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**Report to:** Governance and Audit Committee

**Date:** 13 October 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 provide an update on emerging inflationary and other financial pressures identified in the coming year with specific reference to Transport Services and likely impacts to the 2023/24 Budget following the Q1 2022/23 forecast.

## **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 5.

### **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.

### **Q1 2022/23 Financial Update**

- 2.1 The 2022/23 financial year continues to present challenges for the Combined Authority. The longer term impact of Covid-19 is apparent in its impact on bus usage and impacting on bus patronage recovery. Impacts of inflation have already become apparent during budget monitoring particularly in areas where there are RPI, or CPI linked contracts renewing in-year.
- 2.2 Key areas of inflationary pressure are where there are contracted costs. For the revenue budget this is impacting initially on bus services and property costs, and across ICT contracts although due to the timing of contract renewal dates it appears that much of the impact will be deferred to next year. There is a slight positive in improved rates of return for cash balances on deposit but the increase in interest rates will increase the costs of future planned borrowing.
- 2.3 Other key cost pressures are within staffing budgets where proposals regarding pay awards will have ongoing budgetary impacts. The Combined Authority has a separate negotiating process for pay awards to that of local government but in practice the pay award implemented is usually aligned to the local government offer. The present proposals equate to an additional cost of up to £1 million on the revenue budget, which exceeds the 2% provision made in the budget and work continues to seek to contain this within the revised forecast for the year. At present there are a significant number of movements in the 2022/23 budget and it is intended to seek to minimise the use of reserves in year to keep the budget in balance.

## **Capital Programme Update**

- 2.4 The table below summarises the total expenditure on the Combined Authority's capital programme as at quarter 1 2022/23. This includes a revised in year forecast of expenditure on each funding programme in comparison with the budget forecast reported to the Combined Authority in February 2022 and to the Finance Resources and Corporate Committee in March 2022.

| <b>Capital Programme Expenditure</b>                  | <b>Indicative Forecast<br/>Combined Authority<br/>February 2022</b> | <b>Revised In-Year<br/>Forecast as at June<br/>2022</b> | <b>Quarter 1<br/>Expenditure<br/>2022/23</b> | <b>% of in-year<br/>Forecast</b> |
|---|---|---|--|----------------------------------|
| <b>Transport Programmes</b>                           |   |   |  |                                  |
| City Region Sustainable Transport Settlement          |   | £68,280,000   | £0   | 0.00%                            |
| Transforming Cities Fund (inc. Tranche 1) (non CRSTS) | £129,518,965  | £64,467,093   | £5,746,745                                   | 8.91%                            |
| West Yorkshire plus Transport Fund                    | £102,395,761  | £59,726,739   | £12,315,451                                  | 20.62%                           |
| Zero Emissions Bus Regional Areas                     |   | £3,818,701  | £0   | 0.00%                            |
| Leeds Public Transport Investment Programme           | £368,755  | £2,870,000  | £247,210                                     | 8.61%                            |
| Integrated Transport Block (CA legacy projects)       | £4,281,941  | £5,288,676  | £610,618                                     | 11.55%                           |
| Active Travel   |   | £7,489,580  | £1,293,551                                   | 17.27%                           |
| New Station Fund                                      | £10,000,000   | £3,687,541  | £2,251,228                                   | 61.05%                           |
| <b>Economic Development Programmes</b>                |   |   |  |                                  |
| Getting Building Fund                                 |   | £11,377,575   | £4,728,949                                   | 41.56%                           |
| Brownfield Housing Fund                               | £29,178,719   | £29,178,719   | £34,873                                      | 0.12%                            |
| Social Housing Decarbonisation Fund                   |   | £5,061,627  | £0   | 0.00%                            |
| British Library North                                 | £3,803,586  | £3,803,586  | £0   | 0.00%                            |
| Corporate Projects                                    | £2,609,900  | £2,609,900  | £325,386                                     | 12.47%                           |
| Broadband   | £2,429,409  | £1,525,169  | £0   | 0.00%                            |
| Growth Deal - Economic Development                    |   | £123,300  | 3000   | 2.43%                            |
| Business Accelerator Fund                             | £3,070,000  | £3,070,000  | 0  | 0.00%                            |
| <b>Total Capital Spend</b>                            | <b>£284,587,036</b>   | <b>£272,378,206</b>                                     | <b>£27,554,011</b>                           | <b>10.12%</b>                    |

- 2.5 The in-year forecast now includes the following programmes which had not received formal approval from Government at the time of the Combined Authority meeting in February 2022: City Region Sustainable Transport Settlement (CRSTS); Zero Emissions Bus Regional Area (ZEBRA); Active Travel (Tranche 3); and the Social Housing Decarbonisation Fund.
- 2.6 86% of the Combined Authority's forecast expenditure in 2022/23 is concentrated across five major programmes: the new City Region Sustainable Transport Settlement; the Transforming Cities Fund (TCF); the West Yorkshire plus Transport Fund; Getting Building Fund (GBF); and the Brownfield Housing Fund (BHF). Over the coming year it is intended to shift reporting such that it is aligned to the investment priorities rather than the funding pots.

### **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**

None