

**Report to:** Governance and Audit Committee

**Date:** 29 March 2018

**Subject:** **Internal Controls and Financial 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 and to consider the current financial position.

## **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 and an update on the budget position for the current year.

### **Internal controls**

- 2.2 There have been no significant changes to internal controls in the period. The Combined Authority meeting of 1 February 2018 approved the 2018/19 revenue budget and associated financial limits for treasury management.
- 2.3 Regular governance meetings continue to be held with Leeds City Council (LCC) to consider and review the transactions relating to investments and treasury management being carried out jointly with LCC.
- 2.4 The strategic internal audit plan commencing April 2018 includes a number of days set aside for the delivery of programme and project reviews (55days annually). It is intended to use a proportion of these days to review the internal control framework and environment operating with a number of projects on an impromptu basis.

## 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 There have been no reportable (RIDDOR) accidents in the period 1 April 2017 to 28 February 2018.
- 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.

## Financial monitoring – revenue budgets

- 2.8 The table at **Appendix 1** shows the original budget and original forecast for 2017/18 and the budget for 2018/19 as approved by the Combined Authority on 1 February 2018 (including early projections for 2019/20 and 2020/21). The presentation of the budget lines has been revised to align with the revised directorate structures agreed as part of the One Organisation Programme and to align to directorate business plans. The approved budget includes a levy cut of £1m, with further cuts expected in future years and work is continuing on ways in which service provision can be reshaped to enable spending reductions to be achieved.
- 2.9 The table at **Appendix 2** presents the same figures for 2017/18 and 2018/19 but in a subjective format (ie analysis by salaries, premises, supplies & services, income etc.) and also includes a revised forecast for 2017/18 based on the updated actuals as at February 2018. It is proposed that future financial performance reports to this Committee are presented in this subjective format and the view of the Committee is sought on this proposal.
- 2.10 Using the figures presented in **Appendix 2** the Committee is asked to note and comment on the following:
- i. Overall the forecast position as at 31st March 2017/18 is a deficit of £2.5m which is to be funded by general reserves. This is an improved position both against the original budget and original forecast which was at £3.5m to be funded by reserves.
  - ii. The main changes in the figures are summarised as follows:
    - a. Salary budgets are providing savings of £1.19m, due to staff vacancies arising from both recruitment lag and in certain teams a recruitment freeze whilst 2018/19 budgets were being prepared;
    - b. Some of the salary budget savings are in the delivery directorate and impact / reduce the amount to be capitalised and offset against the pension deficit. This impacts the revenue forecast by £292k cost / under recovery;

- c. The bus services operating grant (BSOG) at £2.06m is higher than originally estimated in the budget / forecast. This provides a further £122k towards the bottom line.

### **Financial monitoring – capital budgets**

- 2.11 Delivery of the West Yorkshire-plus Transport Fund and Local Growth Fund projects is being monitored by the Investment Committee and information on this is available via the papers on the website.
- 2.12 The budget approved 1st February 2018 set out the full position with regard to capital funding and expenditure and these tables are set out below for information.

CAPITAL FUNDING	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	TOTAL £000
Local Growth Fund	72,228	74,349	73,510	100,338	320,425
Local Growth Fund C/Fwd	73,160				73,160
Leeds Public Transport Investment Programme	21,000	48,700	49,100	54,700	173,500
Local Transport Plan Integrated Transport	13,104	13,104	13,104	13,104	52,416
Local Transport Plan Integrated Transport C/Fwd	780				780
Highways Maintenance Block	25,971	23,507	23,507	23,507	96,492
Highways Maintenance Incentive Funding	2,432	4,896	4,896	4,896	17,120
Pothole Action Fund	3,857	2,231			6,088
National Productivity Investment fund	6,925				6,925
DfT Cycle City Ambition Grant	14,641				14,641
West Yorkshire Cycling and Walking Fund	2,140				2,140
Ultra Low Emission Vehicles	495	495	990		1,980
European Regional Development Fund	2,968	1,823			4,791
Broadband UK (BDUK)	2,968	1,823			4,791
Growing Places Fund	3,740	4,426	4,929	2,365	15,460
HS2	1,079				1,079
One Public Estate	385	160			545
Capital Receipts	600				600
Carry forward from prior year		73,653	59,469	7,500	
WY+TF Borrowing	0	5,300	13,537	103,369	122,206
<b>TOTAL</b>	<b>248,473</b>	<b>254,467</b>	<b>243,042</b>	<b>309,779</b>	<b>915,139</b>

CAPITAL EXPENDITURE	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	TOTAL £000
Growth Deal	100,150	102,080	105,960	129,350	437,540
Call For Projects	0	14,282	42,847	85,693	142,822
Leeds Public Transport Investment Programme	2,000	15,000	40,000	50,000	107,000
Local Transport Plan Integrated Transport	13,100	13,104	13,104	13,633	52,941
Ultra Low Emissions Vehicles	180	1,027	1,028	0	2,235
Highways Maintenance Block	25,970	23,507	23,507	23,507	96,491
Highways Maintenance Incentive Funding	2,432	4,896	4,896	4,896	17,120
Pothole Action Fund	3,857	2,231	0	0	6,088
National Productivity Incentive Fund	6,925	0	0	0	6,925
DfT Cycle City Ambition Grant	10,547	4,094	0	0	14,641
West Yorkshire Cycling and Walking Fund	1,019	1,121	0	0	2,140
WY Broadband Programme	5,936	3,646	0	0	9,582
Growing Places Fund	800	4,550	2,000	2,000	9,350
HS2	1,079				1,079
One Public Estate	385	160			545
WYCA Corporate Projects	440	5,300	2,200	700	8,640
<b>TOTAL</b>	<b>174,820</b>	<b>194,998</b>	<b>235,542</b>	<b>309,779</b>	<b>915,139</b>

## **Risk management**

- 2.13 There have been no significant changes to risk since the last meeting of this Committee. A separate report on this agenda considers the latest version of the risk register and the Committee will receive further detailed reports on risk management arrangements as these are finalised following input from this Committee, the Combined Authority and the Overview and Scrutiny Committee.

## **3 Financial Implications**

- 3.1 As set out in the report.

## **4 Legal Implications**

- 4.1 There are no legal implications directly arising from this report.

## **5 Staffing Implications**

- 5.1 There are no staffing implications directly arising from this report.

## **6 External Consultees**

- 6.1 No external consultations have been undertaken.

## **7 Recommendations**

- 7.1 That the Committee note the information contained in this report.

## **8 Background Documents**

None.

## **9 Appendices**

Appendix 1 - West Yorkshire Combined Authority Summary - 2017/18 to 2018/19 (and 2019/20 - 2020/21)

Appendix 2 - West Yorkshire Combined Authority - Summary 2017/18