GOVERNANCE AND AUDIT COMMITTEE

MEETING TO BE HELD AT 11.00 AM ON THURSDAY, 19 MARCH 2020 IN COMMITTEE ROOM A, WELLINGTON HOUSE, 40-50 WELLINGTON STREET, LEEDS

A G E N D A

1. **APOLOGIES FOR ABSENCE**

2. **DECLARATIONS OF DISCLOSABLE PECUNIARY INTERESTS**

3. **EXCLUSION OF THE PRESS AND PUBLIC**

4. **MINUTES OF THE MEETING OF THE GOVERNANCE AND AUDIT COMMITTEE HELD ON 23 JANUARY**
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5. **INTERNAL AUDIT PROGRESS REPORT**
   (Pages 7 - 24)

6. **PROPOSED INTERNAL AUDIT PLAN 2020/21**
   (Pages 25 - 34)

7. **EXTERNAL AUDIT REPORT**
   (Pages 35 - 50)

8. **COMPLIANCE AND MONITORING**
   (Pages 51 - 92)

Signed:

A Taylor

Director, Corporate Services
West Yorkshire Combined Authority

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MINUTES OF THE MEETING OF THE GOVERNANCE AND AUDIT COMMITTEE HELD ON THURSDAY, 23 JANUARY 2020 AT COMMITTEE ROOM B, WELLINGTON HOUSE, 40-50 WELLINGTON STREET, LEEDS

Present:

Andy Clayton (Chair)	Department for Work and Pensions
Joanna Wardman	Government Internal Audit Agency
Councillor Geraldine Carter (Substitute)	Calderdale Council
Councillor Peter McBride (Substitute)	Kirklees Council

In attendance:

Mark Kirkham	Mazars Auditors
Angela Taylor	West Yorkshire Combined Authority
Bronwyn Baker	West Yorkshire Combined Authority
Jonathan Sheard	West Yorkshire Combined Authority
Victoria Clegg	West Yorkshire Combined Authority
Ben Kearns	West Yorkshire Combined Authority

26. Apologies for Absence

Apologies were received from Councillor Hinchliffe, Councillor Swift, Councillor Hall, and Councillor Pandor.

27. Declarations of Disclosable Pecuniary Interests

There were no declarations of pecuniary interests at the meeting.

28. Exclusion of the Press and Public

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

29. Minutes of the Meeting of the Governance and Audit Committee held on 31 October

Resolved: That the minutes of the meeting held on 31 October be approved.

30. Internal Audit Progress Report

The Committee considered a report which provided an update on the progress of the internal audit function against the delivery of the annual internal audit plan.

It was noted that a mixture of compliance checks and advisory audits was required. The Committee was informed that an internal audit carried out into Human Resources had shown areas of non-compliance across the organisation and the Chair asked for the internal audit into human resources to be considered at the next meeting once the all five of the audits had been completed and when management responses were available. It was discussed if best practice or even resource could be borrowed from other local authorities to put things in place regarding the development of revised HR strategies. It was requested that a senior HR representative attend the next meeting.

Members discussed the need to embed compliance checking across the organisation and to involve directors more in the process. It was reported that work was underway to develop letters of assurance from Directors as part of the Annual Governance Statement

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

31. Internal Audit Plan Methodology for 2020/21

The Committee considered a report which provided an update on the methodology used to develop the audit plan for 2020/21.

Members were informed that internal audit intended to place greater emphasis upon strategic matters and assisting the organisation with policy formulation as opposed to solely compliance checking. It was noted that internal audit needed to provide enough assurance on organisational compliance to satisfy the Committee. It would be necessary to buy in some internal audit specialisms and members queried whether the internal audit team had the resources to carry out its work.

Members discussed capacity within the internal audit team and whether there was satisfactory resilience to carry out its work effectively – especially given the size of the organisation and the range of responsibilities.

Mark Kirkham, from the external auditors Mazars, asked if concerns around capacity would result in internal audit being unable to provide an unqualified assurance. Bronwyn Baker, head of internal audit, suggested that if the internal audit function were unable to provide an unqualified opinion it would be limited because of scope.

The internal audit plan for 2020/21 was key in making the case for urgency and arguing for additional resources within the internal audit team.

The importance of prioritisation of the pertinent audit areas for the Combined

Authority were discussed and members identified the following points:

- Strategic planning and corporate governance
- Management information systems and digitalisation
- Future availability of funding streams
- Workforce and organisational culture
- Data privacy, GDPR compliance and cyber security.

The chair requested that the top three areas of audit concern be brought to each meeting and suggested that these could include emerging findings and not simply be drawn from completed audit work.

The internal audit plan would be presented for approval at the next meeting of the Governance and Audit Committee in March 2020 and it was suggested that it could be circulated to members in the meantime for comment.

Resolved: That the proposed methodology for the internal audit planning for 2020/21 be agreed.

32. External Audit Update

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

Members discussed the external audit fees and it was noted that a consultation was underway from the National Audit Office on the Code of Audit practice which needed to be in place before the Public Sector Audit Appointments could consult on audit fees. Since the findings of the consultation would fall outside the meeting cycle of the Committee it was proposed that information would be circulated to members and that any response would be delegated to the Chair and the Director of Corporate services. Mazars reiterated that they would continue to provide the same level of service and the Committee could take assurance from that.

Members considered an action outstanding from last year's external audit and the proposed management response on related party disclosures.

The Committee considered the external audit strategy memorandum which was attached at Appendix 1 to the submitted report and members noted the three risks that had been identified.

Resolved:

(i) That the information provided on external audit matters be noted.

(ii) That the updated response to the outstanding external audit recommendation on related party disclosures be noted.

(iii) The Audit Strategy Memorandum be noted.

33. Compliance and Monitoring

The Committee considered a report which set out any changes to the arrangements for internal controls since the last meeting of the Committee as well as the current financial position.

There had been no significant changes to internal controls in the period and monthly reconciliations were up to date. No areas of concern were raised regarding the Combined Authority's treasury management arrangements and there had been no RIDDOR accidents to report since the last meeting.

The draft budget for 2020/21 was attached at Appendix 2 to the submitted report, and the revenue budget monitoring for the 2019 / 20 financial year was attached at Appendix 1. Members noted a forecasted underspend on the current financial year's budget which would go into the general revenue reserves and that these reserves would be retained to help manage emerging pressures.

The Committee noted that a balanced position had been achieved for the 2020/21 budget and would be taken to the meeting of the Combined Authority to be held on 6 February for approval.

Resolved: That the report be noted.

34. Risk Management Strategy Update

The Committee considered a report which sought approval for the revised corporate Risk Management Strategy.

Members discussed the strategy and how to embed it within the organisation and keep it up to date as new risks were identified and addressed.

The Committee requested RAG ratings against each risk and mitigation actions to be identified and tracked in the same manner.

Members queried if the organisation had considered taking a higher risk approach in some areas and were informed that the risk appetite had been endorsed by the Combined Authority members in its current form.

The Committee asked for the Corporate Risk Register to be brought to them for review at every meeting.

Resolved: That the corporate risk strategy be approved and that the Corporate Risk Register be brought to future meetings.

35. Assurance Framework Review

The Committee considered a report which provided an update on review of assurance framework.

Resolved: That the changes to the assurance framework be noted.

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Report to:	Governance and Audit Committee
Date:	19 March 2020
Subject:	**Internal Audit Progress Report**
Director(s):	Angela Taylor, Director, Corporate Services
Author(s):	Bron Baker, Head of Internal Audit

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 Internal audit has continued to prioritise delivery that gives a combination of compliance within Directorates alongside advisory feedback to the corporate areas responsible for the policy. This delivery is in line with the revised plan that was presented to the last Governance and Audit Committee meeting.

2.2 The reviews that remain outstanding are highlighted in the attached progress report, but the focus is now predominantly on establishing a baseline compliance view on procurement and contract management.

Completed reviews to date

2.3 Since the last Governance and Audit Committee meeting reviews on compliance with HR policies in two further directorates have been completed, and in addition, an advisory report has been issued providing feedback to the HR team with suggested areas of improvement. This work is summarised in the attached progress report along with a response from the HR team to highlight the way in which they are responding to this feedback from the business.

Planning for 2020/21

2.4 Internal Audit has been developing the proposed Internal Audit Plan for 2020/21. A separate report is on the agenda which provides the outcome of the consultation. The Committee is also advised that a piece of planning work with external ICT auditors is being conducted now to inform the planned ICT work for 20/21. This will help to ensure that the budget for this work delivers best value and begins delivery as early as possible in the new plan year.

Customer Feedback

2.5 Customer feedback has now been received for a number of Internal Audit reviews to date and as per the information provided to the January Committee, qualitative comments will now also be included for the Committee's information.

Internal Audit Organisational Design (OD)

2.6 As advised at the last Committee, 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 now in place whilst a full recruitment process takes place for the vacant post.

Fraud/ Whistleblowing/ Money Laundering

2.7 Internal Audit has been updated on the anonymous whistleblowing allegation received by HR, but due to lack of evidence and follow up from the whistleblower, this investigation is now complete with no further action to be taken.

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 March 2020

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West Yorkshire Combined Authority

Governance & Audit Committee Internal Audit Progress Report

March 2020

Agenda Item 5
Appendix 1

Key Headlines / Index

Top four issues – Devolution, ICT (CTP, Digitalisation), Resources (people, accommodation), Procurement/Contract Management

Reports issued- Summaries of the scope and findings of these reviews can be found at Pages 3-5

- HR Policy Compliance Review 2019/20- Economic Services
- HR Policy Compliance Review 2019/20- Transport Services
- HR Policy Compliance Review 2019/20- Corporate Services
- HR Policy Compliance Review 2019/20- Delivery Services
- HR Policy Compliance Review 2019/20- Policy, Strategy and Communications
- HR Policy Compliance Feedback Report Summary is included at pages 11-13, with a response from the HR team detailing current actions to address the issues identified.

Revised 2019/20 Audit Plan- Progress against the revised plan is detailed at pages 6-8

Outstanding actions- There is currently one outstanding action on the Agreed Actions Register as at 02/03/20. We are awaiting action owners and due dates for some of the recently issued directorate HR Compliance Reports.

Feedback from clients – Page 9-10 details the feedback received from our auditees since the last Governance and Audit Committee report.

2020/21 Internal Audit Plan and Staff Changes – The proposed audit plan for 2020/21 is included as a separate paper which has been subject to consultation with the Combined Authority Senior Leadership Team and various Heads of Service and which suggests a level of required assurance which is more than can be provided by the existing team. This together with potential additional resource requirements around Adult Education Budgets means that a business case will need to be made to increase the resource in the team.

Reports Issued

HR Policy Compliance Reviews 2019-20- OVERVIEW & COMMON ISSUES

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

As a result of the interviews and evidence gathered for directorates an opinion on compliance was provided for each which was dependant on the seriousness of the non- compliances identified. Non- compliances were identified in all directorates regarding:

- Return to Work meetings not being held for all absences and forms not being completed, signed and retained as necessary.
- Mandatory GDPR training had not been completed promptly or at all.
- Corporate induction checklists were not being signed and returned to HR for all new starters.
- Performance reviews were not being written up and uploaded to Carval promptly.
- Interviewing managers were found to be notifying unsuccessful interviewees by telephone call rather than e-mail, a policy requirement for all external candidates. (All directorates except Policy, Strategy & Communications).

HR Policy Compliance Review 2019/20- Economic Services

The opinion for Economic Services is that REASONABLE assurance can be given that current HR policies are being complied with.

Internal Audit identified some areas of non-compliance which were found in all directorates (see overview above). In addition to these the only significant issue was that a number of secondments were also dealt with by those interviewed for which they kept varying levels of evidence of approval and agreement. Detailed documentation should be retained on secondments as stipulated in the policy on this area to ensure all the legalities and practicalities have been considered.

Overall, managers appeared aware of the correct procedures for recruitment and selection, attendance management and leave were being actively managed. Performance Reviews were being held on a regular basis and there were instances of best practice from a number of managers in this area.

HR Policy Compliance Review 2019/20- Transport Services

The opinion for Transport Services provides LIMITED assurance that current HR policies are complied with by the directorate.

In addition to the common findings in the overview above, Internal Audit identified policy non-compliance in a number of areas. Potentially serious omissions were made regarding checks to interviewees Right to Work in the UK and none of the new starters sampled had received their GDPR training within the first week of employment.

There was also a lack of evidence that performance reviews were being held. Some line managers appeared unclear how often these should be held, how these should be recorded, and in some cases these had never been done for certain longstanding staff.

We also noted a failure to retain paperwork regarding flexible working requests to ensure these are documented appropriately should they be subject to legal or union challenge.

HR Policy Compliance Review 2019/20- Corporate Services

The opinion for Corporate Services is one of REASONABLE assurance. Whilst Internal Audit identified the same common findings as at other directorates stated above, overall, managers appeared aware of the correct procedures for recruitment and selection, attendance management and leave and these areas were in the main being actively managed.

Performance Reviews were being held and updated on the system on a regular basis with only very minor non-compliance, and no evidence provided by one interviewee within the requested timescales.

While generally leave and flexi were being monitored and managed appropriately, one manager did confirm that they did not do this regularly.

HR Policy Compliance Review 2019/20- Delivery Services

Internal Audit have provided an opinion for Delivery Services that only LIMITED assurance can be given on HR policy compliance.

Non-compliance was found relating to one manager who was failing to check Right to Work in the UK at interview or carry out Performance Reviews for their staff on a regular basis.

A further two managers confirmed destroying interview records before sending these on to HR to support the recruitment decisions.

Three instances were also identified regarding seconded staff (one externally), where formal secondment arrangements had not been made in line with policy. These are necessary to ensure the financial, legal and HR elements of the contract made have all been sufficiently considered.

HR Policy Compliance Review 2019/20- Policy, Strategy and Communications

As a result of the interviews and evidence gathered for this audit the opinion for Policy, Strategy and Communications is that LIMITED assurance can be given that current HR policies are being complied with by the directorate.

As well as most of the common issues identified in the overview above, significant policy non-compliance was identified regarding checks to interviewees Right to Work in the UK, with a majority of the managers who interviewed for new staff in the last year admitting to not doing this in line with policy.

Staff were also being deployed to partner organisations or used by us from other local authorities without formal secondment or procurement arrangements being used in line with policy.

2019/20 Internal Audit Plan

Current progress against the revised 19/20 plan is detailed below.

	Assurance Area	Comments	Status	Assurance level
1	Creditors	NA	Completed	Reasonable
2	Payments	Specific issue, memorandum issued	Completed	NA
3	Expenses and Allowances	NA	Completed	Reasonable
4	Procurement	NA	Scheduled for Q4	NA
5	Risk Management	NA	Completed	Limited
6	Code of Corporate Governance	NA	Completed	Reasonable
7	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
8	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

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9	Annual Governance Statement	This has been on every audit plan, but is not a review, it appears to be the contribution to the production of the annual governance statement and annual internal audit report.	Scheduled for Q1	NA
10	English National Concessionary Travel Scheme (ENCTS)	NA	Completed	Reasonable
11	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 with individual reports issued as reviews complete	NA
12	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
13	GDPR	NA	Completed	Reasonable
14	Contract Management	NA	Scheduled for Q4	NA
15	Counter Fraud work	One investigation completed, further analytical work to be undertaken	Ongoing	NA
16	Various grant certifications	Requested by Business. All pass certification after review.	Ongoing	NA
17	Economic Services, improving fraud controls – Advisory	Requested by Business. Advisory only so no assurance given.	Completed	Advisory

18	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
19	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
20	HR Policy Compliance-Transport Services		Completed	Limited
21	HR Policy Compliance-Corporate Services		Completed	Reasonable
22	HR Policy Compliance-Delivery		Completed	Limited
23	HR Policy Compliance-Policy, Strategy and Communications		Completed	Limited
24	HR Policy Compliance Feedback	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.	Completed	Advisory

Outstanding Actions

The following are the only outstanding actions showing on the Agreed Actions register as at 02/03/2020.

The recommendations made for the previously issued Risk Management review have all been completed, and we are awaiting action owners and due dates for the recently issued directorate HR Compliance Reports.

Recommendation	Agreed Action Owner	Action Owner response	Agreed completion date	Notes on progress
Management should produce a formal Disaster Recovery Policy. This should incorporate developing, implementing, and adhering to a disaster recovery plan for the IT functions at WYCA - External Audit recommendation).	David Gill	The ICT Management Board agreed to bring forward elements of this work in order to reduce risks. **New comment 28.02.20** In July 2019 external auditor gave the following recommendation: "The Authority should develop and implement a formal backup policy." The response from WYCA was "Accepted and will be addressed in the next six months via the Corporate Technology Programme (CTP)". The Corporate Technology Programme includes a Disaster Recovery & Business Continuity project which will largely be responsible for the contents of the policy. However, this project has slipped by several months. As a consequence, work has started on an Interim Disaster Recovery Policy which will have a reduced	31/01/20	Overdue.

		scope to only include business critical corporate systems, the aim is to have this ready in some form for the end of March 2020. No confirmed completion date for the CTP Disaster Recovery Project has been received, but the programme is due to end in September 2020 and it can be assumed that the permanent Disaster Recovery Policy will be complete and signed off by then.		

Client Feedback

Three client feedback reports have been sent out since the last Governance and Audit Committee, one of which has been returned, details of the response are below.

Overall year to date satisfaction is showing as 75%, against a target of 80%.

In order to increase transparency regarding how customers think things can be improved, and what they appreciated, we now include their narrative comments for the Committee to see. The following comments have been received since the last report:

Review name & report issue date	What did we do well?	What could we have done better?
Economic Services- HR Policy Compliance **December 2019**	• Professional and courteous approach. Completed the audit report quickly and findings were clear and concise.	• Explained that the scope of the audit, and the subsequent report, included us being given the opportunity to comment on / critique current HR processes and policies i.e. to help inform and improve.

HR Policy Compliance Feedback Report Summary with HR Responses

Feedback from the business	HR Response
Carval HR System: • Not easy to use, takes a long time to resolve issues, can't easily analyse for trends/ management reporting, information gets 'lost'	HR recognises that there are issues with the system and have arranged a series of briefing sessions for managers to assist their understanding and knowledge and to help them get the maximum benefit from the current system. HR does, however, believe that the work to develop a new HR/Finance system will help to address a lot of these issues and is critical in supporting managers going forward. An additional full time resource has now been secured in the HR team in order to maximise the functionality of the current system and to be fully involved in the procurement of the new system
Policies and Procedures: • Some policies/procedures need revision and areas of confusion clarifying e.g. attendance • Some new policies/procedures need to be developed e.g. succession planning	The HR Strategy which seeks to address a lot of the concerns about current policies and procedures has just been launched through a series of briefing sessions and ongoing communications. The first step focuses on providing up to date, relevant policies and procedures based on the 'employee lifecycle' equipping managers to carry out the people related aspects of their roles. The first tranche of revised policies include recruitment, attendance and performance management.
Support, Advice and Guidance: • Information needs to be provided giving clear guidance around the various responsibilities, so what are managers	As part of the HR Work Plan behind the HR Strategy, the launch of each revised policy will include guidance (toolkits/briefing sessions etc) for managers that should help to address some of the confusion.

responsible for, what is HR responsible for etc. It would be helpful to have this in some form of handbook/toolkit • Some forms would benefit from change to be more effective and fit for purpose e.g. performance review form	The development of policies will involve consultation with managers to get their input and to ensure their feedback is included. Revised forms and documentation will form part of that consultation process.
Recruitment and Selection: • Revised policies and procedures needed • Training, particularly around interview skills, needs to be available • Need probation periods in contracts to deal with issues in a more timely way	As detailed above, one of the first revised policies will set out the approach to recruitment, building in best practice, feedback from managers and lessons learned from previous recruitment processes. This makes reference to probationary periods and advice and guidance on the complete recruitment cycle, including sample documentation. Probationary periods are being fully addressed via the review of the Performance and Development element within the HR Work Plan.
Training and Awareness Raising: • Need a full suite of training opportunities that range from skills for new managers to specific policy training • Make sure training and briefing sessions are well advertised and clear who the intended audience is	As part of Phase 2 of the HR Strategy and Work Plan, there is a workstream which aims to have in place a three year training strategy to meet the organisations' needs. This will include the redevelopment and roll out of the Combined Authority's methodology, linking to organisational and corporate plans and objectives. This will also help embed a strategic approach and help to obtain best value from the training budget. In the interim and for the next financial year, we will be working with Directorates to identify any learning and development needs through the business planning process and ensure that the budget is utilised to its full potential to address the training needs of Directorate employees. There will also be a programme of cross organisational training to address training needs across the whole organisation. As part of this we will ensure we work closely with Communications to ensure that this is well advertised to capture all employees.

General comments from HR

HR fully recognise and take on board the constructive feedback provided as part of this process.

The HR Strategy and Work Plan has recently been launched and whilst there have been some resource issues within the HR Team, these are being addressed and additional resource is being secured.

The work on the Strategy and Work Plan is scheduled to move at pace in recognition of the needs within the organisation for revision and development of HR policies to equip managers to do the people aspects of their roles well, with the outcome of an engaged, motivated and productive workforce.

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Report to:	Governance and Audit Committee
Date:	19 March 2020
Subject:	**Proposed Internal Audit Plan 20/21 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 proposed audit plan for 2020/21 shown at Appendix 1.

1.2. To ask members to consider the contents of the report, and to approve this as the agreed plan for next year.

2. Information

2.1 Audit Planning Methodology

As previously advised, the proposed plan has been developed by consideration of the current risks facing the organisation, the corporate priorities and objectives, and external intelligence around emerging risks from a wider business perspective.

2.2 Internal and External Planning Considerations

The information and intelligence used to inform the planning process are highlighted in the attached appendix, along with confirmation of feedback from the various consultations that took place around building the proposed plan.

2.4 Changes to the plan during the year

Any proposed changes to the plan during the plan year, will follow the same risk based approach, and will be brought back to the Governance and Audit Committee for approval. It is likely that changes will be needed once a decision and announcement has been made about a devolution deal for the region.

3. Financial implications

3.1 The cost of any required additional audit resource to deliver this plan would need to be included in a business case as highlighted in the staff implications below.

4. Legal implications

4.1 None.

5 Staffing implications

5.1 As identified in the Internal Audit Progress Report, a business case may be required to ensure sufficient resource to deliver this proposed plan. This plan has been developed to ensure that sufficient levels of assurance are in place to enable the provision of an audit opinion that is not limited by scope. In order for this proposed plan to be delivered, it is likely that up to two additional posts may be required, but this would need to be assessed properly and developed into a firm business case.

6. External Consultees

6.1 No external consultations have been undertaken.

7. Recommendations

7.1 That the Committee note and agree the proposed audit plan for 2020/21.

8. Background Documents

None.

Governance & Audit Committee

Draft Internal Audit Plan 2020/21

March 2020

2020/21 Internal Audit Plan

Background

The provenance of the proposed audits has come from a number of sources identified below. A clear and current audit universe for the Combined Authority is being developed to inform both this year's planning, and to ensure that there is sufficient background intelligence to inform future planning. There are clearly a number of commitments that have been made in various applications and documents in the past, and it is vital that Internal Audit understand what and where these commitments have been given.

Sufficient internal audit work needs to be undertaken to enable the Head of Internal Audit to provide an annual audit opinion in line with the Public Sector Internal Audit Standards (PSIAS). However, reliance also needs to be built up on the management assurances in place across the Combined Authority, in order to ensure that there is enough breadth to the assurances across the organisation's controls and governance, covering the widest possible range of priorities and deliverables. It is essential that high level management assurances (usually via Director level assurance statements) are built into the annual governance reporting, to enable a complete picture of how robustly these controls are being applied.

Audit Planning Considerations

External

As part of this planning process Internal Audit have been considering the wider external risk horizon, and have 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:

- Cybersecurity and data privacy
- Increasing regulatory burden
- Digitalisation
- Outsourcing, supply chains and third-party risk
- Business resilience, brand value and reputation
- Financial risks
- Political risks
- Human Resources
- Governance, Ethics and Culture
- Climate Change

Internal Audit have also consulted with Heads of Audit across the Local Authorities in the Leeds City Region, and with Combined Authority Heads of Audit in Manchester and Liverpool as to their plans.

Internal

Internally, a review is being undertaken of known commitments, outside of the main statutory commitment to having an internal audit function working to a risk based plan, which include the following:

- Various Economic Services grants in their applications give a commitment to a number of audits and there are ongoing commitments to signing off on grant certifications for the regular grant claims. The Financial Regulations also give significant responsibility to the Chief Finance Officer in relation to grants, some of which is currently supported by Internal Audit (IA).

- Our annual insurance process gives a commitment in the Crime Proposal Form to an established audit cycle for all operations.
- General Data Protection Regulation (GDPR) policy commits to auditing compliance.
- Combined Authority Financial Regulations commits IA to Counter Fraud Work (prevention and detection).
- Combined Authority Financial Regulations commits IA to checking compliance with Contracts Standing Orders and Financial Regulations.
- Combined Authority Financial Regulations commits IA to auditing security of assets.
- Combined Authority Financial Regulations commits IA to auditing the adequacy of financial systems.

Feedback from the Governance and Audit Committee requesting that the following areas be included:

- Strategic planning
- Corporate Governance including connectivity across directorates
- MI systems – individual and corporate
- GDPR and data privacy
- Culture and working together, including at the workforce level
- Financial uncertainty, and the availability of future funding streams
- Cyber security

Feedback from the Senior Leadership Team and Heads of Service requested that the following areas be included:

- Equalities
- Contract management
- Procurement
- Human Resources (HR)

- Devolution
- Brexit
- Skills and property
- Project management
- Construction (Design and Management) (CDM) Regulations
- Adult Education Budget (AEB)
- Quality assurance
- Purchase to Pay
- Cyber
- Complaints handling/ casework
- Safeguarding
- Bus station safety and accessibility

Proposed Internal Audit Plan 2020/21

	Assurance Area	Provenance	Link to Corporate Risks/Priorities
1	Strategic planning	Governance & Audit Committee and External Horizon Scanning (Risk in Focus).	Service Delivery and Operational (CRR-SD5)
2	Corporate Governance (in particular connectivity across directorates)	Governance & Audit Committee and External Horizon Scanning (Risk in Focus).	Service Delivery and Operational (CRR-SD5)
3	Management information systems (MIS) - Corporate	Governance & Audit Committee- to include business continuity/ disaster recovery.	Transformational Change (CRR-TC1)

4	Management information systems (MIS) – HR & Finance	Governance & Audit Committee and Internal Audit work from 2019/20.	Transformational Change (CRR-TC1)
5	GDPR and data privacy	Governance & Audit Committee and External Horizon Scanning (Risk in Focus).	Legal and Compliance risk (CRR-LC1)
6	Culture – working together	Governance & Audit Committee and External Horizon Scanning (Risk in Focus).	Transformational Change (CRR-TC1)
7	Financial – access to future funding streams	Governance & Audit Committee and External Horizon Scanning (Risk in Focus).	Finance and Resources (CRR-FR1)
8	ICT including cyber security (and covering Transport Services technology developments)	Governance & Audit Committee, External Horizon Scanning (Risk in Focus), Senior Leadership Team and Heads of Service meetings.	Safety and Security (CRR-SS2)
9	Digitalisation	Governance & Audit Committee and External Horizon Scanning (Risk in Focus).	Transformational Change (CRR-TC1)
10	Health and safety	Previous external work identified a number of areas of improvement required. Internal Audit (IA) will follow up on this work to gain assurance that sufficient progress has been made.	Safety and Security (CRR-SS1)
11	Climate change	External Horizon Scanning (Risk in Focus).	Environmental (CRR-E1)
12	Risk management	Annual health check to inform the audit opinion and follow up work from 2019/20.	Legal and Compliance (CRR-LC1)
13	HR compliance follow up review	External Horizon Scanning (Risk in Focus) and follow up on IA work from 2019/20.	Legal and Compliance (CRR-LC1)

14	Programme assurance	A rolling programme of reviews to be undertaken to health check that projects and programmes are moving appropriately through the assurance framework process, and how well we are applying our preferred project management methodology.	Service Delivery and Operational (CRR-SD1)
15	Counter fraud work	Investigative work as required, and regular testing to provide assurance on controls.	Legal and Compliance (CRR-LC1)
16	Security of assets	Combined Authority Financial Regulations.	Legal and Compliance (CRR-LC1)
17	Compliance with Contracts Standing Orders & Financial Regulations	Combined Authority Financial Regulations. Initial focus on Purchase to Pay with checks on segregation of duties and possible collusion.	Legal and Compliance (CRR-LC1)
18	Equalities, including bus station safety and accessibility	Senior Leadership Team and Heads of Service meetings.	Legal and Compliance (CRR-LC1)
19	Procurement	Senior Leadership Team and Heads of Service meetings and follow up on IA work from 2019/20.	Legal and Compliance (CRR-LC1)
20	Contract management	Senior Leadership Team and Heads of Service and follow up on IA work from 2019/20.	Legal and Compliance (CRR-LC1) Development and Regeneration (CRR-DR1)
21	HR Strategy implementation	Senior Leadership Team and Heads of Service meetings.	Transformational Change (CRR-TC1)

22	Devolution	Senior Leadership Team and Heads of Service meetings, with an initial focus on Adult Education Budgets (AEB).	Finance and Resources (CRR-FR3)
23	Brexit	Senior Leadership Team and Heads of Service meetings.	Service Delivery and Operational (CRR-SD2)
24	Quality Assurance	Senior Leadership Team and Heads of Service meetings.	Reputational (CRR-R2)
25	Skills and property	Senior Leadership Team and Heads of Service meetings.	Finance and Resources (CRR-FR3)
26	Construction (Design and Management) CDM	Senior Leadership Team and Heads of Service meetings.	Legal and Compliance (CRR-LC1)
27	Safeguarding	Senior Leadership Team and Heads of Service meetings.	Legal and Compliance (CRR-LC1)
28	Complaints handling/ casework	Senior Leadership Team and Heads of Service meetings.	Transformational Change (CRR-TC1)
29	Various grant certifications	As requested by the business.	NA

Report to:	Governance and Audit Committee
Date:	19 March 2020
Subject:	**External audit progress report**
Director(s):	Angela Taylor, Director, Corporate Services.
Author(s):	Angela Taylor/ Jon Sheard

1. Purpose of this report

1.1 To present Mazar's external audit progress report to the Committee.

1.2 To note an update from Public Sector Audit Appointments Limited (PSAA) regarding information on audit planning and audit fees.

2. Information

2.1 The external auditors Mazars have now undertaken their interim audit fieldwork. They have provided as **Appendix 1** their External Audit Progress Report which sets out their work to date and provides further information on useful publications. Mazars will be available at the meeting to present the report and take any questions from members.

2.2 The consultation on audit fees concluded on 6th March 2020. At the time of writing this report the overall findings and proposals have yet to be published. Due to the good level of external audit services provided to the Combined Authority and the assurances provided by Mazars at these meetings, it was agreed with the Chair of this Committee not to participate in the consultation on this occasion. Attached at **Appendix 2** is a recent update from Public Sector Audit Appointments Limited (PSAA) for information which includes information on audit planning and audit fees. The Combined Authority discussions are well advanced with its own auditors, Mazars, and no issues have arisen and work going as planned.

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 external audit progress report at Appendix 1.

7.2 That the Committee note the PSAA update at Appendix 2.

8. Background Documents

None.

9. Appendices

Appendix 1 – External audit progress report

Appendix 2 – PSAA update to Finance Directors (28/2/2020).

Agenda Item 7

Appendix 1

Audit progress report

West Yorkshire Combined Authority

March 2020

CONTENTS

This document is to be regarded as confidential to West Yorkshire Combined Authority. It has been prepared for the sole use of the Governance and Audit Committee. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

1. AUDIT PROGRESS

Purpose of this report

This report provides the Governance and Audit Committee with an update on progress in delivering our responsibilities as your external auditors.

Audit progress

Since the Committee last met we have:

- held internal planning meetings as part of our planning process for the 2019/20 audit;
- had update meetings with finance in respect of planning for the 2019/20 interim and final audit visits;
- undertaken planning work to refresh our documentation in respect of the Authority's systems (including undertaking walkthrough testing);
- refreshing our understanding of the processes in place at the Authority that inform the preparation of the financial statements;
- undertaken our risk assessment as part of planning for our 2019/20 VFM conclusion;
- discussed internal control and governance with Internal Audit;
- presented our Audit Strategy Memorandum to the January 2020 Governance and Audit Committee; and
- completed our interim audit visit.

Our work is on track, and there are no significant matters arising from our work that we are required to report to you at this stage.

2. NATIONAL PUBLICATIONS

	Publication/update	Key points
Chartered Institute of Public Finance and Accountancy (CIPFA)		
1.	**Local Government Financial Resilience index**	Online data tool which measures local authorities against a range of indicators to assess their level of resilience.
2.	**Financial Management Code**	Guidance for good and sustainable financial management in local authorities.
3.	**Prudential Property Investment**	Guidance on prudent investments in commercial properties.
Mazars LLP		
4.	**Annual Transparency Report, Mazars**	Sets out the steps we take to enhance the quality of our audit work and ensure that quality is consistent across the firm.
5.	**Mazars' response to the Brydon Review**	Mazars' response to the latest review into the auditing profession which was published in December 2019.

2. NATIONAL PUBLICATIONS

1. Local Government Financial Resilience index, *CIPFA*, December 2019

The resilience index is an online data tool which measures local authorities against a range of indicators to assess their level of resilience against financial shocks and to support financial decision making. Upper tier authorities are judged against nine indicators including social care.

The indicators measured include:

- levels of reserves;
- change in reserves;
- reserves sustainability;
- interest payable/net revenue expenditure;
- gross external debt;
- social care ratio;
- fees and charges to service expenditure ratio;
- council tax requirement/net expenditure ratio; and
- growth above baseline.

The tool allows for year on year comparisons of each authority's performance, as well as comparisons with similar and neighbouring authorities. Trend analysis is also available for some of the indicators outlined above.

https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/cipfa-launches-local-government-financial-resilience-index

2. Financial Management Code, *CIPFA*, October 2019

Strong financial management is an essential part of ensuring public sector finances are sustainable. The Financial Management Code (FM Code) provides guidance for good and sustainable financial management in local authorities and aims to provide assurance that they are managing resources effectively.

It requires authorities to demonstrate that the processes they have in place satisfy the principles of good financial management. The FM Code identifies risks to financial sustainability and introduces a framework of assurance. This framework is built on existing successful practices and sets explicit standards of financial management. Complying with the standards set out in the FM Code is the collective responsibility of elected members, the chief finance officer and their professional colleagues in the leadership team. Complying with the FM Code with help strengthen the framework that surrounds financial decision making.

The FM Code built on elements of other CIPFA codes during its development and its structure and applicability will be familiar to users of publications such as The Prudential Code for Capital Finance, Treasury Management in the Public Sector Code of Practice and Code of Practice on Local Authority Accounting in the United Kingdom.

The Code applies to all local authorities, including police, fire and other authorities.

By following the essential aspects of the FM Code, local authorities are providing evidence to show they are meeting important legislative requirements in their jurisdictions.

The first full year of compliance will be 2021/22. This reflects the recognition that organisations will need time to reflect on the contents of the Code and can use 2020/21 to demonstrate how they are working towards compliance.

https://www.cipfa.org/policy-and-guidance/publications/f/financial-management-code

2. NATIONAL PUBLICATIONS

3. Prudential Property Investment, *CIPFA*, November 2019

Increasingly there has been a move towards investments in commercial properties, funded by borrowing, with the key driver of this activity appearing to be the generation of revenue. This publication provides guidance on making the assessments needed to ensure that such acquisitions are prudent and on the risks local authorities must manage when acquiring property.

Statutory investment guidance from the Ministry of Housing, Communities and Local Government (MHCLG) last year set out clearly that local authorities need to consider the long-term sustainability risk implicit in becoming too dependent on commercial income, or in taking out too much debt relative to net service expenditure.

The increased scale of investment in property was recognised by revisions to CIPFA's Prudential Code for Capital Finance and the Treasury Management Code in 2017, but the growing amounts being borrowed for such a purpose are putting a strain on the creditability of the Prudential Framework and reinforce the need to ensure that such acquisitions are affordable, prudent and sustainable.

In addition to the core issue of borrowing in advance of need, which the Prudential Code has very clear provisions on, this publication provides guidance on the risk perspective to the practical assessment of prudence and affordability. Those risks could be very difficult to manage. Even when these issues are managed and there is reliance on investment income, a potential failure or a downturn of the property market may have a direct impact upon local services.

This publication considers such issues and the actions local authorities would need to take to mitigate against such risks.

https://www.cipfa.org/policy-and-guidance/publications/p/prudential-property-investment

4. Annual Transparency Report, *Mazars,* December 2019

Mazars produces an annual transparency report, setting out the steps we take to enhance the quality of our audit work and ensure that quality is consistent across the firm. The report includes:

- Public Interest Committee Report;
- UK Governance Council Report;
- Inspiring Stakeholder Confidence in Audit Quality (including quality monitoring and audit quality indicators);
- Our risks; and
- Structure, Leadership and Governance.

Link to the latest report issued in December 2019 is set out below.

https://www.mazars.co.uk/Home/About-us/Corporate-publications/Transparency-reports/Mazars-UK-Transparency-Report-2018-2019

2. NATIONAL PUBLICATIONS

5. Mazars' response to the Brydon Review, *Mazars,* December 2019

The Brydon Review is one of four key reviews into the scope and quality of audit, namely:

- Competition and Market's Authority (CMA): resilience and competition in the audit market;
- Kingman's Review (review of the Financial Reporting Council and regulatory oversight);
- The Brydon Review (tone and aspirations for the future of the industry); and
- The Redmond Review (quality of local authority financial reporting and external audit).

The Brydon Review contains various recommendations and essentially recommends a major overhaul of audit which would see the creation of a separate 'corporate auditing profession', greater focus on fraud detection during audits, and the replacement of the 'true and fair' concept, with a greater focus on going concern.

Mazars' response to the latest Brydon Review report issued in December 2019 is detailed per the link below.

https://www.mazars.co.uk/Home/News-Events/Latest-news/Mazars-response-to-the-Brydon-report

Link to the Brydon Review

Published in December 2019, focusing on the quality and effectiveness of audit.

https://www.gov.uk/government/publications/the-quality-and-effectiveness-of-audit-independent-review

Link to the Kingman's Review

Published in December 2018, this review recommended the replacement of the Financial Reporting Council with a new independent statutory regulator, accountable to Parliament. The new regulator will be called the Audit, Reporting and Governance Authority (ARGA).

https://www.gov.uk/government/news/independent-review-of-the-financial-reporting-council-frc-launches-report

Link to the Redmond Review

At the time of writing this report, the outcome from the Redmond Review has not been published, and we await its outcome with interest.

https://www.gov.uk/government/consultations/review-of-local-authority-financial-reporting-and-external-audit-call-for-views

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Appendix 2

From: PSAA - Public Sector Audit Appointments Limited
<workandfeesconsultation@publicsectorauditappointments.gv-c.com>
Sent: 28 February 2020 11:45
To: Angela Taylor <Angela.Taylor@westyorks-ca.gov.uk>
Subject: Update on audit matters

Dear S151 officer,

Given all the turbulence within the audit industry at the moment, it may be helpful to summarise the local audit position in relation to the three financial years spanning 2018-21.

By this time of the year we would normally expect the vast majority of audits of 2018/19 accounts to be a matter of record and consigned to history. However, at the end of January there remain nearly 80 opinions still outstanding. That is an incredibly unsatisfactory position, particularly for all the bodies and auditors concerned, and a significant concern going forward.

In response to the significant challenges, PSAA has recently commissioned independent research into the sustainability of the audit market which we plan to publish soon. As well as informing our own forward planning, we are keen to ensure that this and other research is available to support the work of the Redmond Review.

One of the consequences of the multiple pressures and challenges which have arisen in 2018/19 audits is an increase in the number of proposed fee variations for additional audit work. In previous years the level of such variations has remained relatively stable at around 5% of the sector's aggregate audit fees. However, while PSAA is still awaiting submission of some of the relevant proposals, it is already clear that a higher level of variations is likely to be proposed for 2018/19 than previously.

Meantime, audits of 2019/20 accounts are approaching. In planning for this next round, PSAA has tried to address two of the concerns which featured most frequently in our conversations and exchanges with bodies about their 2018/19 audit experience. Firstly, bodies want greater certainty about when their audit will take place and, if for any reason it cannot be undertaken in time to meet the 31 July target date for publication of audited accounts, they want to know that is the case at the earliest opportunity. Secondly, if there is any likelihood of additional audit work being required which may lead to a fee variation proposal, again bodies want early information and explanation.

Against this backcloth PSAA has therefore worked with auditors to address both of these issues - the planned timetable and any likely fee variations - in their audit planning submissions to bodies as part of a concerted effort to strengthen auditor-audited body communications.

This theme carries through into preparations for audits of 2020/21 accounts. We are currently consulting on the scale of audit fees for this year in accordance with the timetable prescribed in statutory regulations, which requires PSAA to fix the scale of fees before the start of the relevant year of account. https://www.psaa.co.uk/audit-fees/consultation-on-2020-21-audit-fee-scale/. This means having to set the fees ahead of the results of the completion of the 2018/19 round and ahead of the commencement of 2019/20 audits. Additionally, in looking ahead to 2020/21, we can also see a series of new developments which are likely to impact on the audit including revised auditing and accounting standards as well as a new Code of Audit Practice. Although these developments will affect all bodies, the impact will vary dependent on the specific local circumstances of each body.

Again, PSAA is encouraging auditors and local bodies to consider these issues in audit planning discussions, to give proper early notice of factors which may require additional work and have implications for fees, and also to allow time for actions which might mitigate risk to the smooth conduct of the audit. We note that the NAO will be consulting on guidance for auditors' work on the new Code of Audit Practice, and so detailed conclusions about how it will affect individual bodies will need to be reserved until the guidance is finalised.

In discussing the fee implications of any factors, whether they relate to developments which affect all bodies or are more specific to an individual local audit, we particularly need the parties to consider both short and long term implications. Some issues will have a one-off impact, affecting a single year. Any resulting variation proposal is for a one-off adjustment. Others will have ongoing implications which may or may not be the same as the impact in the first year. These are likely to point to a need to vary the body's scale fee. Note 1 below explains PSAA's approach to fees more fully, and sets out the importance of revising scale fees where new developments or other local factors have clear ongoing implications.

It is important to stress that the 2019/20 local discussions on fees are happening at the planning stage, which is earlier than has generally been the case in previous years (perhaps not until the results of the audit were reported to you). One of the advantages of earlier discussion is that it allows more time for scrutiny and reflection. If you are unsure about a proposed fee variation, it can be deferred for any relevant information to be collated and examined with a view to revisiting the matter at an agreed later date. Please remember that PSAA reviews and determines every proposed additional fee, whether agreed or not – this is a statutory requirement.

We hope that this information is helpful to you and would be grateful if you would share it with members of your Audit Committee and any other relevant members and officers.

Tony Crawley

Chief Executive
Public Sector Audit Appointments Limited

Note 1

PSAA's approach to fees

PSAA's position is unusual because, as the appointing person for principal local authorities, the company is required to set a scale of fees spanning more than 480 audits, each of which is unique, reflecting differing levels of size, responsibility, complexity, capacity, capability, risk, etc.

The company's current scale of fees reflects the continuation of a methodology developed by the Audit Commission during its tenure. It is intended to reflect a good representation of the risks associated with the conduct of each of the individual audits within PSAA's jurisdiction, assuming the timely production of draft accounts and working papers of an appropriate standard. However, PSAA recognises that every fee within the scale is subject to a margin for error and is also susceptible to change over time. Accordingly, the company's arrangements in relation to fees are designed to include a number of checks and balances to enable the scale to be adjusted as and when appropriate. These include:

> i) Placing the extant scale of fees at the heart of any tender process and inviting suppliers to express their bids as a proportion of the current scale;
>
> ii) Pooling winning firms' bids so that the fees of individual bodies are not linked to the bid prices of the individual firm that is appointed as their auditor;
>
> iii) Consulting with bodies, as appropriate, when firms exercise their right to submit proposals to charge additional fees for additional audit work over and above that assumed in the relevant scale fee;
>
> iv) Similarly consulting with bodies when firms submit proposals to amend the scale fee of an individual body to reflect an ongoing change to the level of audit work required.

Each of these arrangements is discussed in more detail below.

i). Linking tender prices to the extant scale of fees

When PSAA goes out to tender for audit services, as it did most recently in 2017, it provides suppliers with details of the then current scale of fees and invites firms to price their bids by reference to that scale. This is a vital opportunity for firms to bring their own experience and judgement to bear about the reasonableness of current scale fees in the context of current and expected future market conditions and risks. If the firm considers the current scale to be generous, it can bid at say, 70 or 80% of scale. Conversely, if current fees are felt to be too low, the firm can bid at say, 120 or 130% of scale. PSAA does not impose any parameters in this process - each firm is completely free to reflect its own considered judgement.

Following a rigorous evaluation of tenders, the contracts awarded to successful suppliers reflect the specific price at which each individual firm has bid.

ii). Pooling firms' costs

In setting the overall scale of audit fees, PSAA has regard not only to the payments which will be due to firms under the contracts awarded but also the need to fund PSAA's own costs incurred in carrying out its functions - principally letting and managing contracts, appointing auditors and setting a scale of fees.

When re-setting the fees of individual bodies within the scale following a procurement, PSAA does not reflect the specific costs of the particular audit firm appointed to the body. Rather it applies average costs, taking into consideration details of all the contracts awarded to successful suppliers – with the result that, for example in 2018/19, all bodies received the same proportionate fee adjustment. This shares the risk of price variations between firms across the system and also avoids the need to vary a body's scale fees because it has been allocated a new auditor.

iii). Charging for additional audit work

The nature of an audit is such that it may be necessary for an auditor to carry out more audit work than has previously been required or planned. PSAA has the power to determine the fee above or below the scale fee where it considers that substantially more or less work was required than envisaged by the scale fee. In such circumstances, the auditor may therefore be entitled to charge for the additional work depending upon the specific drivers which have given rise to it. If, for example, additional work arises because the auditor has not conducted the audit in accordance with expected standards, the auditor must bear the cost. Alternatively, if additional work is necessary because the local body has not met its obligations to deliver accounts and working papers which enable the auditor to reach the required level of assurance, the auditor may be entitled to propose a fee variation to reflect the scale of the work concerned.

Additional work may also be required as a result of the introduction of new accounting or auditing standards, or new regulatory requirements. Where these have arisen after bids have been submitted and could not reasonably have been foreseen, the auditor will usually be entitled to propose an appropriate fee variation.

It is important to emphasise that the process for approving one-off fee variations (and/or ongoing scale fee adjustments - see para 4 below) is itself subject to careful checks and balances. Auditors are required to discuss any relevant proposals with appropriate representatives of the body concerned. All such proposals are subject to approval by PSAA. In making any submissions to PSAA, auditors are required to confirm that proposals have been discussed with the body and to indicate whether or not they have been agreed by the body. In turn, PSAA will consider the legitimacy and reasonableness of the proposals and advise the parties accordingly.

iv). Amendments to scale fees

The vast majority of fee proposals submitted by auditors in respect of additional audit work are limited to one-off fee variations. In some cases it is apparent that this does not reflect possible longer term implications. This is an important conversation which will sometimes alert the body to potential ongoing work and expected further variations which can be avoided by the body taking additional measures or taking other remedial actions. In other circumstances it will highlight the need to adjust the scale fee going forward so that the additional work concerned is properly reflected as a recurring requirement.

By routinely working through longer term implications and engaging in constructive discussions, bodies and firms can play a critically important role in helping PSAA to ensure that the scale of fees is subject to continuous review and, where appropriate, updating.

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Report to:	Governance and Audit Committee
Date:	19 March 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 last meeting was on 21/1/2020 and no areas of concern were raised. The high level of cash balances was considered and the challenges this presents with regard to placing funds with approved counterparties.

2.5 At the previous meeting of this committee the draft Treasury Management statement for 2020/21 was presented for consideration. This statement was subsequently approved by the Combined Authority on 6 February 2020.

Key indicators

2.6 The Committee has requested regular information via key indicators, specifically with regard to accidents reportable to the Health and Safety Executive and with regard to key controls.

2.7 There has been one reportable (RIDDOR) accident reported since the previous meeting, leaving the total for the year at one.

2.8 Key indicators are monitored in relation to the suite of financial controls undertaken monthly in both the finance and the concessions and integrated ticketing team. These are both up to date as at the time of writing this report.

Financial monitoring – revenue budget

2019/20

2.9 A summary of the 2019/20 current revenue spend to budget as at January 2020 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 It was previously reported that the forecasted year end position was an overall surplus of £0.3 million. Since the meeting in January 2020 a further forecasting exercise has been undertaken with budget holders and this reconfirmed the £0.3 million expected surplus which will go into general reserves.

2.11 The general reserves are forecast to be approximately £7 million at the end of the financial year. The proposal remains 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. It may be necessary to use some of this funding for initial work to transition to a mayoral combined authority.

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 The draft business plans and budgets for 2020/21 were presented to this committee in January 2020. The budgets were approved by the Combined Authority meeting on 6 February 2020 and available here for further reference. These are summarised at **Appendix 2** for the business plans and **Appendix 3** and **Appendix 4** for the revenue and capital budgets respectively.

Capital Strategy – Revision 2020/21

2.14 A capital strategy for the Combined Authority is a requirement of the Prudential Code where it requires all local authorities to have one in place. In April 2019 a strategy was approved and an amended / revised version (with no major changes) has been drafted at **Appendix 5**.

2.15 Members are asked to provide comments on the strategy and subject to any agreed changes members are asked to approve the Capital Strategy. The strategy will be presented to the Combined Authority meeting in April 2020 for approval and any further / significant changes to the strategy will be reported back to this committee. It is likely that the move to becoming a mayoral combined authority and related changes to functions and powers will necessitate the need for a more fundamental review of the strategy ahead of its next review date of April 2021.

Risk management

2.16 Following the endorsement of the updated Corporate Risk Management Strategy at the last meeting of the Governance and Audit Committee, work has been undertaken to roll out the new arrangements. This has included the introduction of the new risk register template, with transfer of risk registers into this format and application of the revised scoring criteria now underway.

2.9 The Corporate Risk Register has also been updated to reflect the provisions of the updated Corporate Risk Management Strategy and a summary of the headline strategic risks currently contained within it (in the new format) is provided at **Appendix 6.**

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.

7.2 That the Committee consider and provide comment / feedback on the revised capital strategy.

8. Background Documents

None.

9. Appendices

Appendix 1 - Revenue Budget monitoring 2019/20 as at January 2020 (and forecast).

Appendix 2 - Approved business plans 2020/21

Appendix 3 – Approved revenue budget 2020/21

Appendix 4 – Approved capital budget 2020/21 – 2022/23

Appendix 5 – Capital strategy (draft)

Appendix 6 – Corporate risk register

West Yorkshire Combined Authority - Revenue Budget Summary 83%

Title	2019/20 Budget £	January 2020 Actual £	% of Full Year Budget		RAG	Previous RAG	Forecast 2019/20 £
Expenditure							
Salary & Pay Related Costs	23,574,623	17,608,325	75%	Higher vacancies than originally budgeted			20,867,632
Indirect Employee Related Costs	385,450	373,716	97%	Spend in line with budget / forecast.			395,638
Premises Related Costs	6,249,646	5,598,152	90%	High forecast reflects urgent / unplanned works at bus stations			6,872,934
Travel, Transport & Subsistence Related Costs	121,662	118,307	97%	Spend is higher than budget……..potential small overspend			127,694
Member Related Costs	219,000	169,864	78%	Spend in line with budget / forecast.			218,146
Office Supplies & Services	544,573	536,831	99%	In year savings used for purchase of office supplies			676,726
ICT & Telephony Costs	2,614,132	2,225,066	85%	Some ICT / telephony costs paid in advance (eg line rentals)			2,663,466
Professional & Consultancy Fees	2,196,070	2,561,529	117%	Forecast reflects approved work on bus options, furture investment fund and consultancy on capital schemes (recovered)			2,458,175
Marketing & PR Costs	2,079,896	1,436,827	69%	Forecast higher than budget due to approved NP11 project adminstered by the CA (matched by income)			2,528,802
Insurance	304,900	300,561	99%	Annual invoice paid. Forecast includes excess on claims			382,900
							0
Operator Payments (Transport)	25,601,325	22,489,468	88%	Savings target from Qtr4 - revised budget profile needed			25,824,467
Pre Paid Ticket Cost	34,125,000	27,869,284	82%	Matched by income			34,125,000
Concessions	56,446,802	45,860,675	81%				55,309,123
Additional Pension Costs	2,301,600	2,063,423	90%				2,206,100
Financing Charges	5,465,000	743,338	14%	Main costs accrued at year end and higher interest earned forecast (short term investments)			4,454,000
							0
Grants	2,337,597	1,442,198	62%	Low spend as held in 'projects' until year end when moved to revenue - will balance to income			2,427,542
Other Miscellaneous Costs	5,080,894	949,991	19%	Forecast underspend reflects a number of projects not starting as planned - impact on income forecast too			3,187,152
							0
Contribution to External / Related Parties	326,912	133,368	41%				372,931
							0
Additional Savings Target	(1,046,619)	0	0%	Vacancy target to offset against savings in pay budget.			0
Total Expenditure	**168,928,463**	**132,480,923**	**78%**				**165,098,428**
Income							
Rail Admin Grant	(878,000)	(878,000)	100%	Full year received in advance			(878,000)
LEP General Funding Income	(1,234,000)	(1,379,086)	112%	Income forecast higher than budget due to grant received for LEP review work.			(1,484,000)
Growing Places Fund Interest	(300,000)	(519,112)	173%	More interest received than originally budgeted			(500,000)
Enterprise Zone Receipts	(1,958,320)	(1,490,337)	76%	Forecast higher than originally budgeted, as EZ sites develop.			(2,307,000)
Transport Levy	(93,198,000)	(93,198,000)	100%				(93,198,000)
Bus Service Operator Grant (BSOG)	(2,063,592)	(2,063,592)	100%	All received at the start of the year.			(2,063,592)
Education Contribution to Transport	(6,768,000)	(4,531,380)	67%	Income forecast broadly in line with the budget.			(6,708,000)
Bus Station Tenant Income	(1,713,725)	(1,136,768)	66%	Prudent forecast on tenant income for the year.			(1,387,542)
Bus Station / Services - Other Income	(2,758,297)	(1,549,702)	56%				(3,086,354)
Admin Recharges	(2,485,223)	(2,065,069)	83%	Includes accruals in the actual			(2,732,601)
Capitalisation of Revenue Costs	(7,740,378)	(5,703,103)	74%	Broadly in line with forecast			(7,175,514)
Pre Paid Ticket Income	(34,125,000)	(27,869,284)	82%	Matched by expenditure			(34,125,000)
Other Income	(12,507,279)	(5,058,089)	40%	Low income reflects a number of projects not starting as planned - impact on spending budgets too.			(9,829,841)
Total Income	**(167,729,814)**	**(147,441,523)**	**88%**				**(165,475,444)**
Net Expenditure	**1,198,649**	**(14,960,600)**					**(377,016)**

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

2020-21

Working in partnership with the West Yorkshire Combined Authority

Leeds City Region Enterprise Partnership

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

Aims

Boosting Productivity	Enabling Inclusive Growth	Delivering 21st Century Transport	Tackling the Climate Emergency	Securing money and powers
Helping businesses to grow and bringing new investment into the region to drive economic growth and create jobs in a post- Brexit landscape	Enabling as many people as possible to contribute to, and benefit from, economic growth in our communities and towns	Creating efficient transport infrastructure to connect our communities, making it easier to get to work, do business and connect with each other	Growing our economy while cutting emissions and caring for our environment	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. Providing intensive support to 1,000 businesses
2. Implement the Local Industrial Strategy & Strategic Economic Framework
3. Complete delivery of the Skills Commission, embedding it in the region and maximising its influence.
4. Provide 80 businesses with intensive support to boost productivity/innovation
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

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

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)

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

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

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Agenda Item 8

Appendix 2

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 budget

Gross Expenditure £6.37m

Capital Recharges £0.52m

Other Income £0.37m

Net Expenditure £5.48m

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:

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.

Portfolio Management and Appraisal

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

Economic Implementation Team

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

Transport Implementation Team

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

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

Resources *(What we need)*

Our budget

Gross Expenditure £5.38m

Capital Recharges £5.49m

Net Expenditure £(0.11)m

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*

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 budget

Gross Expenditure £11.28m

Capital Recharges £1.49m

Grant Income £9.18m

Net Expenditure £0.61m

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)*

61

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

Resources *(What we need)*

Our budget

Gross Expenditure £95.7m

Grant Income £2.1m

Other Income £14.7m

Net Expenditure £78.9m

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*

Values

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

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 Priorities

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

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:

Corporate Priorities

Priorities

(What we want to achieve in 2020-21)

Finance

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.

Human Resources

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.

Procurement

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.

Resources

(What we need)

Our budget

Gross Expenditure £6.27m

Capital Recharges £0.087m

Grant Income £0.054m

Net Expenditure £6.13m

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

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

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

Working in partnership with the West Yorkshire Combined Authority

Leeds City Region Enterprise Partnership

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.

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:

Priorities

(What we want to achieve in 2020-21)

ICT Services

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.

Legal and Governance

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

Internal Audit

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.

Resources

(What we need)

Our budget

Gross Expenditure £6.27m

Capital Recharges £0.087m

Grant Income £0.054m

Net Expenditure £6.13m

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.

Values

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

How we will improve out 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 Priorities

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

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West Yorkshire Combined Authority - Summary Revenue Budget 2020/21

Expenditure	Delivery £	Economic Services £	Policy, Strategy & Comms £	Corporate Services £	Corporate £	Transport Services £	Total £	2021/22 Total £	2022/23 Total £
	2020/21								
Salary & Pay Related Costs	5,029,545	4,013,751	5,896,091	3,690,988	723,984	6,457,779	25,812,138	26,796,559	27,894,066
Indirect Employee Related Costs	450			388,784			389,234	565,086	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	2,681,072	1,776,847
Corporate Subscriptions						1,168	1,168	26,168	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	2,096,370	1,669,738
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					48,138		48,138		
Total Expenditure	5,383,995	11,282,141	6,374,883	6,268,120	7,704,030	131,492,640	168,505,808	172,709,712	172,383,534
Income									
LEP Grant Income		(8,773,552)					(8,773,552)	(8,158,989)	(6,682,862)
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)	(74,488,915)	(73,122,170)
Net Expenditure	(108,967)	608,408	5,487,012	6,126,857	5,597,030	78,925,702	96,636,042	98,220,797	99,261,364
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)	2,043,755	3,547,[illegible]22

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Appendix 3

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West Yorkshire Combined Authority - Summary Capital Budget

Capital Expenditure (Programmes)	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	320,148	741,887	0	0	1,062,035
Housing and Regeneration	3,284,920	6,500,000	0	0	9,784,920
West Yorkshire plus Transport Fund	51,210,000	110,670,000	183,420,000	165,990,000	511,290,000
Economic Resilience	4,647,050	4,181,524	0	0	8,828,574
Enterprise Zone Development	2,901,717	12,337,000	0	0	15,238,717
Growth Deal - Other	2,000,000	2,000,000	0	0	4,000,000
Leeds Public Transport Investment Programme	59,475,661	88,233,338	12,000,000	0	159,708,999
Local Transport Capital	16,483,691	13,129,332	13,104,000	13,104,000	55,821,023
Highways Maintenance / Pothole Action	29,997,000	29,997,000	29,997,000	29,997,000	119,988,000
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
A - Total Capital Spend	221,758,938	414,855,014	424,989,726	337,611,892	1,399,215,570

Capital Funding	2019/20 £	2020/21 £	2021/22 £	2022/23 £	Total £
Growth Deal (including b/fwd)	(128,887,320)	(129,527,273)	(48,300,000)	(48,300,000)	(355,014,593)
Leeds Public Transport Investment Programme	(70,948,197)	(88,760,803)	0		(159,709,000)
Local Transport Capital	(16,483,691)	(13,129,331)	(13,104,000)	(13,104,000)	(55,821,022)
Highways Maintenance / Pothole (DfT)	(29,997,000)	(29,997,000)	(29,997,000)	(29,997,000)	(119,988,000)
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)
	(278,699,220)	(387,499,790)	(277,662,949)	(219,921,892)	(1,163,783,852)
Annual (surplus) / deficit - indicative financing requirement	(56,940,283)	27,355,223	147,326,777	117,690,000	235,431,718

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Appendix 4

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West Yorkshire Combined Authority

Capital Strategy 2020/21 – 2029/30

Revised: April 2020

Content

1. INTRODUCTION AND BACKGROUND

This Capital Strategy is an overarching document which sets the policy framework for the development, management and monitoring of capital investment for the West Yorkshire Combined Authority. The strategy focuses on core principles that underpin the authority's capital programme; its short, medium and long-term objectives; the key issues and risks that will impact on the delivery of the programme; and the governance framework required to ensure the capital programme is delivered and provides value for money.

The capital strategy aligns with the key strategies and priorities including those set out in the Strategic Economic Plan. The strategy is integrated with the medium term financial strategy and treasury management strategy.

The Combined Authority will agree the capital strategy and programme annually and as necessary in the event of a significant change in circumstances. The programme includes schemes relating to the Combined Authority's own assets, schemes where we are responsible for direct delivery and schemes being delivered by our district partners.

The indicative capital programme approved 6 February 2020 is shown below:

West Yorkshire Combined Authority - Summary Capital Budget

Capital Expenditure (Programmes)	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	320,148	741,887	0	0	1,062,035
Housing and Regeneration	3,284,920	6,500,000	0	0	9,784,920
West Yorkshire plus Transport Fund	51,210,000	110,670,000	183,420,000	165,990,000	511,290,000
Economic Resilience	4,647,050	4,181,524	0	0	8,828,574
Enterprise Zone Development	2,901,717	12,337,000	0	0	15,238,717
Growth Deal - Other	2,000,000	2,000,000	0	0	4,000,000
Leeds Public Transport Investment Programme	59,475,661	88,233,338	12,000,000	0	159,708,999
Local Transport Capital	16,483,691	13,129,332	13,104,000	13,104,000	55,821,023
Highways Maintenance / Pothole Action	29,997,000	29,997,000	29,997,000	29,997,000	119,988,000
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
A - Total Capital Spend	221,758,938	414,855,014	424,989,726	337,611,892	1,399,215,570

Capital Funding	2019/20 £	2020/21 £	2021/22 £	2022/23 £	Total £
Growth Deal (including b/fwd)	(128,887,320)	(129,527,273)	(48,300,000)	(48,300,000)	(355,014,593)
Leeds Public Transport Investment Programme	(70,948,197)	(88,760,803)	0		(159,709,000)
Local Transport Capital	(16,483,691)	(13,129,331)	(13,104,000)	(13,104,000)	(55,821,022)
Highways Maintenance / Pothole (DfT)	(29,997,000)	(29,997,000)	(29,997,000)	(29,997,000)	(119,988,000)
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)
	(278,699,220)	(387,499,790)	(277,662,949)	(219,921,892)	(1,163,783,852)
Annual (surplus) / deficit - indicative financing requirement	(56,940,283)	27,355,223	147,326,777	117,690,000	235,431,718

2. CORE PRINCIPLES THAT UNDERPIN THE CAPITAL PROGRAMME

The core principles for the capital programme are summarised below and shown in more detail at Annex A.

- Capital investment decisions reflect the aspirations and priorities included within the Strategic Economic Plan, Transport Plan and other organisational strategies;
- Schemes to be added to the capital programme will be subject to our Assurance Framework, prioritised according to strategic and economic fit, availability of resources (capacity and financial) and scheme specific funding and factors such as legal, statutory obligations, health and safety considerations, value for money and the longer-term impact on the authority's financial position.
- The cost of financing capital schemes, net of revenue benefits, are profiled over the lifetime of each scheme and incorporated into the medium-term financial strategy and annual revenue budget.
- Commissioning and procuring for capital schemes will comply with the requirements set out in our financial regulations and contracts standing orders.

3. GOVERNANCE FRAMEWORK

The Combined Authority is the accountable body for the Local Enterprise Partnership (LEP) and receives significant capital funding from government. As the accountable body it ensures that all spending decisions are overseen by locally elected politicians. A significant part of our expenditure is with district council partners who directly deliver a range of schemes to help transform the Leeds City Region economy.

The aim is for the Combined Authority to agree, with appropriate input from the LEP, the capital strategy and programme annually and in the event of a significant change in circumstances. In conjunction with the Assurance Framework, the Chief Finance Officer (Section 73) will consider the impact of proposed schemes in the capital programme with the medium term financial strategy, the capital resources available to the Combined Authority, the revenue implications of the proposed capital expenditure and any other relevant information.

Democratic decision-making and scrutiny processes provide overall political direction and ensure accountability for investment in the capital programme. These processes include:

- Combined Authority approving the plan which sets out the strategic priorities
- Combined Authority being ultimately responsible for approving the capital strategy, treasury management strategy and capital programme.
- The Combined Authority, Transport Committee and Investment Committee receiving regular capital monitoring reports, approving variations to the programme and considering new programmes / projects for inclusion in the

capital programme as part of the Assurance Framework and in line with LEP priorities.
- Managers being assigned projects in line with their responsibilities
- Overview and Scrutiny committee being able to call in decisions, receive and scrutinise reports
- All projects progressing through the capital programme follow the constitution, financial regulations and contracts standing orders.
- The capital programme is subject to internal and external audit reviews.

All capital expenditure is considered as part of a thorough appraisal / evaluation in line with the requirements of the Assurance Framework. The appraisal / evaluation will outline the key benefits that are expected to arise from projects in relation to priorities and economic and strategic fit. The evaluation will include the financial considerations such as the expected cost and funding sources identified, benefit-cost ratio, value for money and consideration of any risks to either the delivery or cost forecasts.

Approval to spend on individual capital schemes will only be given once procedural guidelines have been complied with and assessed to the satisfaction of the Assurance Framework which involves senior management, technical experts and Investment Committee, Transport Committee and Combined Authority as appropriate.

The Delivery Directorate, in support to senior managers, monitor the delivery of assigned capital programmes / projects. Any additions or variations to a capital programme / project must be considered via the Assurance Framework before being agreed by the Combined Authority directly or via related delegated authority.

4. SHORT, MEDIUM AND LONG-TERM CAPITAL PLANNING OBJECTIVES

The Combined Authority approves annually a refresh of the indicative capital programme that covers a three year period. The capital programme is a longer-term ambition, with the lifetime of new and existing assets stretching far into the future. The obligation for maintaining and improving operational buildings (including bus stations) is very long term and as such should be considered accordingly in financial and asset management planning. With regards to the latter an Asset Management Strategy is in development as at March 20202 and will be submitted for approval over the coming year.

The application and planning for the capital expenditure obligations and objectives for the Combined Authority can be considered over short, medium and long term time horizons.

Short to medium term (1-3 Years):

Within a shorter timeframe the focus of the capital strategy is towards the delivery and implementation of any capital scheme. At this stage, the management of potential risks in the acquisition or delivery of particular capital projects is of importance for the Combined Authority.

Within the short-term timeframe, the capital programme may be amended with the introduction of urgent, high priority capital projects. The overall programme will need to be flexible to ensure it can incorporate projects arising from previously unforeseen circumstances. As part of capital programme and resource management, projects may be phased over multiple years due to factors such as complexity, resourcing, legal and planning requirements.

Medium to long-term (4-10 Years)

There is typically a long lead time from identifying investment need or opportunity and to implementation. The medium-term timescale allows the Combined Authority to develop plans for the delivery and funding across capital projects as well as the contribution of this capital expenditure toward the Combined Authority's objectives and individual service priorities.

Early evaluation can be developed to allow the Combined Authority to assess the expected benefits and costs of capital expenditure and to identify the sources of funding, specific grants, external contributions or revenue budget contribution required to fund capital projects.

The Combined Authority incorporates the capital programme expenditure and funding projections into medium term cashflow forecasting which in turn feeds into the treasury management strategy for the Combined Authority. Decisions on debt financing will be influenced by capital projections as well as forecast capital receipts.

The capital programme and the implications of the programme for the Minimum Revenue Provision (see later in the strategy for more detail) and debt financing costs are incorporated into the medium term financial strategy.

Long Term: 10 Years Plus

The Combined Authority has some longer term plans that require capital investment consideration including:

- the Strategic Economic Plan (2016 – 2036)
- West Yorkshire Plus York Transport Plan (to 2036)
- the Local Transport Plan, branded as the Local Transport Strategy (to 2040)
- Future Funding Investment Strategy (draft November 2019)
- Reinvestment of Enterprise Zone Business Rate Income (to 2042)
- Asset Management Strategy (under development December 2019)

The Combined Authority can review and develop strategies for meeting investment need in the much longer term where there is considerable uncertainty and complexity.

For example understanding economic, social and technological factors that drive regeneration and redevelopment initiatives, long-term planning issues to deliver objectives e.g. the Combined Authority's ambition to deliver on the key elements of the Strategic Economic Plan (including Clean Energy, Infrastructure for Growth), and asset management planning for long-term property need and investment.

There is a clear link between long term planning for capital and for treasury management purposes. The Combined Authority's debt portfolio contains loans that mature in up to 30-50 years time. The debt repayment profile needs to be managed alongside the longer term expectations for capital expenditure and funding forecasts.

Long-term forecasts are not easily predicted and the accuracy of all financial estimates will be limited. However, long-term forecasting is valuable in informing strategic plans taking account of the cumulative sustainability and affordability of existing and planned investment, which will need to be repaid over future periods. For major projects and investment, the funding and financial implications need to be planned well in advance.

5. COMBINED AUTHORITY STRATEGIC ECONOMIC PLAN - CAPITAL INVESTMENT PRIORITIES

Capital investment plans are driven by the Strategic Economic Plan, the Combined Authority's key strategic document that sets out the vision, ambitions, values and priorities.

Key capital commitments in the capital programme include:

- Delivery of a programme of significant transport projects including Elland station, the rail park and ride programme and a potential new bus station at Halifax;
- Supporting district partners to deliver a range of major highways, public transport and sustainable transport initiatives including schemes through the West Yorkshire plus Transport Fund, Connecting Leeds and City Connect
- Supporting district partners to deliver a range of economic benefits including delivery of major capital infrastructure through the Skills Capital and Innovation and Flood Alleviation, and Housing and Regeneration programmes
- Alleviating fuel poverty and improving homes through the Better Homes and Warm Homes programmes
- Supporting digital inclusion through the provision of broadband infrastructure in urban and rural communities through the continued Superfast West Yorkshire and York programme
- Developing smart card technology, making it easier for bus and rail users when paying for their journeys
- Accelerating economic growth through the development of 10 sites within the Leeds City Region Enterprise Zone
- Delivery of the corporate head office accommodation project and Corporate Technology Programme.

6. ASSET MANAGEMENT PLANNING

The overriding objective of asset management within the Combined Authority is to achieve a corporate portfolio of property and equipment assets that is appropriate, fit for purpose and affordable. The Combined Authority's property portfolio consists mainly of operational properties (eg bus stations), investment properties (rented to tenants) and property held for development or regeneration purposes. The Combined Authority has specific reasons for owning and retaining property:

- Operational purposes e.g. assets that support core business and service delivery e.g. bus stations, office buildings and that provide a financial return (eg tenant rent)
- Regeneration, enabling strategic place shaping and economic growth.
- Delivery of major infrastructure eg in support of mass transit
- Delivery of the Enterprise Zone programme.

The Combined Authority is in the process of developing its Asset Management Strategy which will align with the Capital Strategy. It is anticipated that this strategy will include the approach to 'invest to save' projects, investment required, asset classes/ type, estimated revenue streams, risks, approach to lease, economic footprint, ethical value to the organisation.

Asset management is a key part of the Combined Authority's business management arrangements and is crucial to the delivery of efficient and effective services. The ongoing management and maintenance of capital assets will be considered as part of the strategy. The asset management planning includes an objective to optimise the Combined Authority's land and property portfolio through proactive estate management and effective corporate arrangements for the acquisition and disposal of land and property assets.

The Combined Authority will continue to realise the value of any properties that have been declared surplus to requirements in a timely manner, having regard to the prevailing market conditions.

7. COMMERCIAL ACTIVITY AND INVESTMENT PROPERTY

The Chartered Institute of Public Finance and Accountancy (CIPFA) defines investment property as property held solely to earn rentals or for capital appreciation or both. Returns from property ownership can be both income driven (through the receipt of rent) and by way of appreciation of the underlying asset value (capital growth). The combination of these is a consideration in assessing the attractiveness of a property for acquisition.

In the context of the Capital Strategy, the Combined Authority is in the process of considering plans to use capital (including capital grant) to invest in property / land to provide a positive surplus/financial return. The Combined Authority funds the purchase of property by borrowing money or use of capital grant. The rental income paid by the tenant contributes to the cost of repaying the borrowed money each year and is part of the annual revenue budget.

The reasons for buying and owning property are primarily:

- Financial returns to fund services
- Market and economic opportunity.
- Economic development and regeneration.

Historically, owned property has provided strong returns in terms of a stable income. Property investment is not without risk as property values can fall as well as rise and changing economic conditions could cause tenants to leave with properties remaining vacant. The strategy makes it clear that the Combined Authority will continue to invest prudently on a commercial basis and to take advantage of opportunities as they present themselves, supported by our robust governance process.

8. LOANS

The Combined Authority has discretion to make loans for several reasons, though primarily for economic development. These loans are treated as capital expenditure. In making loans the Combined Authority is exposing itself to the risk that the borrower defaults on repayments and must therefore ensure it is prudent and has fully considered the risk implications, regarding both the individual loan and that the cumulative exposure of the Combined Authority is proportionate and prudent.

The Combined Authority will ensure that a full due diligence exercise is undertaken, that the formal Assurance Framework processes are used to assess the business case and associated loan risk, benefits and opportunities and that security is in place. All loans under the existing programme are agreed by the Combined Authority and are subject to close, regular monitoring.

9. CAPITAL FUNDING

Capital expenditure for the Combined Authority is financed through a variety of sources, typically:

- Capital grants from government (including Local Enterprise Partnership funding)
- Non-Government funding (eg European Funding)
- Receipts from the sale of capital assets
- The use of revenue budget contributions and general reserves
- Leasing
- Section 106 contributions
- Private Finance Initiatives (PFI)
- Borrowing
- Joint Ventures
- Equity Investment

Capital Grants:

Capital resources from Central Government can be split into two categories:

a. Ring-fenced – resources which are ring fenced to particular areas and therefore have restricted uses, specified by the funder.

   This currently encompasses most of the Government funding received by the Combined Authority.

b. Non-ring fenced – resources which are delivered through grant that can be utilised on any project (albeit that there may be an expectation of use for a specific purpose).

Non-Government Funding

Where there is a requirement to make an application to an external agency to receive external funding, and, when appropriate, to commit Combined Authority resources as matched funding to any bid for external resources, the proposal goes through the Assurance Framework for consideration / approval. The business case must demonstrate how the project aligns to the Combined Authority's priorities and how matched funding and any revenue consequences can be managed within the context of the capital and revenue budget, including consideration of the timing of which funds ae used first.

Capital Receipts

Capital Receipts come from the sale of the Combined Authority's assets.

Where the sale of an asset leads to the requirement to repay grant, the capital receipt will be utilised for this purpose. Once this liability has been established and provided for, capital receipts will be available to support the capital programme as a corporate resource.

There will be no ring-fencing of capital receipts to specific projects unless the use of the receipt is governed by legislation or by a specific agreement. However, where the asset has been funded from prudential borrowing a review will be undertaken to determine whether the most cost effective option is to utilise the receipt to repay debt, considering the balance sheet position of the Combined Authority.

There is no current strategy for the use of capital receipts. However future consideration will be given to the following:

- To provide for an MRP holiday to the value of external loan payments generating a revenue budget saving;
- To consider forgoing the immediate capital receipt for longer term and sustainable income stream through development of sites or other projects.
- To invest in further economic activity in support of the SEP.

Revenue budget contributions and general reserves

An element of the revenue budget can be set aside to fund the capital programme (Direct Revenue Financing). The annual refresh of the capital programme will detail any amount that is forecast to be available in upcoming years, however with increasing revenue budget pressures and diminishing, available reserves, any such amounts will be limited and will need to be regularly reviewed.

A directorate / service area may wish to offer some of its revenue budget to support the financing of a capital project. This may be acceptable if it can be demonstrated that this funding is unrestricted.

Leasing

The Combined Authority does have the option to lease assets utilising an operating lease arrangement, though due to Prudential Borrowing this source of financing is becoming less attractive.

The International Accounting Standards Board have reviewed how leased assets are treated and in January 2016 issued a new standard for annual periods starting on or after the 1st January 2019. This will need to be reflected as part of any business case proposals.

Section 106 contributions (S106)

Our district partners make S106 agreements with developers / landowners as part of the planning approval process to ensure that new development mitigates its own impact and provides the necessary site specific infrastructure to support it. The Combined Authority accesses these contributions via the district partners as appropriate.

These contributions are site specific or can be ‘pooled’ for a maximum of five site specific projects. Any contributions received are ‘ring-fenced’ for the purpose as set out in the relevant S106 agreement and can be applied to fund schemes within the relevant capital programme.

The S106 contributions are time limited in that if they are not spent within an agreed timescale, typically 5 – 10 years, dependent on what has been agreed in the S106 agreement and any funds not spent in line with the agreement would have to be repaid to the developer, which, may include interest.

Consideration of available S106 funding should be taken into consideration when agreeing the use of the available funding and reduce the reliance on other sources of funding, predominantly borrowing.

Private Finance Initiatives (PFI)

PFI is a means by which the Combined Authority can facilitate major new infrastructure projects. PFI schemes involve partnerships between the public and private sector to fund public sector infrastructure projects with private capital.

Under PFI, a private sector contractor agrees to accept the risks associated with the design, construction and maintenance of the asset over the contract term, which is typically for a 25 year period. The public sector partner pays an annual fixed price during the contract term, part of which is subject to inflation. At the end of the term, the asset is wholly owned by the Combined Authority.

No PFI projects are currently being proposed and any future proposals would require approval by the Combined Authority having been evaluated beforehand through the Assurance Framework.

Borrowing

Any capital expenditure not financed by the above may need to be funded by borrowing, though currently the Combined Authority can only borrow money for a purpose **relevant to its transport functions**.

Existing Combined Authority debt is the consequence of historical capital expenditure. The Combined Authority can temporarily utilise other resources in lieu of external borrowing to fund capital expenditure (ie internal borrowing from cash balances).

The Combined Authority will investigate opportunities to resource capital projects using prudential borrowing where plans are sustainable, affordable and prudent. Full appraisal will take place to ensure that, where appropriate, sufficient revenue returns are generated to cover the cost of borrowing.

Where it is considered that prudential borrowing is the appropriate method of funding, but it requires additional revenue financing, the cost will be built into the revenue budget planning process. There are various debt instruments available for financing prudential borrowing and these are explored in more detail in the Treasury Management Strategy.

The Public Works Loan Board (PWLB) remains the Combined Authority's preferred source of long term borrowing given the transparency and control that its facilities continue to provide.

An alternative debt instrument available to the Combined Authority is the European Investment Bank (EIB) facility which was established in 2018. The EIB provides an option to provide a flexible financing offer to support the West Yorkshire plus Transport Fund. Many of the Combined Authority's schemes in the Fund meet the EIB funding criteria and this would provide an attractive alternative to the traditional PWLB lending. The UK's decision to withdraw from the European Union does not preclude this arrangement taking place.

It is not proposed at this stage that the Combined Authority enter into any other 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.

Joint Ventures (JV)

A joint venture is a cooperative enterprise entered into by two or more entities for the purpose of a specific project or other business activity. The reason for a joint venture is usually some specific project.

JVs are commonly formal arrangements and they can be short term or long term. Often the JV creates a separate business entity, to which the owners contribute assets, have equity, and agree on how this entity may be managed. The new entity may be a corporation, limited liability company, or partnership.

In other cases, the individual entities retain their individuality and they operate under a JV agreement. In any case, the parties in the JV share in the management, profits, and losses, according to a joint venture agreement (contract).

Joint ventures are often entered into for a single purpose but they may also be formed for a continuing purpose.

The Combined Authority currently has one JV with Leeds City Council for the Next Generation Technology (NGT) assets (primarily land and buildings).

Any future JV proposals require approval by the Combined Authority having been evaluated beforehand through the Assurance Framework or other relevant approval processes.

Equity Investment

An equity investment generally refers to the buying and holding of company shares in anticipation of income from dividends and capital gains.

The Combined Authority do not currently have any equity investments. Any future proposals require approval by the Combined Authority having been evaluated beforehand through the Assurance Framework or other relevant approval processes.

10. REVENUE BUDGET IMPLICATIONS FROM CAPITAL INVESTMENT DECISIONS

In approving the inclusion of schemes and projects within the capital programme, the Combined Authority ensures all the capital and investment plans are affordable, prudent and sustainable. In doing so the Combined Authority will consider the arrangements for the repayment of debt, through a prudent MRP policy in line with MRP guidance produced by the Ministry of Housing, Communities and Local Government.

The capital financing charges and any additional running costs arising from capital investment decisions are incorporated within the annual revenue budget and medium term financial plans. This enables the Combined Authority to consider the consequences of capital investment alongside other competing priorities for revenue funding.

Long Term revenue implications of capital investment decisions

Capital investment decision making is not only about ensuring the initial allocation of capital funds meets the corporate and service priorities but ensuring the asset is fully utilised, sustainable and affordable throughout its whole life. This overarching commitment to long term affordability is a key principle in any capital investment appraisal decision. In making its capital investment decisions the Combined

Authority must have explicit regard to consider all reasonable options available. These would include sustainable revenue streams achieved through initiatives such as business rates receipts (EZ programme), tenant rental income (Bus station development) and interest earned from loans (Future Investment Fund, Growing Places Fund).

11. RISK APPETITE

This section considers the Combined Authority's risk appetite regarding its capital investments and commercial activities, i.e. the amount of risk that the Combined Authority is prepared to accept, tolerate, or be exposed to at any point in time. It is important to note that risk will always exist in some measure and cannot be removed in its entirety.

A risk review is an important aspect of the consideration of any proposed capital or investment proposal. The risks will be considered in line with the risk management strategies we have in place and commensurate with the Combined Authority's relatively low risk appetite on financial matters. The Combined Authority's risk appetite statement is summarised in the table below.

<table>
<tr><th></th><th colspan="5">Low ↔ High Appetite</th><th></th></tr>
<tr><th></th><th>1</th><th>2</th><th>3</th><th>4</th><th>5</th><th></th></tr>
<tr><td>Legal Compliance and Regulation</td><td>1</td><td></td><td></td><td></td><td></td><td rowspan="2">This is something for which the CA 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.</td></tr>
<tr><td>Safety and Security</td><td>1</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Finance and Resources</td><td></td><td>2</td><td></td><td></td><td></td><td rowspan="3">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.</td></tr>
<tr><td>Reputational</td><td></td><td>2</td><td></td><td></td><td></td></tr>
<tr><td>Environmental</td><td></td><td>2</td><td></td><td></td><td></td></tr>
<tr><td>Service Delivery and Operational</td><td></td><td></td><td>3</td><td></td><td></td><td>The CA 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.</td></tr>
<tr><td>Transformational Change</td><td></td><td></td><td></td><td>4</td><td></td><td rowspan="2">This is an area in which the CA has an increased appetite for risk. More uncertainty can be tolerated in seeking opportunities for improvement, commercialisation or innovation.</td></tr>
<tr><td>Development and Regeneration</td><td></td><td></td><td></td><td>4</td><td></td></tr>
</table>

Subject to careful due diligence, following the formal Assurance Framework or other appropriate approval processes, the Combined Authority may consider a moderately higher level of risk for strategic initiatives, where there is a direct gain to the Combined Authority's revenues or the ability to deliver its statutory duties more effectively and efficiently.

Many schemes are delivered by district partners and funded by the Combined Authority. Our partners undertake their own risk assessments for these schemes, though these risks are considered as part of the assurance approval process.

12. KNOWLEDGE AND SKILLS

The Combined Authority has professionally qualified staff across a range of disciplines including finance, legal and property, however there are a number of capital projects and programmes which will require the use or addition of specialist technical advisers or development of a new commercial team, e.g. future investment funding programme, Enterprise Zones and new rail station development.

A review of capacity and skills is continually being considered to get the Combined Authority to the level of performance required, especially in relation to commercial skill sets. A review of the internal procurement team has been completed and a new structure introduced with the required expertise. A review of financial ICT systems is also planned to ensure key functions are supported.

The Combined Authority establishes project teams from all the professional disciplines from across the Combined Authority as and when required and has a dedicated Delivery Directorate that focuses on delivering new capital proposals, directly or with district partners, once they pass through Decision Point 2 of the Assurance Framework. In addition, our Transport Services Directorate is responsible for the Combined Authority's assets including repair and maintenance, development and commercialisation of those assets.

External professional advice is taken where required and will always be sought in consideration of any major commercial property or investment decision.

13. Capital Programme Performance Monitoring

The Combined Authority Senior Management Team will review the financial performance of the capital programme on a regular basis.

Financial monitoring reports will be considered by the Combined Authority and Investment Committee at each of its meetings, together with a capital outturn report.

Where a potential cost overrun has been identified, the Combined Authority and Investment Committee will explore possible solutions in detail. It will also consider any underspending or identified surplus resources which can be reallocated to other priorities.

Where there is a delay in the commitment of programme/project resources, the Combined Authority requires programme / project managers / capital delivery leads to report the reasons for the delay and consider whether it would be appropriate to recommend the decommissioning of the project and the reallocation of non ring-fenced resources to other projects. It is recognised that there may be potential revenue consequences of doing this due to the capital accounting requirement to transfer abortive costs to revenue.

The Transport Committee meetings also includes monitoring reports on the implementation and delivery of the individual transport projects that they are responsible for in order provide additional oversight for specific schemes within their remit.

The performance of the capital programme is also measured by the prudential indicators which are reported as part of the Treasury Management Strategy and quarterly reviews with officers.

The Combined Authority annual Internal Audit Plan may also include a review of the capital programme and internal control environment that supports the decision making processes.

14. Investments for a Return

Beyond those investments for cash management purposes and for service enhancement, the Combined Authority may also make investments, with a range of economic and social objectives in mind, but with a key element being on making a return on the investment. It is these types of investments which are the focus of this section of the Capital Strategy.

The Combined Authority is an organisation heavily governed by statute and it is not a commercial organisation with the purpose of making a financial return for shareholders. Nonetheless like any organisation it does need to fund its activities and with more traditional funding sources, such as government grants, substantially decreasing, there is a need to look to more innovative ways of generating income. The financial return on investments being one such approach in addition to other intangible social and regeneration benefits these investments can yield.

The remainder of this section seeks to set out the nature of investments the Combined Authority will engage in and the circumstances in which it will do so.

Financial Investments

Financial Investments can fall into three categories, namely: Specified Investments, Loans and Non-specified Investments.

Specified and non-specified investments are only likely to be undertaken on either a short, or a long term basis as part of managing the Combined Authority’s cash flows and are therefore covered by the Treasury Management Strategy rather than here.

Loans may also be used for treasury management purposes, but where they are used in support of service delivery objectives this is covered by the Loans and Guarantees Financial Instruction.

The Combined Authority is in the process of developing a Future Investment Strategy (as at February 2020).

Non-Financial Investments

For the purposes of this strategy a non-financial investment is a non-financial asset held by the Combined Authority primarily, or partially to generate a surplus. This might be through an anticipated appreciation in the capital value of the asset, or by way of delivering a regular income stream, or a combination of both. However, in the current financial climate the emphasis is likely to be on assets that generate a regular income stream.

Although the Combined Authority remains open minded to consider a range of opportunities the high likelihood is that non-financial investments will involve property assets. Chosen carefully, property offers the opportunity for a higher yield and less volatility than financial investments, however, it is an illiquid asset and carries with it the inherent risk of being unable to respond quickly enough to changes in market conditions.

The Combined Authority is in the process of developing its Asset Management Strategy which will align with the Capital Strategy. It is anticipated that this strategy will include investment required, asset classes/ type, estimated revenue streams, risks, approach to lease, economic footprint, ethical value to the organisation.

15. Minimum Revenue Provision

Minimum Revenue Provision (MRP) is the charge to the revenue budget made in respect of paying off the principal sum of the borrowing undertaken to finance the capital programme. MRP, which is largely defined by regulation, is aimed at ensuring that the Combined Authority does not have time expired/fully depreciated assets whilst still holding associated outstanding debt.

For borrowing up to prior April 2019 annual MRP is calculated using 4% on debt outstanding. For capital expenditure incurred on or after 1 April 2019 and funded through borrowing, MRP is calculated using the asset life annuity method. Using this method MRP is calculated in a similar way as calculating the capital repayment element of a fixed rate repayment mortgage. In accordance with provisions in the guidance, MRP will be first charged in the year following the date that an asset becomes operational.

The asset life annuity method calculation requires estimated useful lives of assets to be input into the calculations. These life periods will be determined under delegated powers to the Chief Financial Officer, regarding the statutory guidance, and are detailed in the Accounting Policies. However, the Combined Authority reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the asset life annuity method would not be appropriate.

Where capital expenditure cannot be related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

Recognising the impact of MRP on the revenue budget is an important element in determining the affordability and sustainability of borrowing to fund an asset. Essentially, if there is no on-going capacity within the revenue budget to afford the MRP then the borrowing should not be taken out in the first place. Therefore, a robust business case demonstrating a rate of return in excess of costs (including MRP) is important and to be considered as schemes progress through the Assurance Framework.

Annex A

CORE PRINCIPLES UNDERPINNING THE CAPITAL PROGRAMME

In considering schemes for inclusion in the capital programme, regard will be had to the following principles undertaken via the formal Assurance Framework:

- strong strategic fit with existing SEP priorities;
- schemes to be included in the Capital Programme should follow an appropriate level of due diligence and assurance regarding deliverability /practicability (eg formal Assurance Framework);
- prior to mobilisation, all projects should be supported by an affordable and sustainable plan, including carefully consideration of value for money and options appraisal (eg benefit cost ratios);
- environmental and social sustainability issues should be built into project appraisal where appropriate
- capital appraisal should also promote schemes which provide a direct gain to the Combined Authority's revenues, including revenue savings, within agreed risk appetite, e.g. business rate growth, commercial investment return and "invest to save" outcomes;
- the financial implications of capital investment decisions will be properly appraised as part of the Assurance Framework;
- available resources will be identified for investment over the capital planning period;
- available capital funding will be optimised e.g. through surplus asset disposal strategy, maximising use of planning gain, by corporately pooling capital receipts and by exploring external financing sources;
- that capital funding decisions minimise or mitigate the ongoing revenue implications of capital investment decisions i.e. assessment made of lifetime cost and liabilities;
- the financial implications of capital investment decisions should be fully integrated into revenue budget and longer term financial plans i.e. lifetime cost and liabilities;
- robust governance arrangements are in place for all programmes and projects, clearly defining responsibility for the delivery of individual schemes within the capital programme;
- all capital schemes follow appropriate project management arrangements;
- there are effective working relationships with district partners and other delivery partners;
- that projects are reviewed on completion to ensure key learning opportunities are maximised;
- that projects are monitored throughout and upon completion to ensure anticipated benefits have been realised.

Document control

Title:	**Capital Strategy (2020/21 – 2029/30)**
Version number:	Version 3.2 *(previous version 3.1 April 2019)*
Effective from:	1st April 2020 *(Date effective from)*
Authorised by:	MD/SMT/SLT - *(25/2/2020)*
Policy Owner:	Head of Finance
Directorate:	Corporate Services
Unique document ID reference:	*TBC – for records management purposes*

Corporate Risk Update

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		

Corporate risk summary

			Probability	Impact	Mitigation summary
Very high X5	CRR - SD1	**There is a risk that** we fail to fully deliver projects and programmes (i.e. Growth Deal) within timescales or budget, or with the anticipated level of benefits, **due to** over-optimistic profiles, capacity within District partners and recruitment and retention challenges.	Possible 3	Critical 5	• Significant monitoring and controls in place through PMO • Continuing support through 'District Pool' project resource • Call for projects to ensure healthy pipeline of projects/ programmes (2017) • Reviewing WY+TF portfolio with Chief Highways Officers • Review of housing outputs underway with district partners
	CRR - SD2	**There is a risk that** there are challenges and disruption to the way in which the Combined Authority provides services and the resources available to deliver those, **due to** uncertainty surrounding the UK's future relationship with the EU.	Possible 3	Critical 5	• Brexit working group in place with Director representation and links to West Yorkshire Resilience Forum • Ongoing liaison with Bus Operators for reassurance on preparation for fuel or labour shortages • Communications and media campaign has increased to focus on effective signposting and support • Monitoring of legislative developments • Additional grant funding available to support local businesses • Secured additional resources, and refocussed existing ones, to support more businesses to prepare for Brexit and to gain a better understanding of impacts/opportunities on the economy. • Identifying any projects which may be vulnerable to shortages in skilled labour or supply chain disruption
	CRR -FR3	**There is a risk that** the Combined Authority does not secure an enhanced devolution deal or secure extensions to current funding agreements, **due to** government policy and failure to secure local agreement.	Possible 3	Critical 5	• Devolution discussions continuing as a key priority • Development of pipelines to be 'bid' ready • Development of devolution 'Asks'.
	CRR - SD5	**There is a risk that** there will be a major impact on achievement of organisational objectives and/or a need to reconsider objectives and divert resources, **due to** a major unanticipated change in national policy (Brexit; major change in govt policy).	Possible 3	Critical 5	• Continued dialogue with Government • Policy and Strategy directorate continuing to monitor emerging national trends • Continued work with local LEPs and Combined Authorities
	CRR - SD6	**There is a risk that** there could be major disruption to the delivery of business critical and frontline services, **due to** the Conronavirus outbreak and changes in the national response to this.	Possible 3	Critical 5	• Ongoing monitoring of latest developments and Government advice • Continued update of service-specific business recovery plans to ensure scenarios impacting on critical services are identified and planned for • Precautionary measures in place and staff communications continuing

			Probability	Impact	Mitigation summary
16 **High** **x6**	CRR-FR1	**There is a risk that** key services will cease and the knowledge and expertise we have developed to deliver them will be lost, **due to** uncertainty surrounding the availability and timing of future funding streams.	Possible 3	Serious 4	• Ongoing budget discussions with District partners • Ongoing devolution discussions with key stakeholders and Government, including the UK Shared Prosperity Fund • Regularly reviewing additional funding opportunities • Preparation of a submission to the 2020 Spending Review • Ongoing liaison with BEIS/DIT regarding continued funding
	CRR-DR1	**There is a risk that** a major contractor/supplier/recipient of Combined Authority funding encounters significant financial difficulties, or enters administration or liquidation, and are therefore unable to deliver agreed projects, **due to** current uncertainties within the construction industry.	Possible 3	Serious 4	• Contractual KPIs & penalty clauses • Agreed escalation routes in contracts • Ability to de-scope via change requests with partner buy-in • Embed security measures into as many contracts as possible e.g. bond, legal charge, priority in lending hierarchy • Regular financial checks in place through Procurement & contract/loan monitoring • External consultants procured to advise on future investment strategy/due diligence processes for more commercial deals
	CRR-FR2	**There is a risk that** there is insufficient floorspace to generate projected business rates income, **due to** challenges in bringing forward Enterprise Zone sites within Growth Deal funding and occupier incentive timescales.	Possible 3	Serious 4	• Progress policy gap workstreams in parallel with Delivery • Progress detailed due diligence & potential funding/overage agreement negotiations • Identify other potential land/property income streams for GD monies
	CRR-SS1	**There is a risk that** a major accident or injury occurs at a Combined Authority facility, **due to** the high volume of people and inherent operational risks present in a bus station, transport interchange or Combined Authority facility.	Unlikely 2	Critical 5	• Health and safety policies, procedures and processes in place • Staff training • Ongoing review of Health and Safety risks • Working with district emergency planning units to share knowledge and develop joint plans • Continued working with police on preventative measures • Business Continuity and Disaster Management workshops taking place at corporate level
	CRR-DR2	**There is a risk that** significant travel disruption arises from the implementation of major transport investment programmes, **due to** their intrusive nature, and a lack of effective communication or co-ordination.	Possible 3	Serious 4	• Close working with programme sponsors on phasing out of construction • Mitigating travel arrangements • Creation of a 'travel demand management plan' to inform and influence travel behaviours • Economic analysis taking place to further assess current situations and potential future risks
	CRR-SD3	**There is a risk that** there is a substantial reduction or alternation of services to customers, **due to** the business failure, sale, or substantial change in bus/rail providers.	Possible 3	Serious 4	• Close relationships with operators to obtain early warnings • Dialogue with DFT, TFN • Work commissioned and in progress to consider future bus options