

Report to: Governance and Audit Committee

Date: 31 October 2019

Subject: **Compliance and Monitoring**

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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. At the most recent meeting in September 2019 no areas of

concern were raised though the high level of cash balances were considered and the challenges this presents with regard to placing funds with approved counterparties.

- 2.5 Officers from Leeds City Council treasury team are attending the meeting today to provide an overview of current arrangements.

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 have been no further reportable (RIDDOR) accidents reported since the previous meeting, leaving the total for the year at none.
- 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 spend to budget as at August 2019 is attached at **Appendix 1**. A RAG rating has been included to identify budgets that need further review with budget holders. There are no 'red' areas of concern to report at this early stage of the financial year.
- 2.10 The approved annual budget included a £1.2 million deficit to be funded from general reserves. Periodic forecasting is being undertaken during the year to track performance against this budgeted position and a revised outturn will be reported to a future meeting. At this stage work to achieve the agreed savings and reductions continues, alongside managing emerging pressures including Brexit and work on bus options following the announcement of the proposed sale of First Group's bus operations.
- 2.11 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

- 2.12 Work is continuing on the detailed business plan for 2020/21 and the accompanying budget, to be set within the context of a revised medium term financial strategy.
- 2.13 Each directorate is producing both a detailed business plan and a summarised 'plan on a page' showing how it will deliver against the four corporate priorities

in the coming year. The budget will then show the costs of delivering these activities.

- 2.14 The first full budget update has been submitted from each directorate, setting out any updates to the current year position and providing a detailed 2020/21 position. These submissions show some savings against budget in the current year but there is still a budget gap of over £1 million to address if the 2020/21 budget is to be set without the use of reserves. Work on options to address this gap is underway and will be brought forward for consideration.
- 2.15 In addition there are further budget pressures that will need to be managed alongside this funding gap. Actions to meet the commitment in the three year strategy to make further savings on bus tendered services and transport services in 2020/21 need to be progressed, alongside the identification of funding for activities to address climate change and improve inclusive growth. The work on bus options may require further funding next year, and the issue of 'cliff edge funding' ie short term funding that is time limited also requires consideration. Other funding risks identified include changes to the assumptions relating to pay awards and to the outcome of the triennial pension revaluation due next year.
- 2.16 Work continues on the capital budgets, with a particular focus on the challenges of achieving expenditure on key programmes – Leeds Public Transport Investment Programme and Growth Deal, both of which are due to spend in full by March 2021. The programmes are being reviewed to ensure all funding is maximised, any risks of not delivering by this date are mitigated and to understand the risks around the timing of individual projects which may result in commitments beyond the funding availability. A three year capital programme and any projected borrowing costs will be included as part of the budget process.
- 2.17 A full draft revenue and capital budget will be provided to a future meeting.

Risk management

- 2.18 In place of the usual update here a more substantive report is provided at item 11 on today's agenda.

3. Financial Implications

- 3.1 As set out in the report.

4. Legal Implications

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

5. Staffing Implications

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

6. External Consultees

6.1 No external consultations have been undertaken.

7. Recommendations

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

8. Background Documents

None.

9. Appendices

Appendix 1 - West Yorkshire Combined Authority - Summary Revenue Budget 2019/20 as at August 2019.