
Report to: Governance and Audit Committee

Date: 23 January 2020

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. The next meeting is 21/1/2020 though members are reminded

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

Key indicators

- 2.5 The Committee has requested regular information via key indicators, specifically with regard to accidents reportable to the Health and Safety Executive and with regard to key controls.
- 2.6 There have been no further reportable (RIDDOR) accidents reported since the previous meeting, leaving the total for the year at none.
- 2.7 Key indicators are monitored in relation to the suite of financial controls undertaken monthly in both the finance and the concessions and integrated ticketing team. These are both up to date as at the time of writing this report.

Financial monitoring – revenue budget

2019/20

- 2.9 A summary of the 2019/20 current revenue spend to budget as at November 2019 is attached at **Appendix 1**. A RAG rating has been included to identify budgets that need further review with budget holders. There are no 'red' areas of concern to report at this early stage of the financial year.
- 2.10 The approved annual revenue budget included a £1.2 million deficit to be funded from general reserves. Following a forecast exercise undertaken in October 2019 the year end position is a £0.3 million surplus and is an improved position resulting in money going into the general reserve rather than being taken out.
- 2.11 The general reserves are therefore forecast to be approximately £7 million as at the end of the financial year. At this stage the proposal is to retain general reserves at this level to help manage emerging pressures including Brexit, work on bus options following the announcement of the proposed sale of First Group's bus operations and 'cliff edge' funding for a range of projects.
- 2.12 Progress on capital budgets is being monitored through the Investment Committee which receives regular reports on expenditure forecasts and information on this is available via the papers on the website.

Business planning and budget 2020/21

- 2.13 Work has progressed well on business planning for 2020/21 and the accompanying budget. These are detailed at **Appendix 2** for the business plans and **Appendix 3** for the proposed budget.
- 2.14 Each directorate has produced a detailed business plan and a summarised 'plan on a page' showing how it will deliver against the four corporate priorities

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

- 2.15 The draft revenue budget was reported to the Combined Authority meeting on 9 January 2020, available [here](#), and a balanced position was achieved for 2020/21. The balanced budget excluded provision to fund a range of emerging pressures for activities to address climate change, improve inclusive growth and the work on bus options that may require further funding next year, and the issue of 'cliff edge funding' mentioned earlier. Other funding risks identified include changes to the assumptions relating to pay awards and to the outcome of the triennial pension revaluation effective from April 2020.
- 2.16 Work has been undertaken on the capital budgets, with a particular focus on the challenges of achieving expenditure on key programmes – Leeds Public Transport Investment Programme and Growth Deal, both of which are due to spend in full by March 2021. The programmes are being reviewed to ensure all funding is maximised, any risks of not delivering by this date are mitigated and to understand the risks around the timing of individual projects which may result in commitments beyond the funding availability. A draft three year capital budget is attached at **Appendix 4** for information. This includes indicative figures for the Transforming Cities Fund bid, the outcome of which is expected by March. If successful this would represent a significant increase in the scale of the capital programme and planning how to meet this capacity is already underway.
- 2.17 The full budget report is in preparation for the meeting of 6 February. This will include the reserves policy as set out in paragraph 2.11 and the treasury management statement and strategy. These are included at **Appendix 5** and comments on the draft statement are invited from members.

Risk management

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

3. Financial Implications

- 3.1 As set out in the report.

4. Legal Implications

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

5. Staffing Implications

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

6. External Consultees

- 6.1 No external consultations have been undertaken.

7. Recommendations

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

8. Background Documents

None.

9. Appendices

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

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

Appendix 3 – Business plans 2020/21

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

Appendix 5 – Draft treasury management strategy