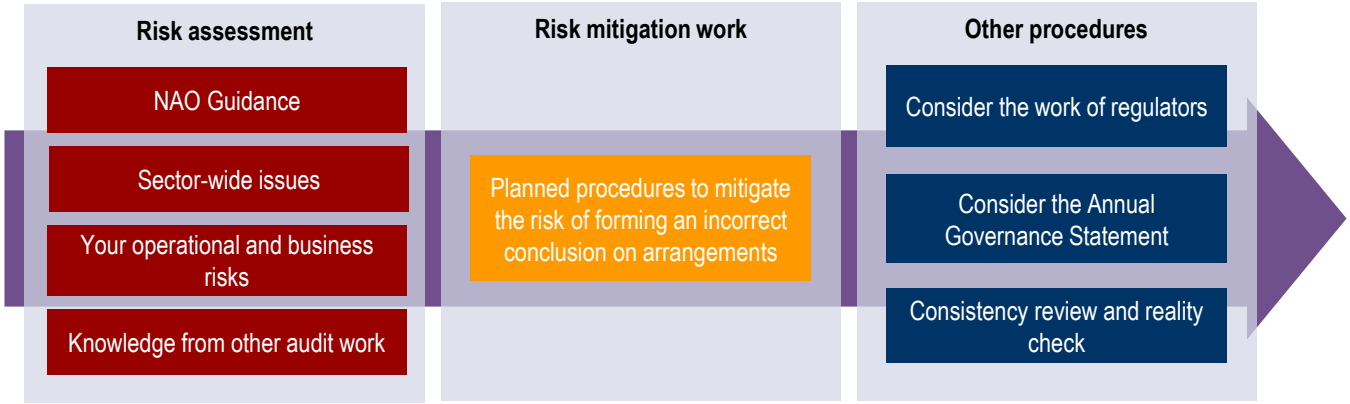
We are required to form a conclusion as to whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out, and sets out the overall criterion and sub-criteria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

The overall criterion is that, 'in all significant respects, the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.'

To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- informed decision making;
- sustainable resource deployment; and
- working with partners and other third parties.

A summary of the work we undertake to reach our conclusion is provided below:



Significant audit risks

The NAO guidance requires us to carry out work at the planning stage to identify whether or not a value for money (VFM) conclusion risk exists. Risk, in the context of our VFM work, is the risk that we come to an incorrect conclusion rather than the arrangements in place at the Authority being inadequate. We draw on our deep understanding of the Authority and its partners, the local and national economy and wider knowledge of the public sector. For the 2019/20 financial year, we have identified the following significant risk(s) to our VFM work:

Description of significant risk	Planned response
1. Financial sustainability The Authority's medium term financial strategy (MTFS) sets out the financial challenges the Authority faces in the medium term. This includes a reduction in the transport levy of £1m in each of the three years to 2020/21. A reduction of £1m equates to a circa 2% saving requirement in discretionary expenditure. The Authority is in the process of updating its MTFS to 2021/22. The continuing challenges the Authority faces are not new and are not unique to the West Yorkshire Combined Authority. However, the challenges do present a significant audit risk in respect of considering the arrangements that the Authority has in place to deliver financially sustainability over the medium term.	Building on our work in previous years, we will review the arrangements the Authority has in place for ensuring financial resilience. Specifically that the MTFS has taken into consideration factors such as the latest income projections, funding reductions from the transport levy, salary and general inflation, restructuring costs and sensitivity analysis given the degree of variability in the above factors. We will also review the arrangements in place to monitor progress in delivering a balanced budget for 2019/20 and the related savings plans.

6. FEES FOR AUDIT AND OTHER SERVICES

Fees for work as the Authority's appointed auditor

At this stage of the audit we are not planning any divergence from the scale fees set by PSAA as communicated in our fee letter of 17 April 2019.

Service	2018/19 fee	2019/20 fee
Code audit work	£25,964	£25,964

Fees for non-PSAA work

We do not currently expect to undertake any additional work outside the scope of our Public Sector Audit Appointment contract.

7. OUR COMMITMENT TO INDEPENDENCE

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

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

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

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

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

Prior to the provision of any non-audit services Mark Kirkham will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence. Included in this assessment is consideration of Auditor Guidance Note 01 as issued by the NAO, and the PSAA Terms of Appointment.

Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

8. MATERIALITY AND MISSTATEMENTS

Summary of initial materiality thresholds

Threshold	Initial threshold (£'000s)
Overall materiality	£5,631k
Trivial threshold for errors to be reported to the Audit Committee	£169k

Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole. Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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

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

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

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

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

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

Our provisional materiality is set based on a benchmark of the 2018/19 expenditure. We will identify a figure for materiality but identify separate levels for procedures designed to detect individual errors, and also a level above which all identified errors will be reported to the Governance and Audit Committee.

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

We expect to set a materiality threshold at 2% of the benchmark based on the 2018/19 audited financial statements.

8. MATERIALITY AND MISSTATEMENTS (CONTINUED)

Based on the 2018/19 financial statements (in which gross expenditure was £281m) we anticipate the overall materiality for the year ending 31st March 2020 to be in the region of £5.6m (£5m in the prior year).

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

Performance Materiality
Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

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

Misstatements
We aggregate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Governance and Audit Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £169,000 based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Mark Kirkham.

Reporting to the Governance and Audit Committee
To comply with International Standards on Auditing (UK), the following three types of audit differences will be presented to the Governance and Audit Committee:

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

APPENDIX A – KEY COMMUNICATION POINTS

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

Required communication	Audit Strategy Memorandum	Audit Completion Report
Our responsibilities in relation to the audit of the financial statements and our wider responsibilities	✓	
Planned scope and timing of the audit	✓	
Significant audit risks and areas of management judgement	✓	
Our commitment to independence	✓	✓
Responsibilities for preventing and detecting errors	✓	
Materiality and misstatements	✓	✓
Fees for audit and other services	✓	
Significant deficiencies in internal control		✓
Significant findings from the audit		✓
Significant matters discussed with management		✓
Our conclusions on the significant audit risks and areas of management judgement		✓
Summary of misstatements		✓
Management representation letter		✓
Our proposed draft audit report		✓

APPENDIX B – FORTHCOMING ACCOUNTING AND OTHER ISSUES

Financial reporting changes relevant to 2019/20

There are no significant changes in the Code of Practice on Local Authority Accounting for the 2019/20 financial year.

Financial reporting changes in future years

Accounting standard	Year of application	Commentary
IFRS 16 – Leases	2020/21	The CIPFA/LASAAC Code Board has determined that the Code of Practice on Local Authority Accounting will adopt the principles of IFRS 16 Leases, for the first time from 2020/21. IFRS 16 will replace the existing leasing standard, IAS 17, and will introduce significant changes to the way bodies account for leases, which will have substantial implications for the majority of public sector bodies. The most significant changes will be in respect of lessee accounting (i.e. where a body leases property or equipment from another entity). The existing distinction between operating and finance leases will be removed and instead, the new standard will require a right of use asset and an associated lease liability to be recognised on the lessee's Balance Sheet. In order to meet the requirements of IFRS 16, all local authorities will need to undertake a significant project that is likely to be time-consuming and potentially complex. There will also be consequential impacts upon capital financing arrangements at many authorities which will need to be identified and addressed at an early stage of the project.

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West Yorkshire Combined Authority

Report to:	Governance and Audit Committee
Date:	23 January 2020
Subject:	**Compliance and Monitoring**
Director(s):	Angela Taylor, Director, Corporate Services
Author(s):	Jon Sheard / Louise Porter

1. Purpose of this report

1.1 To consider any changes to the arrangements for internal control in the West Yorkshire Combined Authority since the last meeting of the Committee and to consider the current financial position.

2. Information

2.1 This paper is provided to each meeting of the Governance and Audit Committee and provides information and assurance on governance issues. Any changes to, or failures of, internal control will be reported along with significant risk issues and an update on the budget position for the current year.

Internal controls

2.2 There have been no significant changes to internal controls in the period and monthly reconciliations are up to date.

2.3 The Regulatory and Compliance Board at officer level continues to meet and will provide information as required to this Committee and the Combined Authority. To date 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, HR and other policies, statutory returns and transparency arrangements. Actions are being identified to ensure compliance is adequately documented and evidenced and further information will be provided to this Committee as the work progresses.

Treasury Management

2.4 The regular governance meetings continue to be held with Leeds City Council to consider and review the transactions relating to investments and treasury management. The next meeting is 21/1/2020 though members are reminded

that at the previous meeting in September 2019 no areas of concern were raised. The high level of cash balances were considered and the challenges this presents with regard to placing funds with approved counterparties.

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 There have been no further reportable (RIDDOR) accidents reported since the previous meeting, leaving the total for the year at none.

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.

Financial monitoring – revenue budget

2019/20

2.9 A summary of the 2019/20 current revenue spend to budget as at November 2019 is attached at **Appendix 1**. A RAG rating has been included to identify budgets that need further review with budget holders. There are no 'red' areas of concern to report at this early stage of the financial year.

2.10 The approved annual revenue budget included a £1.2 million deficit to be funded from general reserves. Following a forecast exercise undertaken in October 2019 the year end position is a £0.3 million surplus and is an improved position resulting in money going into the general reserve rather than being taken out.

2.11 The general reserves are therefore forecast to be approximately £7 million as at the end of the financial year. At this stage the proposal is to retain general reserves at this level to help manage emerging pressures including Brexit, work on bus options following the announcement of the proposed sale of First Group's bus operations and 'cliff edge' funding for a range of projects.

2.12 Progress on capital budgets is being monitored through the Investment Committee which receives regular reports on expenditure forecasts and information on this is available via the papers on the website.

Business planning and budget 2020/21

2.13 Work has progressed well on business planning for 2020/21 and the accompanying budget. These are detailed at **Appendix 2** for the business plans and **Appendix 3** for the proposed budget.

2.14 Each directorate has produced a detailed business plan and a summarised 'plan on a page' showing how it will deliver against the four corporate priorities

in the coming year. The budget includes the costs of delivering these activities.

2.15 The draft revenue budget was reported to the Combined Authority meeting on 9 January 2020, available here, and a balanced position was achieved for 2020/21. The balanced budget excluded provision to fund a range of emerging pressures for activities to address climate change, improve inclusive growth and the work on bus options that may require further funding next year, and the issue of 'cliff edge funding' mentioned earlier. Other funding risks identified include changes to the assumptions relating to pay awards and to the outcome of the triennial pension revaluation effective from April 2020.

2.16 Work has been undertaken on the capital budgets, with a particular focus on the challenges of achieving expenditure on key programmes – Leeds Public Transport Investment Programme and Growth Deal, both of which are due to spend in full by March 2021. The programmes are being reviewed to ensure all funding is maximised, any risks of not delivering by this date are mitigated and to understand the risks around the timing of individual projects which may result in commitments beyond the funding availability. A draft three year capital budget is attached at **Appendix 4** for information. This includes indicative figures for the Transforming Cities Fund bid, the outcome of which is expected by March. If successful this would represent a significant increase in the scale of the capital programme and planning how to meet this capacity is already underway.

2.17 The full budget report is in preparation for the meeting of 6 February. This will include the reserves policy as set out in paragraph 2.11 and the treasury management statement and strategy. These are included at **Appendix 5** and comments on the draft statement are invited from members.

Risk management

2.18 In place of the usual update here a more substantive report is provided at item 9 on today's agenda.

3. Financial Implications

3.1 As set out in the report.

4. Legal Implications

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

5. Staffing Implications

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

6. External Consultees

6.1 No external consultations have been undertaken.

7. Recommendations

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

8. Background Documents

None.

9. Appendices

Appendix 1 - Revenue Budget monitoring 2019/20 as at November 2019 (and forecast).

Appendix 2 - Draft revenue budget 2020/21 (plus 2 years)

Appendix 3 – Business plans 2020/21

Appendix 4 – Draft (indicative) capital budget 2020/21 – 2022/23

Appendix 5 – Draft treasury management strategy

West Yorkshire Combined Authority - Revenue budget summary

Title	(A) 2019/20 Budget £	(C) November YTD Actual £	(66%) % spent/received v. Full Year Budget	Commentary	RAG	Forecast 2019/20 £
Expenditure						
Salary & Pay Related Costs	23,574,623	13,995,640	59%	Higher vacancies than originally budgeted		20,743,106
Indirect Employee Related Costs	385,450	359,172	93%	To be reviewed		376,255
Premises Related Costs	6,240,146	4,586,134	73%			6,776,016
Travel, Transport & Subsistence Related Costs	121,662	103,821	85%	Spend is higher than budget……..potential small overspend		149,679
Member Related Costs	152,000	90,099	59%			152,000
Office Supplies & Services	513,750	470,303	92%	Typically spend profile not even during year- but potentially overspending		646,303
ICT & Telephony Costs	2,614,132	2,648,785	101%	Some ICT / telephony costs paid in advance (eg line rentals)		2,659,937
Professional & Consultancy Fees	2,733,570	2,589,007	95%	Spend is higher than budget……..potential overspend		3,481,442
Corporate Subscriptions	0	0	-			0
Marketing & PR Costs	2,079,896	1,227,680	59%			2,528,402
Insurance	304,900	300,220	98%	Annual invoice paid - above approved budget		382,900
	0	0	-			0
Operator Payments (Transport)	25,601,325	17,834,962	70%	Savings target from Qtr4 - revised budget profile needed		25,556,000
Pre Paid Ticket Cost	34,125,000	21,661,432	63%	Matched by income		34,125,000
Concessions	56,446,802	36,721,090	65%	Broadly in line with expected spend profile		55,657,492
Additional Pension Costs	2,301,600	1,911,960	83%	Variance is because £1.3m paid annually then monthly costs thereafter		2,213,100
Financing Charges	5,465,000	598,254	11%	Main costs calculated / accrued at year end (eg MRP)		4,754,000
	0	0	-			0
Grants	2,648,708	1,189,084	45%	Low spend as held in 'projects' until year end when moved to revenue - will balance to income		2,427,542
Other Miscellaneous Costs	4,305,783	589,863	14%	Project budgets (not yet categorised) - Spend profile to be reviewed with budget holders		2,414,358
	0	0	-			0
Contribution to External / Related Parties	325,912	133,821	41%			383,199
	0	0	-			0
Additional Savings Target	(1,046,619)	0	0%	Vacancy target to offset against savings in pay budget.		0
Contingency	0	0	-			250,000
Total Expenditure	**168,893,640**	**107,011,329**	**63%**			**165,676,730**
Income						
Rail Admin Grant	(878,000)	(878,000)	100%	Received in arrears - forecast is £878k due to agreed reduction		(878,000)
LEP General Funding Income	(1,234,000)	(500,000)	41%	LEP contribs from BRP received in March - new budget profile needed		(1,234,000)
LEP Grant Income	(10,695,903)	(5,588,013)	52%			(8,011,365)
Growing Places Fund Interest	(300,000)	(457,985)	153%	More interest received than originally budgeted		(500,000)
Enterprise Zone Receipts	(1,958,320)	(998,828)	51%	Phasing of receipts		(2,307,000)
Transport Levy	(93,198,000)	(74,558,400)	80%			(93,198,000)
Bus Service Operator Grant (BSOG)	(2,063,592)	(2,063,592)	100%	All received in May (£2.1m)		(2,060,000)
Education Contribution to Transport	(6,768,000)	(2,623,355)	39%	In arrears - need review with budget holders (Transport)		(6,708,000)
Bus Station Tenant Income	(1,583,085)	(772,708)	49%	Higher than expected - need to review profile with budget holder.		(1,592,705)
Bus Station / Services - Other Income	(2,881,917)	(1,031,044)	36%	Lower than expected - need to review profile with budget holder.		(3,209,657)
Admin Recharges	(2,304,536)	(1,223,501)	53%	Includes accruals in the actual		(2,453,914)
Capitalisation of Revenue Costs	(7,794,742)	(5,894,734)	76%	Includes accruals in the actual		(7,150,107)
Pre Paid Ticket Income	(34,125,000)	(21,661,432)	63%	Matches expenditure		(34,125,000)
Other Income	(1,909,896)	(816,710)	43%	Some income in 'projects' until year end - will match expenditure.		(2,579,420)
Total Income	**(167,694,991)**	**(119,068,303)**	**71%**			**(166,007,168)**
Net Expenditure	**1,198,649**	**(12,056,974)**				**(330,437)**

Agenda Item 8

Appendix 1

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West Yorkshire Combined Authority - Summary 2020/21 Revenue Budget

	2020/21							2021/22	2022/23
Expenditure	Delivery £	Economic Services £	Policy, Strategy & Comms £	Corporate Services £	Corporate £	Transport Services £	Total £	Total £	Total £
Salary & Pay Related Costs	5,029,545	4,006,670	5,896,091	3,687,022	723,984	6,457,779	25,801,092	27,324,791	28,258,950
Indirect Employee Related Costs	450			388,784			389,234	378,585	380,168
Premises Related Costs						6,148,294	6,148,294	6,038,179	6,061,714
Travel, Transport & Subsistence Related Costs	3,500	30,090	20,000	7,500	10,000	65,490	136,580	213,240	205,720
Member Related Costs				152,000	68,000		220,000	220,000	220,000
Office Supplies & Services				86,300		569,703	656,003	657,653	644,468
ICT & Telephony Costs	50,000		62,000	1,381,948		1,138,280	2,632,228	2,480,626	2,506,802
Professional & Consultancy Fees	300,000	1,542,088	246,000	182,100	56,790	350,500	2,677,478	2,706,072	1,776,847
Corporate Subscriptions						1,168	1,168	1,168	1,168
Marketing & PR Costs		501,000	464,500	700		130,200	1,096,400	1,062,100	1,041,600
Insurance				383,900			383,900	383,900	383,900
Operator Payments (Transport)						25,866,000	25,866,000	25,886,000	26,080,000
Pre Paid Ticket Cost						35,800,000	35,800,000	37,600,000	37,600,000
Concessions						55,157,492	55,157,492	55,157,492	55,157,492
Additional Pension Costs					2,198,600		2,198,600	2,208,600	2,244,600
Financing Charges					5,277,000		5,277,000	7,527,000	7,527,000
Grants		1,682,276					1,682,276	2,563,037	2,136,405
Other Miscellaneous Costs	500	3,512,936	111,281	5,200	5,500	200,324	3,835,741	2,593,436	2,455,946
Contribution to External / Related Parties			25,000	23,700	316,017	7,410	372,127	379,357	395,432
Additional Savings Target			(449,989)	(35,000)	(1,000,000)	(400,000)	(1,884,989)	(1,863,127)	(1,863,127)
Contingency					59,185		59,185		
Total Expenditure	5,383,995	11,275,061	6,374,883	6,264,154	7,715,076	131,492,640	168,505,808	173,518,109	173,215,084
Income									
LEP Grant Income		(8,773,552)					(8,773,552)	(8,975,656)	(7,549,529)
BSOG						(2,060,000)	(2,060,000)	(2,060,000)	(2,060,000)
Education Contribution to Transport						(6,768,000)	(6,768,000)	(6,768,000)	(6,768,000)
Bus Station Tenant Income						(1,584,186)	(1,584,186)	(1,584,186)	(1,584,186)
Bus Station / Services - Other Income						(3,218,781)	(3,218,781)	(3,259,641)	(3,277,530)
Admin Recharges			(134,000)			(2,045,451)	(2,179,451)	(2,183,581)	(2,244,937)
Capitalisation of Revenue Costs	(5,492,962)	(1,490,181)	(515,871)	(141,263)	(2,000,000)		(9,640,277)	(8,919,551)	(8,946,555)
Pre Paid Ticket Income						(35,800,000)	(35,800,000)	(37,600,000)	(37,600,000)
Other Income		(410,000)	(238,000)		(107,000)	(1,090,520)	(1,845,520)	(3,954,967)	(3,958,100)
Total Income	(5,492,962)	(10,673,733)	(887,871)	(141,263)	(2,107,000)	(52,566,938)	(71,869,767)	(75,305,582)	(73,988,837)
Net Expenditure	(108,967)	601,328	5,487,012	6,122,891	5,608,076	78,925,702	96,636,042	98,212,527	99,226,248
Funding available									
Rail Income					(878,000)		(878,000)	(439,000)	
LEP General Funding Income					(1,101,042)		(1,101,042)	(1,101,042)	(1,101,042)
Growing Places Fund Interest					(152,000)		(152,000)	(132,000)	(108,000)
Enterprise Zone Receipts					(2,307,000)		(2,307,000)	(2,307,000)	(2,307,000)
Transport Levy					(92,198,000)		(92,198,000)	(92,198,000)	(92,198,000)
Net Expenditure Total							(0)	2,035,485	3,512,206

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WEST YORKSHIRE COMBINED AUTHORITY PLAN ON A PAGE **(DRAFT)**

2020-21

Vision

Our region will be recognised globally as a place with a strong, successful, inclusive economy where world-class transport, skills and digital connectivity enables everyone to build great businesses, careers and lives

Mission

Developing and delivering economic and transport services, schemes and programmes in partnership with the public and private sectors, focussing on transport, skills, business support and digital connectivity

Working in partnership with the West Yorkshire Combined Authority

Leeds City Region Enterprise Partnership

Aims

Boosting Productivity
Helping businesses to grow and bringing new investment into the region to drive economic growth and create jobs in a post- Brexit landscape

Enabling Inclusive Growth
Enabling as many people as possible to contribute to, and benefit from, economic growth in our communities and towns

Delivering 21st Century Transport
Creating efficient transport infrastructure to connect our communities, making it easier to get to work, do business and connect with each other

Tackling the Climate Emergency
Growing our economy while cutting emissions and caring for our environment

Securing money and powers
Empowering the region by negotiating a devolution deal and successfully bidding for substantial additional funds

Objectives

(What we want to achieve in 2020-21)

Boosting Productivity

1. Support business to respond to the challenges & opportunities of Brexit
2. Implement the Local Industrial Strategy & Strategic Economic Framework
3. Complete delivery of the Skills Commission, maximising its influence & embedding it in the Leeds City Region
4. Provide 80 businesses with intensive support to boost productivity/innovation capacity
5. Attract 30 global investors to the region creating 1700 jobs
6. Help 350 businesses to increase overseas trade
7. Embed the Regional Digital Framework

Enabling Inclusive Growth

1. Deliver an Inclusive Growth Programme in line with the Strategic Framework
2. Enable c20 million socially necessary passenger journeys
3. Implement an operating model for demand responsive transport services
4. Reach 250,000 people with targeted careers information
5. Engage 800 businesses with skills initiatives
6. Continued delivery of [re]boot & Employment Hub
7. Connect homes & businesses to superfast broadband
8. Embed inclusive growth in all our policies

Delivering 21st Century Transport

1. Increase bus patronage & satisfaction through the West Yorkshire Bus Alliance
2. Transform passenger information & modernise travel centres
3. Increase bus use amongst under 25s at no increased cost
4. Manage over 1 million MCard sales & launch a mobile app
5. Continue work on future bus options & alternative governance models
6. Develop a strategic business case for urban transit proposals
7. Establish a rail strategy, preparing for HS2 & Northern Powerhouse Rail
8. Deliver schemes in WY+ Transport Fund, LTP and Leeds Public Transport Investment Programme & delivery of a Transforming Cities Fund

Tackling the Climate Emergency

1. Mobilise the Climate Coalition, to achieve early years targets to reach zero-carbon by 2038.
2. Deliver 10 priority projects in the Energy Strategy
3. Provide intensive clean growth support to 150 businesses (through Resource Efficiency Fund & the Travel Plan Network)
4. Enable 8 schemes to enter the Energy Accelerator
5. Install 88 vehicle charging points
6. Establish a connectivity plan and pipeline, promoting active & decarbonised travel
7. Reduce carbon from the Combined Authority's assets

Securing money and powers

1. Complete investment of growth deal into projects by March 2021
2. Progress a devolution deal and ensure the LEP Meets new government requirements
3. Influence the shape & size of future regional funding (including the UK shared prosperity fund)
4. Secure funding to deliver against key corporate objectives
5. Maximise delivery against European funds.
6. Ensure the successful transition of Future Mobility Zones and Transforming Cities Fund bids into delivery

Ways of working

Working in partnership with the public and private sectors

Influencing locally and nationally to promote the aims of our region

Engaging with people, communities and businesses so that they shape what we do

Enablers

(What will help us)

Our partnerships

Deliver an agreed communications & engagement programme to strengthen regional partnerships

Work in partnership to influence Government on key priorities including strategic rail devolution, skills and climate change.

Embed a consistent regional voice to strengthen our contribution to national debates

Our systems

Achieve highest standards of governance and transparency

Digitising key processes to improve efficiency

Embed the HR strategy & new policies on recruitment/performance management

Strengthen appraisal and evaluation across our capital portfolio

Our people

Embed our culture change programme

Develop and implement inclusive plan in response to staff survey

Establish corporate learning and development programme

Further develop the employee wellbeing strategy

Our resources

Accommodation project – refurbishment of Wellington House

Corporate Technology Programme – harnessing new technology to improve efficiency, reduce carbon usage and facilitate inclusive growth.

Rigorous financial management

Key risks, issues and assumptions

Uncertainty surrounding devolution arrangements, funding cliff edges and changes in Government policy

Impact of Brexit on our businesses, our services and our supply chain

Striking the right balance between clean growth & improved productivity

Changes in `rail franchising governance & in bus company ownership

Managing shifting priorities in a post-Brexit landscape & ensuring we maintain a unified regional voice

Our Values

Working Together | Positive about Change | Easy to do business with | Working Intelligently | Championing our Region

How we will measure success

Key performance indicators across all priorities, reported quarterly to the Combined Authority
Growth Deal outputs (detailed indicators currently in development but to include metrics such as: no. businesses/individuals supported through our economic services , no. jobs brought to the Region, progress on capital projects and spending forecasts, customer satisfaction with public transport information and ticketing, % of procurement strategies including social value and carbon reduction targets associated with Combined Authority services and assets)

POLICY, STRATEGY AND COMMUNICATIONS DIRECTORATE PLAN ON A PAGE **(DRAFT)** 2020-21

Working in partnership with the West Yorkshire Combined Authority

Leeds City Region Enterprise Partnership

Vision

We lead thinking, developing policies and strategies to transform the region as an inclusive, clean economy; securing the investment and powers to put those policies into action; and championing the region's interests locally, nationally and internationally

Services

Communications & Marketing

To engage with people, communities and businesses to deliver a positive profile to international, national, regional and local audiences.

Supporting these Corporate Priorities:

Research & Intelligence

To provide a best-in-class data and intelligence infrastructure to enable informed and strategic decision making, and efficient monitoring and evaluation.

Supporting these Corporate Priorities:

Economic & Transport Policy

To develop transformative policies and strategies, and secure long-term funding and devolved powers to drive a clean and inclusive regional economy.

Supporting these Corporate Priorities:

Priorities

(What we want to achieve in 2020-21)

Communications & Marketing

1. Influence Government to secure change in relation to key priorities including strategic rail (NPR, HS2 etc), devolution, skills and climate change.
2. Deliver communications strategy with LCR Climate Coalition to tackle the climate emergency.
3. Establish and deliver a Communications and Marketing strategy to support organisational priorities, working with partners to embed a consistent regional voice.
4. Raise the profile of key spokespeople and the CA/ LEP; strengthen our contribution to national debates.
5. Promote the region nationally and internationally, and the CA/ LEP's transport and economic services locally and regionally to ensure take-up of those services.
6. Deliver an agreed partnership communications and engagement programme to strengthen relationships with partners across the region.
7. Develop and launch a high-profile programme of active travel communications to champion healthier and low carbon means of travel, including through City Connect.
8. Contribute to the next phase of organisational change through strategic and tactical internal communications.
9. Provide a high quality, responsive consultation and engagement function to the organisation and partners.

Research & Intelligence

1. Develop our information and intelligence assets to provide evidence for the region's strategies and policies; to monitor progress on all programmes; and to report on the state of the regional economy.
2. Drive project evaluation and economic appraisal to support the design of key projects and programmes, including appraising carbon impact to tackle the climate emergency.
3. Develop targets and performance reporting to underpin the Strategic Economic Framework.
4. Provide outstanding evidence and appraisal to support key priorities – including climate emergency, devolution, inward investment, skills commission and labour markets, European project appraisal, business case appraisal, Assurance Framework, UKSPF, Brexit.
5. Raise the profile of the CA evidence advocacy across key policy areas and further strengthen working partnerships with district partners and external organisations.
6. Ensure the CA and the LEP's analytical capability can respond to key operational and reactive requirements.
7. Improve access to key content for partners across the region by developing, managing and communicating the Combined Authority's intelligence assets across all channels and enabling client self-service; implement Open Data Strategy.

Economic & Transport Policy

1. Tackle the Climate Emergency by publishing detailed carbon reduction pathways to net zero by 2038, delivering the Energy Strategy, and mobilising the Climate Coalition.
2. Progress a devolution deal to secure investment and powers, unlocking the potential of the region.
3. Finalise and implement the Local Industrial Strategy and Strategic Economic Framework, and develop a pipeline of interventions across the foundations of productivity.
4. Influence the shape and size of future regional funding, including maximising delivery of European funds, the UK Shared Prosperity Fund and the 2020 Spending Review.
5. Develop and implement a pipeline of interventions across SEF priorities to enable inclusive growth.
6. Establish a rail strategy, secure HS2 & NPR, develop plans for Mass Transit and future of Bus services.
7. Successful transition of Future Mobility and Transforming Cities bids into delivery and Bus Alliance into operation.
8. Establish a connectivity plan and pipeline, promoting active and decarbonised travel for all communities.
9. Develop a Place Strategy articulating the full range of infrastructure needs, supporting an investment pipeline.
10. Complete delivery of the Skills Commission.

Resources

(What we need)

Our staff

Highlight staff figures to be included.

Our budget

Highlight budget figures to be included.

Our tools and support

Ensuring we have access to key specialist consultancy resources where we have gaps in internal capability (and to support building internal capability) particularly in areas such as carbon impact assessment work.

Our key interfaces

Transforming Cities Fund and Transport Pipeline – Delivery and Transport Services

Local Industrial Strategy – Economic Services

Clean Growth Action Plan and Carbon Impact Assessment – Whole organisation

Communications, Consultation and Marketing – Delivery, Economic Services, Transport

Values

Working Together | Positive About Change | Easy to Do Business With | Working Intelligently | Championing our Region

How we will improve our service

Directorate Improvement Plan: 1) Build capacity and capability through renewed focus on learning and development; 2) Strengthen integration of directorate services; 3) Improve systems for information development, storage and retrieval; 4) Develop working arrangements with partners.

Corporate Priorities

Key risks, issues and assumptions

- Uncertainty surrounding devolution deal arrangements, funding cliff edges, and changes in Government policy.
- Ensuring we have the critical mass and capability to evaluate our projects and programmes as our delivery pipeline becomes more mature and we develop the right skill sets.
- Managing expectations on shifting priorities, including responding to a post-Brexit economic landscape, and ensuring we develop and maintain a unified regional voice.
- Needing to ensure that we adequately manage reputational risk.

DELIVERY DIRECTORATE PLAN ON A PAGE **(DRAFT)**

2020-21

Working in partnership with the West Yorkshire Combined Authority

Leeds City Region Enterprise Partnership

Vision

Ensuring the delivery of a portfolio of projects and programmes within the agreed cost, time and quality framework, which meet our strategic priorities and derive maximum benefit for the region.

Services

Portfolio Management and Appraisal (PMA)

Ensure a rigorous approach to the assurance process, including the appraisal of projects and monitoring and reporting on our portfolio, so we get the best schemes for our money

Supporting these Corporate Priorities:

Economic Implementation Team

Working with partners to deliver economic regeneration and related capital infrastructure projects. Leading in-house corporate ICT projects for the Combined Authority.

Supporting these Corporate Priorities:

Transport Implementation Team.

Working with partners to deliver transport projects which meet our strategic priorities and derive maximum benefit for the region

Supporting these Corporate Priorities:

Priorities

(What we want to achieve in 2020-21)

● Meeting Growth Deal spend targets and delivering successful outcomes for communities. ● Embed Clean Growth targets and measures into the design of new projects to contribute to our climate emergency priorities. ● Working across directorates & partners to learn lessons from past programmes in order to influence the design and scope of new programmes and ensure our readiness to deliver for the future. ● Embed use of the Portfolio Information Management System with partners. ● Explore opportunities for new ways of working to maximise our impact e.g. through joint venture partnerships or the Combined Authority directly delivering development projects ● Celebrate the success of delivering projects as they are delivered and benefits realised.

1. Strengthen appraisals to ensure greater consistency
2. Review and streamline the Assurance Framework
3. State of readiness for Growth Deal 2024 review
4. Delivery of the capital programme by influencing, checking and challenging to ensure we meet our strategic priorities and derive maximum benefit for the region
5. Incorporation of CA policies and strategies into the assurance process and monitoring and reporting processes, including inclusive growth and clean growth
6. Manage PIMS to ensure 'one version of the truth' and clear and concise monitoring and reporting in partnership with the Finance Team to our partners and leaders
7. Planning for future funding programmes to ensure processes are in place to be able to manage them effectively
8. Evaluation of funding programmes

1. Complete investment of Growth Deal into projects by March 2021
2. Ensure a 'State of Readiness' to deliver new investment through the proposed Shared Prosperity Fund, anticipated Devolution & new approaches to business finance
3. Enable capital investment in 8 low carbon projects through the Energy Accelerator
4. Deliver superfast broadband connectivity across the city region through the Broadband programme
5. Reclaim brownfield land to enable over 170,000 hectares of new commercial floor space through the Enterprise Zone programme.
6. Further develop mobile applications to make it easier for people to pay for public transport.
7. Complete the Corporate Technology Programme
8. Embed Clean Growth principles into the new Business Finance Investment Strategy
9. Initiate the new Future Mobility Programme

1. Continued delivery of the West Yorkshire Plus Transport Fund portfolio and phase 3 of the City Connect cycling and walking programme.
2. Completion of the Leeds Public Transport Investment Programme / Connecting Leeds investment programme by March 2021
3. Initiate delivery of Transforming Cities Fund portfolio of projects once funding has been approved – secure additional resource
4. Complete Wellington House Accommodation project as part of the CA's contribution to supporting Clean Growth
5. Supporting our partners in business case development and project delivery, through an embedded business partnering approach
6. Support partners with delivery resources and recruitment - capacity and capability to deliver
7. Explore further opportunities to engage and work with the private sector on delivery

Corporate Priorities

Resources

(What we need)

Our staff

Highlight staff figures to be included.

Our budget

Highlight budget figures to be included.

Our tools and support

Specialist consultancy support (technical, commercial & legal) will be required as we embed our new approach to delivery of:

- *New rail stations*
- *Business finance*
- *Transforming Cities Fund*

To provide additional capacity for district partners & for appraisal of complex schemes & assessment of carbon impacts

Our key interfaces

- *Corporate Services support - particularly Finance, Legal & Procurement - across all programmes, & HR for recruitment & retention, learning and development, & well-being*
- *Comms and Engagement support*
- *Cross-directorate representation for the Programme Appraisal Team and Strategic Assessment Review Group*

Key risks, issues and assumptions

Incorporating new / change of policies into assurance process and measuring impact on delivery

Recruitment and retention – impacted by wellbeing, market pressures, pay, learning and development, lack of clear funding stream for economic projects

Failure to deliver funding programmes within timescales or costs and capture outputs and benefits – reputational impacts

Continuing Brexit uncertainty impacting private sector investment decisions

Post 2021 economic funding. Economic Growth Deal programme ends in March 2021 with future funding still to be identified

Values

Working Together | Positive About Change | Easy to Do Business With | Working Intelligently | Championing our Region

How we will improve our service

Organisational Design structures embedded and reviewed as necessary – greater capacity, building our own, improved retention, efficient resource planning.
Continuously improving appraisal & consistency of business cases, monitoring and reporting.
Planning for future funding – scoping and defining schemes with Policy directorate and partners to ensure rigour and deliverability, learning from the evaluation of past schemes.
Placing a greater emphasis on supporting Clean Growth and Inclusive Growth

ECONOMIC SERVICES DIRECTORATE PLAN ON A PAGE **(DRAFT)**

2020-21

Working in partnership with the West Yorkshire Combined Authority

Leeds City Region Enterprise Partnership

Vision

A vibrant and inclusive economy which attracts and enables responsible and clean business investment and helps people from all backgrounds to develop their skills, access opportunities and progress in employment.

Services

Business Support

Provide a comprehensive service to help identify, secure and fund solutions to clean growth, inclusive growth productivity and resilience.

Supporting these Corporate Priorities:

Employment and Skills

Develop Skilled People, working with businesses and education partners to create better jobs and opportunities

Supporting these Corporate Priorities:

Trade and Investment.

Secure Investment projects which create jobs and world class assets, whilst generating global business opportunities.

Supporting these Corporate Priorities:

Priorities

(What we want to achieve in 2020-21)

Business Support

1. Support our businesses to respond to the challenges and opportunities arising from Brexit. Providing intensive support to 1,000 businesses
2. Expand and enhance the range of business support available in the City Region, with a particular focus on clean growth, inclusive growth, innovation and productivity.
3. Stimulate more demand for business support and external finance through closer collaboration with the private sector intermediary community, including funders.
4. Deliver a 'single front door' access point for investors and businesses to engage effectively with public sector funding opportunities in the City Region.
5. Encourage employers in the City Region to adopt more sustainable practices, providing 150 businesses with intensive clean growth support (through the Travel Plan Network and the Resource Efficiency Fund).
6. Secure the long-term future of the Growth Service and move towards an integrated physical hub for all business support professionals in the City Region.

Employment and Skills

1. Promote a system which delivers better outcomes at a local level through the Future-Ready Skills Commission.
2. Carry out a final review of delivery agreements with seven West Yorkshire FE Colleges to influence education and skills provision.
3. Reach 250,000 people through the all-age FutureGoals platform, with information on careers linked to labour market information, and support 1,000 adults to upskill and re-train in skills shortage areas.
4. Provide support for SMEs and levy-payers to create more apprenticeship opportunities.
5. Showcase the employment and skills opportunities available within the Creative & Digital Sector, and work with partners to bring them to a more diverse audience.
6. Develop strong partnership between employers and 105 of our most disadvantaged schools to improve the attainment, ambitions and destinations of young people, influencing 800 businesses to engage with education.

Trade and Investment

1. Identify, attract and secure inward investment into the region (businesses and infrastructure), bringing 30 successful projects to the Leeds City Region and creating 1,700 jobs.
2. Encourage and support more businesses to sell their products in international markets, with a particular focus on China and India, assisting 350 businesses with overseas trade initiatives.
3. Raise the international profile of the Leeds City Region economic opportunities at major global events, such as MIPIM and SMART cities
4. Maintain an effective Key Account Management service for indigenous foreign-owned businesses, supporting 120 companies through active account management.
5. Contribute to the ongoing growth of the Creative & Digital Sector, including through the delivery of # Grow, # Welcome and the Creative Industries Opportunity Programme.

Corporate Priorities

Resources

(What we need)

Our staff

Highlight staff figures to be included.

Our budget

Highlight budget figures to be included.

Our tools and support

Evolutive; Dynamics; Fame; EG Radius; Proactis; In-Tend; Policy team; Legal team; Information Governance team; Finance team; Procurement team; Research and Intelligence team. Policy and Strategy team; Marketing & Comms team; Office Facilities, external consultants

Our key interfaces

Working with the Policy, Strategy & Comms directorate in securing additional external funding for core programmes and services.

Key risks, issues and assumptions

Impact of Brexit on our businesses and our services

Securing funding to deliver existing and new products and services

Delivery of large complex programmes with multiple providers, funders and beneficiary groups

- Striking the right balance between clean growth and improved productivity
- Government funding for careers activity is available in 2020/21.

The UK leaves the EU on 31 January 2020

The required external funding from ERDF. ESF and DIT is secured.

Values

Working Together	Positive About Change	Easy to Do Business With	Working Intelligently	Championing our Region

How we will improve our service

The development and implementation of a new CRM technology will deliver a more cost-effective, central access point for the businesses and people to our services. By ensuring we maximise funding and investment in our region, to grow job and career opportunities whilst ensuring they are inclusive, accessible and environmentally sustainable for future.

TRANSPORT SERVICES DIRECTORATE PLAN ON A PAGE **(DRAFT)**

2020-21

Working in partnership with the West Yorkshire Combined Authority

Leeds City Region Enterprise Partnership

Vision

To enable more people to use sustainable transport and to ensure our property assets deliver the Combined Authority's priorities

Services

Customer Services

Changing the way people plan and pay for their travel
Enabling more people under the age of 25 to use public transport

Supporting these Corporate Priorities:

Assets and Facilities

Delivering the Combined Authority's Asset Management Strategy
Using land and property to deliver the Combined Authority's corporate priorities

Supporting these Corporate Priorities:

Mobility Services

Changing the way people travel around the region by public transport
Enabling people to access employment, education and local services and facilities

Supporting these Corporate Priorities:

Priorities

(What we want to achieve in 2020-21)

To modernise our travel payment and information services

Our Customer Services team;

1. Enable over 150,000 under 19s and over 250,000 older and disabled people to free or discounted public transport
2. Manage over 1million MCard sales through over 700 outlets, Metro Travel Centres online and on smart phone
3. Answer 1.1 million travel information enquiries

In 2020/21, to improve our service, we will;

4. Increase bus use amongst under 25s at no increased cost to the Combined Authority through delivery of the West Yorkshire Bus Alliance workplan
5. Launch an MCard mobile ticketing app to grow the market for multi operator tickets as an early deliverable of our Future Mobility plans
6. Transform information to bus passengers at a reduced cost to the taxpayer
7. Modernise the bus station Travel Centres
8. Develop a system to retail MCards and administer travel bursaries for Further Education colleges

To strengthen our use of property to deliver the Combined Authority's strategic objectives

Our Assets & Facilities Team;

1. Manage 20 bus stations situated in and around the Leeds City Region, over 14,000 bus stops and passenger shelters, 6 rail station car parks and a portfolio of non- transport assets
2. Provide strategic and commercial property advice to the organisation

In 2020/21, to improve our service, we will;

3. Maximise the commercial potential of the Combined Authority's portfolio through the delivery of the Asset Development Plan
4. Reduce carbon generation from the Combined Authority's assets through a programme of projects and initiatives
5. Enable the delivery of Connecting Cities and Transforming Cities Fund projects to our operational estate
6. Enable the Combined Authority to adopt new ways of working by support the Wellington House refurbishment project

To innovate the current service offer and to explore new models of delivering bus and rail services

Our Mobility Services Team;

1. Fund, plan and procure socially necessary bus services for the region representing around 15% of the bus network (approx. 20 million passenger journeys a year)
2. Procure transport services for school and college students in line with the policies of the respective Local Authority
3. Deliver a quality, cost-effective and sustainable AccessBus service to people with limited mobility

In 2020/21, to improve our service, we will;

4. Increase bus patronage and customer satisfaction through delivery of the West Yorkshire Bus Alliance workplan
5. Identify new models of delivering bus services and respond to changes in the Combined Authority's role in rail emerging from the Williams review
6. Develop and implement an Operating Model for the provision of flexibly routed demand responsive transport services

Corporate Priorities

Resources

(What we need)

Our staff

Highlight staff figures to be included.

Our budget

Highlight budget figures to be included.

The policies and programmes we help deliver

Strategic Transport Plan, Bus Strategy and daughter Information and Digital Payment strategies

Transport Fund, Connecting Leeds, Future Mobility Zone, Transforming Cities

Our key interfaces

- *Bus and rail operators*
- *Local Councils*
- *DfT/ Transport for the North*
- *Emergency services*

Key risks, issues and assumptions

Changes in bus company ownership and bus legislation

Changes in rail franchising and governance

Local and national trends in travel and retail behaviour

Transport Levy reduction extends into 2020/21

Values

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How we will improve our service

We will;
Launch a new MCard app, pilot innovative demand responsive services, roll out a colour coded bus information system, refurbish Leeds Bus Station and plan similar improvements at Halifax, Huddersfield, Bradford and Dewsbury and implement schemes to reduce carbon generation from our property estate

CORPORATE SERVICES DIRECTORATE PLAN ON A PAGE **(DRAFT)**

2020-21

Vision

Enabling our customers to deliver – working together to providing support and advice, operating the right systems and processes that form the centrepiece of strong governance and accountability, and taking advantage of technical solutions to improve efficiency.

Working in partnership with the West Yorkshire Combined Authority

Leeds City Region Enterprise Partnership

Services

Finance

Delivering a high-quality financial service, provided professional knowledge, advice and expertise.

Supporting these Corporate Priorities:

Human Resources

Enabling and supporting the organisation to manage and get the best out of its human resource and have the right people in the right place at the right time, through robust HR policies, procedures and arrangements. Supporting and guiding staff and managers in the implementation of those.

Supporting these Corporate Priorities:

Procurement

Driving value for money, by ensuring quality outcomes that deliver financial and social benefits through procurement activities.

Supporting these Corporate Priorities:

Priorities

(What we want to achieve in 2020-21)

The team will continue to lead on the budget planning process and production of the statutory annual accounts. It will also provide full financial and management accounting support and financial transactional operations to the whole organisation through our business partnering model.

Additional transformational activities include:

1. Reviewing and updating finance policies and processes and user documentation and training
2. Progress the implementation of a new efficient finance, budgeting and HR system
3. Improving financial management information available to the directorates and senior management, including capital and revenue financial performance figures.

The team will continue to implement the HR strategy, seeking to put in place the foundations for robust HR management arrangements. Specifically:

1. Progress the directorate priorities identified by the business partners through business partner planning
2. Devising a pay and reward strategy for the organisation
3. Improve management information available.
4. Deliver improved health and safety processes and policies via the third year of the action plan
5. Further develop the employee wellbeing strategy, including mental health awareness training.
6. Embed new policies on recruitment and performance management and complete the updating of the remaining policies and procedures with an initial focus on improved recruitment and retention
7. Progress work on our learning and development offer.

The team will deliver 50 procurement projects and 15 strategic procurement projects and provide a central contract management support. Additionally:

1. Increase resource resilience / capacity.
2. Embrace new technologies to improve service offer and define future system requirements.
3. Implement Contract management monitoring and reporting mechanisms.
4. Refresh and implement social value through procurement approach including how clean growth and lower carbon emission ambitions will be met.
5. Embed Stakeholder Management
6. Lay foundations for Category Management
7. Lay foundations for Risk Management approaches with particular focus around preparing for and managing the implications of Brexit.

Corporate Priorities

Resources

(What we need)

Our staff

Highlight staff figures to be included.

Our budget

Highlight budget figures to be included.

Our tools and support

The corporate technology programme will deliver tools to improve the effectiveness of both corporate services and of the organisation.
Further ICT improvements planned including finance/HR systems

Our key interfaces

Corporate services provide support to all teams to deliver, and early sight of the pipeline of work enables us to plan how best to use our resource.
We will be continuing to improve systems, policies and processes for the organisation.

Key risks, issues and assumptions

Risk: Insufficient resource to deliver for new and emerging priorities including devolution, successful capital bids and bus options

Issue: Requirement for further ICT investment and development to complete modernisation of systems

Assumption: That major organisational restructuring/ reshaping is not required during the year

Assumption: That sufficient funding certainty exists for both capital and revenue to enable a meaningful update of the medium term financial strategy

Values

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How we will improve our service

We will continue to deliver in line with our customer service principles. We will be looking at how technology can help us to continue improving the services we provide, and assist in adhering to revised processes and policies, aimed at ensuring good governance and transparency. Further resource will help provide improved information, including how to access and use our services and management information to assist all teams in achieving compliance and good decision making.

CORPORATE SERVICES DIRECTORATE PLAN ON A PAGE **(DRAFT)**

2020-21

Vision

Services

ICT Services

Delivering a modern, secure and highly reliable technology service

Supporting these Corporate Priorities:

Legal and Governance

Providing strategic and operational support within a framework of good governance, transparency and compliance.

Supporting these Corporate Priorities:

Internal Audit

Providing assurance and advice on the effectiveness of internal controls, governance and risk management.

Supporting these Corporate Priorities:

Working in partnership with the West Yorkshire Combined Authority

Leeds City Region Enterprise Partnership

Priorities

(What we want to achieve in 2020-21)

The team will provide an ICT service which encourages innovation and productivity that is delivered on a foundation of security, customer service and business engagement for the complete technology life cycle. Additional transformational activities include:

1. Completing delivery of the Corporate Technology Programme (CTP).
2. Harnessing technology to reduce corporate carbon usage and facilitate inclusive growth.
3. Innovating and developing new ways of working via the digitisation of processes using the new technology delivered via CTP.
4. Developing and resourcing a new programme of technology projects in Corporate Services and across directorates.
5. Working partnership with Transport Services to develop a new Real-Time strategy, procure an updated system and support the emerging Transport Technology Programme.

The team will continue to provide support and legal, compliance and governance advice to all areas of the organisation and members. In addition key priorities will include:

1. Driving governance & compliance – with a focus on data protection, compliance with our equality duty, internal governance and decision making and transparency
2. Enabling corporate priorities – bus/rail projects, TCF, CTP, devolution and LEP Review
3. Greater use of technology to increase agility, efficiency and transparency – extending webcasting of meetings, online self service for clients and a new case management system
4. Building trusted business partnerships – developing the business partner model and our training offer

The team will provide independent assurance, advice and consultation to continue to improve the internal control environment, governance and risk management arrangements. Key priorities include:

1. Delivering the annual audit plan, using agile audit techniques to improve the effectiveness of the audit work undertaken.
2. Providing an annual assurance opinion.
3. Providing advice and guidance across a range of internal control matters with particular emphasis on the supporting clean growth corporate priority.

Corporate Priorities

Resources

(What we need)

Our staff

Highlight staff figures to be included.

Our budget

Highlight budget figures to be included.

Our tools and support

The corporate technology programme will deliver tools to improve the effectiveness of both corporate services and of the organisation.
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Our key interfaces

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Appendix 4

Capital Budgets (indicative)

Capital Expenditure	2019/20	2020/21	2021/22	2022/23	Total
	£	£	£	£	£
Growing business	12,810,201	14,809,439	0	0	27,619,640
Skilled People and Better Jobs	492,383	667,110	0	0	1,159,493
Clean Energy	4,320,148	741,887	0	0	5,062,035
Housing and Regeneration	2,984,920	16,106,000	0	0	19,090,920
West Yorkshire plus Transport Fund	60,310,000	106,580,000	172,810,000	174,500,000	514,200,000
Economic Resilience	4,647,050	4,181,524	0	0	8,828,574
Enterprise Zone Development	19,351	15,227,505	0	0	15,246,856
Other (Growth Deal)	2,000,000	2,000,000	0	0	4,000,000
Leeds Public Transport Investment Programme	59,839,795	88,233,338	12,000,000	0	160,073,133
Local Transport Capital	16,483,691	13,129,332	12,984,000	13,104,000	55,701,023
Highways Maintenance / Pothole Action	28,403,000	28,403,000	28,403,000	28,403,000	113,612,000
Corporate Projects	5,753,154	5,503,000	206,777	0	11,462,931
Broadband	3,593,998	2,608,437	3,067,328	2,501,000	11,770,763
City Connect	16,509,299	4,924,881	92,500	0	21,526,680
Transforming Cities (small & Core)	*5,529,866*	*106,684,551*	*175,673,991*	*120,596,314*	*408,484,722*
Future Mobility Zones	*2,562,725*	*11,867,514*	*7,428,130*	*5,423,578*	*27,281,947*
Land Release Fund & One Public Estate	662,125	0	0	0	662,125
Low Emission Vehicles	3,525,000	0	0	0	3,525,000
	230,446,706	421,667,519	412,665,726	344,527,892	1,409,307,843

Capital Funding	2019/20	2020/21	2021/22	2022/23	Total
	£	£	£	£	£
Growth Deal / City Deal	(103,306,596)	(129,527,273)	(48,300,000)	(48,300,000)	(329,433,869)
Leeds Public Transport Investment Programme	(59,839,795)	(88,233,339)	(12,000,000)		(160,073,134)
Local Transport Capital	(16,483,691)	(13,129,331)	(13,104,000)	(13,104,000)	(55,821,022)
Highways Maintenance (block / incentive)	(28,403,001)	(28,403,000)	(28,403,000)	(28,403,000)	(113,612,001)
Broadband	(3,593,998)	(2,608,437)	(3,067,328)	(2,501,000)	(11,770,763)
City Connect	(16,509,299)	(4,924,881)	(92,500)	0	(21,526,680)
Transforming Cities	*(5,529,866)*	*(106,684,551)*	*(175,673,991)*	*(120,596,314)*	*(408,484,722)*
Future Mobility Zones (DfT)	*(2,562,725)*	*(11,867,514)*	*(7,428,130)*	*(5,423,578)*	*(27,281,947)*
Land Release Fund & One Public Estate	(662,125)	0	0	0	(662,125)
Low Emission Vehicles (DfT)	(3,525,000)	0	0	0	(3,525,000)
Total Capital Funding	(240,416,095)	(385,378,326)	(288,068,949)	(218,327,892)	(1,132,191,263)
Annual (surplus) / deficit	(9,969,390)	36,289,192	124,596,777	126,200,000	277,116,580

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PRUDENTIAL FUNDING STATEMENT

1 This statement has been prepared in accordance with the CIPFA Code of Practice 'Treasury Management in Local Authorities' which is re-adopted each year by Members of the Authority. The statement and its implementation are currently reviewed and updated twice annually, in the final accounts and budget reports.

2 The Local Government Act 2003 and Local Authorities (Capital Finance and Accounting) Regulations 2003 set out the system of capital finance to be followed by all local authorities from 2004. This appendix is intended to take account of the requirements of the regulations and to set them in the context of the Treasury Management Code of Practice.

3 The borrowing is required to support the delivery of the full West Yorkshire plus Transport Fund and to support internal capital. Estimates of the likely funding required are set out in the capital annex below and further work is underway to ensure there is a full robust programme of delivery for all schemes that will enable the borrowing requirements for future years to be fully understood. In the short term new borrowing requirements are likely to be reduced using cash and available reserves.

Treasury management activity – borrowing and investments

	£m
Total Loans outstanding at 01/04/2019	
Fixed Term I Fixed (incl fixed interest loans)	75.0
Activity expected during 2019/20	
Loan repayments	0.0
Net movement in temporary loans	0.0
New borrowing	0.0
Anticipated loans outstanding at 31/03/2020:	75.0
Activity expected during 2020/21	
New borrowing	0.0
Borrowing Repaid	0.0
Anticipated loans ourstanding at 31/03/2021:	75.0
Total Investments	
Investments at 01/04/2019	156.7
Net of new investment/repaid in year	119.0
Anticipated Investments placed at 31/03/2020	275.7

4 The current financial year has seen generally a continuation of the overall economic situation. Interest rates have remained low at 0.75%. The impact of Brexit continues to be an additional source of uncertainty to markets in

forecasting GDP growth and inflation. It is likely that further upwards moves in the bank rate will be brought forward slowly. Therefore, opportunities both to refinance loans and to place money on the market at competitive rates remain limited.

5 Leeds City Council undertakes the monitoring of the financial markets on behalf of the Combined Authority. The agreed policy is to seek to minimise the rates at which the Combined Authority borrows and to continue to refinance any longer term loans if rates appear advantageous.

6 No such opportunities have arisen so far in 2019/20. The Combined Authority has a loan portfolio with competitive rates and the economic climate has been such that there have been no suitable opportunities identified for refinancing.

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

8 Since April 2015 when the Combined Authority became the accountable body for the Leeds City Region Enterprise Partnership (LEP) cash balances have been high as a result of the Growth Deal funding and Leeds Public Transport Investment Programme (LPTIP) paid in large instalments at the start of each financial year. Over the past three years the limits and counterparties have been kept under regular review to ensure the sums available for investment are able to be placed appropriately. The Combined Authority has continued to utilise call arrangements in place with Svenska and Leeds City Council rather than leave money overnight in the main NatWest account whose rate is lower at 0.30%. For longer term deposits the selected counterparties are constantly monitored and meet the strict eligibility criteria stipulated under Leeds City Council's investment policy which has been adopted by the Combined Authority. This approach will continue during 2020/21 with an expectation that the Combined Authority will continue to have high cash balances to invest due to the advance payment of capital and other grant funding. Within the existing policy the Combined Authority can also invest in money market funds and this opportunity may also be taken to enable effective management of what is expected to be further significant cash advances 2020/21 of Growth Deal, LPTIP and other capital funding initiatives.

9 The general level of borrowing and investments is handled efficiently by Leeds City Council and has produced a situation where the Combined Authority has, in relative terms, very low borrowing costs. Regular meetings are held with the Leeds City Council staff who undertake treasury work for the Combined Authority under the terms of a signed service level agreement, and these meetings ensure a satisfactory level of control and monitoring is achieved. These meetings also consider the overall treasury management strategy and ensure that the policies in place continue to be appropriate to ensure that the Combined Authority's funds are managed in the most effective and secure way.

10 The Combined Authority has strict rules on investment criteria which are set out in paragraphs 11 to 13 for consideration and re-approval. These are set to

minimise the risk to the Combined Authority's funds but does also mean that interest earned on deposits is lower than it could be. It is therefore in the Combined Authority's interest to seek to utilise any cash balances to reduce the costs of long term borrowing and this policy will continue to be pursued if possible. The increase to the Public Works Loan Board (PWLB) rates, initially announced in October 2010, reduced the opportunities to repay long term debt without incurring extra cost. The PWLB rates were later improved through the introduction of a certainty rate reduction but discount rates have not changed and it is these rates that are used to determine premiums and discounts on loan repayments. The Combined Authority would incur significant premiums by repaying borrowing but will review this situation as and when interest rates start to rise.

Treasury Management Activity – Investments Criteria

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

12 It is proposed that the existing policy of utilising the expertise of the Treasury Management Team in Leeds City Council be reaffirmed for 2020/21.

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

a. The Chief Financial Officer shall determine the amounts and periods.

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

c. No investment will be for a period exceeding 12 months other than with other local authorities and then only for a period not exceeding 36 months. The limits for each of the next three years are that for investments for a period greater than 364 days, that no more than £20 million will mature in each of 2020/21, 2021/22 and 2022/23.

d. Investments with Leeds City Council will not exceed £15 million, the interest rate for such deposits being agreed between the Chief Financial Officers of both organisations.

e. Investments with any one counterparty should not exceed £15 million other than in c above.

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

14 The proposals above would provide the flexibility for the Combined Authority to invest its surplus funds which, as they are expected to continue to increase, will become increasingly difficult to place on the market. The proposals are deemed low risk and are in accordance with the criteria applied by Leeds City Council to its treasury arrangements.

PRUDENTIAL FUNDING ARRANGEMENTS

15 The principal purpose of the prudential system is to allow authorities as much financial freedom as possible whilst requiring them to act prudently. There will be no government borrowing approvals issued but restrictions are imposed through the CIPFA Prudential Code which requires every authority to set prudential indicators and limits and thus be satisfied that it can afford the results of its borrowing. These limits, which must not be exceeded, must be formally agreed by the authority before the start of each financial year. The government has retained the power to, if it so wishes, limit the level of borrowing incurred by authorities.

16 The Prudential Code for capital was updated in December 2018 and implemented from 2019/20 financial year. In summary it re-emphasises that local authorities must ensure that all its capital and investment plans and borrowing are prudent and sustainable. In doing so it will consider its arrangements for the repayment of debt and consideration of risk and the impact, and potential impact, on the authority's overall fiscal sustainability. While indicators for sustainability are required to be set over a minimum three year rolling period, indicators should be set in line with a capital strategy and asset management plan that is sustainable over the longer term.

17 A capital strategy is to demonstrate that the Combined Authority takes capital expenditure and investment decisions in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability. The Capital Strategy approved in April 2019 is being reviewed and updated, and will be submitted for approval to the Combined Authority in April 2020.

18 The Code requires full capital and revenue plans to be prepared for at least three years forward in order to assess the financial effects of the planned capital investment. In the Combined Authority the three year financial strategy is considered by Members on a regular basis and to ensure a level of affordability it is currently the policy that borrowing to meet capital expenditure will be limited to proposed levels. Restricting borrowing in this way ensures that all debt charges are covered by the Combined Authority through its levy on the Districts.

19 The capital programme is considered in detail earlier in this report. It should be noted that in accordance with the above, overall capital expenditure will be met firstly by grants and other resources leaving the balance to be met by borrowing or through charges to revenue.

20 There are significant levels of grant provided to the Combined Authority under the Integrated Transport block (LTP), Leeds Public Transport Investment Programme (LPTIP) and Growth Deal for next year, and with the prospect of future funds through any successor to these programmes. Recognising the demands upon infrastructure investment it is proposed that other alternative methods of financing during the year remain under consideration as and when appropriate. The financial viability and value for money of such methods will require investigation and savings found within the budget to accommodate the costs involved. Members will be asked to approve any such methods before they are implemented.

21 Discussions were concluded, following approval to do so in 2016, with the European Investment Bank (EIB) regarding the provision of an option whereby it could provide a flexible financing offer to support the West Yorkshire Plus Transport Fund. Many of the schemes in the Fund meet the EIB funding criteria and this provides an attractive alternative to the traditional PWLB lending. A final contract has been entered into for a five year borrowing facility. The UK's decision to withdraw from the European Union does not preclude this arrangement taking place.

22 It is not proposed at this stage that the Combined Authority enter any credit arrangements as defined by the regulations, other than as described above. If and when these are to be progressed then it should be recognised that they would be classified as borrowing and would need to be recognised in the operational boundary and authorised limit approval. Should any such arrangements be required these will be expected to be funded within the approved strategy.

23 When Leeds City Council and the Combined Authority last reviewed the borrowing limits in the light of market rates they determined that they would allow the limit to be set at a level sufficient for the current year plus the equivalent of two years anticipated borrowing requirement which is derived from the capital allocations. This was intended to provide flexibility for fund management allowing borrowing to take place when rates are low rather than being tied into strictly annual borrowing.

24 The Annex initially creates limits set at the required level of borrowing for 2020/21 and 2021/22. To provide more flexibility in managing the funding operation it was previously agreed that approval be given to borrow to cover loan requirements for the current plus the following two years. In view of the change to the LTP allocation from borrowing to grants this is now irrelevant and will only be applied if any new major schemes are approved. Such approval will therefore be sought at that time.

25 The attached Annex shows the calculation of the following prudential indicators:

a. The ratio of debt charges to overall expenditure. This is not significant to the Combined Authority as it is effectively controlled through the level of the levy (as referred to above).

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

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

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

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

Capital Budgets (indicative)

Capital Expenditure	2019/20	2020/21	2021/22	2022/23	Total
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Growing business	12,810,201	14,809,439	0	0	27,619,640
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	£	£	£	£	£
Growth Deal / City Deal	(103,306,596)	(129,527,273)	(48,300,000)	(48,300,000)	(329,433,869)
Leeds Public Transport Investment Programme	(59,839,795)	(88,233,339)	(12,000,000)		(160,073,134)
Local Transport Capital	(16,483,691)	(13,129,331)	(13,104,000)	(13,104,000)	(55,821,022)
Highways Maintenance (block / incentive)	(28,403,001)	(28,403,000)	(28,403,000)	(28,403,000)	(113,612,001)
Broadband	(3,593,998)	(2,608,437)	(3,067,328)	(2,501,000)	(11,770,763)
City Connect	(16,509,299)	(4,924,881)	(92,500)	0	(21,526,680)
Transforming Cities	*(5,529,866)*	*(106,684,551)*	*(175,673,991)*	*(120,596,314)*	*(408,484,722)*
Future Mobility Zones (DfT)	*(2,562,725)*	*(11,867,514)*	*(7,428,130)*	*(5,423,578)*	*(27,281,947)*
Land Release Fund & One Public Estate	(662,125)	0	0	0	(662,125)
Low Emission Vehicles (DfT)	(3,525,000)	0	0	0	(3,525,000)
Total Capital Funding	(240,416,095)	(385,378,326)	(288,068,949)	(218,327,892)	(1,132,191,263)

West Yorkshire Combined Authority **Capital Financing Annex**

Calculation of Prudential Indicators:

	2019/20	2020/21	2021/22	2022/23
AFFORDABILITY	£000	£000	£000	£000
Ratio of financing costs to net revenue stream				
Debt Charges	4,273	4,460	4,570	5,343
Levy	99,375	98,375	98,375	98,375
Resultant ratio:	**4.3%**	**4.5%**	**4.6%**	**5.4%**

PRUDENCE

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

	2019/20	2020/21	2021/22	2022/23
	£000	£000	£000	£000
Loans outstanding at 1 April	75,000	75,000	75,000	75,000
Estimate of Capital Financing Requirement (CFR)	75,771	78,499	81,096	87,778
Additional borrowing requirement in year	5,753	5,503	9,517	3,480
Less debt repayments in year	-3,025	-2,906	-2,835	-2,800
Estimate of (CFR) 31 March	**78,499**	**81,096**	**87,778**	**88,458**
Calculated Operational Boundary	**90,000**	**90,000**	**90,000**	**90,000**
Safety factor	18,500	22,067	135,750	230,700
Forecast Authorised Limit	**108,500**	**112,067**	**225,750**	**320,700**

Maturity of Loan Structure	Minimum	Maximum	Authority	Projected 31/03/2020	
Loans up to 1 year	0%	30%	0	0%	
Loans between 12 and 24 months	0%	20%	0	0%	
Loans between 24 months and 5yrs	0%	50%	0	0%	
Loans between 5 and 10 years	0%	75%	0	0%	
Loans between 10 and 20 years			0	0%	
Loans between 20 and 30 years			0	0%	
Loans between 30 and 40 years	25%	100%	50,000,000	67%	100%
Loans between 40 and 50 years			15,000,000	20%	
Loans 50 years +			10,000,000	13%	
			75,000,000	100%	

West Yorkshire Combined Authority

Report to:	Governance and Audit Committee
Date:	23 January 2020
Subject:	**Risk Management Strategy Update**
Director:	Angela Taylor, Director of Corporate Services
Author(s):	Greg Lamb, Corporate Projects Officer

1. Purpose of this report

1.1 To seek approval for the revised organisation's Corporate Risk Management Strategy.

2. Information

Background

2.1 The Corporate Risk Management Strategy was first approved in 2017 and last endorsed by the Governance and Audit Committee in July 2018. Since this time significant progress has been made in developing and improving risk management activities across the organisation. The refresh of the Corporate Risk Management strategy received endorsement of Senior Management Team on 31 December 2019.

2.2 The proposed changes within the strategy come as a result of feedback gathered from key stakeholders across the organisation, as well as including the findings of two Internal Audit reports from May and October 2019. During its development, senior risk owners across the organisation have been consulted with, and feedback has been incorporated from key management groups across the organisation, including Regulatory and Compliance Board, as well as feedback from previous meetings of this Committee.

2.3 A copy of the updated Corporate Risk Management Strategy can be found at **Appendix 1.**

Key updates

2.4 The organisation's risk assessment matrix has been reviewed, to address several existing problems with the previous iteration. The revised matrix ensures equal distribution of risk categories, and descriptors have been updated with the most recent guidance from ISO 31000. The matrix ensures

the number of risk ratings are equal to those in the organisation's risk appetite to ensure comparison between the two is clear and easy to understand.

2.5 The organisation's risk appetite has been reviewed in consultation with Regulatory and Compliance Board and incorporates feedback from an informal workshop held with elected Combined Authority members. A revised list of categories has been included with ratings set to more clearly reflect the organisation's appetite for risk across varying themes which reflect the four corporate priorities.

2.6 The corporate risk register template has been simplified and enhanced, incorporating standardised wording to help ensure risks are captured in a uniform, easy-to-understand format. The register provides automated information on the direction of travel of a given risk, and uses standardised terminology consistent with that used across supporting documentation. Work is now underway to review risk registers in line with these changes.

2.7 A risk management toolkit has been created within the Corporate Risk Management pages of the internal intranet, to help risk managers across the organisation with the identification, mitigation, escalation and general management of risks. This includes more sophisticated guidance regarding the conduct of risk reviews as well as recommended timescales depending on risk severity.

2.8 A communication and engagement plan has been developed to ensure consistent and effective information is fed to the organisation to reinforce risk management responsibilities, and the relevant processes and procedures. This plan seeks to focus upskilling activities on a network of staff with increased risk management responsibilities (Risk Champions and Coordinators) to further develop levels of expertise across the organisation.

2.9 Roles and responsibilities, including reporting and escalation routes, have been improved and clarified in the new strategy documentation.

2.10 An organisational membership to ALARM has been obtained. This membership provides best practice guidance from across the industry, as well as benchmarking information, to ensure the Combined Authority's arrangements reflects the most up-to-date recommendations. Through this membership, relationships between the Transformation and Performance Team and risk managers in Wakefield Council and Leeds City Council have been formed, to share experiences and best practice.

2.11 A risk management 'Process on a Page' document has been produced with the aim of providing any staff member within the Combined Authority a brief and easy to understand document which provides an overview of the risk management processes within the organisation.

2.12 Corporately facilitated risk workshops continue to take place across the organisation, to raise the profile of risk management arrangements and to

support staff in conducting practical risk assessments.

2.13 A new reporting template to the Regulatory and Compliance Board has been developed, which provides details of very high risks across the organisation and risk travel across directorate risk registers, to better assist the Board in providing objective assurance of risk management controls and processes.

3. Financial Implications

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

4. Legal Implications

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

5. Staffing Implications

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

6. External Consultees

6.1 No external consultations have been undertaken.

7. Recommendations

7.1 That the Governance and Audit Committee considers and approves the revised corporate risk strategy and arrangements.

8. Background Documents

None.

9. Appendices

Appendix 1 – Corporate Risk Management Strategy

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West Yorkshire Combined Authority

Corporate Risk Management Strategy

January 2020

West Yorkshire Combined Authority

Document History

Version	Comments	Date
0.1	First draft for approval 06/10/17	September 2017
0.2	CT Amends	October 2017
0.3	LP Further Amends	October 2017
0.4	LP amends following LT/Governance & Audit Committee feedback	November 2017
0.5	LP amends following consultation with DPO and to include Internal Audit recommendations	May 2018
0.6	GL amends Risk Register hyperlink and information on Regulatory and Compliance Board	Feb 2019
0.7	GL makes updates to document to include recommendations of Internal Audit	May 2019
1.0	Draft refresh for consultation	October 2019
1.1	GL makes updates to document to include recommendations of Internal Audit	November 2019
1.2	GL incorporates feedback on risk v issue, escalation, risk culture, information governance	November 2019
1.3	GL further amends - LEP Board and Section 73 Chief Finance Officer	December 2019
1.4	GL incorporates feedback from SMT	December 2019
1.5	GL updates hyperlinks	December 2019

1. Policy Statement

1.1. Risk management is a planned and systematic approach to the identification, evaluation, prioritisation and control of risks and opportunities facing an organisation, and to establish and maintain an appropriate risk appetite with proportionate boundaries and tolerances.

1.2. The West Yorkshire Combined Authority recognises that effective risk management is an integral part of good corporate governance and as such should be a part of everyday management processes across the organisation. The Combined Authority is committed to ensuring robust risk management arrangements are in place and operating effectively at all times.

1.3. The Senior Leadership Team (SLT) will champion risk management by ensuring that appropriate arrangements are maintained, monitored and controlled. This is demonstrated by the appointment of the Director of Corporate Services as the Combined Authority's Senior Information Risk Officer (SIRO), to reinforce to all employees the importance of compliant and effective information management and governance. The Director of Corporate Services is the nominated organisation's Risk Champion at SLT level.

1.4. The LEP has agreed that the Combined Authority will manage risks on the LEP's behalf, through the section 73 Chief Finance Officer.

1.5. This strategy clearly sets out the roles and responsibilities of the day to day management of the risks affecting the Combined Authority.

1.6. The Combined Authority commits to:

- Use a structured and consistent risk management approach to focus discussion, prioritise resources and enable justifiable risk-taking.
- Ensure that risk management is applied in a scalable and proportionate way.
- Make the best use of management information to build a complete picture of the key risks and issues and to jointly report on risk and performance management.
- Ensure risks are owned and managed in line with the organisation's commitment to outcomes-based accountability.
- Listen to feedback and regularly review our risk management arrangements to make sure they are still fit-for-purpose.
- Ensure that all risks are managed at the most effective and practical managerial level.

2. Achieving Effective Risk Management

2.1. This will be achieved by:

- Embedding clear risk management roles and responsibilities and formal risk reporting lines.
- Integrating a process for continuous review of risks, including proactive management and monitoring of mitigating actions.

- Incorporating risk management into the Combined Authority's decision-making arrangements.
- Applying principles of risk management to budget and project planning processes.
- Actively involving elected members in the risk management process.
- Regularly monitoring and reviewing our risk management arrangements to ensure they remain effective and comply with risk management standards, legislation and good practice.
- Establishing a network of champions and coordinators across the organisation to embed best practice and promote the Corporate Risk Strategy.
- Incorporating embedding risk management into the annual business planning process and incorporating risk actions into individual performance reviews.
- Providing relevant and easy-to-use risk management guidance and information, based on industry best practice.

3. Benefits

3.1. Risk management is acknowledged as an integral part of good management and a key feature of corporate governance. Effective risk management works alongside our financial management, performance management, annual business planning process and other elements of strategic and operational management to demonstrate transparency and accountability and to support the successful delivery of the commitments laid out in our Corporate Plan.

3.2. Effective risk management is a continuous process which enables us as an organisation to effectively prioritise and manage both the threats and opportunities to our ability to deliver on our commitments. By embedding a standardised approach to risk management, we are able to more efficiently prioritise resources, implement effective and proportionate controls to threats, and exploit commercial or collaborative opportunities. To achieve this, risk management should be a fundamental consideration of all decisions taken within the Combined Authority, at all levels of management.

4. Risk and Risk Management Definition

4.1. Risk

Whilst many definitions for risk exist, the definition used by the Combined Authority is as described in ISO 31000, as "the effect of uncertainty on objectives". This effect may be positive, negative or a deviation from the expected, and the risk is often described by an event, a change in circumstances or a consequence.

4.2. It must be noted that risks can be positive in consequence, as noted in HM Treasury Orange Book.

4.3. "Risk is most commonly held to mean "hazard" and something to be avoided. But it has another face - that of opportunity. Improving public services requires innovation - seizing new opportunities and managing the risks involved.

4.4. *Risk management covers all the processes involved in identifying, assessing and judging risks, assigning ownership, taking actions to mitigate or anticipate them, and monitoring and reviewing progress. Good risk management helps reduce hazard and builds confidence to innovate.*

-HM Treasury

Risk v Issue

4.5. Issues are events that have happened, were not planned, and are currently affecting the Combined Authority, service area, portfolio or project in which they sit. Risks, should they occur, become issues.

4.6. If a risk has materialised and become an issue, the risk will need to be re-assessed to consider whether there is a continuing threat it may occur again. If not, the risk can be closed and should be reported through the escalation and reporting routes described in section **9.6.** If within a project or programme managed by the Combined Authority, the issue should be recorded in an issue log (templates are available from the Portfolio Management and Assurance team).

5. Risk Appetite Statement

5.1. Risk appetite is the level of risk the Combined Authority is prepared to tolerate or accept in the pursuit of its strategic objectives. Our aim is to consider all options to respond to risk appropriately and make informed decisions that are most likely to result in successful delivery and deliver value for public money, whilst encouraging acceptable levels of risk-taking in pursuit of innovation and transformational change.

5.2. Despite mitigation, some risks can never be removed. The purpose of the appetite is to help the organisation prioritise categories of risks and to determine how to most efficiently divert resources into mitigating action.

5.3. The acceptance of risk is subject to ensuring that all potential benefits and risks are fully understood and that appropriate measures to mitigate risk are established before decisions are made.

5.4. As the Combined Authority is a multi-faceted organisation with a variety of functions, stakeholders and aims, a variable risk appetite has been set for the organisation depending on the area of risk to which it relates. The risk appetite has been set from 1 to 5, to align with the organisation's risk assessment matrix and allow easy comparison. In normal circumstances, if a risk is found to have a higher rating than the appetite allows for, mitigating action must be implemented to reduce the risk to a level within tolerance. For example, a risk relating to 'People and Culture' found to be 'High (4)', should be reduced at a minimum to 'Medium (3)' to fall within the organisation's appetite. Please be aware that there will always be risks which cannot be reduced to within acceptable levels. This is often the case if the risk falls beyond the control of the Combined Authority, or we have a statutory duty to deliver a service with a high level of inherent risk. In this case a discussion and decision to 'Tolerate' the risk must be taken. If, after relevant mitigation, a risk falls considerably outside the Risk Appetite, this may be grounds to consider the risk for escalation.

Risk Appetite Categories

5.5. The organisation's risk appetite is split into the following key categories:

5.5.1. **Legal Compliance and Regulation** – This refers to the Combined Authority's obligations to observe and uphold a variety of laws, statutes, conventions and regulations in relation to (amongst others): professional standards, ethics, bribery, fraud and information governance.

5.5.2. **Operational and Service Delivery –** The Combined Authority is a public body delivering a variety of services to the region. This refers to any risk arising from the nature of the Combined Authority's business and operations, for example, the risk of a failure to deliver expected services to customers, or to fail to provide the required quality in services.

5.5.3. **Finance and Resources –** the Combined Authority aims to maintain its long-term financial viability and its overall financial strength whilst aiming to achieve its strategic and financial objectives and to innovate in getting value for money, subject to the following minimum criteria:

- the Combined Authority is required to set a balanced overall revenue budget by February every year and Directors must then contain net expenditure within approved service totals;
- An appropriate level of unallocated general reserves, calculated in accordance with the approved risk-based reserves strategy; and
- Working within a set of Treasury management principles that seek to protect funds rather than maximise returns.

5.5.4. **Reputational –** This refers to the perception and reputation of the Combined Authority by its stakeholders, partners and staff.

5.5.5. **Transformational Change –** The environment the Combined Authority works in is continually changing through both its internal operations and the services it provides. This refers to any risk arising from change initiatives to enable the Combined Authority to best deliver on its long-term commitments to the region.

5.5.6. **Development and Regeneration –** the Combined Authority has a continuing obligation to invest in the development and regeneration of the region. A level of inherent risk exists to allow the Combined Authority to continue to be progressive and innovative in the delivery of this objective.

5.5.7. **Safety and Security –** This refers to any risk to the safety, wellbeing and security of the Combined Authority's staff, service users and stakeholders, as well as its physical assets, facilities and buildings.

5.5.8. **Environmental –** The Combined Authority has a responsibility to support the Leeds City Region in becoming carbon neutral by 2038. It also has a responsibility to safeguard the environment from undue physical damage or disturbance. This refers to any risk which may impact on these obligations.

Review

5.6. The Combined Authority's risk appetite statement is to be reviewed annually by SLT, Regulatory and Compliance Board, the Risk Coordinators and Governance and Audit Committee.

Table 5.1: Combined Authority risk appetite levels

	Low ↔ High Appetite					
	1	***2***	***3***	***4***	***5***	
Legal Compliance and Regulation	**1**					This is something for which the Combined Authority has no appetite for and expects minimal exposure to risk. Where it relates to a service which must be provided, significant controls must be in place.
Safety and Security	**1**					
Finance and Resources		**2**				There is a preference for what are deemed to be 'safe' options where there is a reduced degree of risk. Good controls are expected to be in place where risk remains.
Reputational		**2**				
Environmental		**2**				
Service Delivery and Operational			**3**			The Combined Authority accepts a level of risk may remain in the delivery of services in pursuit of our corporate priorities. The chosen option must present a healthy level of reward in relation to the risk faced.
Transformational Change				**4**		This is an area in which the Combined Authority has an increased appetite for risk. More uncertainty can be tolerated in seeking opportunities for improvement, commercialisation or innovation.
Development and Regeneration				**4**		

6. Risk Management Approach

Risk Registers

6.1. The Combined Authority collates risks into the following registers. These can be summarised as follows:

- **Corporate Risk Register** – contains the main on-going or long-term risks to the Combined Authority and its strategic objectives on an organisational. These

risks are owned and managed by the Senior Leadership Team, the register is updated and reported on by the Transformation and Performance Team.

- **Directorate Risk Register/s** – contain risks specific to the business plans, processes and operating environment for each directorate. These risks are managed by Directors and their Heads of Service. Risks within Directorate Risk Registers can be escalated to the Corporate Risk Register through Senior Management Team.
- **Service and Team Risk Register/s –** contain risks specific to the operations and processes of delivering services within each team. These risks are managed by the relevant Head of Service and Team Managers. Risks within Service and Team Risk Registers can be escalated through Directorate Management Teams.
- **Compliance Risk Registers –** registers such as the Health and Safety risk register and the Information Governance risk register contain risks which are cross-organisational but focus around one particular risk type. Whilst these are updated and monitored by corporate teams to ensure overarching risks are managed through appropriate policies and procedures, operational risks are owned by the individual teams and service areas in which the risk exists, and the implementation of specific controls must be carried out by these teams at the local level. Risks within these registers can be referred to another relevant register by the DPO, Health and Safety Business Partner, or the Regulatory and Compliance Board.
- **Portfolio Risk Register/s** – contains risks specific to the portfolio of funding programmes. These risks are managed by the Portfolio Management Group. Risks within the Portfolio Risk Register can be escalated to the Corporate Risk Register by the Portfolio Management Group.
- **Funding Programme Risk Register/s** – contains risks specific to each of the Funding Programmes that the Combined Authority is responsible for. These risks are managed by the relevant Programme Funding Group. Risks within Funding Programme Risk Registers can be escalated to the Portfolio Management Risk Register by the relevant Programme Funding Group.
- **Project and Programme Risk Register/s** – contain specific risks related to individual projects and programmes and are owned by project and programme managers with oversight from the relevant Head of Service. Risks within these registers can be escalated to the relevant Funding Programme Risk Register by the relevant Project or Programme Board.

6.2. Unless a project or programme is not sponsored by the Combined Authority, all risk registers must use the Risk Register Template available here.

6.3. All risk registers must be stored in line with our data and information governance policies available here, and made available to the Transformation and Performance Team or Internal Audit on request.

Inherent and Residual Risk

6.4. Inherent and residual risk (sometimes referred to as gross and net risk), refers to the level of the risk faced before any mitigating action (inherent/gross), and the remaining risk once all mitigation has been put in place (residual/net).

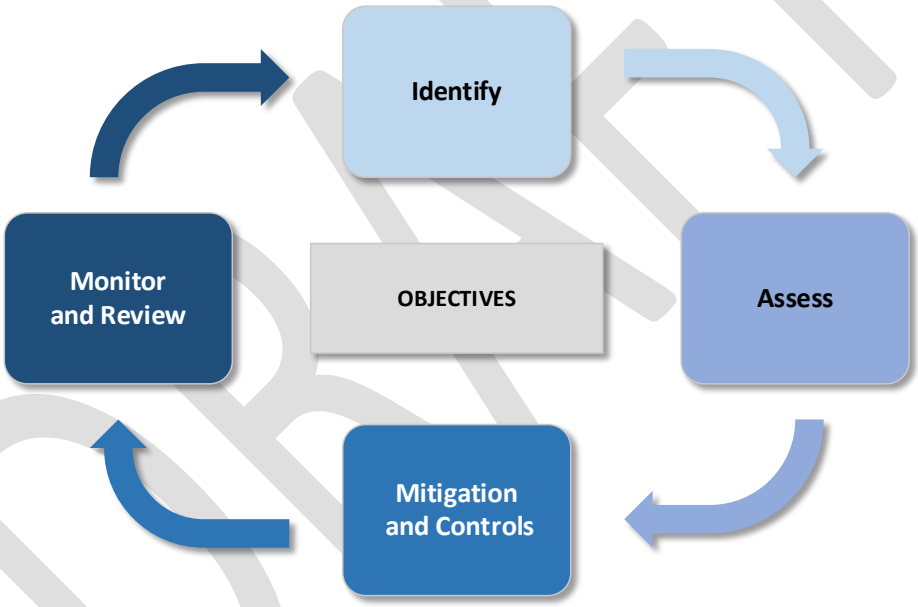
6.5. Our organisational risk register template focuses only on the residual/net risk, i.e. the risk that we are facing *as of this moment* taking into account all existing mitigating action. This is because the environment in which we operate is prone to circumstantial changes, and rarely will a risk have no existing controls or mitigation in place when assessing its rating.

6.6. The risk register template automatically populates the travel of a risk (the change in severity since previous review). Any risks substantially increasing in severity are likely to require more formal discussion and/or mitigating action.

Risk Management Process

6.7. The risk management process is broken down into 5 key steps below. The process is a series of logical steps to progress through, when managing any given risk.

6.8. The process is cyclical, and it is often necessary to revisit earlier steps and carry them out again to ensure you have a complete picture of the threats or opportunities to the activity or outcome you are assessing.



6.9. Further details on each of these stages, with a summary of recommended actions and outcomes, is provided in a 'Risk Management Process on a Page' document below. The full version can be seen on the following page.

6.10. Please note, risks which have passed or no longer exist should not be deleted. Risks should be marked as closed in the status column of the register, and greyed out. If a risk has changed substantially in nature it should be closed and a new entry added, rather than reworded.

Risk Culture

6.11. Effective risk management comes from a position of knowledge. Only by discussing risks can we as an organisation determine the correct action to take, and proactively managing risk events before they occur often saves significant time and resources than reactively managing issues. All managers and staff should strive to create an open and honest environment where the disclosure and discussion of risks is welcomed and encouraged.

6.12. Recognising and raising a risk does not indicate ownership of the risk to the staff member who raised the risk. Each area of the organisation has a responsibility to raise risks of behalf of the Combined Authority as a whole.

Risk Language

6.13. To help record and frame risks in a uniform way, the following standardised phrasing has been introduced into Risk Register templates and should be used. You should note: the reason for the risk occurring ("Due to…"); the risk itself ("There is a risk of…"); and the consequences ("Which may result in…").

Risk Management Process on a Page

Step:	1. Objectives *In order to effectively identify risks, clear objectives must be set and understood.*	2. Identify *Once objectives are understood, all threats and opportunities to achieving these must be identified.*	3. Assess *To prioritise the most serious risks, and consider the organisation's risk appetite.*	4. Mitigation and Control *To manage risks, mitigations must be put in place to reduce either their impact or likelihood.*	5. Monitor and Review *To ensure mitigations are implemented, and to record risks and track changes.*
Ask:	What are we trying to achieve? What outcomes will determine our success?	What will stop us achieving these objectives? (threat) What additional benefits could we exploit from this? (opportunity)	What is the likelihood of the risk occurring? What would the level of impact be if it happened?	What can we do about it? Who will be involved, and when can this be completed by?	Where do we record the risk? What if a risk has changed?
Do:	Objectives can be assessed depending on the circumstance: in the case of project management this might be through the outline business case. For a Directorate management team this might be from 1-year business plan objectives. Consider using: - Project or programme planning documentation - Outline business case - Corporate Plan - Annual business plans - Organisational values *Once key risks have been identified and assessed, business or project plans may need to be revised to incorporate planned mitigations.*	The following methods can be used to identify a range of risks: - SWOT analysis (Strengths, Weaknesses, Opportunities and Threats are considered). - PESTLE analysis (Political, Economic, Social, Technological, Legal and Environmental risks are considered). - Root cause analysis (include asking the question 'why?' five times to each concern, to deduce original cause). - Review lessons learnt logs - Horizon scanning and benchmarking Refer to our organisation's risk prompt list on the Risk Register Template to see additional key categories of risks and opportunities to consider. Group workshops can be particularly useful to identify the widest range from all stakeholder viewpoints. Once identified, duplicate risks can be combined, and owners assigned.	All identified risks must be scored on the organisation's 5x5 matrix (below), which provides an overall risk rating based on the likelihood and impact of a risk. Further guidance can be found within risk registers. Impact / Likelihood High, High, Very High, Very High, Very High Medium, Medium, High, Very High, Very High Low, Low, Medium, High, High V. Low, V. Low, Low, Medium, Medium V. Low, V. Low, V. Low, Low, Low Once each risk has an overall risk rating, this should be compared against the organisation's risk appetite.	There are 5 key ways to respond to a risk: - **Tolerate:** accept the risk at its current level (refer to the organisation's risk appetite). - **Treat:** Implement controls to reduce the likelihood or impact. - **Transfer:** insuring against the risk or passing responsibility (not always possible). - **Terminate**: avoid the activity entirely (not always possible). - **Take the opportunity:** to exploit an opportunity risk. The risk bow-tie template and guidance can help map and plan mitigating actions. *If mitigating action is assigned to someone other than the Risk Owner, this must be noted in the risk register.*	Enter all risks into the relevant risk register. If necessary start a new one with this template. For key actions and mitigations, consider including in the action owner's performance management reviews. Ensure that risk registers are reviewed with the following regularity: **Very High:** 1- 3 months **High:** 1 - 3 months **Medium:** 3 - 6 months **Low:** 6 - 12 months **Very low:** 6 – 12 months All risk registers should be reviewed in full at least annually. More guidance here.
Output:	Clear objectives which are easily understood	List of identified risks. Identified risk owners.	Risk ratings for all identified risks. Clearly defined high priority risks.	Mitigating actions and owners. Escalation if necessary. Risk 'bow-tie' analysis	Up to date risk registers. Structured reviews.

Risk Rating

6.14. Once each risk has been assessed for probability and impact, the overall risk rating is determined by considering both probability of the risk occurring and the impact it would have if it did occur. The scoring system is demonstrated by the following matrix:

Impact	1 Very Unlikely	2 Unlikely	3 Possible	4 Likely	5 Very Likely
5 Critical	High	High	Very High	Very High	Very High
4 Serious	Medium	Medium	High	Very High	Very High
3 Moderate	Low	Low	Medium	High	High
2 Minor	V. Low	V. Low	Low	Medium	Medium
1 Insignificant	V. Low	V. Low	V. Low	Low	Low

Likelihood

6.15. Further guidance on risk rating can be found within risk registers and in **Appendix 2.**

Risk Reviews

6.16. It is recommended that risks are reviewed with at least the regularity noted below. If the risks relate to a project or programme, reviews may need to be conducted more frequently as determined by the relevant project or programme Board. For more guidance on risk reviews, please see here.

Very High Risks	Review every 1 – 3 months
High Risks	
Medium Risks	Review every 3 – 6 months
Low Risks	Review every 6 – 12 months (consider very low risks for closure)
Very Low Risks	
Full Register Review	Review registers in full at least annually
New risks can be raised at any relevant management meeting, or in between formal review.	

7. Embedding Risk Management

Training and Awareness

7.1. All members of staff have a responsibility to understand and help implement the principles of the Corporate Risk Management Strategy. Only with a common understanding of risk management can we ensure that risks are communicated, managed and recorded effectively across the organisation.

7.2. To achieve this, it is crucial that all staff are confident in applying risk management principles and techniques, understand the principles contained within the Risk Management Strategy, and recognise the importance of risk management to good business governance and practice.

7.3. The Transformation and Performance Team provide a range of self-help resources to assist with effective risk management, predominantly through the Transformation and Performance intranet page. A risk toolkit and suite of guidance documents are available here. In addition to this, the team are available to support the delivery of focussed risk workshops and focussed 1-1 sessions with risk owners and managers. Staff will be kept up to date on developments and upskilling opportunities via notices on the intranet homepage, via Corporate Risk Management section of the intranet or through the Transformation and Performance Business Partners.

Risk Coordinators and Champions

7.4. In order to support the objective of embedding risk management across the organisation, a network of staff with increased risk management awareness and understanding is necessary. Identifying a small group of individuals with greater risk involvement will enable the efficient pooling of training opportunities, and provide a distinct forum for the discussion of risk activities and management.

7.5. Risk Champions will be established throughout the organisation. As colleagues with greater risk awareness they will act as exemplars for risk management and will promote and champion the Corporate Risk Strategy across the organisation. For maximum effect, Champions must be established at every managerial level of, with presence on every major committee or board within the organisation.

7.6. Supporting this will be a network of Risk Coordinators, with a minimum of one coordinator per Directorate. Risk Coordinators are responsible for updating the risk register for which they are responsible on a rolling basis, and reporting cross-Directorate risks to the Coordinators Group for consideration.

7.7. In certain areas of the organisation the role of Champion and Coordinator may be given to the same member of staff. Where this is not the case, they will be required to work together to ensure risks within their area of responsibility are recorded promptly and accurately.

Digitising Risk Management

7.8. To be effective, risk management must be embedded into day-to-day management, consuming the minimal amount of administrative time to effectively support the objectives of the business. To do this, we will endeavour where possible to automate processes using available technology, including automated notifications for escalations or reminders for risk reviews.

7.9. All registers, wherever possible, should be stored SharePoint, to assist with version control, automated notification, and user access management.

8. Programme and Project Risk

8.1. All programmes and projects must create, baseline and maintain a risk register. The format of these is to be determined by the sponsors. However, sponsors as a minimum are required to submit their key risks to the Combined Authority's Portfolio Management and Appraisals team (PMA) using the Risk Register template and included in the Expression of Interest and Business Case at the appropriate Decision Points, as part of any change request and as part of the Combined Authority's monitoring and reporting requirements.

8.2. All transport projects must also include a Quantified Risk Allowance (QRA) at Decision Points 3, 4 and 5 of the Assurance Framework (Outline Business Case, Full Business Case and Full Business Case with Finalised Costs). The probability value will be agreed with the Combined Authority. It would typically be expected that the Promoter would include either the P50 or P85 value. The value would be decided by the Promoter in association with the Combined Authority and would depend on local circumstances associated with the project.

8.3. Non-transport projects must include a costed risk register, which can be in a simpler form, which must be agreed with the Combined Authority.

8.4. The QRA / Costed Risk Register amount will not be held by the Combined Authority and therefore will not be managed at portfolio level, but will be managed by the programme and / or project and included in the funding agreed and detailed in the funding agreement between the Combined Authority and the Promoter. It will be the responsibility of the Promoter to manage the QRA. It is also the responsibility of the Promoter to advise the Combined Authority through the Combined Authority monitoring and reporting requirements on the status of the QRA amount.

9. Risk Escalation and Reporting

9.1. Formal processes have been established for transferring, escalating and de-escalating risks between register, which are detailed in the following table.

9.2. A network of Risk Coordinators and Risk Champions has been established to provide support and advice on escalation and on the correct areas to manage each risk, and how to recommend risks for consideration on other registers.

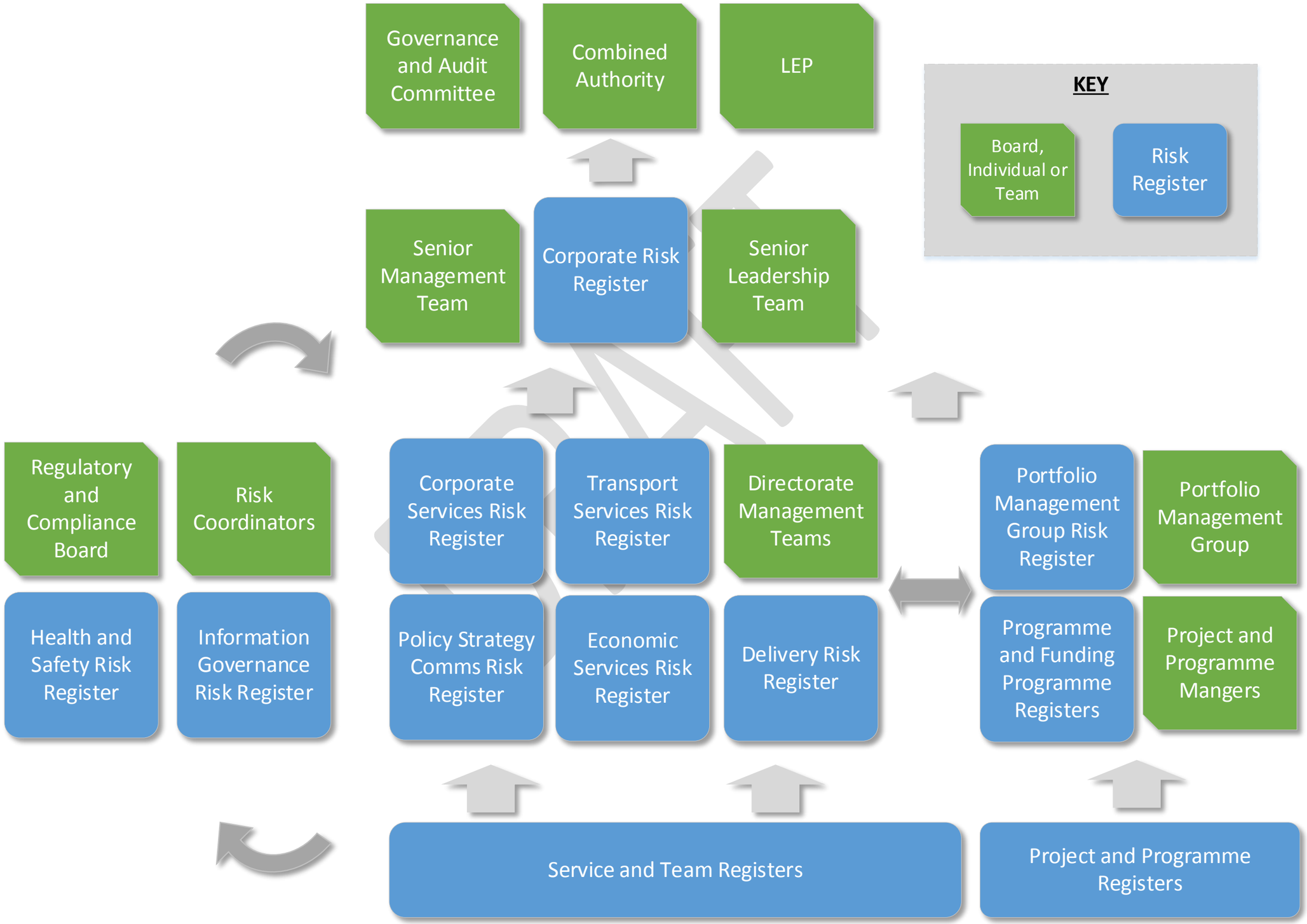
9.3. There are a number of ways a risk can be reported, such as:

- A verbal report to a line manager
- By e-mail, or writing to a relevant colleague
- Raising the concern in your own team meeting or asking your line manager or Head of Service to raise it in a relevant management meeting
- please remember you don't have to wait for a meeting to raise a risk……

9.4. If you are aware of a risk and unsure who to raise it with or how and where to record it, please speak to a relevant line manager, your area's Risk Coordinator

or the Transformation and Performance Team. Any risks which are rated very high must be considered for escalation by the owners of that register.

9.5. The formal routes for risk escalation and reporting are summarised by the diagram below



9.6. Additional detail on escalation and reporting arrangements is provided in the table below *(T+P Team refers to the Transformation and Performance Team, **R+C** refers to **Regulatory and Compliance Board**, **CRR** refers to the **Corporate Risk Register**, **PMA** refers to **Portfolio Management and Appraisal Team**, **PMG** refers to **Portfolio Management Group**).*

Risk Register	Owned/ updated by	Escalates to	Reporting and review	Assurance/ oversight by
Corporate	• Owned by SLT • Updated by T+P Team	Risks from the Corporate Risk Register can be de-escalated by **SLT** to **Directorate, Service or Team** risk registers. *A risk on the Corporate Risk Register may have iterations on Directorate register to ensure appropriate management at the relevant levels.*	Reported to every Combined Authority and LEP Board meeting through a performance snapshot provided by the T+P Team. Routine updates provided quarterly to SMT and SLT by T+P Team, urgent updates reported via standing agenda items.	• SMT • T+P Team • Risk Coordinators
Directorate	• Owned by DMT • Updated by Risk Coordinator	Directorate risks can be escalated to the **Corporate Risk Register** through the standing item on **SMT or SLT agenda**, or via the **T+P Team**. Risks to any other Risk Register can be recommended through the **Directorate's Risk Coordinator** or through the **relevant management team**.	DMT to review registers in line with recommended timescales (see section **6.16**) Individually assigned risk actions to be incorporated into and reported through 1-1s and performance reviews.	• R+C Board • SMT • T+P Team
Information Governance	• Owned and updated by Regulatory Lawyer and Data Protection Officer	IG risks can be escalated to the **relevant service or team** by the **IG team** or **R+C Board**. Significant organisational risks can be referred to Corporate Services DMT for consideration on **Corporate Services Risk Register** or escalation to the **CRR**.	IG risks reported to R+C Board through standing agenda item and through routine IG update.	• R+C Board
Health and Safety	• Owned and updated by Health and Safety Business Partner	Health and Safety risks can be escalated to the **relevant service or team** by the **Health and Safety Business Partner** or **R+C Board**. Significant organisational risks to be referred to Corporate Services DMT for consideration on **Corporate Services Risk Register** or escalation to the **CRR**.	Health and Safety risks reported to R+C Board through standing agenda item and through routine Health and Safety update.	• R+C Board
Service and Team Registers	• Owned by Head of Service or Team Manager • Updated by Risk Coordinator or Team Member	Service and Team level risks can be escalated to the **relevant DMT** by the **Risk Coordinator** or **Team Manager** from that service or team.	Service and Teams to review registers in line with recommended timescales (see section **6.16**) Individually assigned risk actions to be incorporated into and reported through 1-1s and performance reviews.	• Relevant DMT • Risk Coordinators
Portfolio Risk Register	• Owned and Updated by Portfolio Lead (Monitoring and Reporting)	Significant changes to be reported to **PMG** and **Director of Delivery.** Portfolio risks can be escalated to the **Delivery Directorate Risk Register** and/or the **CRR** by the **Director of Delivery**, through the standing item on **SMT or SLT agenda**.	Bi-monthly review by the Portfolio Management Group.	• Delivery DMT
Funding Programme	• Owned and updated by Officer delegated by Funding Programme Board	Funding Programme Risks can be escalated to the **Portfolio Risk Register** via the **PMA.**	Funding Programme risks reported to the relevant Funding Programme Board through scheduled meetings.	• PMG • PMA
Programme	• Owned and updated by Programme Manager	Significant changes to be reported to the relevant **Funding Programme Board** and **Senior Responsible Owner (SRO).** If changes affect the funding programme risk register, **SROs to report to Funding Programme Board.**	Programme risks reported to the relevant Programme Board through scheduled meetings.	• Finding Programme Board • PMA
Project	• Owned and updated by Project Manager	Significant changes to be reported to the relevant **SRO**. If significant, **SROs** to report to relevant **Programme Board.** If the project is not part of a programme, if changes affect the funding programme risk register, **SROs** to report to **Funding Programme Board**	Project risks reported to the relevant Project Board through scheduled meetings.	• Programme Board – if N/A then Funding Programme Board

APPENDIX 1 – RISK MANAGEMENT ROLES AND RESPONSIBILITIES

Group	Responsibilities
Combined Authority Members	• Reviews the Corporate Risk Register each meeting through a performance update
Governance and Audit Committee	• Responsible for seeking adequate assurance that risk management responsibilities and processes within the Combined Authority are fit for purpose.
LEP Board	• Agree with the Section 73 Chief Finance Officer the budget risks facing the LEP, at the beginning of the financial year • Reviews the Corporate Risk Register each meeting through a performance update
Senior Leadership Team	• Approves the Risk Management Strategy • Reviews the Risk Management Strategy annually • Owns and reviews the Corporate Risk Register • Reviews any risks escalated to the Corporate Risk Register
Senior Management Team	• Reviews the Corporate Risk Register quarterly
Regulatory and Compliance Board	• Reviews risk management arrangements and the management of significant organisational risks. • Considers new areas of risk to which the Combined Authority is exposed, the management of these risks, training in risks and awareness of risks across the organisation. • Reviews progress on the internal audit plan, ensuring any emerging risk issues are appropriately addressed • Reviews Health and Safety and IG risks which need to be escalated to the Corporate Risk Register
Directorate Management Teams	• Owns the Directorate Risk Register • Reviews Directorate Risk Register and escalates significant risks to the Corporate Risk Register

Group	Responsibilities
Portfolio Management Group and Programme Funding Groups	• Owns their Risk Register • Significant changes to be reported to the relevant Senior Responsible Owner (SRO) • If changes affect the funding programme risk register, SROs to report to PMA team
Project, Programme and Service Managers	• Owns individual project, programme and service risk registers • Significant changes to be reported to the relevant SRO • If project changes affect the programme risk register, SROs to report to relevant Programme Board • If the project is not part of a programme, if changes affect the funding programme risk register, SROs to report to PMA team
Transformation and Performance Team	• Updates and administers the Risk Management Strategy and the Corporate Risk Register • Prepares risk and performance reports for SMT, SLT, the Combined Authority, LEP and Regulatory and Compliance • Reports to Governance and Audit Committee on risk matters as required • Coordinates training and awareness raising activities
All CA Staff	• Consider the risks to the achievement of their team's objectives and the Combined Authority's priorities. • Ensure that any risks which they cannot manage or that have a cross-cutting impact are escalated to their managers. At a Head of Service level, this may mean adding the risks to the directorate risk register. At a directorate level, this may mean escalating a risk to the Corporate Risk Register.
Internal Audit (3rd line defence)	• Uses risk management techniques in its audit processes • Considers the corporate risk register when developing its audit plan.
Risk Champions	• To be familiar with and champion risk best practice, in line with the Corporate Risk Management Strategy • To ensure any risks raised when the Risk Coordinator is not present, are communicated to them for addition into the relevant risk register.

Group	Responsibilities
Risk Coordinators	• To update the risk register of the team or area which they are responsible • To escalate and report risks to other Risk Coordinators.
SIRO	• Champion risk-based information governance. • Ensure sufficient resources are made available to manage risks to information governance.
DPO	• Advise the Combined Authority of its information risk obligations, monitor compliance and raise awareness. • Report information risks to the Senior Information Risk Owner (SIRO).
Health and Safety Business Partner	• Ensure and embed a risk-based approach to Health and Safety across the Combined Authority
Section 73 Chief Finance Officer	• Responsible for ensuring the risk management strategy addresses risks arising in relation to LEP activity • Responsible for ensuring the process for the LEP board to oversee risk and escalation of risk analysis and risk management requirements within the LEP • Agree with the LEP board the budget risks facing the LEP at the beginning of the financial year

APPENDIX 2 – ASSESSMENT MATRICES

ASSESSMENT OF RISKS

Likelihood

If you're not sure about the percentage chance of a risk happening over a given timescale and you don't have the data to assess its frequency, use the probability descriptors (i.e. 'Very Unlikely', 'Possible' etc.) to determine the most suitable score.

The risk timescale – i.e. the period of time during which the risk could materialise - will vary according to the type of risk it is. For example:

- For a budget risk, it might be expected to materialise over this financial year or over the period of the Medium Term Financial Plan.
- For a project risk, it could be either over the whole of the project lifecycle or for a particular phase within the project.
- With regard to an event, the timescale will be from now until the date of the event.
- For a number of the more cross-cutting strategic risks such as those on the corporate risk register, it is likely that the risk could materialise at any time. When considering a Directorate or Corporate risk, this should be considered against existing and future business plans and any timescales indicated in these.

Likelihood Score	1	2	3	4	5
Likelihood Descriptor	**Very Unlikely**	**Unlikely**	**Possible**	**Likely**	**Very Likely**
It is…	Very unlikely to occur	More likely not to occur	Could occur at some point	More likely to occur than not	Very likely to occur
% Likelihood	Less than 5% chance	between 5% and 30% chance	Between 30% to 60% chance	Between 60% to 90% chance	More than 90% chance

Impact

Many risks could have a range of consequences: for example, a Health & Safety breach could affect an individual as well as lead to reputational and financial damage for an organisation. It's therefore possible that you assess the risk as having an impact of '3' using the Health & Safety impact, '2' for Finance and '4' for reputation.

Although you could break the risk down into several different risks covering all these areas and then score each of them to address the varying impact scores, often this can crowd a risk register and take the focus away from the actual risk 'event': i.e. the Health & Safety incident. Where possible, it's better to have 1 risk and use your best judgement to give an overall single impact assessment score. In the example above, this might be a '3' if you were to average the 3 impact scores or '4' if you decided to go with a worst-case scenario.

Impact Score	1	2	3	4	5
Impact Descriptor	**Insignificant**	**Minor**	**Moderate**	**Serious**	**Critical**
Projects / Programmes	Little or no schedule slippage. No threat to anticipated benefits & outcomes.	Minor delays but can be brought back on schedule within this project stage. No threat to anticipated benefits & outcomes.	Slippage causes delay to delivery of key project milestone but no threat to anticipated benefits / outcomes.	Slippage causes significant delay to delivery of key project milestone(s). Major threat to achievement of one or more benefits / outcomes.	Significant issues threaten entire project. Could lead to project being cancelled or put on hold.
Financial Impact	No or minimal financial cost.	Losses / costs incurred of 1-2% of budget.	Losses / costs incurred of 3-5% of budget.	Losses / costs incurred of 6-10% of budget.	Losses / costs incurred of more than 10% of budget. Not covered by insurance.
Reputation	No adverse publicity. Rumours.	Single adverse article in local media or specific professional journal. WYCA / Partner one of a number of agencies referred to.	A number of adverse articles in regional / social media mentioning WYCOMBINED AUTHORITY / Partner. Some recirculation via social media. Single request for senior officer / member to be interviewed on local TV or radio. Adverse reaction by LCR residents in social media / online forums. Short-term reduction in public confidence.	Series of adverse front page / news headlines in regional or national media. Wider recirculation via social media. Sustained adverse reaction by LCR residents in social media etc. Repeated requests for senior officer / member to be interviewed on local TV or radio. Long-term reduction in public confidence.	Sustained adverse publicity in regional media and / or national media coverage. Extensive / prolonged recirculation via social media channels. Repeated requests for Leaders / Chief Execs / WYCA MD to be interviewed on national TV or radio. Possible resignation of senior officers. Total loss of public confidence.

Service Interruption	Negligible. No impact on services.	Minor inconvenience for service users and staff. Services quickly restored.	Some client dissatisfaction but services restored before any major impacts.	Major disruption to service delivery. This could be through a single event or a series of outages.	Massive disruption to services. Recovery difficult or even impossible.
Staff	No impact on staff or service delivery.	Short-term low staffing level that temporarily reduces service quality. No impact on staff morale.	Medium-term low staffing level / insufficient experienced staff to deliver quality service. Some minor staff dissatisfaction.	Late delivery of key objective / service due to lack of experienced staff. Low staff morale.	Non-delivery of key objective / service due to lack of experienced staff. Very low staff morale.
Legal and Compliance	No or minimal impact or breach of guidance / statutory duty.	Minor breach of statutory legislation / regulation. Reduced performance rating if unresolved.	Single breach in statutory duty. Challenging external recommendations / improvement notice.	Several breaches in statutory duty. Enforcement action and improvement notices. Critical report. Low performance rating.	Multiple breaches in statutory duty. Prosecution. Complete systems / service change required. Severely critical report. Zero performance rating.
Health & Safety	No ill effects	Short-lived / minor injury or illness that may require First Aid or medication. Small number of work days lost.	Moderate injury / ill-effects requiring hospitalisation. Risk of prosecution from enforcement agencies.	Single fatality and / or long-term illness or multiple serious injuries.	Multiple fatalities and / or multiple incidences of permanent disability or ill-health.
Digital Security	No digital breach of systems or data.	Single breach of non-sensitive, non-business critical systems or data. Any loss quickly recovered and contained.	Single breach of data or systems which are operational or public-facing. Data recovered and contained.	Multiple breaches of data or system with limited ability to recover or contain the loss, or single breach of sensitive data or business-	Multiple breaches of one of more datasets including sensitive personal data, or sustained breach of business-critical or public facing systems,

				critical system.	with limited means of recovery
Environmental	Carbon neutral or negative output in comparison to alternatives. No adverse effects on air, land or water quality.	Low levels of carbon output. Minimal adverse effects on air or water quality to controlled geographic area.	Moderate levels of carbon output in comparison to alternatives. Some adverse effects on air or water quality to compact geographic area.	Noticeably higher levels of carbon output in comparison to alternatives. Noticeable adverse impact on air or water quality in wider geographic area/s.	Significantly higher carbon output in comparison to alternatives. Significant harmful effect on air or water quality to large or multiple geographic area/s.
Infrastructure	No effect on local infrastructure, communities or the environment.	Superficial damage to local infrastructure (e.g. minor road) but little disruption caused.	Medium damage to local infrastructure (e.g. minor road) causing some disruption.	Key elements of local infrastructure (e.g. school, major road) damaged causing major disruption.	Extensive damage to critical elements of local infrastructure (e.g. school, hospital, trunk road) causing prolonged disruption.

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West Yorkshire Combined Authority

Report to:	Governance and Audit Committee
Date:	23 January 2020
Subject:	**Assurance Framework Review**
Director:	Melanie Corcoran, Director of Delivery / Angela Taylor, Director of Corporate Services
Author(s):	Julia Radianec

1. Purpose of this report

1.1 To provide the Governance and Audit Committee with an update on the progress relating to changes proposed to the Leeds City Region Local Assurance Framework arising from its annual review. The review is undertaken to strengthen the compliance of the Local Assurance Framework to the National Local Growth Assurance Framework (January 2019) and the Strengthened Local Enterprise Partnership report (July 2018) and in accordance with guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA)[1].

1.2 To request the Governance and Audit Committee to provide feedback on the draft Local Assurance Framework.

2. Information

2.1 The LEP and Combined Authority are required to prepare a Local Assurance Framework as part of the Local Growth funding agreement. The framework must be reviewed annually and uploaded onto the LEP's website. The deadline for this to be completed is 28 February 2020.

2.2 The Local Assurance Framework covers all significant discretionary projects and programmes funded from Government or local sources that flow through the LEP and the Combined Authority. It has been prepared in accordance with HM Government Local Growth National Assurance Framework guidance (January 2019) and builds on a body of existing good practice. The LEP has to comply with this guidance for the relevant funding streams, but the principles are also applied to the Combined Authority, as the accountable body for the LEP for all funding streams.

[1] "Principles for Section 151 officers in accountable bodies working with local enterprise partnerships" (2018)

2.3 The 'Strengthened Local Enterprise Partnership' report sets out a number of Government commitments alongside a number of additional changes that Government will work with Local Enterprise Partnerships to implement. This has implications for the Local Assurance Framework for this review relating to the potential revisions to LEP geography and LEP Board diversity.

2.4 A copy of the draft Assurance Framework can be found here. The key changes to the Assurance Framework are outlined below.

2.5 The Governance and Audit Committee is requested to note that no further update has been published by MHCLG with regards the Local Growth National Assurance Framework guidance since January 2019 and none is expected prior to 28 February 2020. Therefore, this year's review of the Local Assurance Framework has been focused on aligning the Local Assurance Framework with current working practices, potential changes to the LEP's geography and the impending introduction of the Strategic Economic Framework (SEF).

2.6 The key changes are:

- Any references to LEP boundaries and relevant maps have been removed in this version of the Assurance Framework. Once the LEP Board has made and communicated the decision on the LEP footprint, further amendments will be made to reflect the decision in relation to the new LEP footprint and changes in governance resulting from this prior to publication.
- References to the Strategic Economic Framework (SEF) and Local Industrial Strategy (LIS), when relevant, have replaced the references to the Strategic Economic Plan (SEP).
- A footnote added in Table 2.1 "Advisory Panels to the LEP and Combined Authority", to reflect the current work being undertaken around the Investment Loans programme. However, due to the early stages in this development and the lack of clarity around its future governance arrangements at present, the governance for the Investment Loans programme has not been covered in this review to date.
- Sections 5 and 6, "Approach to Prioritisation" and "Assurance around Programme and Project Delivery", have been updated with new wording to reflect updated working practice around project and programme appraisal and to lessen the focus on the TAG guidance (formerly WebTAG), in order to take account of new priorities, such as clean growth.
- Section 7, "Monitoring and Evaluation", has been updated to clarify the purpose and requirements of activities 6 and 7. The "Benefits Realisation" section has been updated, to spell out the approach to the monitoring of the progress towards SEF priorities. A new section on monitoring and evaluation of the SEF has been added.
- Appendix 4 has been amended to provide that grants greater than £100,000 but not exceeding £500,000 are to be approved by the Managing Director (or the Director of Economic Services not exceeding £250,000

only) following a recommendation from the Business Investment Panel. This raises the threshold at which business grant applications will be considered by Investment Committee and/or Combined Authority from £250,000 to £500,000, to increase the pace of decision-making. Additional amendments to the Appendix reflect changes made to the Managing Director's sub-delegation scheme, to speed decision-making.

- Changes made to Appendix 6 to reflect changes to the Programme Appraisal Team's (PAT) terms of reference.
- References to the Strategic Assessment Review Group (SARG) have been made and the SARG terms of reference added at Appendix 7. The Strategic Assessment Review Group (SARG) undertakes the review of Strategic Assessments submitted to the Combined Authority, as the accountable body for the Local Enterprise Partnership LEP, at decision point 1 (DP1) of the assurance process, as set out in the Leeds City Region Assurance Framework.
- References to the Portfolio Management Group (PMG) have been added and the PMG terms of reference have been added at Appendix 8.

2.7 Further changes may need to be made to update the Assurance Framework prior to the publication, including:

- References made to the LEP geography in the Assurance Framework.
- Amendments to the relevant governance documents, which will need to be updated to reflect the new LEP footprint and LEP compliance with the diversity requirements of the Strengthened Local Enterprise Partnerships guidance.
- References to the Investment loans governance arrangements.

2.8 A full copy of the National Local Growth Assurance Framework is available on the MHCLG website. Section 151/Section 73 Officers are required to write to HM Government by 28 February 2020, ahead of next year's Local Growth Fund payment, to certify that the LEP/Combined Authority's Local Assurance Framework is compliant with the national framework.

Next Steps

2.9 The draft Assurance Framework has been reviewed in draft by the Combined Authority Senior Leadership Team and Cities and Local Growth Unit has provided their informal input into the review. The draft Assurance Framework was also reviewed by the LEP Board on 16 January 2020. The LEP Board was requested to delegate authority to the LEP's Chief Executive (the Managing Director) in consultation with the LEP Chair and the Combined Authority Chair to approve the final Local Assurance Framework on behalf of the LEP, further to its consideration by the Combined Authority on 6 February 2020. A draft of the Local Assurance Framework will be presented to the Investment Committee on 5 February and to the Combined Authority for approval on 6 February 2020. The Combined Authority, as the accountable body for the LEP, will be requested on 6 February 2020 to authorise the

Combined Authority's Managing Director to finalise the content of the Assurance Framework in consultation with the Chair of Combined Authority and the Chair of the LEP Board and to submit the document to Government by 28 February 2020.

2.10 Due to relatively minor changes required to the Local Assurance Framework this year and substantial input provided by the Overview and Scrutiny Committee into the previous review of the Framework, the Overview and Scrutiny committee did not review the Assurance Framework in detail this year. However, the Committee was notified that the review was taking place and had an opportunity to discuss the Assurance Framework review and to provide their input at the meeting on 17 January 2020.

2.11 It is envisaged that further minor changes will need to be made to the Local Assurance Framework prior to the publication, as outlined above in section 2.7.

2.12 As part of continuous improvement a further review of the Assurance Framework is planned in 2020, in order to ensure that it is as efficient as possible – particularly given the variability in the scale and complexity of projects and programmes. Such a review will ensure that, going forward, the right level of proportionality is applied to different types of programme.

3. Clean Growth Implications

3.1 Clean growth considerations and references to related activities have been embedded throughout the Assurance Framework and related internal governance documents and decision-making procedures. Building on the recent work to strengthen how clean growth and climate change impacts are considered as part of all new schemes that come through the Combined Authority's Assurance Framework (Decision point 1 and 2), the Combined Authority is now in the process of procuring expert advice to frame and develop a robust quantifiable methodology for assessing for all new schemes their predicted carbon emissions / wider clean growth impacts. Clean growth, including climate change, impact assessment / considerations are all now included in all capital spending and project approvals reports.

4. Financial Implications

4.1 None arising directly from this report. It should be noted that non-compliance with government requirements in respect of the Combined Authority/LEP's Local Assurance Framework may impact on the receipt of Growth Deal and other funding.

5. Legal Implications

5.1 None arising directly from this report.

6. Staffing Implications

6.1 None arising directly from this report.

7. External Consultees

7.1 The Department for Business, Energy & Industrial Strategy (BEIS) has provided informal feedback on the draft Assurance Framework.

8. Recommendations

8.1 The Governance and Audit Committee is requested to:

(i) Note the changes that have been made to the Local Assurance Framework, as set out in this report.

(ii) Provide any feedback on the draft updated Assurance Framework document.

9. Background Documents

9.1 The National Local Growth Assurance Framework (2019)

9.2 Strengthened Local Enterprise Partnerships (2018)

10. Appendices

10.1 None.

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