

West Yorkshire Combined Authority

Annual Governance Statement 2020/21

1. Scope of Responsibility

West Yorkshire Combined Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Combined Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Combined Authority is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions including arrangements for the management of risk. The Combined Authority annually approves a Code of Corporate governance consistent with the principles of CIPFA Solace framework "Delivering good governance in Local Government".

In accordance with the Accounts and Audit Regulations 2015 this Annual Governance Statement (AGS) considers compliance with the Corporate Governance Code and Framework, and sets out how the Combined Authority 'ensures that the financial management is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk.'

2. The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the Combined Authority is directed and controlled and its activities through which it accounts to and engages with the community. It enables the Combined Authority to monitor the achievement of strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services for its customers.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Combined Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and their impact should they be realised, and to manage them efficiently, effectively and economically.

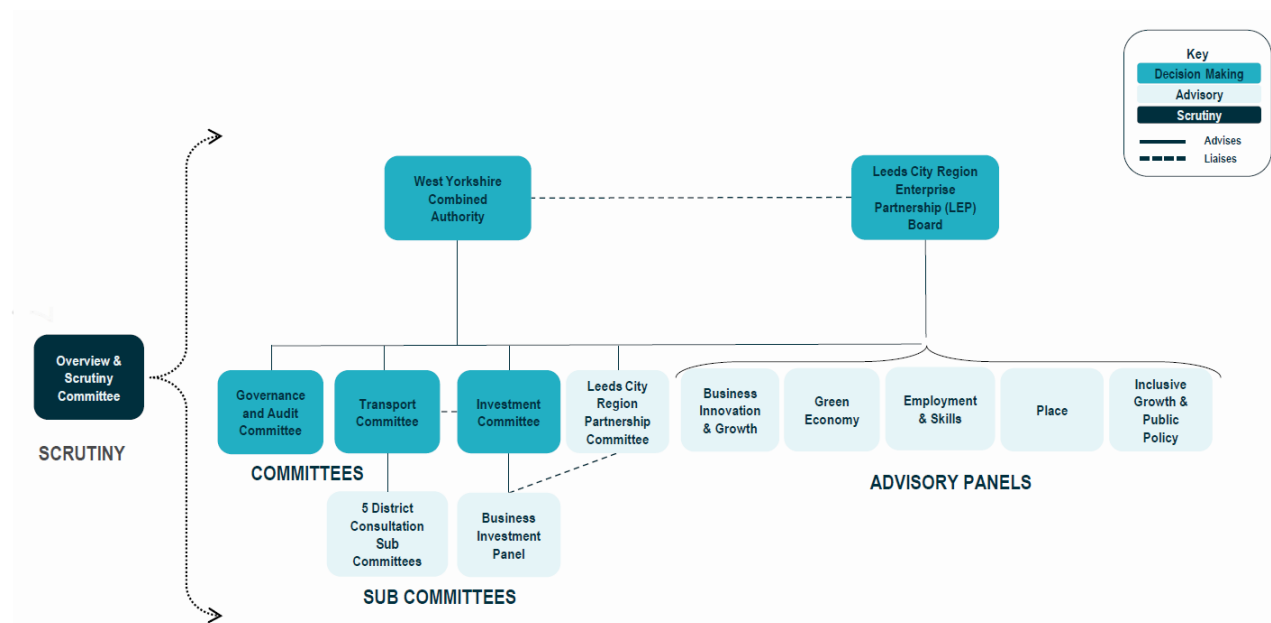
The governance framework has been in place at the Combined Authority throughout the year ended 31 March 2021 and up to the date of approval of the financial statements.

3. The governance framework

There are a number of key elements of the systems and processes that comprise the Combined Authority's governance arrangements. These are set out in the approved Corporate Governance Code and Framework and which is available on its website. The Combined Authority took on accountable body status for funding awarded to the Leeds City Region Enterprise Partnership (LEP) from 1 April 2015 and governance arrangements

reflect this responsibility and continue to develop to further enhance this. During 2017/18 a review of these arrangements resulted in formalising the LEP advisory panels that provide policy direction and guidance to the LEP Board and these arrangements remained in place for 2020/21, with ultimately financial approvals provided by the Combined Authority.

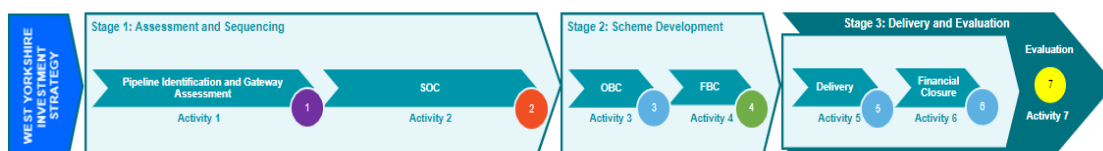
Governance Structure



- Corporate policies and objectives are set and communicated by the Combined Authority. The Combined Authority has clearly defined its ambitions to work with its partners across the region to effect economic growth in the Leeds City Region; these ambitions are set out in the both the Strategic Economic Plan (SEP) and then in the newly formed Strategic Economic Framework (SEF). Both the SEP and SEF presents investment priorities across the four pillars of growing business, developing a skilled workforce, clean energy and environmental resilience and delivering the infrastructure for growth. The SEF has been endorsed by both the LEP and Combined Authority Boards and will be kept under regular review to ensure it continues to align with the region's needs and recognises relationships with new and emerging strategies.
- The LEP panels (with their public and private sector representation) are integrated into the Combined Authority's decision making process as advisory committees, thus providing a consistent, accountable and transparent framework across both the LEP and the Combined Authority, so far as possible. The status of the advisory committees brings the panels under the statutory provisions relating to local authority meetings and the Combined Authority's Members' Code of Conduct.
- A review of LEP governance and transparency was carried out during 2017/18 which considered local arrangements and recommendations from the DCLG Review of Local Enterprise Partnership Governance and Transparency. The review led to the adoption of a LEP constitution and associated procedures that have been in place for 2020/21. All documents were reviewed by the LEP, further to the publication by Government of the revised National Local Growth Assurance Framework guidance. All governance documents comply with the guidance published by Government. The

outcome of the most recent Annual Conversation carried out by the Cities and Local Growth Unit confirmed that the LEP meets the standards for governance (the outcome for 2020/21 was either met or not met).

- d) The statutory Local Transport Plan (LTP) in place for 2020/21 was adopted by the Combined Authority in August 2017 and sets out a step change in the quality and performance of the transport system within West Yorkshire and its connections with the rest of the country. It sits within the policy framework of the Combined Authority, with the development of a Leeds City Region Industrial Strategy at its heart, targeted at placing the City Region on the front-foot with an ambitious policy platform that improves competitiveness and drives inclusive growth outcomes.
- e) A suite of supporting plans and strategies set out further detail on a range of priority areas, including housing and regeneration, digital infrastructure, green infrastructure, skills and trade and investment.
- f) The Leeds City Region Assurance Framework is in line with national best practice and is peer reviewed and has been updated on an annual basis building on existing good practice and reflecting any changes in both government guidance and improvements to the Combined Authority's procedures. The Assurance Framework was comprehensively reviewed during 2020/21, as part of the required preparations for becoming a Mayoral Combined Authority and to comply with the revised National Local Growth Assurance Framework Guidance. The changes were considered and endorsed through internal governance arrangements and submitted and approved by Central Government in February 2021. The Assurance Framework supports decision making on projects and guides investment decisions across the full portfolio of capital interventions. It sets out the appropriate safeguards and processes to be put in place to ensure the proper use of public funds and that value for money is secured and outcomes are clearly agreed when investing in schemes. This includes the prioritisation process for identifying the schemes that are included for funding with a three stage approval process now in place to enable the prioritisation of schemes. As a minimum all projects will formally need to pass decision points 2 and 5 as set out in the diagram below, with the requirement to meet the intervening activities deemed on a project by project basis. The Investment Committee will consider the majority of projects at these points with the Combined Authority approving all schemes at decision point 2, with subsequent decisions delegated thereafter to the Investment Committee and/or Managing Director (as appropriate).



- g) The Combined Authority's scrutiny arrangements consist of a politically balanced Overview and Scrutiny Committee of 18 members co-opted from the five West Yorkshire Councils and York. This year the committee has scrutinised the effects of COVID, business support, COVID recovery, mayoral devolution consultation and strategic transport issues such as the new connectivity plan including plans for mass transit in West Yorkshire. In addition, the committee has maintained an overview of developments in preparations for the first mayoral election and getting the organisation 'mayor ready' and the usual budget and corporate planning process.

The committee's planned reviews into business support schemes and the climate emergency were interrupted by covid-19 and the committee plans to revisit them in the future.

In addition, the Combined Authority continues to assist and advise local Council scrutiny enquiries where the topics affect its sphere of activity. The District Consultation Sub-Committees in each partner council give a level of local involvement and allow an opportunity to obtain feedback on changes to transport policy and services.

- h) The Combined Authority's Governance and Audit Committee is responsible for overseeing the effective operation of the systems of governance, risk management, internal control (including internal audit) and treasury management. It has responsibility for the approval of the annual accounts. In accordance with changes in legislation an independent member was appointed to the Committee by the Combined Authority at its meeting on 28 June 2018, who chaired the committee until 11th January 2021, with a member of the Combined Authority chairing thereafter. A further independent member was appointed in 2019. An officer Regulatory and Compliance Board chaired by the Director, Corporate and Commercial Services, provides an operational level management and review of internal control, risk, health and safety, information security and governance arrangements in place.
- i) Staff roles are defined and documented through role profiles. These set out clear competencies and accountabilities for each role and are key to making successful recruitment decisions. Appointments have been made to all the posts required by statute, including Head of Paid Service (which forms part of the Managing Director's role), s73 Officer (Director, Corporate and Commercial Services), and the Monitoring Officer (Head of Legal and Governance Services).
- j) Staff behaviours are guided by Combined Authority's values and its Code of Conduct and a similar Code exists for elected Members; both employees and Members are required to maintain a register of interests. A code of conduct for LEP Board members has been approved and all Board members completed registers of interest which are available for inspection on the Combined Authority website.
- k) The Combined Authority conforms to the requirements of the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government (2015)*. The Chief Financial Officer is the Director, Corporate and Commercial Services who is a key member of the leadership team and is responsible for the proper administration of the Combined Authority's financial arrangements through a suitably qualified and resourced finance function.
- l) An internal team provide the internal audit service to the Combined Authority. Public Sector Internal Audit Standards (PSIAS) require the purpose, authority and responsibility of the internal audit activity to be defined in an internal audit charter, consistent with the definition of Internal Auditing, the Code of Ethics and the Standards. The Internal Audit Charter establishes internal audit's position within the organisation, including the mandatory nature of the Chief Audit Executive's role; functional reporting relationship with the management team; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

- m) Compliance with established procedures, laws and regulations is ensured by a system that requires all decisions to set out all legal and financial implications. Schemes of officer delegation ensure that decisions are made at the appropriate level within the Combined Authority. Procedures and policies are in place to ensure compliance with the Freedom of Information Act, Data Protection Act and Health and Safety requirements. A whistleblowing policy and guidance notes have been updated during the year and are available on the website. Regular reviews and exception reporting are conducted through the officer Regulatory and Compliance Board and through the Member Governance and Audit Committee, including arrangements for risk management.
- n) Risk management is embedded in the activities of the Combined Authority. A Corporate Risk Management Strategy, including a risk policy and risk appetite statement, has been endorsed by the Governance and Audit Committee and sets out the way in which risks are identified, recorded and monitored. Regular review of the key strategic risks is undertaken by the Combined Authority, the LEP Board and the Governance and Audit Committee.
- o) Communication on transport operational matters has taken place with stakeholders through the District Consultation Sub-Committees and Operator Groups. Consultation events have taken place during the year on the Strategic Economic Plan, the Single Transport Plan, major schemes and the bus area network reviews which have successfully sought to contain costs but retain accessibility for bus users. In addition, youth engagement is now built in as we develop our bus and transport strategy.
- p) A system of formal procedures, Contracts Standing Orders and Financial Regulations protect the organisation. These are reviewed and approved annually. A revised Capital Strategy and Procurement Strategy were approved by the Combined Authority in May 2020.
- q) External reviews carried out by auditors and other agencies to achieve Customer Service Excellence and other accreditations with any recommendations identified creating a work plan for future improvements.
- r) With regard to the transport ticketing systems the Combined Authority has in place arrangements whereby an enhanced assurance statement is sought from the train operating company Northern stating that their systems have operated adequately with no material errors or weaknesses. Sales through the Payzone network are reconciled to the back-office system ensuring that the proceeds from such card sales are fully reimbursed to the Combined Authority.

4. Review of Effectiveness

The Combined Authority has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. This review is informed by the work of the Internal Audit section and that of management within the Combined Authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by external auditors.

The Combined Authority has in place a system based on a framework of contract standing orders, financial regulations and administrative controls including codes of conduct and

administrative policies and procedures. All key administrative controls and financial instructions are reviewed on a regular basis by the Combined Authority's management with internal audit undertaking reviews based on risk. Contract standing orders and financial regulations are updated as required and re-approved annually by the Combined Authority at its Annual Meeting. In terms of financial accounting the Combined Authority utilises a core financial system which is tested and evaluated annually by internal and external audit. During the last year, the Chief Financial Officer has provided to the Governance and Audit Committee a regular confirmation that key controls have been operating in the period. Regular reports are also provided to the Regulatory and Compliance Board that key controls have been operating in the period.

One of the key responsibilities within the Combined Authority is to determine, agree and monitor the annual budget. This responsibility involves setting an appropriate budget to fulfil the resource requirements of the Combined Authority in undertaking its transport, economic development and regeneration activities. This budget is an integrated one for the full breadth of the activities of the Combined Authority, including the bringing together of transport and economic policy funding. The organisational directorate ensures that the most effective arrangements are in place to enable delivery of the Combined Authority's objectives and the budget is defined to follow these arrangements.

The budget setting process requires a comprehensive budget report to be presented to the full Combined Authority which gives a detailed forecast outturn for the current financial year and the proposed budget for the forthcoming financial year. The budget process is overseen and scrutinised by Members through the Member Budget Working Group, Overview and Scrutiny Committee, Governance and Audit Committee and the Combined Authority and is shared with the LEP Board.

Regular review of revenue and capital budgets is undertaken by senior management with regular updates to the Combined Authority and other committees presented through the year.

Within the Combined Authority budgetary responsibility is devolved to Budget Holders and Controllers who are responsible for monitoring and controlling their assigned budget. Regular budget performance reports are prepared by the Finance team for those charged with governance to ensure ongoing budgetary control is achieved.

The Treasury Management function for the Combined Authority is undertaken in conjunction with Leeds City Council. Their internal audit section provide an annual certification confirming the work they have undertaken during the year and their conclusions reached.

An internal team provides the internal audit resource for the Combined Authority. The work of Internal Audit is informed by an assessment of risk and a strategic audit plan is devised based on these assessments. This plan and the audit reviews are submitted to the Combined Authority's Governance and Audit Committee for consideration and approval. Regular update reports are provided to the Governance and Audit Committee by the Internal Audit Manager, including progress made on the implementation of audit recommendations. Internal Audit maintain their own systems to monitor progress in implementing audit recommendations and report regularly to the directorate management teams and the officer Regulatory and Compliance Board.

From the work undertaken during the financial year 2020/21 and taking into account other sources of assurance, Internal Audit have reached the opinion that, overall, the Combined Authority's framework of control and governance is operating adequately.

The Combined Authority, as mentioned earlier, received approval to a revised Assurance Framework in February 2021, with the previous approved version being effectively in use for 2020/21. As part of the Delivery Directorate, a Portfolio Management and Appraisal Office manages a three stage pipeline approval process, designed to support the Leeds City Region Assurance Framework. All partner authorities delivering schemes funded by the Combined Authority follow this framework and close working with partner authorities is key to successful delivery of the wide ranging portfolio.

Regular reports are provided to the Investment Committee and the Combined Authority on progress with Local Growth Deal schemes, including the projects within the West Yorkshire plus Transport Fund.

The Combined Authority has in place risk management arrangements that are continually reviewed and improved. Reviews of risk take place at directorate management team level, supported by guidance on the identification, assessment and reporting of risk. An officer Regulatory and Compliance Board meets on a periodic basis to ensure consistency in the assessment and management of risk and to provide an overview of the process. The Combined Authority's strategic risk register has been regularly updated during the year and is considered regularly by the Governance and Audit Committee and reported to the Combined Authority and LEP Board meetings as part of the regular corporate performance management report.

Building on the work previously undertaken on risk management, work continued to consolidate all risk registers throughout the organisation and to ensure that risk is considered consistently in line with the principles set out in the revised Corporate Risk Management Strategy.

Internal Audit's Quality Assurance and Improvement Program ensures that activity is assessed against the requirements of professional standards, the definition of Internal Audit and the Code of Ethics as specified by the Institute of Internal Auditors.

An independent external quality review which assessed the Internal Audit function in relation to compliance with Public Sector Internal Auditing Standards (PSIAS) was considered by the Governance and Audit Committee in 2019/20. The conclusion was that the Internal Audit activity generally conforms to the definition of internal auditing, the Code of Ethics and the PSIAS. An action plan was determined to address recommendations for further development of the function.

The Combined Authority has reviewed its systems of internal control, including the internal audit function and concluded that it complies with the requirements of PSIAS and the Local Government Application Note.

A Value For Money self-assessment was undertaken by management for the year 2020/21 and forms part of the overall opinion by the external auditors for the annual accounts.

5. Programme of Improvement

During 2020/21 the Combined Authority commenced a Mayoral Combined Authority (MCA) Ready Programme aimed at achieving all the required government milestones needed to become a formal mayoral authority. The key milestones were met and the West Yorkshire Mayoral Combined Authority became law in January 2021 and work commenced on the preparations for the election of the Mayor on 6th May 2021. The MCA Ready Programmes continues further work into 2021/22 in preparation for the arrival of the newly elected mayor and including a review of the internal governance arrangements to ensure they align to best effect with the revised committee and advisory panel arrangements and that delegations are exercised to best effect to enable transparent, accountable and effective decision making. Proposals are developing to enhance the dedicated support for the scrutiny arrangements, though for 2020/21 this area of work continued under the formal Overview and Scrutiny Committee.

Building on the significant work undertaken in 2018 to ensure compliance with the requirements of the General Data Protection Regulation, work is continuing to ensure information security arrangements remain up to date and are regularly monitored and reported.

6. Significant Governance Issues

This section considers any significant issues that have arisen during the year. This is by exception only.

Covid19

The Combined Authority closed its main offices in the week commencing 16th March 2020 in response to the Government 'lockdown' announcements.

The newly introduced ICT that was implemented in January 2020, including laptops and the MS Teams application, literally overnight enabled circa 400 plus office based staff to work from home with no loss to business continuity. Staff could access all relevant systems and files and the business continuity plans that were invoked led to appropriate adjustments to internal controls on key systems and processes. The formal committee meetings continued during the year by using technologies such as Zoom.

Through clear and decisive leadership, the overall impact of the national pandemic was managed well during 2020/21. In addition to the home working arrangements, measures were put in place across our bus station and travel centres that complied with government guidance on social distancing and PPE and robust communication and HR processes introduced for the management of Covid 19 cases as they arose. These measures, along with dedication of staff, support from the Board and Senior Management and enhanced flexible working arrangements, contributed to the Combined Authority continuing to deliver on its corporate plans to a large degree. Additionally, financial support from Government, following representation from the Leaders, minimised the overall financial impact to manageable levels.

At the reporting date for these accounts, all controls have worked well and business as usual is prevalent through the organisation.

Other than the Covid 19 issue, no other significant issues have arisen in the year.

We are satisfied that an effective system of internal control has been in place throughout the financial year and is ongoing.

Throughout 2020/21 the Combined Authority has demonstrated an ongoing commitment to best practice and good corporate governance consistent with the principles of the CIPFA/SOLACE Framework in Local Government and this is clearly demonstrated by the adoption of an updated Corporate Governance Code and Framework which captures and summarises these updated principles. We are also satisfied with the improvements that are continuing under the guidance of the Governance and Audit Committee.

Finally, the Combined Authority in June 2021 reviewed and approved new decision-making arrangements and committee structures that reflected both the Mayor's priorities and the new functions, roles and responsibilities and funding that arose from the West Yorkshire devolution deal. These new arrangements will be implemented during 2021/22.

Tracy Brabin

B Still

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Mayor and Chair

Managing Director

30 September 2021