

Report to: Governance and Audit Committee

Date: 12 May 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.

Update: 1 May 2020

Modifications have been made to standing orders to enable democratic meetings to be held on a virtual platform. Some changes to internal approval processes have also been made to enable approvals electronically rather than

on paper during the time people are largely working from home. A further update will be provided at the meeting.

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.

UPDATE – 1 May 2020

A revised **Appendix 1** is attached to the report providing current revenue spend to budget as at February 2020. The information provided in the original paragraphs above is still applicable.

The final accruals / adjustments are being finalised and the 2019/20 final outturn figures will be brought to the next meeting.

Work on revising the 2020/21 budget in the context of Covid-19 is underway with the intention that options and proposals will be considered at an early date by the Budget Working Group.

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.

UPDATE – 1 May 2020

The Capital Strategy was not considered at the Combined Authority meeting in April 2020 due to a late / amended agenda. The strategy will be presented to a future meeting.

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**.

UPDATE: 1 May 2020

The risk register is being updated to reflect the impact of the Covid-19 pandemic and an update will be provided to the meeting.

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