

Report to: Governance and Audit Committee

Date: 22 July 2021

Subject: **Compliance and Monitoring**

Director(s): Angela Taylor, Director, Corporate and Commercial 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.

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.

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 changes made were fully captured within guidance notes and procedures. Decision making meetings of members have had to revert to being in person since the legislation enabling virtual meetings ceased on 7 May 2021.
- 2.4 The report earlier on this agenda has flagged the significant amount of work that has taken place as a result of the new powers and functions that have come to the Combined Authority and the Mayor as a result of the devolution legislation. Internal controls have been considered in the light of these new arrangements with some changes made and these will continue to be kept under review.
- 2.5 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 is in progress.

Treasury Management

- 2.6 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 April 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 next meeting is on 15 July and a verbal update will be made to the Committee if anything of significance arises.
- 2.7 Following the transfer of the Police and Crime functions to the Combined Authority from 10 May 2021, similar arrangements with regards to policing funds have been adopted. These treasury management arrangements are administered by Wakefield Council and in line with the treasury management policies agreed by the former Office of the Police and Crime Commissioner.
- 2.8 During the next twelve months a fuller review is planned to ascertain whether all the treasury management arrangements would benefit from being administered by a single partner authority.

Key indicators

- 2.9 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.
- 2.10 No further RIDDOR incidents have been reported since the previous meeting, leaving the total for the year at two.
- 2.11 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 – Final Outturn

- 2.12 The 2020/21 year had started with a balanced budget, though members will recall that attention soon switched to revising the forecasts to take account of the national pandemic. These impacts were reported throughout the year to both this committee and to the Combined Authority on a regular basis and the position became more manageable. This was due to successful representation to government for support grants, revised estimates and

actions taken to reduce expenditure. In the final quarter of 2020/21, it became apparent from forecasting work that a balanced outturn was not only achievable but the prospect of an actual surplus was becoming a reality.

- 2.13 The final outturn for the year was a £4.8 million surplus, of which £1.4 million relates to a timing difference on election costs. The other £3 million has arisen primarily due to changes in concessionary fare reimbursement during the pandemic. The situation with regard to ongoing concessionary reimbursement and other bus operator payments in the post-recovery period remains highly volatile and with significant levels of risk and uncertainty. Staff vacancies above forecasted levels, additional enterprise zone business rates receipts and investment income above previous forecasts and managed savings across a range of supplies and service budgets have also contributed.
- 2.14 The final election costs are yet to be confirmed by partner authorities and there is a significant risk that the budgeted level of costs will be exceeded due to the additional requirements put in place to ensure COVID secure elections. It is expected therefore that up to £2 million may be required to meet the final costs which will be notified to the Combined Authority during 2021/22. Members will be aware of the pressures on the Combined Authority budget, and the work in updating the medium term financial strategy and preparing the 2022/23 budget will take this transfer to reserves into consideration, and determine how this could contribute to meeting existing commitments and demands.

Revenue Budget and Capital budget 2021/22

- 2.15 The approved revenue budget for 2021/22 was a balanced position at the start of the year, whilst recognising the risks still being managed as due to the national pandemic.
- 2.16 The financial position is to be monitored through the newly formed Finance, Resources and Corporate committee which will receive regular reports on expenditure forecasts and financial performance information.

Risk management

- 2.17 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.
- 2.18 A summary of the headline strategic risks is included at **Appendix 1** to this report. Since the last reporting period the specific risks relating to continuity of day to day Combined Authority services during the transfer to the Mayoral model have been closed. Where any residual risks remain (e.g. embedding the new Mayoral arrangements) these are being managed through directorate or service level risk registers.
- 2.19 Work is also underway to align risk management and reporting processes for the Policing and Crime Team, following their transfer to the Combined

Authority in May. At present West Yorkshire Police provide support in terms of reporting policing and crime risks through established policing committee structures, with reporting taking place to the Joint Independent Audit and Ethics Committee (JIAEC). As such consideration is currently being given to how best to align these processes with the Combined Authority's wider reporting framework. Best practice from each organisation will also be considered as part of this work to help inform further improvement of corporate risk management processes.

- 2.20 In the first instance it is envisaged that the directorate risk register for the Strategy, Communications and Policing directorate would highlight any key risks relating to policing matters and these would be escalated to the Corporate Risk Register as necessary, and/or reported to the JIAEC.

3 Tackling the Climate Emergency Implications

- 3.1 There are no climate emergency implications directly arising from this report.

4. Inclusive Growth Implications

- 4.1 There are no inclusive growth implications directly arising from this report

5. Financial Implications

- 5.1 As set out in the report.

6. Legal Implications

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

7. Staffing Implications

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

8. External Consultees

- 8.1 No external consultations have been undertaken.

9. Recommendations

- 9.1 That the Committee consider the information contained in this report.

10. Background Documents

None.

11. Appendices

Appendix 1 – Corporate risk register.