



**Item**

## **Report to Solent Transport**

**Date:** 30 October 2015

**Report by:** Sue Lapham

**tel:** 01962 847804

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**Subject:** Finance Update

### **1. Summary**

#### **1.1** The following decisions are sought:

That the Joint Committee:

(a) Notes the outcome of Solent Transport's external audit for the year ending 31 March 2015 and accepts the external audit report.

(b) Notes the change in external audit requirement resulting from the implementation of the Audit and Accountability Act 2014 and agrees to place reliance on the external audit review of the accounts of the four member Councils from 2015/16.

(c) Approves the revised carry forward balance from 2014/15 to the 2015/16 budget.

(d) Approves the revised 2015/16 revenue budget.

(e) Notes the initial revenue forecast for 2015/16.

### **2. Reason**

**2.1** The purpose of this report is to notify the Solent Transport Joint Committee of the outcome from the external audit on the Statement of Accounts for 2014/15 and of legislative changes affecting the requirement for external audit of Joint Committees from 2015/16. It

also seeks approval for the revised carry forward balance from 2014/15 and asks the Joint Committee to formally approve the revised 2015/16 revenue budget and note the initial revenue forecast for 2015/16.

3. **Other Options Considered and Rejected**
- 3.1 Taking no action.
4. **Conflicts of Interest Declared by the Decision Maker or Other Executive Member Consulted – None.**
5. **Dispensation granted by the Conduct Advisory Panel – None.**
6. **Reason(s) for the Matter being dealt with if Urgent – None.**

**Approved by:** ..... **Date:** .....

**Councillor Seán D T Woodward**  
**Chairman**  
**Solent Transport**



## Agenda Item

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#### Purpose of the Report

The purpose of this report is to notify the Solent Transport Joint Committee of the outcome from the external audit on the Statement of Accounts for 2014/15 and of legislative changes affecting the requirement for external audit of Joint Committees from 2015/16. It also seeks approval for the revised carry forward balances from 2014/15 and asks the Joint Committee to formally approve the revised 2015/16 revenue budget and note the initial revenue forecast for 2015/16.

#### Recommendations

##### That the Joint Committee:

- (a) Notes the outcome of Solent Transport's external audit for the year ending 31 March 2015 and accepts the external audit report.
- (b) Notes the change in external audit requirement resulting from the implementation of the Audit and Accountability Act 2014 and agrees to place reliance on the external audit review of the accounts of the four member Councils from 2015/16.
- (c) Approves the revised carry forward balance from 2014/15 to the 2015/16 budget.
- (d) Approves the revised 2015/16 revenue budget.
- (e) Notes the initial revenue forecast for 2015/16.

## **Introduction**

1. The outcome of the external audit carried out by BDO LLP for the year ending 31 March 2015 is attached for acceptance by the Joint Committee as Appendix A. This report updates the provisional 2015/16 revenue budget presented to the June 2015 meeting of the Joint Committee and seeks approval of the revised 2014/15 carry forward balance. The report also summarises the initial 2015/16 revenue forecast for Solent Transport.

## **External Audit Outcome 2014/15**

2. The external audit on the 2014/15 Statement of Accounts for Solent Transport has now concluded and the appropriate certificates have been issued by BDO LLP.
3. Solent Transport received an unqualified opinion from the external auditor. While the report is available on the Solent Transport web pages it was noted however that the 2013/14 external auditor's report was not referenced in the minutes of the Joint Committee meeting in October 2013 and no formal action plan was produced. Solent Transport should ensure all subsequent audit reports are reported and minuted as received, and that an action plan is drawn up where recommendations are made.
4. The full external audit report for the year ending 31 March 2015 is attached as Appendix A. The Joint Committee is asked to consider and accept the finding of this report.

## **5. Future audit arrangements**

- 5a In December 2014 the Department for Communities and Local Government issued a letter to Local Authority Chief Finance Officers including the following information.

“The Audit Commission Act 1998 (section 2 and Schedule 2) required that joint committees to prepare accounts and undergo an audit separate from their constituent bodies. From 1 April 2015, implementation of the Local Audit and Accountability Act 2014 will mean that joint committees will no longer be required to have their accounts separately prepared and audited. This approach follows consultation with the local government and accounting sector and means that the final mandatory audit for such bodies will cover the period 2014/15.

The Government has made this change as the appropriate parts of the financial results of joint committees are reported in the accounts of their constituent bodies so they will be audited by auditors appointed

to audit the accounts of those bodies and there will be no need for a separate audit appointment to them.

Constituent authorities will need to consider the effect of ending separate joint committee audits and ensure that an effective financial and governance framework is maintained for those joint committees and the funds they control.”

- 5b The new legislation means that Solent Transport can in future place reliance on the external audit work already undertaken across all four Councils and no longer needs to commission and pay for a separate audit (the charge for the 2014/15 audit, payable in 2015/16 was £2,400 as part of a wider Small Bodies Audit contract but a stand alone contract would probably cost more).
- 5c There would be no change to the day to day accounting for Solent Transport which will continue to comply with the relevant council’s financial regulations, standing orders on contracts and all other systems of internal control. Financial update reports would continue to be brought to this Committee as now to ensure appropriate accountability and transparency. The Business Plan which includes a Risk Register would also continue to be produced (a requirement of the Solent Transport Constitution).
- 5d It is therefore proposed that from 2015/16 financial year that Solent Transport places reliance on the external audit work carried out on the accounts of the four member authorities.

**Revised Carry Forward from 2014/15**

- 6. Table 1 below updates the anticipated revenue funding position for 2015/16 approved by the Joint Committee in June 2015.

**Table 1**

<b>Revenue Funding</b>	<b>Original Budget 2015/16 £'000</b>	<b>Revised Budget 2015/16 £'000</b>
Core partner contributions	190	190
14/15 Balance Brought Forward	216	279
<b>Total Revenue Funding</b>	<b>406</b>	<b>469</b>

- 7. In the June meeting of the Joint Committee a £30,000 capital underspend on the Better Bus Area Fund (BBAF) was noted. This £30,000 was excluded from the reported revenue balance brought forward whilst approval was sought from the DfT to transfer this balance to revenue. This £30,000 BBAF capital carry forward was included in the 2014/15 accounts audited by BDO.

8. The increase of £63,000 in the revenue balance brought forward from 2014/15, since the anticipated balance, is due to the following:

(a) Since the June meeting of the Joint Committee approval has been granted from the DfT for the £30,000 underspend in capital in 2014/15 to be transferred to revenue to offset a £23,000 revenue BBAF pressure. This has had the effect of increasing the revenue carry forward which previously incorporated the £23,000 pressure. The DfT have asked that the remaining £7,000 is used as per the original grant conditions on related schemes and measures.

(b) Additional claims for Local Sustainable Transport Fund (LSTF) South were submitted to the DfT to cover the 2014/15 position in both capital and revenue. The additional funding received fully offsets the £19,000 LSTF pressure in capital and the £15,000 LSTF pressure in revenue reported in June. In addition a revenue bid was submitted to fund LSTF South telephone surveys and subsequent analysis work in 2015/16, for which £33,000 was received.

9. Approval of the revised 2014/15 carry forward balance is sought from the Joint Committee.

### Revised Revenue Budget 2015/16

10. Table 2 below compares the 2015/16 budget allocation approved by the Joint Committee in June 2015 and the proposed budget allocations including the revised carry forward balance.

**Table 2**

<b>Budget Heading</b>	<b>Original Budget June 2015</b>	<b>Revised Budget Oct 2015</b>
	<b>£'000</b>	<b>£'000</b>
<b>REVENUE</b>		
LSTF surveys & analysis	0	36
Staff/Finance/Audit	152	152
Marketing	5	5
BBAF	0	3
Enhancement of Sub Regional Transport Model (SRTM)	165	185
Solent Go	36	40
My Journey	28	28
General Studies	20	20
<b>Total revenue</b>	<b>406</b>	<b>469</b>

11. Revised budget allocations in Table 2 are summarised below:
- (a) LSTF telephone surveys and analysis work £36,000 - The total cost of the surveys and resulting analysis are estimated at £36,000 for 2015/16. £33,000 has been received from the DfT and the shortfall of £3,000 will need to be met from the Solent Transport budget. It is anticipated that the shortfall may be funded from additional partner contributions, excluding the Isle of Wight Council who were not involved in the LSTF South project.
  - (b) BBAF £3,000 – To fund the late submission of try-a-bus voucher claims in 2015/16.
  - (c) SRTM Upgrade £20,000 – A key priority for Solent Transport. A comprehensive update on the Sub-Regional Transport Model is provided in a separate report on this agenda.
  - (d) Solent Go £4,000 – The remainder of the BBAF grant carried forward from 2014/15. This area of expenditure best satisfies the BBAF grant conditions stipulated by the DfT. Solent Go is a related piece of work to promote bus travel.

#### **Initial Revenue Forecast 2015/16**

12. Solent Transport is reporting an initial forecast for 2015/16 in line with the revised budget in Table 2. A zero variance is expected should this budget be approved by the Joint Committee.

Section 100 D - Local Government Act 1972 - background papers

**The following documents disclose facts or matters on which this report, or an important part of it, is based and has been relied upon to a material extent in the preparation of this report.**

NB the list excludes:

- 1. Published works.
- 2. Documents which disclose exempt or confidential information as defined in the Act.

TITLE

LOCATION

*To be completed*