

of around £600k. Further potential mitigation measures are limited; most activities take place in the summer period and therefore there are few options to cancel or reduce any of these in the current year.

- 2.5. Further cost reductions are planned for immediate implementation including redundancies which whilst having a small financial impact in the current year would generate savings in 2020/21.
- 2.6. It should be noted that the financial risk headings in 2019/20 are largely one-off and many relate to decisions by the Board regarding financial settlements, investigations and recruitment costs.
- 2.7. There is evidence of some actions to better control spending, for example, there is now only one company credit card which is held by the Finance Director.
- 2.8. There is no detailed financial forecast beyond 2019/20, but there is a high-level financial plan in place which covers the period 2019 to 2022.

3. **Cash Flow**

- 3.1. A review has been undertaken of Welcome to Yorkshire's cash flow position on a monthly basis over the remainder of 2019/20. It shows that cash balances will remain in surplus over the next XXXX months and thereafter (XXXXXXXXXX) the position becomes overdrawn. This is based on the assumption that the North and West Yorkshire Business Rate Pool pay the first instalment of their £1m contribution in October. It also relies on a payment of xxx in respect of Section 106 monies from the North Yorkshire Moors National Park which is currently under discussion.
- 3.2. Whilst these figures will undoubtedly vary month by month and the position could be improved temporarily by, for example delays in payments, by the end of March 2020 it is likely that the organisation will be overdrawn by around £250k.
- 3.3. Welcome to Yorkshire do not have an overdraft facility with their bank and therefore this overdrawn position is not an option for them.
- 3.4. In order to mitigate this position Welcome to Yorkshire have an option available to them to draw down a loan of up to £500k from North Yorkshire County Council. This facility is open for five years which ends in November 2020. If this loan was taken up this would put the organisation in a position of surplus funds in the bank for the remainder of 2019/20.
- 3.5. At the time of writing the Welcome to Yorkshire Board have not agreed to take up any of the loan facility. The loan agreement as it currently stands would require repayment by November 2020 and therefore a revision to the terms would be necessary.

4. Business Objectives and Business Structure

- 4.1. Welcome to Yorkshire's Core business objective is to promote the County's tourism and leisure offer and assets which it does through a core membership offer to paying member businesses, sponsorship of campaigns and events of different scale and direct public funding for events and campaigns. It also provides project management of campaigns and events. As a not for profit organisation it seeks to break even on its activity.
- 4.2. From our limited review it is not immediately clear that the Board has set an explicit expectation of the criteria by which individual campaigns or events should make a contribution to overheads or contribute to the running costs of the core membership offer, nor that this has been done explicitly by the Executive. The focus has necessarily been on managing the organisations cash flow and a relatively "hand to mouth" existence. Given the geographical spread of public sector funders it will be important that a consistent approach is developed to costing and pricing all activity. This needs to be done on a sustainable and long term footing by which the company can sustain its fixed and semi fixed costs from its own activity or secure an explicit long term agreement with its public funders to underwrite in advance an agreed contribution to overheads, based on the overall value created for the Yorkshire economy.

5. Audit of Accounts

- 5.1. Draft accounts for 2019/20 have been prepared and the audit begins in October with a deadline of 31st December to publish audited final accounts. The auditor's opinion on the accounts includes an assessment of the organisation as a going concern. In arriving at this conclusion, the auditor must satisfy him/herself that Welcome to Yorkshire is financially sustainable for the foreseeable future; this would normally be at least the current and following year.
- 5.2. Given the position outlined above it would seem unlikely that the auditor could easily conclude that Welcome to Yorkshire is a going concern. It should be noting that this would be the first time that the organisation has received a qualified opinion to its accounts.

6. Governance

- 6.1. It is apparent that the recent work done by BDO has identified many gaps in the current governance arrangements, and in some cases, these repeat the issues identified in 2014 by KPMG in a previous review. It is clearly imperative that the Board of Welcome to Yorkshire strengthen the governance arrangements in the organisation and give particular attention to financial governance. This needs to include setting and agreeing expected financial contributions to the business from of all categories of activity.
- 6.2. It is not apparent that Board meetings are sufficiently structured in order to fulfil their fiduciary duties. Welcome to Yorkshire should ensure that Board members are made fully aware of their

responsibilities and accountabilities, and agendas should be structured and planned in such a way that provides necessary assurances. There should be a strong focus on financial responsibilities and the Board should promote strong and effective financial controls.

- 6.3. There appears to be little capacity within the organisation to ensure good governance. For example, the role of company secretary is combined with the role of finance director, and there is no HR resource directly employed. Whilst acknowledging that this would add to costs, increasing capacity in these areas should allow for improvements in governance and release the time of the Finance Director to focus on financial matters.

7. **Conclusions**

- 7.1. The short to medium term financial sustainability of Welcome to Yorkshire is heavily dependent on support from the local authorities. There are three key income sources which are essential to maintain a positive cash flow and going concern, and these are:
- a) £1m from the North and West Yorkshire Business Rate Pool;
 - b) xxxx held by the North Yorkshire Moors National Park; and,
 - c) a loan from North Yorkshire of up to £500k, arranged to assist with cash flow.

Without these payments Welcome to Yorkshire will run out of cash by November at the latest, and do not have access to a bank overdraft facility.

- 7.2. The organisation needs to make every effort to mitigate the deficit in 2019/20 and must make this a priority for Board meetings.
- 7.3. Welcome to Yorkshire needs to produce a detailed budget plan for 2020/21 and beyond, which sets out different funding scenarios. In this context there should be a consideration of options to reduce expenditure and increase income, which may involve cutting back on events and activities, and ensuring that events which do go ahead attract sufficient income to fund themselves and make a contribution to overheads / fixed costs.
- 7.4. Consideration should be given to reviewing the capacity of the organisation, particularly in respect to Governance, Finance and HR.

29th August 2019