

Report to: Governance and Audit Committee

Date: 13 January 2022

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.
- 1.2 To endorse the treasury management statement and strategy and reserves policy prior to their consideration by the Combined Authority.

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.
- 2.4 The Head of Finance retired in November 2021. An appointment has been made to this post with the postholder taking up their position in the second half of January 2022. Interim arrangements have been put in place following due process to ensure a seamless transfer of responsibilities and accountabilities.
- 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. There were no matters that needed escalating to this Committee from the latest officer meeting.

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 14th October 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.
- 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 It is intended to bring together all the treasury management arrangements such that they will be administered by a single partner authority. The treasury management strategy encompassing the whole organisation is considered under paragraph 2.19.

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 and Capital budget 2021/22

- 2.12. The financial position is being monitored through the Finance, Resources and Corporate Committee which receives regular reports on expenditure forecasts and financial performance information. The latest reporting on performance against both revenue and capital budget are attached as **Appendices 1 and 2**.

Business planning and budget 2022/23

- 2.13 Work is continuing to finalise the detailed business plan for 2022/23 and the accompanying budget, to be set within the context of a revised medium-term financial strategy.
- 2.14 Each directorate has been tasked with developing a business plan based on delivering corporate priorities in the coming year. The draft business priorities were considered by the Combined Authority on 9 December. The budget will then show the costs of delivering these activities.
- 2.15 The draft revenue budget reported to the Combined Authority meeting on 9 December 2021, available [here](#), showed at that point a budget deficit for 2022/23 of £2 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 2022. **Appendix 3** summarises the draft position reported to date.
- 2.16 This further work now underway is seeking to achieve a balanced position for 2022/23 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 2021/22 will continue going forward, along with additional savings to be identified.
- 2.17 Work continues on the capital budgets, with a particular focus on the achieving expenditure on key programmes – Getting Building Fund, Transforming Cities and Brownfield Housing. The programmes are being reviewed to ensure all funding is maximised, any risks of not delivering by are mitigated. A final three year indicative capital programme and any projected borrowing costs will be included as part of the budget approval process in February 2022.
- 2.18 **Appendix 4** sets out the latest draft forecast budget for capital expenditure and funding by programme for up to 2024/25. These figures are indicative at this stage and will be revised further for February 2022, including revised estimates for any borrowing requirements.
- 2.19 The full budget report is in preparation for the meeting of 3 February 2022. 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 are required to cover the

whole organisation, but recognising that the decision making arrangements are different for policing and for the rest of the Combined Authority.

Risk management

- 2.20 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 at both a directorate level and a corporate level.
- 2.21 Following a full review of business plans, a comprehensive review of the corporate risk register took place in October 2021 which led to the risk register being updated and re-baselined to take account of the findings from this review. An updated summary of the current Corporate Risk Register is attached at **Appendix 6**.
- 2.22 The Committee should note that the current methodology used to calculate an overall severity rating for each risk places a greater emphasis on the impact of the risk in comparison to the likelihood. As such those corporate risks which are considered to have the highest rating in terms of their potential impact, are less likely to be downgraded in terms of their overall severity rating, even where the likelihood of the risk happening is reduced.
- 2.23 Corporate risk management activities at the Combined Authority are currently coordinated by the Transformation and Performance Team, who act independently across all directorates within the organisation and have a wider remit around corporate performance and business improvement. A review of capacity within this team has recently been undertaken and as a result of this it is proposed to add additional resource into the team during early 2022. This will provide further capacity in key corporate performance functions and will enable the team to more proactively lead improvements to corporate risk management activities.
- 2.24 These improvements will include those suggestions made by this Committee at its last meeting, including:
- Overview figures to show the total number of risks contained within the Corporate risk register, to be grouped by severity and to show change in these numbers since the last reporting period;
 - Full details for all of those risks within the register which are rated as 'very high' or 'high';
 - More comprehensive details of the mitigation measures in place for these risks and details of mitigation owners;
 - Direction of travel for each risk to show movement during the reporting period; and
 - Date showing when risks were originally escalated to the Corporate Risk Register to indicate the length of time that the risk has been 'live'.

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.

9.2 That the Committee endorse the treasury management statement and strategy and reserves policy.

10. Background Documents

None.

11. Appendices

Appendix 1 – Financial monitoring (revenue).

Appendix 2 – Financial monitoring (capital).

Appendix 3 – Draft Revenue Budget 2022/23

Appendix 4 – Capital Estimates

Appendix 5 – Treasury Management Statement

Appendix 6 – Corporate risk register.