

Report to: Governance and Audit Committee

Date: 14 January 2021

Subject: **Compliance and Monitoring**

Director(s): Angela Taylor, Director, Corporate Services

Author(s): Jon Sheard

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 2020/21 and 2021/22 financial positions.

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 Measures put in place to enable business to continue during the pandemic have been successful with committee and board meetings able to continue using virtual arrangements.
- 2.4 The Regulatory and Compliance Board at officer level continues to meet and will provide information as required to this Committee and the Combined Authority. 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, procurement, HR and other policies, statutory returns and transparency arrangements. Actions are being identified to ensure compliance is adequately documented and evidenced.

Treasury Management

- 2.5 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 15/10/2020 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.
- 2.6 A separate item on the agenda provides further information on treasury management and will include detail on the arrangements in place for determining whether to place funds short term with other local authorities, as highlighted at the last meeting.

Key indicators

- 2.7 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.
- 2.8 No further RIDDOR incidents have been reported since the previous meeting, leaving the total for the year at two.
- 2.9 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 2020/21

- 2.10 The approved revenue budget for 2020/21 was a balanced position at the start of the year. During the year the impact of the national pandemic has been reported and has been showing an emerging deficit position throughout, though the forecasts have been improving as support grants have been received from government. As at November 2020 the forecasted deficit is £3 million. Work underway is establishing that the Combined Authority has been successful in receiving further support grants from government for Covid-19 losses. Taken together with other savings being made across the directorate budgets, it is hoped that a balanced outturn for the year can be achieved, although it may be necessary to use a small sum from reserves to do this.
- 2.11 These figures will be kept under regular review, especially if further Covid-19 restrictions are introduced and which could affect income levels. There is still a high level of risk and uncertainty for the coming months.
- 2.12 A summary of the 2020/21 current revenue spend to budget as at November 2020 is attached at **Appendix 1**. The 'red' areas of concern are related to the Covid-19 pandemic as mentioned above. Key impacts are being felt across

commercial income, bus station costs, commission from travel card / MCard sales, bus revenues (for gross cost contracts) and transport service costs.

Capital 2020/21

- 2.13 Progress on capital budgets is being monitored through the Investment Committee which receives regular reports on expenditure forecasts and information. A summary is provided at **Appendix 2** for information.

Business planning and budget 2021/22

- 2.14 Work is continuing to finalise the detailed business plan for 2021/22 and the accompanying budget, to be set within the context of a revised medium-term financial strategy.
- 2.15 The draft budget and corporate business plan on a page were considered by the Combined Authority on 10th December. Each directorate is also producing a business plan based on delivering corporate priorities in the coming year. The budget will then show the costs of delivering these activities.
- 2.16 The draft revenue budget reported to the Combined Authority meeting on 10 December 2020, available [here](#), showed at that point a budget deficit for 2021/22 of £3 million, with some of the key headlines covered in the report. Members were asked to note and comment on the progress made to date, in recognition that further work is needed between now and when the budget is approved in February 2021. **Appendix 3** summarises the draft position reported to date.
- 2.17 This further work now underway is seeking to achieve a balanced position for 2021/22 through considering the significant number of risks and challenges ahead, including the recovery from the national pandemic, any additional responsibilities and functions of the new mayoral combined authority, actions that may be required to respond to the UK bus operations, the uncertainty around future funding streams and the impact of Brexit. In addition, the Combined Authority recognises the difficult decisions being made by its local authority partners in order to provide a balanced budget. The focus in the Combined Authority on value for money must continue and previously agreed savings and reductions built into the baseline for 2020/21 will continue going forward, along with additional savings to be identified.
- 2.18 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 final three year indicative capital programme and any projected borrowing costs will be included as part of the budget approval process in February 2021.

- 2.19 **Appendix 4** sets out the latest draft forecast budget for capital expenditure and funding by programme for up to 2023/24. These figures are indicative at this stage and will be revised further for February 2021, including revised estimates for any borrowing requirements.
- 2.20 The full budget report is in preparation for the meeting of 4 February 2021. This will include the reserves policy and the treasury management statement and strategy. These are included at **Appendix 5** and comments on the draft statements are invited from members. Members are asked to note that the treasury management statement and arrangements will be kept under review as the arrangements for the transfer of the policing and crime functions in May 2021 progress. Any revisions required will be brought back to this Committee.

Risk management

- 2.21 In line with the provisions of the corporate risk management strategy, regular review of the key strategic risks affecting the organisation continues to be undertaken and the corporate risk register updated accordingly.
- 2.22 A summary of the headline strategic risks is included at **Appendix 6** to this report. Since the last reporting period work to monitor key risks associated with both the COVID-19 pandemic and the EU exit has continued and the strategic risks and actions related to both of these areas are presented within the corporate risk register.
- 2.23 In addition to the strategic risks presented by both the COVID-19 pandemic and the EU exit, the more specific operational risks associated with both of these issues have also been identified and are being managed by the relevant individual directorates. The Combined Authority's Gold command incident response structure continues to be used to provide strategic oversight of the organisation's ongoing response to the COVID-19 pandemic and is also actively monitoring any risks associated with the implementation of the EU exit.

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 spend 2020/21 as at November 2020.

Appendix 2 – Capital spend 2020/21 as at November 2020.

Appendix 3 – Revenue budget 2021/22 (draft)

Appendix 4 – Capital budget estimates 2021/22 – 2023/24 (draft)

Appendix 5 – Treasury Management Statement & Reserve Policy (draft)

Appendix 6 – Corporate risk register