

Report to: Governance and Audit Committee

Date: 18 March 2021

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 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 remain robust and continue to be 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. Enhanced dashboard reporting from the Health and Safety Committee to the Regulatory and Compliance Board will commence in April.

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 14/1/2021 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. The February meeting of the Combined Authority approved the treasury management strategy that was considered by this Committee at its last meeting.

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

- 2.9 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 and other managed savings achieved.
- 2.10 As at November 2020 the forecasted deficit was £3 million, but this situation has been improved through the successful representation to government for a support grant of £650k relating to lost income on sales, fees and charges for the period April to July 2020. Further bids will be submitted for the remainder of the year and a prudent estimate of a further £500k is expected. In addition, following a review of patronage data and application of government guidance regarding concessionary fare reimbursement to operators, further savings are forecast to be made with a current prudent estimate of £1.25 million expected. During the year other savings have been made across the other directorate budgets, such as managing staff vacancies and savings in supplies and services. These cost savings will be kept under regular review and the aim remains to achieve a balanced outturn as at 31 March 2021. On this basis the general reserves would be retained at the current level of £8.1 million.

- 2.11 The final forecast position, as approved at the Combined Authority meeting of 4th February 2021, is set out in **Appendix 1**. This budget also includes, as previously approved, some use of gainshare to support the costs of transition to becoming a mayoral combined authority, including early election costs and legal and project resources.

Capital 2020/21

- 2.12 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.

Budget 2021/22

- 2.13 The revenue and indicative capital budgets were approved by the Combined Authority on 4th February 2021 and are attached at **Appendix 3 and 4** for information.
- 2.14 The way in which budget information is presented in these appendices is under review and work is underway on how to improve financial reporting information in light of the transition to a Mayoral authority. A future update on progress will come back to this Committee.

Gainshare – 2020/21 and 2021/22

- 2.15 As part of the devolution deal, and becoming a Mayoral authority, the Combined Authority will receive annual ‘gainshare’ funding of £38 million for the next thirty years which will be key to supporting the region in driving economic growth and prosperity within its communities. The gainshare is allocated in a 25% (capital) and 75% (revenue) split.
- 2.16 The use of gainshare from 2021/22 onwards will be directed through the Single Investment Fund, with decisions based on agreed priorities and subject to the assurance process. Ahead of these processes being fully developed and in place it was agreed to use the 2020/21 gainshare to support the work underway to become mayoral ready and to address urgent economic asks identified through the Economic Recovery Plan. Commitments have been made as follows:
- 2.17 For 2020/21 the £38m allocation has been applied / approved by the Combined Authority as follows:
- £3m - Funding for Mayoral preparations, including election costs
 - £9.5m - Capital funding ‘ring-fenced’ – initially for the TCF Programme
 - £13.5m - Covid recovery (Reboot and Employment hub projects)
 - £5m - Covid – to support local authority recovery plans
 - £7m - Agreed in principle to support entrepreneurship, net zero carbon project pipeline and healthtech programmes

2.18 For 2021/22, to date the following has been approved by the Combined Authority:

- £1.75m - Funding for Mayoral preparations, including election costs
- £9.5m - Capital funding 'ring-fenced' – initially for the TCF Programme

This leaves £26.75m to be allocated via the processes being established for management of the Single Investment Fund.

Risk management

2.19 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.

2.20 A summary of the headline strategic risks is included at **Appendix 5** to this report. Since the last reporting period work has been undertaken to ensure that specific risks associated with the transfer to the Mayoral Combined Authority model and the new functions that this brings, are appropriately reflected within the strategic risk summary. The Governance and Audit Committee are requested to provide any feedback on the updated risk summary.

2.21 In addition to the strategic risks relating to the transfer to the Mayoral model, the more detailed operational risks associated with this are being managed through the Combined Authority's MCA Ready programme. This programme was established in March 2020 and is overseeing all organisational preparations for the transfer to the new MCA model.

2.22 In terms of those risks associated with the response to the COVID-19 pandemic and the EU Exit, these continue to be managed through the Combined Authority's Gold command incident response structure.

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 provide any feedback on the updated strategic risk update as attached at Appendix 5.

8. Background Documents

None.

9. Appendices

Appendix 1 – Revenue budget spend 2020/21 (approved)

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

Appendix 3 – Revenue budget 2021/22 (approved)

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

Appendix 5 – Corporate risk register