

WYCA Annual Governance Statement 2016/17

1. Scope of Responsibility

West Yorkshire Combined Authority ('the CA') 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 CA 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 CA 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 CA has previously approved a Code of Corporate governance that was consistent with the principles of CIPFA Solace framework "Delivering good governance in Local Government" issued in 2007. This framework was updated in 2016 and a revised Corporate Governance Code and Framework has been produced ensuring all relevant governance elements have been properly reflected.

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 CA '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 CA is directed and controlled and its activities through which it accounts to and engages with the community. It enables the CA 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 CA'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 CA throughout the year ended 31 March 2017 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 CA's governance arrangements. They are also encapsulated in the revised Corporate Governance Code and Framework which has been approved by the CA and which is available on its website. The CA 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. The LEP Board and its panels provide the policy direction and guidance with the CA providing the financial approvals.

- a) Corporate policies and objectives are set and communicated by the CA. The CA 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 Strategic Economic Plan (SEP). Originally produced in 2014 by the LEP and revised during 2015/16, the SEP presents investment priorities across the four pillars of supporting business, developing a skilled workforce, building a resource smart City Region and delivering the infrastructure for growth. The SEP has been endorsed by both the LEP and CA Boards and will be kept under review to ensure it continues to align with the region's needs and recognises relationships with new and emerging strategies such as the Industrial Strategy for example.
- b) The statutory Local Transport Plan (LTP) is also undergoing a refresh and will be relaunched later in 2017 as the Single Transport Plan. This will provide close links to the SEP and include new projects and initiatives that have emerged since the LTP was published in 2011. The CA will continue to work closely with its partner authorities in the delivery of projects under the LTP3 heading. Whilst the CA has responsibility for expenditure officers and Members from across all the partner authorities are engaged in establishing the types of interventions to be put forward for funding through the LTP.

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.

- c) The Leeds City Region Growth Deal Assurance Framework was produced in 2015, building on existing good practice and drawing on government guidance. This has been updated and refreshed in 2016/17 with a detailed review by Overview and Scrutiny Committee and endorsement from the Investment Committee, LEP and CA Boards. It 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 below, highlighted in green below, with the requirement to meet the intervening activities deemed on a project by project basis. The Investment Committee will consider all projects at these points with the CA making the decisions.



- d) The CA's scrutiny arrangements are fulfilled through an Overview and Scrutiny Committee. This meets regularly and consists of 18 members co-opted from the five West Yorkshire Councils and City of York Council and reflecting political balance. During its second year of operation the Committee has not exercised its call-in function but has continued to engage positively in the development and understanding of policy and projects across the region. Task and finish groups have been established and have met regularly to consider progress on devolution and on achieving organisational priorities.

In addition Scrutiny committees within the West Yorkshire Districts and City of York Council will also often challenge the work being undertaken by the CA in such areas as accessibility and local bus services. The District Consultation Sub-Committees in each District give a level of local involvement and allow the public the opportunity to scrutinise any new policy initiatives.

- e) The CA's Governance and Audit Committee is responsible for overseeing the effective operation of the systems of governance, risk management and internal control. It oversees the work programme of the Internal Audit team and scrutinises the annual accounts including the Annual Governance Statement. During the year changes in legislation enabled the Committee to take responsibility for the approval of financial matters, including the annual accounts, rather than having to refer these on the CA Board. An officer Audit and Risk Management Committee chaired by the Director, Resources, provides an operational level of management and review of arrangements in place.
- f) Roles are defined and documented through new style role profiles which have started to be introduced during 2016/17. 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, Resources), and the Monitoring Officer (Head of Legal and Governance Services).
- g) Staff behaviours are guided by CA's values and its Code of Conduct and a similar Code exists for Members; both employees and Members are required to maintain a register of interests. The values and behaviours expected of all employees were redefined during 2016/17 with input from a wide range of internal and external stakeholders.
- h) The 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, Resources who is a key member of the leadership team and is responsible for the proper administration of the CA's financial arrangements through a suitably qualified and resourced Finance function.

- i) An internal team provide the internal audit service to the CA. 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.
- j) 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 CA. 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 are available on the website.
- k) Risk management is embedded in the activities of the CA with regular reviews of the risk registers and exception reporting through the officer Audit and Risk Management Group and through the Member Governance and Audit Committee. A Risk Manual, endorsed by the Governance and Audit Committee, sets out the risk management strategy in place and the way in which risks are identified, recorded and monitored. Covalent, the CA's performance management system, is available for the recording of operational risk registers and can provide reports based on a traffic light system, highlighting 'red' risks that may require action. Comments provided from an internal audit review of the CA's risk management framework have been considered and a plan agreed to develop these arrangements.
- l) 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.
- m) A system of Procedure and Contracts Standing Orders and Financial Regulations protect the organisation. These are reviewed annually. Procedural manuals and notes underpin these and ensure the reporting of financial transactions is properly managed. Officer schemes of delegation are also considered on an annual basis.
- n) External reviews carried out by auditors and other agencies to achieve Customer Service Excellence and other accreditations with any recommendations identified creating a workplan for future improvements.
- o) With regard to the transport ticketing systems the CA has in place arrangements whereby an enhanced assurance statement is sought from Northern stating that their systems have operated adequately with no material errors or weaknesses. Payzone sales have replaced the Post Office network and are reconciled to the

back office system ensuring that card sales through payzone are fully reimbursed to the CA.

4. Review of Effectiveness

The CA 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 CA who have responsibility for the development and maintenance of the internal control environment, and also by comments made by External Auditors.

The CA has in place a system based on a framework of 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 CA's management and Internal Audit. Standing orders and financial regulations are updated as required and re-approved annually by the CA at its Annual Meeting. In terms of financial accounting the CA 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 Audit and Risk Management Group that key controls have been operating in the period.

One of the key responsibilities within the CA is to determine, agree and monitor the annual budget. This responsibility involves setting an appropriate budget to fulfil the resource requirements of the CA in undertaking its transport, economic development and regeneration activities. For 2016/17 this budget was an integrated one for the full breadth of the activities of the CA and work was undertaken during 2015/16 with the Members to understand the changes and opportunities introduced by the bringing together of transport and economic policy funding. During 2016/17 organisational redesign and restructuring has been taking place to ensure the most effective arrangements are in place to enable delivery of the CA's objectives and the budget has been redefined to follow these new arrangements.

The budget setting process requires a comprehensive budget report to be presented to the full CA 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.

Regular review of revenue and capital budgets is undertaken through Organisational Management Team and Leadership Team with regular updates to the CA presented through the year.

Within the CA 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 Finance for those charged with governance to ensure ongoing budgetary control is achieved.

The Treasury Management function for the CA 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 CA. 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 CA'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. Within the CA the Covalent system is used to monitor progress in implementing audit recommendations and is regularly reviewed by the directorate management teams and the Audit and Risk Management Group.

The CA continues to develop and refine its project management framework to ensure that there is greater accountability and improved governance with regard to the management and delivery of projects. During 2016/17 a new Delivery Directorate was defined and senior appointments made to the team. A Portfolio Management Office was established along with a three stage pipeline approval process, designed to support the Leeds City Region Assurance Framework. All partner authorities delivering schemes funded by the CA follow this assurance and approval framework and closer working with partner authorities will be key to successful delivery of the portfolio.

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

The CA has in place comprehensive risk management arrangements. Reviews of risk take place at directorate management team level, supported by the Risk Manual which provides guidance on the identification, assessment and reporting of risk. A risk appetite statement has been developed and approved. An officer Audit and Risk Management Group meets on a periodic basis to ensure consistency in the assessment and management of risk and to provide an overview of the process. The CA's strategic risk register is considered regularly by the Governance and Audit Committee. These arrangements will evolve and be further developed to meet the changing needs of the CA. Work is also underway to better align risks to corporate objectives and priorities which are in the process of being further developed following the review of the SEP and the organisational restructuring which is underway.

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. The CA 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.

5. Programme of Improvement

During 2016/17 the CA embarked on its 'One Organisation' Programme aimed at ensuring the CA has the right structures, processes and people to enable the successful delivery of its objectives and priorities. Over the last twelve months significant progress has been made with regard to new directorate structures and subsequent alignment of budgets and a new set of values. Improvements planned for the coming year include embedding the values and behaviours throughout the organisation, and further recruitment to posts particularly in the Delivery directorate to maintain the focus on project delivery. Discussions have taken place with the LEP and CA Members on how to enhance current

decision making processes and proposals to bring together LEP Panels with CA Committees will be considered during 2017/18. The focus on transparency continues with the timely publication of LEP agendas and minutes during the year. In 2017/18 new ICT systems to be introduced will facilitate and streamline the production of all meeting papers and all CA and LEP papers will be readily available to the public; enhanced information on Members, declarations of interest and attendance at meetings will also be available.

Other developments with regard to transparency and scrutiny include the appointment in 2017/18 of an independent person to be part of the Governance and Audit Committee, the designation of a Scrutiny Officer and the extension of call in arrangements to significant officer decisions as well as Member decisions. From May 2017 a forward plan of decisions will be made available on the CA website.

6. Significant Governance Issues

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

No such 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 2016/17 the CA 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 a revised 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.

Councillor Box

B Still

Chair

Managing Director

July 2017