
Report to: Governance and Audit Committee

Date: 28 July 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 note the closing 2021/22 financial position and emerging risks facing 2022/23 and future years.

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 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. Internal Audit are currently undertaking a compliance audit of financial

controls in the Transport and Property Services directorate. Further details are included in agenda item 8.

Treasury Management

- 2.5 Further to the presentation made to the last Committee and the agreed actions a separate item on Treasury Management has been included on this agenda as item 12.

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 RIDDOR incidents have been reported since the previous meeting and in this financial year.
- 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 Outturn 2021/22

- 2.1 The financial year 2021/22 has now been closed and a surplus of £2.8 million is reported, £0.6 million above the Q3 forecast. This position was reported to the last meeting of the Finance, Resources and Corporate Committee. The surplus is primarily due to salary savings in excess of the vacancy target, alongside underspend within the concessions budget, driven by the slow recovery of bus patronage in the region. This is offset by overspends across tendered services, also connected to changes in bus behaviours as a continuation of impacts resulting from Covid. In light of the increased volatility of these transport budgets and the significant variances that emerged at year end, a thorough review is being undertaken, supported by Finance and Internal Audit, to ensure budgetary monitoring within the function is suitably robust and to highlight any weaknesses or gaps in current controls.
- 2.2 The full outturn position is included in **Appendix 1** and the table below summarises this position and provides an overview of the main variances against the Budget and the Q3 Forecast position.

2021.22 Revenue Budget – final outturn	Variances to Budget	Variances to Forecast
	£	£
Staffing underspends ahead of target	2,927,283	(34,076)
Transport Services		
Concessions underspend	4,213,925	1,954,302
Tendered Services net overspend	(1,194,391)	(114,391)
Transport Services other (non-staffing)	773,945	(744,027)
Transport Services other (income)	71,003	615,267
	3,864,481	1,711,150
Capitalisation	(3,666,200)	(1,665,058)
Other	(300,747)	584,524
Net Surplus / Variance	2,824,817	596,539

- 2.3 Members are reminded that at the Combined Authority meeting in February 2022, approval was given to set up a ringfenced reserve with the forecast underspend in Concessions against budget, in preparation for funding the ongoing difficulty of post Covid recovery in the bus service industry. This figure was to be confirmed once the year end position had been finalised and the last meeting of the Finance, Resources and Corporate Committee approved the transfer of £2 million to an earmarked reserve for public transport support in 2022/23 and beyond. Use of this will be considered alongside the submission for Bus Services Improvement Programme, the impact of inflation, the conclusion of government funding for bus and the phased move back to reimbursing concessions on an actual basis.
- 2.4 There are still significant financial uncertainties and challenges which may require mitigation through contingent reserves, including cliff edge funding, inflation and post-COVID pressures. It is intended to update the budget forecast for 2022/23 at the end of Q1 and that this will then be considered in the context of a three-year medium term financial strategy, noting that there are currently budget funding gaps in the next two years. This will also need to consider any changes in expected income, particularly where this is funding people and services and is not guaranteed to continue. The Growth Service team had its annual 2022/23 BEIS grant funding cut by 50% compared to last year and there are further programmes where funding is due to end in 2022/23.
- 2.5 A paper on the agenda for the Combined Authority meeting of 22 July 2022 considers the challenges of bus funding in the current year, and proposes an in year budget virement of £2.1 million from concessionary travel to bus support to respond to the known consequences of inflation on the current contracts.

Capital Outturn 2021/22

2.6 The table below summaries the total expenditure on the Combined Authority's capital programme in 2021/22 against the revised forecasts included in both the budget reported to the Combined Authority in February 2022 and to the Finance Resources and Corporate Committee in March 2022.

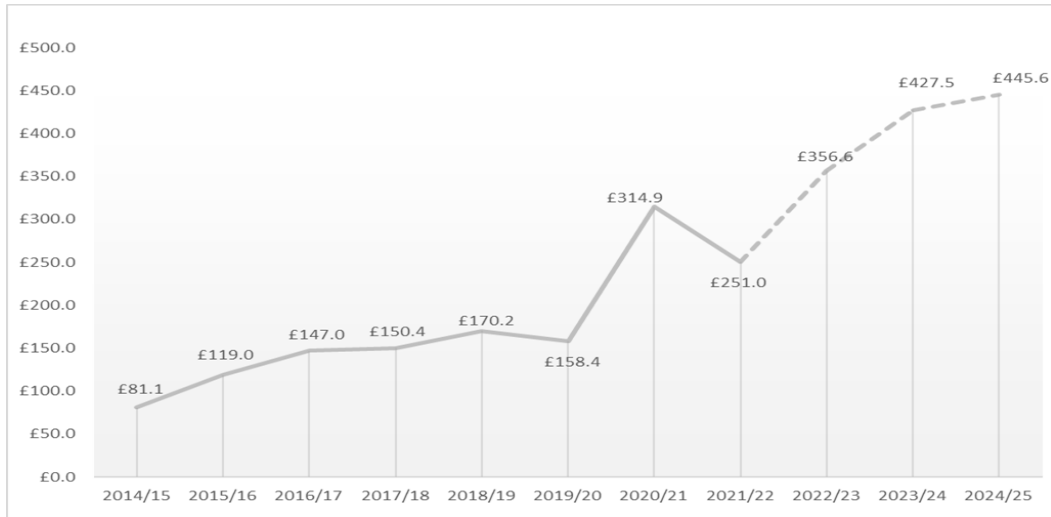
Capital Programme Expenditure	Budget at Combined Authority February 2022	In-year Revised Forecast February 2022	Quarter 4 Expenditure 2021/22	% of in year forecast
West Yorkshire plus Transport Fund	£86,025,688	£64,206,570	£61,550,717	95.9%
Growth Deal	£480,329	£635,329	£402,367	63.3%
Leeds Public Transport Investment Programme	£45,270,442	£45,270,442	£42,798,253	94.5%
Transforming Cities Fund (inc. Tranche 1)	£39,605,197	£36,689,757	£26,316,007	71.7%
Integrated Transport Block / Highways Maintenance / Challenge Fund*	£52,450,545	£52,450,545	£49,448,798	94.3%
Corporate Projects	£4,038,709	£4,352,489	£4,770,121	109.6%
Broadband	£6,110,569	£6,110,569	£1,725,326	28.2%
Land Release Fund & One Public Estate	£1,028,993	£54,996	£168,967	307.2%
Getting Building Fund	£44,557,357	£44,557,357	£44,557,357	100.0%
Brownfield Housing Fund	£13,554,997	£12,912,988	£16,146,481	125.0%
Active Travel Fund*	£7,805,868	£7,805,868	£3,255,438	41.7%
British Library North	£151,414	£151,414	£5,480	3.6%
New Station Fund	£2,000,000	£0	£1,312,459	0%
Other (Clean Bus, ULEB, CCAG, HS2, Energy Accelerator, s106)	£1,000,000	£952,000	£1,039,573	109.2%
Total Capital Spend	£304,080,108	£276,150,324	£253,497,345	91.8%

* Active Travel includes both capital and revenue spend

2.7 Total expenditure in 2021/22 represents 83.3% of the forecast reported to the Combined Authority in February and 91.8% of the revised forecast following review of the quarter 3 claims. Whilst spend is lower than forecast, 2021/22 is a significant year of programme delivery and is the second highest year of capital spend. The delivery that has been achieved reflects well on both the Combined Authority and the partner councils having been achieved despite the many difficulties that have been experienced over the last two years including: the Covid pandemic, high numbers of vacancies, high levels of inflation, issues with obtaining both materials and construction labour.

2.8 The majority of the Combined Authority's forecast expenditure in 2021/22 is concentrated across six major programmes: the West Yorkshire plus Transport Fund; Transforming Cities Fund (TCF); Leeds Public Transport Investment Programme (LPTIP); Getting Building Fund (GBF); Brownfield Housing Fund (BHF) and Integrated Transport Block / Highways Maintenance / Challenge Fund (also known as the Local Transport Capital programmes).

2.9 The approval of new funding in 2022/23 is forecast to make 2022/23 the Combined Authority's highest year of spend to date, as shown in the graph below.



3 Tackling the Climate Emergency Implications

3.1 There are no climate emergency implications directly arising from this report. All projects approved through the assurance process are required to consider climate impact.

4 Inclusive Growth Implications

4.1 There are no inclusive growth implications directly arising from this report. All projects approved through the assurance process are required to consider their impact on inclusive growth.

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 – Financial monitoring (revenue)