

Agenda Item No. 11(b)

WEST MIDLANDS REGIONAL ASSEMBLY

Board of Directors – 2nd June 2006

Financial Matters

Report of the Company Secretary

- 1 2005-06 Outturn Report**
- 2 Legal Contingency**
- 3 DCLG Funding Agreement for 2006-07**
- 4 DCLG Funding Agreement for RHB 2006-08**
- 5 Audit Services**

1. 2005-06 Outturn Report

1.1 Purpose

To advise the Board of the submission to GOWM of the Assembly's financial and performance report for the year ended 31 March 2006.

1.2 Recommendation

That the Board notes the report.

1.3 Background

West Midlands Regional Assembly's Final Progress Report to GOWM for 2005-06 comprises three sections – a Performance Management Progress Report (**Appendix 1**), the Financial Tables (**Appendix 2**), and the Work Strands (**Appendix 3**).

1.4 This report has been designed to focus on performance exceptions whilst allowing us to provide a progress update for every individual task within the work strands of the Business Plan using a symbol system which is explained in the introduction. This was an approach to performance monitoring agreed by the Assembly's Audit Committee.

1.5 A review meeting has been held with Government Office who are content with the explanations in respect of tasks which were off target or not achieved. The vast majority of tasks and work streams were delivered on time and to budget. Those few that were not completed or have 'slipped' into 2006-07 are in the main due to circumstances beyond the control of the Assembly.

1.6 Notably there were two key corporate governance activities undertaken in 2005-06 that were not in the original Business

Plan and these were a job evaluation review and general efficiency reviews.

1.4 **Financial Tables**

This report provides detail of actual activity set against the revised budget and bid profile. There are two tables;

- Table 1 - Activity profiled across the bid periods and analysed as planning and non-planning
- Table 2 – the revised budget, actual total activity, identified final virements and finally the funding source and related expenditure.

This is a report on all financial activity of WMRA, including that funded by other partners. Therefore, a further narrative is included in the table.

Key Points;

- An additional £20,812 was provided by ODPM to help meet the legal costs of the Coventry Airport Inquiry.
- Extra funding of £100,000 was provided by ODPM to support the Black Country Study and the impact of the Rover closure.
- A sum of £54,716 was identified as a potential legal contingency fund and approval sought from ODPM.
- An amount of £20,164 was identified as potential reserve provided for predominantly from bank interests and other small income items.

The revised budget was based on the virements approved by the Board and the final virements reflect addition support in the final quarter for 2012 Olympics, Regional Casinos Study and Social Inclusion. However the majority of virement was to establish the legal contingency fund.

It should be noted that the outturn report produced for Government Office aims to account for all income and expenditure in 2005-06. These figures are then subject to audit and the Financial Statements will include adjustments for capital expenditure, depreciation etc.

2. Legal Contingency Fund 2006-07

2.1 Purpose

To advise the Board of the progress made in establishing a Legal Contingency Fund for 2006-07.

2.2 **Recommendation**

That the Board notes the detail of this report and the impact of a Legal Contingency Fund on the Assembly Budget for 2006-07.

2.3 **Background**

The Board will recall that the Assembly has been petitioning for a legal contingency fund to allow carry forward of unspent funds from one financial year to the next. At the last meeting of the Board, the Chief Executive reported an 'agreement in principle' from ODPM. On this basis the Regional Assembly, identified funds from across its work programme to establish a contingency fund to meet the legal costs that were likely to arise in 2006-07 and for which there was insufficient budget allocation in the year ahead.

2.4 The total sum set aside was £54,716. The Assembly has now had a response (**Appendix 4**) from DCLG (Department for Communities and Local Government) authorising a contingency sum of £50,000. The balance of £4,716 may be required to be refunded subject to negotiation later in the year.

2.5 This approval was critical to the Assembly's ability to meet its legal costs in the coming year, particularly in light of the reduction in the funding offered to the Assembly from DCLG for 2006-07 (see item 3). There is already significant call on this legal fund in respect of the Coventry Airport Inquiry.

3. **DCLG Funding Agreement for 2006-07**

3.1 **Purpose of the Report**

To advise the Board of a reduction in the DCLG Funding Agreement for 2006-07.

3.2 **Recommendation**

That the Board approves the revision to the Legal Expenses Budget (WS29) of a reduction of £19,000 in response to a reduction in funding offered. That the Board also approves an approach to DCLG for further funds to help meet any additional legal costs that arise during the year over and above the existing legal budget provision for 2006-07 of £56,000.

3.3 **Background**

The 2006-07 Funding Agreements were not issued until 4 April and the grant offered to the West Midlands Regional Assembly was for a total amount of £2,172,000 (£19,000 less than the Business Plan & Budget submitted).

3.4 The terms of the 2006-07 Agreement allows Assemblies to 'maintain a permanent contingency of £6,000'.

3.5 Revised Budget 2006-07

The Assembly was asked to prepare a revised 2006-07 Budget ahead of a review meeting with Government Office on 4 May. In light of the fact that the Assembly was seeking a significant legal contingency carried forward from 2005-06 and that the reduction was as a result of DCLG wishing to establish a legal fund, a revised Budget was drawn up with the £19,000 being deducted from the £25,000 Legal Budget (WS29).

3.6 The subsequent approval for a £50,000 legal contingency carry forward means that in 2006-07 the total legal budget will now be a sum of £56,000 and the total DCLG funding provision will be £2,222,000 (£2,172,000 + £50,000 c/f).

4. DCLG Funding Agreement for RHB 2006-08

4.1 Purpose of Report

To inform the Board of the 2 year Funding Agreement for the Regional Housing Board 2006-08 and to seek approval of the Draft RHB Budget 2006-08 (**Appendix 5**).

4.2 Recommendation

That the Board approves the Draft RHB Budget 2006-08 and the recruitment of a RHB Senior Advisor.

4.3 Report Details

The Assembly has now received notification that it will undertake the function of the Regional Housing Board and has been offered funding of £140,000 for a 2 year work programme of 1 April 2006 to 31 March 2008.

4.4 Whilst the Assembly is clearly disappointed at the level of funding being offered to support this new activity, it is seeking to supplement DCLG funding with contributions already established from other partners to provide a total budget of £155,697.

4.5 This budget will meet basic operational costs and draw on resource from two existing Assembly posts already providing support to the RHB function. It will also require the appointment of a Senior Advisor to co-ordinate this area of activity and with a limited budget, the proposal is to appoint to an 18 month fixed term contract (via WMLGA as the employing body).

- 4.6 The establishment of the RHB as an Assembly function will require some legal advice in respect of company regulations and other operational issues. The Board is asked to note that Eversheds are providing this advice under the terms of a 'Letter of Engagement' established in March 2006 in relation to 'General Legal Advice on Constitution and Corporate Issues'. A separate report is being presented as agenda item **XX**

5. Audit Services

5.1 Purpose of Report

To inform the Board of the Audit Services provided by Clement Keys under the new International Auditing Standards and seek approval to sign the attached 'Letter of Engagement'. The Board should note the section 'your responsibilities as Directors' (**Appendix 6**).

5.1 Recommendation

That the Board notes the contents of the letters from Clement Keys and authorises the Chairman to sign the Letter of Engagement on behalf of the Regional Assembly Board.

5.2 Report Details

International Accounting Standards require auditors to write to their clients and set out the basis on which they will act as auditors and advisors and to set out the responsibilities of the organisation and the auditors. These documents are appended to this report.

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