
Report to: Governance and Audit Committee

Date: 12 January 2023

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.

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. The Combined Authority has approved changes to the officer sub delegation scheme following the restructure of the senior team but this has not directly affected any internal controls.
- 2.3 Work is continuing on the implementation plan for the integrated Finance, HR and payroll system CIAnywhere and prior to go live the control environment for the system will be considered and approved by the Project Board which includes the Director, Finance and Commercial Services and the Head of Internal Audit.
- 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, safeguarding, statutory returns and transparency arrangements. Actions are being identified to ensure compliance is adequately documented and evidenced. Internal Audit has recently completed a compliance audit of financial controls in the Transport and Property Services directorate. Further details are included in agenda item 5.

Key indicators

- 2.5 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.
- 2.6 No RIDDOR incidents have been reported since the previous meeting and in this financial year.
- 2.7 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.

Q2 2022/23 Financial Update

- 2.9 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.
- 2.10 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 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.
- 2.11 Work is underway to ensure that the year end position will be a break even one, with staffing savings due to higher than planned vacancies balancing out the other in year pressures arising from inflation.
- 2.12 The draft budget proposals taken to the Combined Authority on 8 December set out an approach that keeps the transport levy unchanged, recognising the challenging financial environment for local authorities and utilising some in year savings on concessionary reimbursement to meet the expected increase in bus tendered services in 2023/24. Further work will be required during 2023/24 to consider the affordability of the current levels of bus support as government funding comes to an end and higher contract prices are expected to continue to emerge. This work will include a review of the provision and funding of school services.

Capital Programme Update

- 2.13 The table below summarises the total expenditure on the Combined Authority's capital programme as at quarter 2 2022/23. This includes the current expenditure forecast 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.

Capital Programme Expenditure	Indicative Forecast Combined Authority February 2022	Revised In-Year Forecast as at September 2022	Expenditure upto Quarter 2 2022/23	% of in-year Forecast
Transport Programmes				
City Region Sustainable Transport Settlement		£68,280,000	£5,283,946	7.74%
Transforming Cities Fund (inc. Tranche 1) (non CRSTS)	£129,518,965	£64,467,093	£13,401,738	20.79%
West Yorkshire plus Transport Fund	£102,395,761	£59,726,739	£29,572,653	49.51%
Zero Emissions Bus Regional Areas		£3,818,701	£0	0.00%
Leeds Public Transport Investment Programme	£368,755	£2,870,000	£1,431,447	49.88%
Integrated Transport Block (CA legacy projects)	£4,281,941	£5,288,676	£1,739,830	32.90%
Active Travel		£7,489,580	£2,671,396	35.67%
New Station Fund	£10,000,000	£3,687,541	£3,731,910	101.20%
Economic Development Programmes				
Getting Building Fund		£11,377,575	£8,783,808	77.20%
Brownfield Housing Fund	£29,178,719	£29,178,719	£150,552	0.52%
Social Housing Decarbonisation Fund		£5,061,627	£253,685	5.01%
British Library North	£3,803,586	£3,803,586	£0	0.00%
Corporate Projects	£2,609,900	£2,609,900	£821,457	31.47%
Broadband	£2,429,409	£1,525,169	£85,018	5.57%
Growth Deal - Economic Development		£123,300	£0	0.00%
Business Accelerator Fund	£3,070,000	£3,070,000	£2,165,255	70.53%
Total Capital Spend	£284,587,036	£272,378,206	£67,842,421	24.91%

- 2.14 Expenditure of almost 25% (of the current expenditure forecast) at quarter 2 is in line with prior years and seasonality of the Combined Authority's annual capital spend. The majority of spend, often over 60%, tends to be achieved in the final quarter.
- 2.15 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.
- 2.16 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.