

**A meeting of the
WECA Audit Committee**

will be held on

Date: Friday, 16 October 2020

Time: 2.00 pm

Place: Zoom virtual meeting, to be broadcast on the WECA YouTube Channel

Please note that the 16 October 2020 WECA Audit Committee will be broadcast via this link:
<https://youtu.be/6CsfZXnxOpU>

Notice of this meeting is given to members of the West of England Audit Committee as follows

Cllr Gary Hopkins, Bristol City Council
Mark Hatcliffe, Independent Member of WECA Audit Committee
Cllr Geoff Gollop, Bristol City Council
Cllr Andy Wait, Bath and North East Somerset Council
Cllr Tom Davies, Bath and North East Somerset Council
Cllr Mark Bradshaw, Bristol City Council
Cllr Cleo Lake, Bristol City Council
Cllr Brenda Massey, Bristol City Council
Cllr Donald Alexander, Bristol City Council
Cllr John Ashe, South Gloucestershire Council
Cllr John O'Neill, South Gloucestershire Council
Cllr Brenda Langley, South Gloucestershire Council

Enquiries to:

West of England Combined Authority Office
Rivergate 3
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Bristol, BS1 6ER
Email: democratic.services@westofengland-ca.gov.uk
Tel: 0117 456 6982

Members of the public may:

- Attend all WECA Committee and Sub-Committee meetings unless the business to be dealt with would disclose 'confidential' or 'exempt' information.
- Inspect agendas and public reports five clear working days before the date of the meeting
- Inspect agendas, reports and minutes of all WECA Committees and Sub-Committees for up to six years following a meeting.
- Inspect background papers used to prepare public reports for a period of up to four years from the date of the meeting.
- Have access to a list setting out the decisions making powers the WECA has delegated to their officers and the title of those officers.

For further information about this agenda or how the authority works, please contact Democratic Services, telephone 07436 600313 or e-mail: democratic.services@westofengland-ca.gov.uk

1. WELCOME AND INTRODUCTIONS

2. APOLOGIES FOR ABSENCE

To receive apologies for absence from Members.

3. DECLARATIONS OF INTEREST UNDER THE LOCALISM ACT 2011

Members who consider that they have an interest to declare are asked to: a) State the item number in which they have an interest, b) The nature of the interest, c) Whether the interest is a disclosable pecuniary interest, non-disclosable pecuniary interest or non-pecuniary interest. Any Member who is unsure about the above should seek advice from the Monitoring Officer prior to the meeting in order to expedite matters at the meeting itself.

4. MINUTES OF THE MEETING HELD 17 JULY 2020

5 - 10

To consider and approve the minutes from the 17 July 2020 meeting of the West of England Combined Authority Audit Committee..

5. ITEMS FROM THE PUBLIC (QUESTIONS; PETITIONS; STATEMENTS)

Note: WECA virtual public committee meetings are currently being arranged as 'Zoom' video conferencing meetings, broadcast on the WECA YouTube channel.

Please note: the 16 October 2020 West of England Combined Authority Audit Committee will be broadcast via this link:

<https://youtu.be/6CsfZXnxOpU>

WRITTEN PUBLIC QUESTIONS

1. Any member of the public can submit a maximum of two written questions to this meeting.

2. The deadline for the submission of questions is 5.00 pm, at least 3 clear working days ahead of a meeting. For this meeting, the deadline for questions is 5.00 pm on Monday 12 October 2020.

3. Questions should be addressed to the Chair of the meeting and e-mailed to democratic.services@westofengland-ca.gov.uk

4. Under the direction of the Chair, wherever possible, written replies to questions will be sent to questioners by the end of the working day prior to the meeting.

5. Please note - under WECA committee procedures, there is no opportunity for oral supplementary questions to be asked at committee meetings.

6. Questions and replies will be circulated to committee members in advance of the meeting and published on the WECA website.

PUBLIC STATEMENTS

1. Any member of the public may submit a written statement (or petition) to this meeting.

2. Please note that one statement per individual is permitted.

3. Statements must be submitted in writing and received by the deadline of 12 noon on the working day before the meeting. For this meeting, the deadline for statements is 12

noon on Thursday 15 October 2020. Statements should be emailed to democratic.services@westofengland-ca.gov.uk

4. Statements will be listed for the meeting in the order of receipt. All statements will be sent to committee members in advance of the meeting and published on the WECA website.

5. Please note – if any member of the public wishes to ‘attend’ the virtual meeting to orally present their statement, they are asked please to notify the WECA Democratic Services team of this by 12 noon on the working day before the meeting at latest.

6. In presenting a statement at the meeting, members of the public are generally permitted to speak for up to 3 minutes each if they so wish. The total time available for the public session at this meeting is 30 minutes. Within the time available, every effort will be made to enable individuals to verbally present their statements; at the discretion of the Chair, speaking time may sometimes be reduced depending on how many public items are received.

6. CHAIR'S BUSINESS / ANNOUNCEMENTS

7. STATUTORY ACCOUNTS 2019/20

11 - 174

The purpose of this Report is to present to Members of the WECA Audit Committee the West of England Combined Authority Annual Statement of Accounts for 2019-20 for their review and approval.

8. WECA WHISTLEBLOWING AUDIT REVIEW (2020/21)

175 - 180

To present the summary findings of the Internal Audit review of WECA's Whistleblowing arrangements following work completed in September 2020.

Next meeting: Thursday, 10 December 2020

West of England Combined Authority WECA Audit Committee

Friday, 17 July 2020, 10am

Zoom virtual meeting, broadcast on the WECA YouTube channel

Present:

Cllr Geoff Gollop, Bristol City Council (Chair)

Cllr Andy Wait, Bath and North East Somerset Council

Mark Hatcliffe, Independent Member of WECA Audit Committee

Cllr Mark Bradshaw, Bristol City Council

Cllr Cleo Lake, Bristol City Council

Cllr Donald Alexander, Bristol City Council

Cllr Gary Hopkins, Bristol City Council

Cllr John Ashe, South Gloucestershire Council

Cllr John O'Neill, South Gloucestershire Council

Cllr Brenda Langley, South Gloucestershire Council

Cllr Jo Sergeant, Bristol City Council (as substitute for Cllr Brenda Massey)

Cllr Matthew McCabe, Bath & North East Somerset Council (as substitute for Cllr Tom Davies)

Apologies:

Cllr Tom Davies (Cllr Matthew McCabe attended as substitute)

Cllr Brenda Massey (Cllr Jo Sergeant attended as substitute)

Minutes

1	<p>APOLOGIES FOR ABSENCE</p> <p>Apologies for absence were received from Cllr Tom Davies and Cllr Brenda Massey. Cllrs Matthew McCabe and Jo Sergeant attended as substitutes.</p> <p>The Chair welcomed new Committee members, Mark Hatcliffe, who had been appointed as the independent member, and Cllr Gary Hopkins who had replaced Cllr Tim Kent as a member of the Committee.</p> <p>The meeting was held virtually via Zoom and broadcast live on the Authority's youtube channel.</p> <p>The Chair requested that in the absence of the elected Vice-Chair (Cllr Tom Davies) the meeting was asked to choose a Vice-Chair for this meeting only.</p> <p>Resolved:</p> <p>That in the absence of the regular Vice-Chair, Cllr Cleo Lake be elected Vice-Chair for this meeting.</p>
2	<p>DECLARATIONS OF INTEREST UNDER THE LOCALISM ACT 2011</p> <p>No declarations of interest were declared.</p>
3	<p>MINUTES (PAGES 7-12)</p> <p>The minutes of the meeting held on 27 February 2020 were agreed as a correct record and signed by the Chair.</p>

4	<p>ITEMS FROM THE PUBLIC</p> <p>Two questions had been received as follows and the replies had been circulated prior to the meeting and published on the Authority's website:</p> <ol style="list-style-type: none"> 1. Mr Dave Redgewell – Transport Issues 2. Mr Dave Redgewell – Transport Issues <p>A statement had also been received. The person submitting the statement was granted access to the meeting in order to address the Committee for up to three minutes on the topic of their statement.</p> <ol style="list-style-type: none"> 1. Mr Dave Redgewell – Transport Issues. <p>In response to the point made regarding the consultation on (Covid) emergency bus routes, the Director of Investment and Corporate Services would obtain a response from the WECA Director of Infrastructure and report back to members.</p> <p>The Committee also wished to make the Authority's Scrutiny Committee aware of the issue regarding the transparency of the use of the DfT Emergency Travel fund allocations.</p>
5	<p>PETITIONS</p> <p>No petitions had been received prior to the meeting.</p>
6	<p>INFORMING THE AUDIT RISK ASSESSMENT FOR WECA 2019/20</p> <p>The Director of Investment and Corporate Services introduced a report linked to statutory accounts and which contributed towards the effective two-way communication between the Combined Authority's external auditors and Audit Committee as those charged with governance.</p> <p>The document "Informing the audit risk assessment for West of England Combined Authority 2019/20" had been produced by the Authority's external auditors Grant Thornton and was appended to the report.</p> <p>The following points were raised:</p> <ul style="list-style-type: none"> • In respect to page 28, question 10, the second question had appeared not to be answered. It needed to be made explicit that it was not applicable. It was confirmed that the Authority had no debts to write off currently; • In terms of performance management, business continuity planning and whistle blowing it was queried how this was being audited. It was confirmed that whistle blowing was handled through the internal audit service and a policy was in place but no cases had been referred. Both performance management and business continuity planning were monitored and agreed by WECA Committee. The Monitoring and Evaluation Framework had been reported to the previous WECA Audit Committee meeting in February 2020. The Committee requested that they continue to receive regular reports on the Whistle Blowing policy. <p>Agreed:</p> <p>The Committee confirmed that the WECA management response to the auditor risk assessment was a true reflection of the authority's management processes.</p>

7	<p>(STATEMENT OF ACCOUNTS) DRAFT NARRATIVE REPORT 2019/20</p> <p>The Director of Investment and Corporate Services introduced the draft narrative for 2019/20. It was noted that it was the responsibility of the Audit Committee to formally approve the authority's annual Statement of Accounts. This report contained the draft narrative report, the important opening section of the accounts explaining the activities and performance throughout the 2019/20 financial year. A series of tables set out the financial position of the Authority.</p> <p>The following points were raised:</p> <ul style="list-style-type: none"> • A question was raised regarding the investments into walking and cycling routes as compared to bus and rail travel. In response it was noted that £3m of WECA funding had been allocated to the unitary authorities in June 2020 for Emergency Active Travel and sustainable travel was high on the Authority's agenda. Another £10m from the investment fund had also been recently approved by WECA committee specifically for permanent walking and cycling schemes. There were other projects which had walking and cycling elements integrated within.; • It was questioned as to whether the 'well-being' economy should be integrated into the guiding principles of the Authority's work; • Public sector equalities duties and whether the report should have something about under privileged people who were falling outside the scope of the equalities act. It was suggested that this could be included in any update on the Authority's business plan in late January 2021 and this should be raised with the appropriate officer; • The list of activities needed to be updated in light of the post Covid-19 future. It was noted that the Investment Programme was set before the outbreak and the review process was ongoing, with amendments already being made; • In terms of targets it was confirmed that the individual projects had their own targets which are published in the public domain. Each project reported quarterly progress and were regularly reviewed. The performance narrative reflected the £350m investment programme position as at January 2020 and it was difficult to quantify some of the Covid impacts on some of the infrastructure projects in the long term. An additional paragraph stating the current position could be added; • The Committee commended the improvements made to the accessibility of the document compared to the previous year; <p>Agreed: That the draft narrative report be noted and any areas where further refinement might be needed be noted where stated.</p>
8	<p>ANNUAL GOVERNANCE STATEMENT 2019/20</p> <p>The Director of Investment and Corporate Services introduced a report containing the Annual Governance Statement, an integral section of the accounts detailing the framework, and effectiveness, of the authority's governance arrangements. Most of the document described the framework as set out in an appendix. The two key governance issues for the Authority were stated as Covid-19 and the robustness of the statement of accounts based on problems encountered in the previous financial year. During 2019/20 several enhancements have been made on the authority's accounts including increasing internal finance capacity and implementing a new Agresso finance system.</p> <p>Internal Audit independently reviewed and commented on the authority's governance arrangements.</p>

	<p>The following points were raised:</p> <ul style="list-style-type: none"> • Reassurance on the robustness of the statutory accounts was given by the Director of Investment and Corporate Services. CIPFA were reviewing the document and feedback had so far been positive. The implementation of Agresso would help assist with the delivery of this process in 2020/21; • A full set of accounts would be presented to the Committee in September 2020; • A report on monitoring the Agresso implementation was requested to be brought to the next meeting. <p>Agreed: That the draft Annual Governance Statement be noted.</p>
9	<p>INTERNAL AUDIT ANNUAL REPORT 2019/20</p> <p>The Committee received the Annual Report of the Internal Audit service which detailed progress against the Plan, a summary of audit performance and key issues, as well as the formal opinion on the internal control framework. Jeff Wring and Mark Wheeler from the Authority's Internal Auditors attended the meeting and introduced the report to the Committee.</p> <p>The following issues were raised:</p> <ul style="list-style-type: none"> • Fraud aspects were at a very low level and pro-active training would be used rather than including fraud within formal e-learning modules. Fraud will be included as part of the corporate induction programme and specific information emailed to all staff when appropriate. A fraud bulletin was also regularly produced by the Internal Audit team. The situation would be constantly reviewed; • In terms of customer feedback, the Internal Audit team were judging how best to receive such feedback. Often senior managers were seeking advice on specific areas. The detail of the comments received was the important thing. <p>Agreed:</p> <p>That the opinion on the Internal Control framework and outcome of Internal Audit work undertaken in 2019/20 be noted.</p>
10	<p>INTERNAL AUDIT PLAN 2020/21</p> <p>The Committee received a report from the Authority's Internal Audit team which presented the Internal Audit Plan for 2020/21 for approval. The Internal Audit Plan had been appended.</p> <p>The following points were agreed:</p> <ul style="list-style-type: none"> • The impacts of Covid were taken into account in every single Audit; • The list of planned Audits for 2020/21 were outlined in the report. <p>Agreed:</p> <p>That the report be noted and the Internal Audit Plan attached at Appendix 1 be approved.</p>
11	<p>FEE SCALE FOR THE AUDIT 2020/21 AND UPDATE ON 2019/20</p> <p>The Public Sector Audit Appointment (PSAA) letter was attached to the report and provided key updates and information on audit matters in response to Covid and the 2020/21 Fee Scales. The fee scales rate would remain the same in 2020/21. However, there would be</p>

	<p>extra external audit work commissioned as set out in the report.</p> <p>Agreed:</p> <p>The committee noted the content of the Public Sector Audit Appointments letter</p>
12	<p>IN-DEPTH INSIGHT INTO THE IMPACT OF COVID-19 ON FINANCIAL REPORTING IN THE LOCAL GOVERNMENT SECTOR (PAGES</p> <p>In June 2020 Grant Thornton produced a document which articulated and detailed the actual, and anticipated, impact of Covid-19 on financial reporting in the local government sector which was detailed as Appendix 1 to this report. Although a national view, there were potentially financial reporting and regulatory impacts on the Combined Authority. Although it was not always possible to predict the long term impact of Covid, a number of disclosures were required. Cyber-security issues with home working increases were also highlighted.</p> <p>The following points were raised:</p> <ul style="list-style-type: none"> • The collection fund of business rates would be impacted on future years and WECA has placed some money into a specific reserve; • The treasury management activities had produced returns in recent years but these would reduce with falling interest rates. Some of WECA's cash balances were being put aside to facilitate a short-term loan scheme for local (West of England), unitary authorities. <p>Agreed:</p> <p>The committee noted the content of the (Grant Thornton) 'in-depth insight into the impact of Covid-19 on financial reporting in the local government sector' report.</p>
	<p>Next meeting - Friday, 18 September 2020, 11.00 am</p>

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ITEM: 07

REPORT TO: AUDIT COMMITTEE

DATE: 16 OCTOBER 2020

REPORT TITLE: STATUTORY ACCOUNTS 2019/20

**DIRECTOR: MALCOLM COE, DIRECTOR OF INVESTMENT &
CORPORATE SERVICES (s73 OFFICER)**

AUTHOR: MALCOLM COE

Purpose of Report

1. The purpose of this Report is to present to Members of the WECA Audit Committee the West of England Combined Authority Annual Statement of Accounts for 2019-20 for their review and approval.

Impact of Covid-19 pandemic

2. The Combined Authority has actively reviewed its key activities and work programme to reflect changing priorities as a result of the Covid-19 pandemic. Specific issues relating to the Covid-19 situation that impact on or are addressed through this report are as follows:
 - The deadline for the statutory approval of local authority accounts has been amended to 30 November 2020 as a result of the Covid situation;
 - WECA has reviewed its 'going concern' status in relation to Covid. We have assessed that Covid has not had any material impact on the authority's accounts for 2019/20.

Recommendations

That the committee:

- (a) note the content of the External Auditor ISA 260 Audit Findings report (as detailed in Appendix 1) and
- (b) approve the West of England Combined Authority Annual Statement of Accounts for 2019-20 (as detailed in Appendix 2).

(c) approve the Letter of Representation as detailed at Appendix 3.

Background / Issues for Consideration

3. The Accounts and Audit Regulations (England) 2015 require the Annual Statement of Accounts to be certified by the Chief Financial Officer no later than 31 May each year. Due to the Covid pandemic, this deadline was extended to 31 August 2020 for the 2019/20 Accounts. WECA complied with the statutory deadline with the accounts placed on the website as per the link below:

<https://www.westofengland-ca.gov.uk/wp-content/uploads/2020/08/DRAFT-WECA-Statement-of-Accounts-2019-20.pdf>

4. The Statutory Statement of Accounts have been produced in accordance with the CIPFA Code of Practice on Local Authority Accounting based on International Financial Reporting Standards.
5. 2019/20 has been the first year that the WECA Finance team have fully led on, and 'owned', the Statement of Accounts process having terminated the contract previously held with PriceWaterhouseCoopers (PWC). To retain an element of support on specialist technical areas, we commissioned the Chartered Institute of Public Finance and Accountancy (CIPFA) on a 'light touch', advisory basis.
6. The Accounts and Audit Regulations 2015 require the Statement of Accounts to be approved by a resolution of a Committee of the relevant body and that following approval, the Statement of Accounts be signed and dated by the person presiding at the Committee. The revised Covid timescale requires this to be completed by 30 November 2020.
7. In advance of the full accounts, we presented the 'Narrative Statement' and 'Annual Governance Statement' sections as separate reports to the audit committee on 17 July 2020.
8. Grant Thornton have completed their external audit of the WECA Accounts with their (ISA 260) audit Findings report detailed in Appendix 1. As can be seen in this report, significant improvements have been made by WECA over the last 12 months with the audit, on the whole, running very smoothly.
9. The full set of WECA Accounts for the 2019/20 financial year are contained within Appendix 2 of this report.

Consultation

10. The draft accounts for 2019-20 were published on the West of England Combined Authority website by the required deadline of 31 August 2020 and made available for public inspection as required under the Accounts and Audit Regulations (England) 2015.

Risk Management/Assessment

11. The publication of the Authority's Financial Statements forms a core part of WECA's governance and risk management processes. As required by statute, an Annual Governance Statement has been published and is integrated within the core Statement of Accounts document.

12. The Authority has been assessed as a viable 'going concern' although future uncertainty on volatile funding streams, such as 100% Business Rate Retention and Mayoral Capacity funding, remains a risk that is kept under regular review.

Public Sector Equality Duties

13. The public sector equality duty created under the Equality Act 2010 means that public authorities must have due regard to the need to:
- Eliminate unlawful discrimination, harassment and victimization and other conduct prohibited by the Act.
 - Advance equality of opportunity between people who share a protected characteristic and those who do not.
 - Foster good relations between people who share a protected characteristic and those who do not.
14. The Act explains that having due regard for advancing equality involves:
- Removing or minimising disadvantages suffered by people due to their protected characteristics.
 - Taking steps to meet the needs of people from protected groups where these are different from the needs of other people.
 - Encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.
15. The general equality duty therefore requires organisations to consider how they could positively contribute to the advancement of equality and good relations. It requires equality considerations to be reflected in the design of policies and the delivery of services, including policies, and for these issues to be kept under review.
16. There are no direct implications arising from this report.

Finance Implications, including economic impact assessment where appropriate:

17. The Statement of Accounts reflect the financial accounting position of the Combined Authority as at 31 March 2020 (as required by legislation). Management Accounting reports are published throughout the year evidencing progress and spend against the authority's set budget.

Legal Implications:

18. The publication and audit of the Authority's Financial Statements is in accordance with the Accounts and Audit Regulations (England) 2015.

Appendices:

Appendix 1 – Grant Thornton (ISA 260) Audit Findings Report

Appendix 2 – WECA Statement of Accounts for 2019/20

Appendix 3 – Letter of Representation

Background papers:

WECA Draft Statement of Accounts 2019-20

<https://www.westofengland-ca.gov.uk/wp-content/uploads/2020/08/DRAFT-WECA-Statement-of-Accounts-2019-20.pdf>

WECA 2019/20 Statement of Accounts Draft Narrative Report: Audit Committee 17 July 2020

WECA Annual Governance Statement 2019/20: Audit Committee 17 July 2020

West of England Combined Authority Contact:

Any person seeking background information relating to this item should seek the assistance of the contact officer for the meeting who is Ian Hird / Tim Milgate on 0117 332 1486; or by writing to West of England Combined Authority, 3 Rivergate, Temple Way, Bristol BS1 6ER; email: democratic.services@westofengland-ca.gov.uk

The Audit Findings for West of England Combined Authority

Year ended 31 March 2020

16 October 2020

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Headlines

This table summarises the key findings and other matters arising from the statutory audit of West of England Combined Authority ('WECA') and the preparation of the WECA's financial statements for the year ended 31 March 2020 for those charged with governance.

Covid-19	<p>The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the WECA. The key impact on WECA has been the change to all staff working from home. The finance team has been able to continue accessing all necessary systems and continued to work as normal despite this change.</p> <p>Authorities are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financials statements to 30 November 2020.</p>	<p>We updated our audit risk assessment to consider the impact of the pandemic on our audit. This required us to make an addendum to our audit plan which has been included as Appendix F. In that addendum we report an additional financial statement risk in respect of Covid -19 and highlight the impact on our VfM approach. Further detail is set out on page 6.</p> <p>Restrictions for non-essential travel has meant both WECA and audit staff have had to work remotely. This has not impacted access to financial systems as staff are well-equipped for remote working, and have been very responsive. We have kept in regular contact via telephone and Teams calls. The financial statements were received well ahead of time on 22 July 2020. The key challenge has been access to data stored in physical form which is kept in the office which was closed until recently.</p>
Financial Statements	<p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the WECA's financial statements:</p> <ul style="list-style-type: none"> • give a true and fair view of the financial position of WECA's income and expenditure for the year; and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. <p>We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed remotely during July-October 2020. Our findings are summarised on pages 5 to 13. We have identified 3 adjustments to the financial statements that have resulted in a £11k adjustment to the WECA's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.</p> <p>Our work is substantially complete, subject to the following outstanding matters;</p> <ul style="list-style-type: none"> • receipt of a small number of investment confirmations; • receipt of evidence for revenue cut-off and expenditure cut-off; • testing of the agency creditor and debtor; • receipt of the letter of assurance from the auditor of Avon Pension Fund; • receipt of management representation letter; and • review of the final set of financial statements. <p>We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation.</p> <p>Our anticipated audit report opinion will be unmodified.</p>

Headlines

This table summarises the key findings and other matters arising from the statutory audit of West of England Combined Authority ('WECA') and the preparation of WECA's financial statements for the year ended 31 March 2020 for those charged with governance.

Value for Money arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the WECA has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VfM) conclusion').

We have completed our risk based review of the WECA's value for money arrangements. We have concluded that WECA has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We have updated our VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VfM risks in relation to Covid-19.

We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix E. Our findings are summarised on pages 14 to 21.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during these unprecedented times. Further, we would like to acknowledge the significant progress made by the finance team in addressing the improvement areas we identified in the preparation of the financial statements following last years audit.

Audit approach

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management. As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of WECA's business and is risk based, and in particular included

- An evaluation of WECA's internal controls environment, including its IT systems and related controls.
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have had to alter our audit plan to reflect our response to the Covid-19 pandemic. This involved the identification of a new significant risk and a review of the materiality levels of the audit. We did not identify any changes in our materiality assessment as a result of the risk identified due to Covid-19.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 16 October 2020, as detailed in Appendix E. These outstanding items are identified on page 3.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

We have revised our materiality at year end following the receipt of the year end statements. For the final audit our materiality was set at £1.15m as opposed to £1.50m reported in the Audit plan dated 3 February 2020.

	Amount (£)	Qualitative factors considered
Materiality for the financial statements	£1,150,000	Prior year adjustments and delays in accounts preparation
Performance materiality	£863,000	
Trivial matters	£57,500	
Materiality for remuneration of senior officers disclosure	£20,000	

Significant audit risks

Risks identified in our Audit Plan

Covid– 19

Auditor commentary

We:

- worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. No changes were made to materiality levels as a result of Covid-19. The draft financial statements were provided on 22 July 2020;
- liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose;
- evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic;
- evaluated whether sufficient audit evidence could be obtained through remote technology;
- evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as the pension fund liability valuations; and
- evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment.

The revenue cycle includes fraudulent transactions

We rebutted this risk in our Audit Plan. Our assessment has not changed since the issue of the Audit Plan.

Significant audit risks

Risks identified in our Audit Plan

Management override of controls

Auditor commentary

We:

- evaluated the design effectiveness of management controls over journals;
- analysed the journals listing and determined the criteria for selecting high risk unusual journals;
- tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; and
- gained an understanding of the accounting estimates and critical judgments applied by management and considered their reasonableness with regard to corroborative evidence.

Our audit work has not identified any issues in respect of management override of controls.

Valuation of pension fund net liability

We:

- updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated, and evaluated the design of the associated controls;
- evaluated the instructions issued by management to their management expert (the actuary) for this estimate, and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;
- undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed additional procedures suggested within the report; and
- obtained assurances from the auditor of Avon Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data, and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements


Our audit work has not identified any issues in respect of valuation of the net liability. We are awaiting the final letter of assurance from the Avon Pension Fund auditor, however we understand that they are likely to report a potential material uncertainty in respect to the valuation of property funds owned by Avon Pension Fund. Although a proportion of these assets is attributable to WECA, the value of your share of the property assets is not material to WECA and therefore, in our view, we agree that there is no need for a material uncertainty to be disclosed in WECA's financial statements.

Other audit risks

Risks identified in our Audit Plan	Auditor commentary
<p>International Financial Reporting Standard (IFRS) 16 Leases – (issued but not adopted)</p> <p>Although the implementation of IFRS 16 has been delayed to 1 April 2021, audited bodies still need to include disclosure in their 2019/2020 statements to comply with the requirement of IAS 8 para 31. As a minimum, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases.</p>	<p>In our Audit Plan we identified that the public sector was due to implement this standard from 1 April 2020. It was therefore identified as a risk. Due to the Covid-19 pandemic the implementation of IFRS 16 has been delayed until 1 April 2021. WECA has appropriately included a disclosure in their 2019/20 statements in compliance with the requirements of IAS8 para 31, including the title of the standard, the date of initial application, and the nature of the changes. The potential impact has not yet been possible to identify.</p>
<p>Incomplete or inaccurate financial information and standing data transferred to the new payroll system</p>	<p>In our Audit Plan we identified the implementation of the new payroll system in November 2019 as a risk. We have completed an information technology (IT) environment review to document, evaluate and test the IT controls operating within the payroll system hosted by North Somerset Council. We have also reviewed the payroll data in year, which has not identified any issues with the accuracy and completeness of the data.</p> <p>We have received the Internal Audit report performed in September 2019 on the data transfer, which has identified that the controls in this area were weak, as archive data held by BANES Council had not been migrated. We are awaiting confirmation of how management has overseen this process and satisfied itself that all appropriate data has been transferred.</p>

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Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Provisions for NNDR appeals - £3.092m	WECA are responsible for repaying a proportion of successful rateable value appeals. The level of provision required is calculated by the three constituent authorities. The calculation is based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates. Due to an increase in outstanding appeals, the provision has increased by £0.232m in 2019/20.	<p>The underlying information used to determine the estimate is considered to be appropriate. There have not been any changes to valuation method in year.</p> <p>The increase in the estimate is considered to be reasonable in line with the evidence of the constituent authorities.</p> <p>The estimate has been adequately disclosed in the financial statements.</p>	 Green

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
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Net pension liability – £6.566m

The WECA's net pension liability at 31 March 2020 is £6.566m (PY £2.715m). The WECA uses Mercers to provide actuarial valuations of the WECA's assets and liabilities derived from (this scheme/these schemes). A full actuarial valuation is required every three years.

The latest full actuarial valuation was completed on 31 March 2019. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £2.99m net actuarial loss during 2019/20.

We formed an assessment of management's expert (Mercers). We considered that they are an appropriate expert to undertake the valuations of the pension liability.

We undertook detailed work to assess the movement in the pension liability in year, with no issues arising.

We utilised PwC as and auditor's expert to assess actuary and assumptions made by actuary – per the table below, assumptions were considered to be appropriate.

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.3%	2.3% to 2.4%	● Green
Inflation assumption	2.1%	2.1%	● Green
Salary growth	3.6%	3.35% to 3.6%	● Green
Life expectancy – Males currently aged 45 and 65	24.7 and 23.2	22.5 - 24.7 and 20.9 - 23.2	● Green
Life expectancy – Females currently aged 45 and 65	27.3 and 25.3	25.9 - 27.7 and 24.0 - 25.8	● Green

●
Green

The underlying information used to calculate the estimate was considered to be complete and appropriate. The increase in the liability was considered to be appropriate, following our testing of the experience items which contributed. The estimate was properly disclosed in the financial statements.

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – going concern

Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Going concern commentary

Management's assessment process

Management has prepared a going concern assessment based on an analysis of future cash flows, including a detailed assessment up to March 2022 and taking into account the three year Medium Term Financial Strategy.

Auditor commentary

Based on our review of management's assessment, we consider that it is appropriate for management to use the going concern assumption in preparing the WECA financial statements. There is strong evidence of future cash flows which are indicative of the ability to continue as a going concern.

Work performed

We made a preliminary assessment of the going concern assumption. We followed this by examining the events and conditions which underline the going concern assumption and reviewing management's assessment of going concern.

No material uncertainty identified with management's assessment of going concern. Disclosures in the financial statements were considered to be adequate.

Concluding comments

Our audit opinion is unmodified in relation to going concern.

We note that covid-19 is not expected to be a post-balance sheet event as its impact on the authority is immaterial.

Other matters for communication

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Auditor commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the WECA.
Disclosures	Our review found no material omissions in the financial statements.
Audit evidence and explanations/significant difficulties	All information and explanations requested from management was provided.

Other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to appendix E.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties <p>We have nothing to report on these matters.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA audit instructions. This work is not required for WECA, as WECA does not exceed the threshold.</p>
Certification of the closure of the audit	<p>We intend to certify the closure of the 2019/20 audit of West of England Combined Authority in the audit report, as detailed in Appendix E.</p>

Value for Money

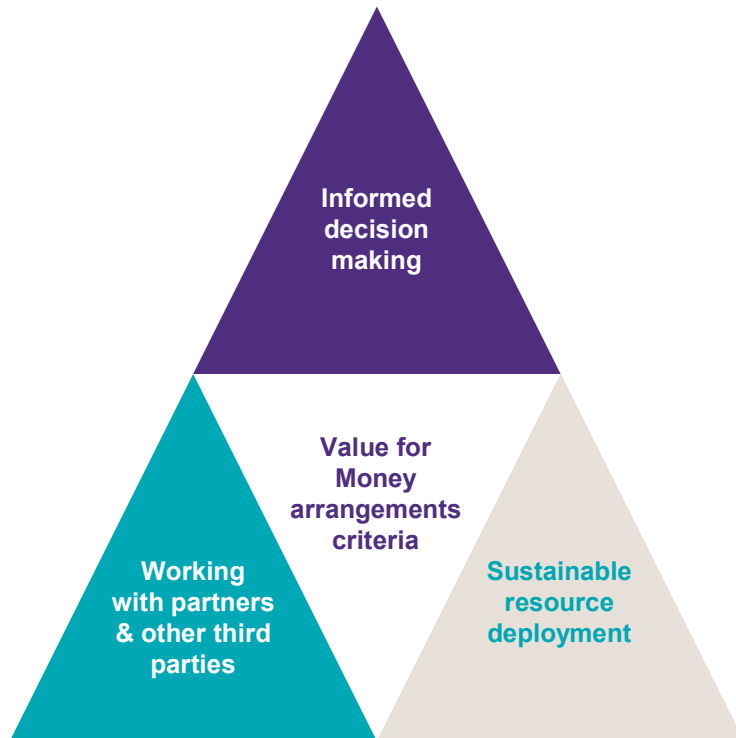
Background to our VFM approach

We are required to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and report by exception where we are not satisfied. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Authority. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2019. AGN 03 identifies one single criterion for auditors to evaluate:

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."

This is supported by three sub-criteria, as set out below:



Risk assessment

We carried out an initial risk assessment in January 2020 and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated February 2020.

We have updated our VFM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VFM risks in relation to the Covid-19 pandemic.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Value for Money

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the CCG's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the CCG's arrangements. In arriving at our conclusion, our main considerations were:

- the development of the 2019/20 medium term financial forecast (MTFF) (informed decision making and sustainable resource deployment)
- the progress made by the Authority measuring and monitoring performance (informed decision making)

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on pages 17 and 20.

Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Authority had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The text of our report, which confirms this, can be found at Appendix E.

Recommendations for improvement

We discussed findings arising from our work with management and have agreed recommendations for improvement.

Our recommendations and management's response to these can be found in the Action Plan at Appendix A

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Value for Money

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk

Findings and Conclusion

Medium Term Financial Plan (MTFP)

- The Combined Authority did not develop a detailed MTFP in 2018/19. We recognised that WECA is an evolving organisation meaning there are a number of emerging factors which will have an impact on its financial sustainability and medium term financial plan.
- Following the approval in July 2019 of the regional investment programme of £350m to March 2023. WECA has revised its future funding assumptions and formalised a MTFP.
- We will review the revised MTFP prepared as part of the 2020/21 budget process to assess the clarity of the information provided and the factors used to inform the assumptions that underpin the strategy.

WECA's Local Growth Assurance Framework commits WECA to developing a 20-year programme of investment with a series of indicative allocations based on strategic criteria. Individual schemes are then subject to a business case development process. WECA has adopted an indicative 20-year programme, running to 2035/26 for funding secured from the West of England Investment Fund, Transforming Cities Fund and other expected income.

As part of the 20-year programme, WECA has developed a 4 year Investment Strategy which deals with the prioritisation and allocation of capital projects up to March 2023. The programme aligns investment proposals with the operating framework, key regional strategies and core objectives. This was approved by the WECA Committee on 19 July 2019. This programme demonstrates a reasonable geographical and functional split across priority areas and will be vital in supporting the first government gateway review of investment progress.

The strategy primarily covers the WECA Investment Fund and Transforming Cities Funding amounting to £350m over the period. The Investment Strategy covers the parameters, priorities, use and constraints of the £1bn Investment Fund and Transforming Cities Funding for the initial period up to March 2023. As reported to the January 2020 WECA committee meeting, WECA had approved £198.9 million of awards and allocations to projects in with an additional £20 million put aside to respond to opportunities and challenges and £7.9m allocated for operating costs and elections to 2023. A further £191.6 million has been allocated for 'tails' of projects but this has not been formally awarded to projects which are in development.

The proposed budget for 2020/21 and Medium-Term Financial Forecast (MTFF) was presented to the West of England Combined Authority Committee in January 2020. This included a three-year capital programme of £76 million which includes both approved and indicative capital schemes. The indicative schemes will need to be brought back to the WECA committee for further approval before they can be progressed. All capital costs are to be met from government grants, devolution investment funding or revenue contributions.

A separate mayoral budget presented also included a 3-year medium term forecast for running costs based on reasonable assumptions in respect of pay and inflation.

The MTFF includes reasonable assumptions in respect of treasury management income with proposed plans to invest any short-term surpluses in reserves to manage future financial risks and projects.

The 2020/21 Revenue budget and MTFF takes account of the £350m WECA Investment Programme. Budget approvals have now been phased over the period to March 2023 to provide an indicative MTFF for the WECA revenue budgets. A Programme approach has been applied to mix and match funding to projects based on timing to ensure best use if made of public funding. The MTFF has been developed to be coterminous with the period of the Investment Programme.

In addition to the projects in delivery, future funding has been allocated by theme on the basis of the Local Industrial Strategy, Joint Local Transport Plan, spatial strategy, and Business Plan. Through comparison with previous projects, an estimation of the potential impact of these allocations can be undertaken. It is emphasised that for this group of schemes this is based on the average performance of historical projects and does not reflect the specific deliverables of forthcoming projects, which are yet to be set.

Value for Money

Significant risk

Medium Term Financial Plan (MTFP) *continued*

- The Combined Authority did not develop a detailed MTFP in 2018/19. We recognised that WECA is an evolving organisation meaning there are a number of emerging factors which will have an impact on its financial sustainability and medium term financial plan.
- Following the approval in July 2019 of the regional investment programme of £350m to March 2023. WECA has revised its future funding assumptions and formalised a MTFP.
- We will review the revised MTFP prepared as part of the 2020/21 budget process to assess the clarity of the information provided and the factors used to inform the assumptions that underpin the strategy.

Findings and Conclusion

Funding allocations to projects will be subject to successful compliance with the approved assurance stage gate process. All costs must be clearly evidenced, and verified by the WECA Section 73, (Statutory Finance Officer), prior to receiving formal allocation. In addition to criteria that must be applied for every proposed scheme, there are a few criteria that must be applied to the WECA Investment Fund programme as a whole in order to:

- maintain a balanced portfolio of projects;
- ensure sustainability of future resource levels of the fund;
- promote consistency in the allocation and drawdown of funding

A formal process has been developed for responding to forecasted cost over runs, actions are dependent upon the level of overrun and whether the project continues to represent value for money.

The Business Rates Retention Pilot will continue in 2020/21 but this is the final year of the pilot and it will be replaced by a 75% Business Rate Retention that is being implemented nationally from April 2021. WECA is currently reliant on £1.2m per annum of the 100% pilot to support the funding of core capacity costs, however, the majority of the funding (£17.6m) is payable directly to the mayoral budget to replace the highways and transport grants from the Department for Transport. From 2021/22 onwards it is assumed that government will provide highways and transport capital grants direct to the three unitary authorities. Funding of £1m from the Mayoral Capacity Fund Grant for 2020/21 to meet core operating costs at WECA has no certainty beyond this period. The WECA have started to increase the general fund reserve to manage any future financial risk. This remains at 2 per cent of the 2021/21 revenue.

The MTFF includes reasonable assumptions in respect of specific revenue grant funding including Adult Education Budget £14.7 million), Housing Capacity Fund (£1 million) and Future Bright grant (£3.6 million). Specific grant income streams amount to £46.4 million over the period to 2022/23. Total revenue funding for 2020/21 of £53 million is included in the MTFF, with a total of £142m to the three years to 2022/23.

WECA continue to integrate the various funding streams available, incorporating the Investment Fund, Transforming Cities Fund, Economic Development Fund, Local Growth Fund, Business Rates Retention and other available grant funding in order to build a longer-term strategic approach to financial planning.

Conclusion

Following the development of a 4-year Investment Programme to prioritise resources and develop detailed projects, WECA formalised a MTFF which was approved by the WECA committee in January 2020. The MTFF is based on valid assumptions and reflects known and agreed projects and associated funding streams once they are confirmed. The plan should remain flexible as new opportunities for projects and funding are identified as well as reflecting any changes that may be required as a result of the Covid-19 pandemic.

Recommendation

Officers should consider producing a single page MTFF to provide a summary of the expected financial outturn.

Value for Money

Significant risk

Measuring and Monitoring Performance

- Progress was made during 2018/19 to develop a performance framework and regular performance reporting. The emphasis of the main source of WECA funding has been on feasibility and business case development for various programmes and projects. SMART objectives and planned outcomes could now be linked to the £350m investment programme to March 2023, against which the Authority can measure its impact and effectiveness and be accountable to stakeholder and tax payers.
- We will review progress made in developing and monitoring SMART objectives developed for key projects and key metrics to measure and monitor the performance and impact of the Combined Authority.

Findings and Conclusion

The West of England Local Industrial Strategy developed by leaders and businesses from across the region was published in July 2019. It sets out the region's ambitions to be a driving force for clean and inclusive growth. Following the development of the strategy, WECA has worked closely with partners to develop individual projects during 2019. In July 2019, WECA produced a four-year, prioritised investment programme, each approved scheme business case has its own monitoring and evaluation plans. An economic model has been developed which will enable different types of investment (transport, housing, employment land, and other land use changes) or a programme of investment to be considered on a consistent basis, against the criteria of economic output, as measured by the GVA generated by the investment alongside other 'balancing' social, environmental and geographic metrics.

The 2020/21 business plan was agreed by WECA and the Joint Committee in February 2020. The business plan aligns the Local Industry Strategy with the WECA operating framework and identifies strategic activities to be undertaken to realise the ambitions identified in the Local Industrial Strategy. It also provides details of schemes in delivery, funded through the Investment Fund, Local Growth Fund and other funding sources. The business plan set out how the authority are working to meet the two overarching objectives of achieving inclusive economic growth and addressing the climate emergency. Specific actions have been identified to help further progress these priorities.

The business plan includes details of schemes in delivery and business cases in development to present a full picture of WECA's role in delivering infrastructure and providing support to residents and businesses. The LEP delivery plan is incorporated into the business plan along with details of all schemes funded through the Investment Fund, Local Growth Fund and other funding sources to present a full picture of WECA's role in delivering infrastructure and providing support to residents and businesses. The delivery plan focused on specific metrics for LEP-funded activity including Local Growth Fund, Growth Hub and Invest in Bristol and Bath. The LEP delivery plan references relevant indicators for LEP funded activities including businesses supported, jobs created, funding provided and leveraged.

Progress in delivering the business plan is reported quarterly to WECA and Joint Committee. The quarterly progress reports are also shared with the West of England Chief Executives and WECA Overview and Scrutiny Committee. It provides a summary of key achievements and details any significant exceptions to delivery together with mitigating activities, the plan also highlights upcoming activities. An annual report on delivery of the 2019/20 business plan is presented to the WECA and Joint Committee mid year.

In July 2019, the Authority declared a climate emergency, recognising the huge significance of climate change and its impact on the health, safety and wellbeing of the region's residents. The business plan is to be updated following publication of the regional climate emergency action plan which sets out ambitions to reach carbon neutrality by 2030. All proposals and projects will be subject to detailed environmental assessment/consideration as part of their project specific management arrangements.

Value for Money

Significant risk

Measuring and Monitoring Performance *continued*

- Progress was made during 2018/19 to develop a performance framework and regular performance reporting. The emphasis of the main source of WECA funding has been on feasibility and business case development for various programmes and projects. SMART objectives and planned outcomes could now be linked to the £350m investment programme to March 2023, against which the Authority can measure its impact and effectiveness and be accountable to stakeholder and tax payers.
- We will review progress made in developing and monitoring SMART objectives developed for key projects and key metrics to measure and monitor the performance and impact of the Combined Authority.

Findings and Conclusion

WECA's Local Growth Assurance framework published in November 2019 sets out the prioritisation, appraisal, monitoring and evaluation requirements for each scheme. The framework was shared with Government in November 2019, feedback received from Government was positive and highlighted the strategy included clear logic models, well specified data requirements and clearly allocated responsibility to senior responsible officers.

The monitoring and evaluation framework sets out WECA's overall approach to performance management and provides links to the monitoring and evaluation plans for each activity. This is reviewed on an annual basis and was updated in February 2020. This brings together all WECA's reporting requirements into one place and provides a clear structure for reporting focused on three levels:

- Delivery of Annual Business Plan – this includes in-year activities that support WECA, the LEP, implementation of the devolution deal and elements of longer term project and programme delivery delivered through the Investment Fund and One Front Door Programme.
- Project and Programme delivery - this focuses on schemes funded through the WECA Investment Fund and West of England One Front Door Programme. Evaluation criteria have been established for each project/programme, and progress will be monitored during project and evaluation will be undertaken once projects are completed. Monitoring and evaluation plans are now in place for the majority of projects or are in development and end of project delivery reports will confirm the monitoring activities set out in the Monitoring and Evaluation Plan. All monitoring and evaluation reports will be published on the WECA website. An overall monitoring plan for the investment programme will be reported to the WECA committee periodically, highlighting the extent to which projects have contributed to the overall objectives of WECA.
- Longer Term Organisational Impact - measured through five-year gateway reviews. WECA's first Gateway Review is due in December 2020.

The Authority's main source of funding, the Investment Fund, is the most flexible in terms of timing and availability of both revenue and capital resources. A substantial focus of the fund so far has been on feasibility and business case development work across a number of projects and programmes. During 2019/20 the WECA committee approved a number of business cases within the Investment Fund allocation to 2023 which are currently in delivery. When projects are completed, they will be expected to deliver significant benefits to the period. The 2020-21 Business Plan includes estimates of the impact of the projects, including where matched funding has been leveraged. The impact includes £615m of gross value added; 3,650 jobs; 1,220 people moving into work or gaining increased earnings; 10,220 learners gaining new qualification or skills; 33,000 businesses receiving enterprise support; 19,650m² of commercial floor space enabled; 0.5 million new bus journeys per year; £1.3 million new rail journeys per year; and 5 new railway stations opened. These measures will not capture the full value of the projects, which will provide a range of specific benefits, some of which are hard to estimate precisely at this stage. The committee are to be regularly updated on the impacts as more schemes progress through to delivery and completion. Clearly the impact of Covid-19 needs to be considered in relation to these targets and an assessment made of whether the current measures are appropriate or need to be revisited.

Value for Money

Significant risk

Findings and Conclusion

Measuring and Monitoring Performance *continued*

- Progress was made during 2018/19 to develop a performance framework and regular performance reporting. The emphasis of the main source of WECA funding has been on feasibility and business case development for various programmes and projects. SMART objectives and planned outcomes could now be linked to the £350m investment programme to March 2023, against which the Authority can measure its impact and effectiveness and be accountable to stakeholder and tax payers.
- We will review progress made in developing and monitoring SMART objectives developed for key projects and key metrics to measure and monitor the performance and impact of the Combined Authority.

WECA have identified a number of 'regional indicators' across the priorities of the operating framework. They summarise the state of the region for each priority area and WECA have concluded that the activities set out in the Business Plan will contribute to positive change. WECA do not have total control over these measures due to many other factors playing a role, but they have established a baseline position and indicators have been developed across the priority areas of economic growth, climate emergency, inclusive growth, infrastructure, business and skills.

It will be important to be able to provide some robust evidence of outputs both to the public and as part of the first government gateway review scheduled to report in December 2020 on the impact achieved by the Investment Fund. The review is currently ongoing and six projects have been identified which will provide the focus for the first review. As part of the context for the evaluation, a tailored baseline forecast has been developed using historic data and modelling to provide a 'baseline projection' in terms of employment, GVA and productivity which can then be compared to actual outcomes as part of the gateway review. WECA are collecting monitoring data on expenditure and delivery of outputs and outcomes to inform the evaluation.

Conclusion

Good progress has been made during 2019/20 to further develop and embed a performance framework. Tangible metrics have been developed for each strategic theme of the WECA operating model detailing existing baselines and anticipated progress to be made by 2023. A baseline has now been formalised and SMART objectives developed against key projects and key metrics against which the Authority can measure its impact and effectiveness and be accountable to stakeholders and taxpayers.

Recommendations

WECA should consider the use of RAG rating to clearly highlight where indicators have improved in the last year.

WECA will now need to consider the impact that the covid-19 pandemic will have on the regions' plans for achieving inclusive economic growth and addressing the climate emergency and potential refocus on priorities.

Independence and ethics



We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting WECA's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

Audit and Non-audit services




For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the WECA. No non-audit services were identified during the period from 1 April 2019 to the present date.

Action plan

We have identified a small number of recommendations for WECA as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2020/21 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
 Medium	Preparation of Financial Statements Good progress has been made in improving the arrangements for the preparation of financial statements. The in-house finance team has greater stability and capacity which has enabled more robust financial statements to be produced for audit. Whilst there have been a number of issues arising during the course of the audit, these are reflective of the fact that the team are becoming more experienced in their roles.	Continue the positive progress in enhancing the capacity and experience of the finance team to produce accurate financial statements in a timely way. Management response 2019/20 was the first year in which WECA 'owned' and managed the Statement of Accounts through developing and utilising in-house capacity. As acknowledged in this report, we have made huge progress over the last 12 months in this area and we will continue to improve when developing the 2020/21 Statements through: <ul style="list-style-type: none"> (a) improving electronic access to transactional financial data (with the new Agresso finance system being fully operational from September 2020); and (b) stabilising and increasing in-house financial capacity with a recommendation to the 9th October 2020 WECA Committee to increase the Financial Services base budget by £150k per annum.
 Medium	Medium Term Financial Plan Officers have developed a robust medium term financial plan that is based on appropriate assumptions and reflects known projects and funding streams. However, the impact of the Covid-19 pandemic now needs to be considered and reflected in future updates to the plan. There is also an opportunity to summarise the financial information into a single page.	Officers should review the MTFF to reflect any changes required as a result of the Covid-19 pandemic. Officers should consider producing a single page MTFF to provide a summary of the expected financial outturn. Management response We have, and will continue, to regularly review the impact of Covid-19 on WECA's MTFF. As an example, recommendations to the 9th October 2020 WECA committee include: <ul style="list-style-type: none"> (a) bringing back £32m of Investment Fund financial headroom, (for re-prioritisation), within the Infrastructure theme through challenging the relative priority and deliverability of all schemes post Covid; and (b) a further Investment Fund allocation of £4.4m, (in addition to a previously approved £5m allocation), for post Covid economic recovery activity. This £9.4m allocation will be overseen by the West of England Regional Taskforce including Mayors, Political Leaders and key representatives from the region's business and education sectors. MTFF assumptions will be regularly reviewed with updates provided in published budget monitoring reports. As an example, Appendix 3 of the budget monitoring report to the 9th October 2020 WECA Committee provides a single page update in relation to key MTFF assumptions.

Key

-  High priority
-  Medium priority
-  Low priority

Action plan

Assessment	Issue and risk	Recommendations
<div> <div></div> <div>Medium</div> </div>	<p>Measuring and Monitoring Performance</p> <p>Good progress has been made in developing and embedding a performance framework. Tangible metrics have been developed for each strategic theme of the WECA operating model detailing existing baselines and anticipated progress to be made by 2023. A baseline has now been formalised and SMART objectives developed against key projects and key metrics against which the Authority can measure its impact and effectiveness and be accountable to stakeholders and taxpayers.</p>	<p>WECA should consider the use of RAG rating to clearly highlight where indicators have improved compared to the prior year.</p> <p>WECA should consider the impact that the covid-19 pandemic will have on the regions' plans for achieving inclusive economic growth and addressing the climate emergency and potential re-focus on priorities.</p> <p>Management response</p> <p>WECA will be revising the assumptions regarding the medium-term indicators that support the £350m investment programme (up to March 2023) as part of the 2021/22 Business Planning process. A revised Business Plan will be published in early 2021 alongside the setting of the budget. We will consider the possibility of introducing RAG ratings as part of this process.</p>

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Key

High priority

Medium priority

Low priority

Follow up of prior year recommendations

We identified the following issues in the audit of WECA's 2018/19 financial statements, which resulted in four recommendations being reported in our 2018/19 Audit Findings report. We are pleased to report that management have implemented all of our recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	Draft accounts were not available from the start of the audit	Financial accounts closedown process was enormously improved in 2019/20. Accounts were available on time as agreed with minimal errors. It is clear that this recommendation has been fully implemented.
✓	A detailed MTFP has not yet been developed	A detailed MTFP has now been developed and included in our assessment of the VfM arrangements.
✓	Progress had been made during 2018/19 to develop a performance framework and regular performance reporting. SMART objectives have not yet been developed.	An appropriate performance framework is now in place.
✓	The memorandum of understanding which sets out the operation and allocation of risk for the IBB has not been formally updated to reflect the fact that the West of England Combined Authority is now the accountable body.	We have now been provided with the updated memorandum of understanding which has formally addressed this.

Assessment

- ✓ Action completed
- X Not yet addressed

Appendix C

Audit adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2020.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Debtors and creditors were overstated due to the inclusion of prior year NNDR balances which should have been excluded. These netted out on the balance sheet.	0	+/- 3,577	0
A balance of REFCUS in year was identified as Capital Grants Received in Advance.	11	11	11
Assets held at fair value through profit or loss were overstated on the balance sheet.	940	940	940
An adjustment to the 5G spend reducing income in year	1,043	1,043	1,043
Overall impact	1,994	1,994	1,994

Audit adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Detail	Auditor recommendations	Adjusted?
There were a number of minor changes to the cash flow statement.	The release of impairment on investments was adjusted from £0k to -£19k	All recommended adjustments made.	
	The interest received was adjusted from £1,999k to £2,018k		
	The increase in long and short-term investments was adjusted from -£11,000k to -£12,000k		✓
	The increase in financial assets at fair value through other comprehensive income was adjusted from £0k to -£14,000k		
	The increase in short term loans was adjusted from £0k to £15,000k		
One change to capital commitments – Pothole Action Fund understated.	Pothole Action Fund expenditure disclosed as £655k. Actual committed expenditure £8,000k	All recommended adjustments made.	✓
Senior officer remuneration disclosure omitted the last month of pension contributions made	We identified that the amounts disclosed did not agree to the backing data provided. On examination, the disclosure note did not include the last month of pension contributions.	All recommended adjustments made.	✓

Audit adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2019/20 audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
An extrapolated amount of £184k in relation to the under-accrual of a creditor has not been adjusted.	£184	£184	£184	This is a non-material extrapolation and therefore does not require to be adjusted.
Overall impact	£184	£184	£184	

Fees

We confirm below our final fees charged for the audit. There were no fees for the provision of non audit services.

Audit fees	Proposed fee	Final fee
WECA Audit	£30,384	£30,384
Total audit fees (excluding VAT)	£30,384	£30,384

These fees agree to the £30k identified in Note 13 – External Audit Costs in the Statement of Accounts.

Audit opinion

We anticipate we will provide the WECA with an unmodified audit report.

Independent auditor's report to the members of West of England Combined Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of West of England Combined Authority (the 'Authority') for the year ended 31 March 2020 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the Significant Accounting Policies and Judgements, the Expenditure and Funding Analysis (EFA), the Combined Authority's services, Mayoral Funds and Notes to the Core Statements. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2020 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Director of Investment and Corporate Services and Director of Investment and Corporate Services and Chief Finance Officer and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Investment and Corporate Services and Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Investment and Corporate Services and Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Audit opinion

In our evaluation of the Director of Investment and Corporate Services and Chief Finance Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority will continue in operation.

Other information

The Director of Investment and Corporate Services and Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report and the Annual Governance Statement, other than the financial statements and, our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement. for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Director of Investment and Corporate Services and Chief Finance Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on [page 20](#), the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Investment and Corporate Services and Chief Finance Officer. The Director of Investment and Corporate Services and Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Director of Investment and Corporate Services and Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Audit opinion

In preparing the financial statements, the Director of Investment and Corporate Services and Chief Finance Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements – Certificate

We certify that we have completed the audit of the financial statements of the West of England Combined Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

External Audit Plan update

Year ending 31 March 2020



Introduction & headlines

Purpose

- This document provides an update to the planned scope and timing of the statutory audit of West of England Combined Authority ('the Authority') as reported in our Audit Plan dated 3 February 2020, for those charged with governance.

The current environment

- In addition to the audit risks communicated to those charged with governance in our Audit Plan on 27 February 2020, recent events have led us to update our planning risk assessment and reconsider our audit and value for money (VfM) approach to reflect the unprecedented global response to the Covid-19 pandemic. The significance of the situation cannot be underestimated and the implications for individuals, organisations and communities remains highly uncertain. For our public sector audited bodies, we appreciate the responsibility and burden your staff have to ensure public services are provided. As far we can, our aim is to work with you in these unprecedented times, ensuring up to date communication and flexibility where possible in our audit procedures.

Introduction & headlines (continued)

Impact on our audit and VfM work

- Management and those charged with governance are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financials statements to 30 November 2020, however we will liaise with management to agree appropriate timescales. We continue to be responsible for forming and expressing an opinion on the Authority's financial statements and VfM arrangements.
- In order to fulfil our responsibilities under International Auditing Standards (ISA's (UK)) we have revisited our planning risk assessment. We may also need to consider implementing changes to the procedures we had planned and reported in our Audit Plan to reflect current restrictions to working practices, such as the application of technology to allow remote working. Additionally, it has been confirmed since our Audit Plan was issued that the implementation of IFRS 16 has been delayed for the public sector until 2020/21.

- **Changes to our audit approach**

- To date we have:
 - Identified a new significant financial statement risk, as described overleaf
 - Reviewed the materiality levels we determined for the audit. We did not identify any changes to our materiality assessment as a result of the risk identified due to Covid-19

- **Changes to our VfM approach**

We have updated our VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VfM risks in relation to Covid-19.

Conclusion

We will ensure any further changes in our audit and VfM approach and procedures are communicated with management and reported in our Audit Findings Report. We wish to thank management for their timely collaboration in this difficult time.

Significant risks identified – Covid – 19 pandemic

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Covid – 19	<p>The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to;</p> <ul style="list-style-type: none"> - Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation - Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates - Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and - Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. <p>We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement</p>	<p>We will:</p> <ul style="list-style-type: none"> • Work with management to understand the implications the response to the Covid-19 pandemic has on the organisation's ability to prepare the financial statements and update financial forecasts and assess the implications on our audit approach • Liaise with other audit suppliers, regulators and government departments to co-ordinate practical cross sector responses to issues as and when they arise • Evaluate the adequacy of the disclosures in the financial statements in light of the Covid-19 pandemic. • Evaluate whether sufficient audit evidence using alternative approaches can be obtained for the purposes of our audit whilst working remotely • Evaluate whether sufficient audit evidence can be obtained to corroborate significant management estimates such recovery of receivable balances • Evaluate management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment • Discuss with management any potential implications for our audit report if we have been unable to obtain sufficient audit evidence



West of England Combined Authority (WECA)

Statement of Accounts

For the year ended 31st March 2020

West of England Combined Authority (WECA)

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West of England Combined Authority (WECA)

Introduction

Overview

During 2019/20, the West of England Combined Authority set out the region's long-term strategy for clean inclusive growth, investing in an extensive programme of activity across infrastructure, skills and business to support our residents and economy, detailed in this report.

This report is retrospective and provides an overview of performance during the 2019/20 financial year. However, we recognize the significant impact of the coronavirus outbreak on the region's residents, businesses and economy since the information in this report was collated and are putting detailed plans in place to respond to the outbreak and support the region to recover and grow. This work will be driven by a new West of England Taskforce, led by Regional Mayor Tim Bowles. This is a partnership between the West of England Combined Authority, the Local Enterprise Partnership, business, universities and the region's councils.

Highlights during 2019/20 include:

- The Local Industrial Strategy, published in July 2019 following extensive consultation with local stakeholders, draws on the unique strengths of our region and sets out a clear delivery plan for clean, inclusive growth.
- The declaration of a Climate Change Emergency in July 2019. Activity and investment is underway to tackle congestion and improve public transport, support businesses to adopt energy efficient measures through the West of England Low Carbon Challenge Fund, and invest in research and innovation projects.

Infrastructure:

The West of England Combined Authority is investing millions in bus and train travel, and walking and cycling routes, to tackle congestion and improve air quality. In July 2019, the Joint Committee approved a £350m investment programme to March 2023 spanning the Investment Fund and Transforming Cities Fund. This year, we have made further investment in MetroWest to improve connectivity and increase the frequency of local transport services and kickstarted the development of new walking and cycling routes across the region including the Bath River Line project.

Through the Local Growth Fund, we're investing in our Enterprise Zones to create jobs and support opportunities for businesses to start, grow and collaborate. This has included £55m at Temple Quarter, £32 million at Bath Quays, £64m at Avonmouth and £12m at Somer Valley. We continue to invest in innovation. The successful delivery of the £9.2M 5G Smart Tourism project culminated in the largest public trial of 5G technology at a major cultural event with a unique 5G experience for visitors to Bristol's Harbour Festival.

As our region grows, so does the demand for more homes and improved transport connections. This year, we hosted the region's first placemaking conference, bringing together over 120 senior leaders from local and national government, public and private sector to explore the region's challenges and opportunities for creating high quality new places. For existing communities, the £10M Love Our High Streets initiative explored innovative ways to revitalise and rethink the way local high streets are used.

Business growth and innovation:

We're supporting businesses to grow and encouraging new businesses to invest in the West of England. This year, our Growth Hub has expanded the support it provides for local businesses and hosted the region's first Scale-Up Summit for high-growth businesses, attended by over 70 local entrepreneurs. The Growth Hub has also been at the forefront of supporting local businesses to prepare for Brexit.

To drive clean growth, the West of England Combined Authority launched the Low Carbon Challenge Fund this year to help small and medium-sized businesses improve their energy efficiency and support community energy projects.

The continued success of the region's inward investment team, Invest Bristol & Bath in attracting successful organisations and securing new jobs for the region, has seen over 70 businesses investing here in the past

West of England Combined Authority (WECA)

two years as a direct result of our work. These include Boccard, Delaware and the new Channel 4 Creative Hub at Finzels Reach, Bristol.

We recognize the region's strengths in key sectors including the creative industries and are developing ways to support these sectors to grow further. This year, we have recruited the first cohort of businesses to the new Creative Scale Up Programme, providing mentoring and support to the region's creative sector to support business growth.

Skills:

The West of England Combined Authority is committed to helping people aged 11 to 60 to make the most of opportunities available here in the region. We're improving careers advice, supporting adults who are in work but on benefits to improve their job prospects, and helping people get technical and digital skills.

From the 2019/20 academic year, the West of England Combined Authority took on responsibility for the Adult Education Budget, giving us ability to ensure that adult education provision best meets the needs of our learners and businesses in our region.

We have expanded the Careers Hub to all schools in the region, to improve knowledge and understanding of career opportunities and experiences of the workplace for young people.

For those already in work, we have extended the successful Future Bright programme to support in-work progression for residents receiving benefits or tax credits.

To support our key sectors, we are delivering innovative skills and workforce development programmes to ensure that they have the skills and talent they need to thrive. This includes:

- The successful delivery of the Women in Digital Jobs, Education and Training Programme (WIDJET), providing funded tech and digital training for women
- The launch of Creative Workforce for the Future, to help the region's businesses develop a more inclusive workforce with the skills needed to support our region's growth

Further detail about the West of England Combined Authority's programme of work and delivery against targets is detailed in the following Narrative Report.

West of England Combined Authority (WECA)

Narrative Report

These financial statements provide the reader with a view of West of England Combined Authority's (WECA) financial performance and its effectiveness in its use of resources during 2019/20. They are a key element in demonstrating how the Authority has delivered economy, efficiency and effectiveness in its use of resources, as well as ensuring that key stakeholders understand the financial position of the Authority.

The Narrative Report provides an outline of the activities for the year, providing both a guide to WECA's financial statements and to its achievements in delivering inclusive economic growth through investing in transport, skills and economic development in its second full year of operation.

Organisational overview and external environment

The West of England Combined Authority (WECA) is made up of three of the councils in the region – Bath & North East Somerset, Bristol and South Gloucestershire. WECA also supports the Local Enterprise Partnership, which is business-led, and covers the four West of England councils, including North Somerset Council.

Prior to Covid-19 the West of England economy was worth over £33 billion a year, with a population of over 1.1 million people, one of the highest rates of employment in the country (79%), and over 45,000 businesses.

The West of England Combined Authority is working to drive clean economic growth to benefit all residents. We're making decisions about transport, homes, jobs and skills at regional level, decisions previously made in central Government.

Our ambitious councils came together to actively lobby for devolution because they could see the value in this new way of doing things, looking beyond council boundaries, to benefit all of us who live and work in the region.

Since we were established and Regional Mayor Tim Bowles was elected in 2017, we have secured over £180 million in extra funding from government to invest in our region; this is in addition to the £1 billion over 30 years agreed in the devolution deal.

Aims, Objectives and Achievements

The West of England Combined Authority aims to be a driving force for clean, inclusive growth.

We are delivering this ambition through the following objectives.

Overarching objectives:

Inclusive growth – The West of England is determined to ensure that all residents have the chance to both contribute to, and benefit from, the region's success. We want to remain a place where businesses are keen to locate, where people want to live and where there are opportunities for all.

For many in the region the picture is already very positive, but experience varies significantly. Inclusion promotes a diverse workforce, sparking creativity and innovation and contributing to increased productivity. It helps create strong communities and tackle barriers to community integration. But inclusion does not happen without action. There are already steps in place, and the actions set out in the West of England Local Industrial Strategy will build on this.

Climate emergency - The West of England declared a Climate Change Emergency on 19 July 2019, committing the region to becoming carbon neutral by 2030. Our Local Industrial Strategy identifies a series of actions to take forward to support clean growth.

West of England Combined Authority (WECA)

Activity is underway, with various investments made to date. However, we know that we need to go further than the ambitions outlined in our Local Industrial Strategy in order to meet the ambitions of our emergency declaration.

We are developing our regional Climate Emergency Action Plan, which will build on the plans of our neighbouring councils.

Delivery objectives

Our objectives are centred around three core areas of delivery:

Infrastructure

Our ambition is to enable residents to move seamlessly around the West of England region between work, home and leisure activities, and to provide high quality, affordable homes. We are working towards that ambition in a way that addresses our commitment to achieving zero net carbon by 2030. The right infrastructure is central to that commitment, both physical and digital. Infrastructure is also key to maximising productivity across the region, connecting rural and urban communities, and driving clean and inclusive growth.

Our activities are aligned with five objectives for infrastructure:

1. Better links to connect people and encourage use of sustainable transport
2. Improved national and international connections
3. Regional housing growth that promotes a mix of sustainable and affordable homes
4. Employment spaces that meet the needs of businesses and communities
5. World-leading digital connections to support innovation and collaboration

Business Growth

We are an economically successful region and one where businesses start, grow and thrive in high numbers. We have a good business support system in place – but there is more we can do to support and promote an innovative, inclusive and sustainable economy that recognises a need to tackle the climate emergency. We want to find better ways of working with existing businesses to achieve their potential as well as attracting more businesses to our region. We need to build on our strengths, supporting our key sectors including aerospace & advanced engineering, creative & digital, and professional services.

We also need to build on the diversity and collaboration between sectors and communities that makes us unique. Increasing productivity and exports are key areas of focus, along with continuing to find new ways to support innovation, and promote inclusivity and clean growth, all of which are at the heart of so much of our success.

Our activities are aligned with four objectives for business growth:

1. Help businesses to start-up, grow and flourish, nurturing inclusivity and entrepreneurial spirit
2. Support businesses to invest in the region and realise export opportunities
3. Drive an innovative and collaborative economy
4. Protect and promote our region's culture

Skills

Our region's Skills and Employment Plan was launched this year, linked to the Local Industrial Strategy. It sets out that by 2036, the West of England will be internationally recognised for its sustainable, inclusive and diverse economy, providing a high quality of life, prosperity and opportunities for all its residents.

West of England Combined Authority (WECA)

Our people will be skilled, healthy and able to achieve their potential. Our businesses will play an active role in shaping employment and skills provision across the region and they will be able to find the skills and talent they need to innovate, add greater value and thrive.

Our activities are aligned with five objectives for skills:

1. Integrate our employment, skills and education system to align with employers' needs
2. Enable all young people to achieve their potential
3. Address barriers to employment and progression
4. Empower people to progress in employment and access higher paid opportunities
5. Ensure employers can recruit and retain the skills and talent they need to thrive

Operating Framework:

Our operating framework sets out our priorities for clean and inclusive economic growth in the West of England.

Our ambition is for the region to be a place of growth and innovation, where economic, cultural and environmental diversity is celebrated and forms the foundation of prosperity for all. We are investing in people and places – including jobs, skills, transport, homes, and digital connections – to ensure we are creating healthy communities where people want to live, work and visit.

We will achieve our ambitions by investing in the three priority areas: infrastructure, skills and business.



Local Industrial Strategy

Developed by leaders and businesses from across the region, working closely with government, the Local Industrial Strategy (LIS) draws on the unique strengths of the people and places across the West of England. The strategy represents a strong partnership between local and national partners and a recognition of the shared ambition and opportunity for the region. It identifies the strengths and challenges

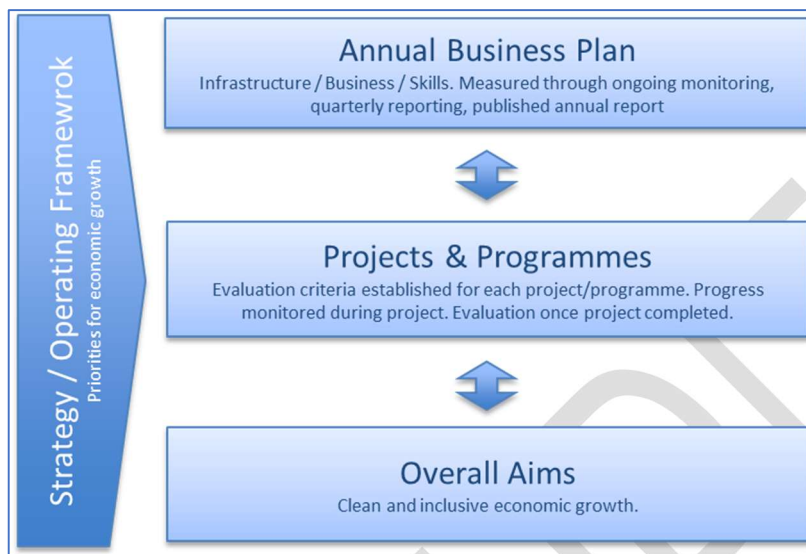
West of England Combined Authority (WECA)

of the West of England and plans the foundations upon which the region will thrive, for the benefit of all its residents.

Our Local Industrial Strategy and Climate Emergency Action Plan provide the framework for policy development and to identify priorities for investment in planning, transport, employment and skills. The actions from the Local Industrial Strategy are embedded in WECA's business plan.

Performance

WECA's monitoring & evaluation framework sets out our overall approach to the monitoring and evaluation of activities across WECA and the Local Enterprise Partnership. The approach is structured around three levels as set below:



- Annual business plan. Delivery of the annual business plan which includes in-year activity to support WECA and the Local Enterprise Partnership. Our business plan for 2020/21 was approved by WECA and Joint Committee on 31st January 2020;
- Project and Programme delivery. This is focused on schemes funded through the WECA Investment Fund, Transforming Cities Fund, West of England One Front Door Programme and other significant grant funding streams. WECA have implemented a comprehensive [Local Growth Assurance Framework](#) which clearly sets out the process, and governance, for accessing and approving funding allocations and awards.

The Longer-term organisational impact of the Investment Fund is measured through government five-year gateway reviews, the first of which is taking place during 2020. We have developed a series of indicators that reflect the anticipated combined impact across the region of the entire WECA £350m Investment Programme (up to March 2023). These indicators, which are incorporated in our approved 2020/21 Business Plan, are summarised as:

- £845m of economic output (gross value added)
- 4,350 new jobs
- 1,540 people moving into work or gaining increased earnings
- 12,900 learners gaining new qualifications or skills
- Approximately 4,250 business receiving enterprise support
- 24,000m² of commercial floorspace enabled
- 500,000 new bus journeys per year
- Over 6,300 additional cycling and walking trips per day on new or improved routes

West of England Combined Authority (WECA)

- Patronage increases of some 25% on targeted bus corridors benefitting from improvements in infrastructure, services and ticketing;
- 1,450,000 new rail journeys per year
- 5 new railway stations opened
- 3 new park and ride sites developed
- Contribution to spatial planning and delivery, and revitalisation of a number of high streets

The intended medium-term outcomes may be impacted as a result of the Covid which would therefore require a prioritisation review within the Investment Fund.

The Monitoring & Evaluation Framework is reviewed annually and shared with Government. The latest version, approved in February 2020, is available on the WECA website and includes links to detailed project monitoring & evaluation plans. [WECA Monitoring & Evaluation Framework 2019 - 2020](#).

Financial Performance

The following paragraphs provide a brief overview of the financial position in terms of WECA's management accounting framework rather than the statutory accounting framework, to aid in understanding the statutory financial statements.

Under the Order establishing the Combined Authority, WECA must maintain a separate fund to record the expenditure of the Mayor's Office, including the annual running costs of his immediate support staff, the costs of the Mayoral elections and grant expenditure which is incurred under the Mayor's powers of determination.

- **Mayoral Fund**

After the carry forwards for the Bristol Temple Meads Masterplan (£762k), which will be completed in 2020/21, the Mayoral Fund's outturn revenue position for the 2019/20 financial year returned a balanced budget as detailed in the table below.

West of England Combined Authority (WECA)

Mayoral Fund April to March 2019/20			
	Budget £'000s	Outturn £'000s	Variance £'000s
EXPENDITURE			
Staff	172	169	(3)
Supplies & Services			
Premises Services	12	11	(1)
Support Services	12	16	4
Supplies & Services	15	10	(5)
Mayoral Election - Transfer to Reserve	396	396	-
Feasibility Studies	1,221	464	(757)
Contribution to Highway Grants	-	-	-
Integrated Highway	5,183	5,183	-
Highway Maintenance Grants	10,254	10,254	-
Highway Incentive Grants	2,135	2,135	-
Total Supplies & Services	19,228	18,469	(759)
Total Expenditure	19,400	18,638	(762)
INCOME			
Business Rates Retention Pilot	17,572	17,572	-
Funding Contribution from WECA	1,828	1,066	(762)
Total Income	19,400	18,638	(762)
NET TOTAL - Under / (Over) Spent	-	-	-

WECA Fund Revenue Budget

A net outturn of a £551k (2018/19: £976k) surplus was achieved in 2019/20 which reflects a higher return from investments on cash balances. This position has been reported consistently throughout the financial year as we maintained relatively high balances and achieved above average returns through diversifying our investment portfolio.

Project spend in the year was significantly, (£13.7m) less than budgeted. This was primarily due to two factors:

- (1) The treatment of approved investment fund allocations being coded entirely to the year in which the approval was given. The largest such item relates to a £10m approval for High Street regeneration work which was originally represented, in total, against the 2019/20 revenue budget – whereas the vast majority of the spend will be incurred in subsequent years following

West of England Combined Authority (WECA)

the production of detailed business cases. WECA has now produced a Medium-Term Revenue Budget, (approved on 31 January 2020), which profiles the anticipated spend against all revenue approvals across each financial up to and including 2022/23;

- (2) A difference of £2.6m between the indicative figures that we had for the Adult Education Budget when the 2019/20 budget was approved and the actual allocation when received from government.

The Revenue Transport levy returned a combined net overspend of £175k at the end of the year with BANES returning a surplus and Bristol and South Gloucestershire returning deficits. Having applied a specific reserve balance of £98k, the remaining £77k deficit has been carry forward and charged against a £200k 'transport smoothing reserve' which was created in the budget.

A summary of the WECA out-turn position is detailed in the following table:

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West of England Combined Authority (WECA)

WECA Fund April to March 2019/20			
	Budget £'000s	Outturn £'000s	Variance £'000s
EXPENDITURE			
Core Staff	1,390	1,388	(2)
Project Staff	1,942	1,940	(2)
Staff	3,332	3,328	(4)
Supplies & Services			
Premises Services	215	185	(30)
Support Services	215	265	50
Supplies & Services	55	116	61
Total Supplies & Services	485	566	81
Project Spend	26,737	13,008	(13,729)
ICT Implementation	-	208	208
Transport Functions			
Concessionary Fares	12,445	12,622	177
Community Transport	1,690	1,690	-
Bus Real Time Information	602	502	(100)
Total Transport Functions	14,737	14,814	77
Contribution to Mayoral Fund	1,828	1,066	(762)
Transfer to Reserves	100	1,478	1,378
Total Expenditure	47,219	34,468	(12,751)
INCOME			
Transport Levy	14,737	14,582	(155)
Business Rates Retention Pilot	1,212	1,204	(8)
Government Grants	15,501	13,083	(2,418)
Investment Fund Grant	14,949	3,368	(11,581)
Interest on Balances	820	2,041	1,221
Other Income	-	101	101
Transfer from Reserves	-	640	640
Total Income	47,219	35,019	(12,200)
NET TOTAL - Under / (Over) Spent	-	551	551

West of England Combined Authority (WECA)

Financial Reserves

Upon formation, there were no general or earmarked reserves or balances allocated to WECA from the constituent councils. Therefore, in April 2018, WECA Committee agreed to establish appropriate risk assessed levels of reserves.

An initial Business Rate Retention, (BRR), Reserve was created as part of the 2017/18 closure of accounts alongside a General Fund Reserve of £312k. The level of Business Rates growth has slowed down in the region, even prior to the Covid situation. Early indications are that WECA's 5% share of the business rates retention pilot might be as much as **£500k** short in 2020/21 with a corresponding recommendation in the 2019/20 budget outturn report to increase the BRR reserve by this amount.

The remaining balance of **£51k** (from the overall **£551k** end of year surplus) will transfer into the WECA General Reserve bringing the balance of this reserve up to £1.140m. Whereas we have worked hard to increase the General reserve over recent years, this level is still relatively low representing only **2.2%** of the £53.0m WECA revenue budget for 2020/21. We will continue to keep the holding of reserves under constant review.

WECA Fund April to March 2019/20

Capital

In July 2019, the Committee approved a £350m investment programme to March 2023 spanning the Investment Fund and Transforming Cities Fund. This sits within the framework of the Capital Strategy report, approved in February 2019, which set out the planned approach for establishing a thematic 20-year programme aligned with regional priority outcomes and objectives as detailed within the published WECA Operating Framework.

The funding available through the Investment Fund and Transforming Cities Fund over the period to 2022/23 includes a level of structured over programming. For each allocation and award, an allowance needs to be accounted for in terms of the subsequent costs for final delivery of the full scheme, referred to as the 'tail' which is based upon the current opinion of the most likely level of spend that will be incurred over the next four years.

A high-level summary of the approved programme, as at June 2020, is detailed in the following table:

West of England Combined Authority (WECA)

	Funding Awards and Allocations £000s	
	Mar 2020	Jun 2020
Transport Infrastructure		
Approved Awards and Allocations	72,099	73,940
Associated 'tail' required to deliver all projects up to March 2023	67,491	69,150
Total Investment in Transport Infrastructure	139,590	143,090
Housing Infrastructure		
Approved Awards and Allocations	60,320	62,320
Associated 'tail' required to deliver all projects up to March 2023	24,500	26,000
Total Investment in Housing Infrastructure	84,820	88,320
Business and Skills		
Approved Awards and Allocations	74,890	77,219
Associated 'tail' required to deliver all projects up to March 2023	22,804	21,544
Total Investment in Business and Skills Infrastructure	97,694	98,763
Opportunities and Challenges / Other		
Funding put aside to respond to opportunities and challenges	20,000	12,000
Approved WECA set up, operating costs and elections up to 2023	7,818	7,818
Total Investment Programme up to March 2023	350,000	350,000

It is recognised that the Investment Fund programme will need to be kept under review and that some fundamental reallocations may be required in response to Covid-19 once the impacts and actions required to support economic recovery, including gaps in national programmes, are better understood.

The Investment Fund proportion of the WECA Investment Programme is flexible in terms of being 50% revenue and 50% capital. This allows swift progress for developing feasibility studies and early business case development prior to the need for capitalisation. In terms of capital spend, the 2019/20 outturn position is spend of £42.1m against a revised budget of £45.6m as detailed in the table below:

West of England Combined Authority (WECA)

WECA and Mayoral Capital Programme 2019/20

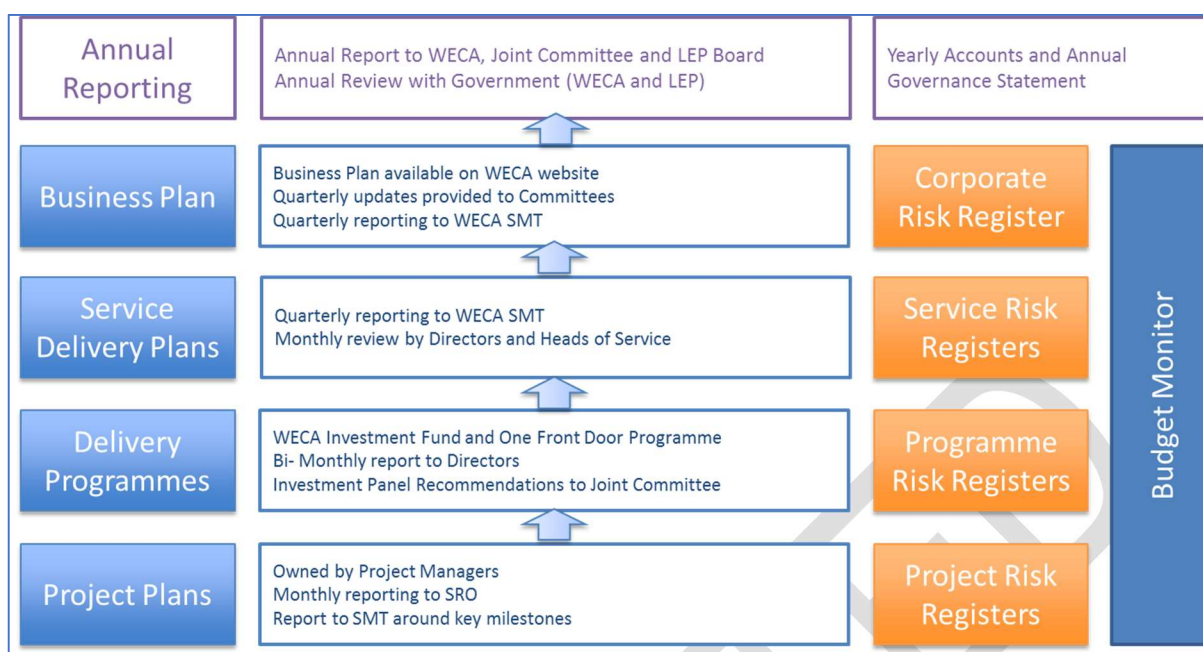
	Revised Budget £'000	Outturn £'000	Variance £'000
WECA Capital			
Scheme Prioritisation (Monitoring and Evaluation Framework)	285	-	285
Transport Scheme Business Case Development	2,105	1,061	1,044
Real Time Information	94	-	94
Housing Land Acquisition Fund	8,297	8,297	-
Cribbs Patchway Metrobus Extension	14,147	12,709	1,438
CPNN Cycle Links	494	-	494
On Bus Contactless Payment	319	119	200
Bristol Temple Meads Station Eastern Entrance	470	560	-90
Great Stoke Roundabout Improvements	316	-	316
	26,527	22,746	3,781
WECA Capital – other			
5G Smart Tourism	875	1,043	-168
IT and Building Alterations	-	59	-59
	875	1,102	-227
Mayoral Capital			
Highways and Transport Grants	17,572	17,572	-
Pothole Action Fund Grant	662	662	-
	18,234	18,234	-
Grand Total	45,636	42,082	3,554

Risks and Opportunities

The West of England Combined Authority is committed to deliver its strategic objectives of clean and inclusive economic growth whilst retaining a clear focus on the potential risks and opportunities associated with the activities set out in the annual business plan.

The corporate risk framework ensures that key risks are identified, managed and monitored and that risk management is an integral part of WECA's reporting process as set out in the diagram below.

West of England Combined Authority (WECA)



The corporate risk and Service risk registers are reviewed each month by the WECA Senior Management Team (Heads of Service and Directors) and a quarterly report is provided to the WECA Senior Management Team and through to the Committees as part of the wider business plan quarterly reporting process.

The risk management framework is reviewed annually with Audit Committee. The latest version, approved in February 2020, is available on the WECA website.

WECA has in place an effective system of internal control designed to identify and manage risks to a reasonable level. A risk based Internal Audit Plan is considered by Senior Officers and approved through the audit committee. Grant Thornton UK LLP are the external auditors for WECA who maintain an independent view on the strength of our financial governance and delivery of value for money.

Medium Term Financial Outlook

WECA published a Medium-Term Financial Plan, in January 2020, as part of the 2020/21 Revenue Budget setting. Anticipated spend of revenue budgets have been profiled across the three financial years to 2022/23 to be conterminous with the medium-term investment programme. Overall grants and committee approvals amount to **£189.3m** for the period, with **£53.0m** relating to 2020/21 as detailed in the following table:

West of England Combined Authority (WECA)

	2019/20	2020/21	2021/22	2022/23	Total
	£000s	£000s	£000s	£000s	£000s
Core Revenue Funding	3,639	3,860	3,545	3,373	14,417
Specific Grant Funding	14,507	16,055	15,625	14,700	60,887
Investment Fund (managed by WECA)	2,847	7,273	5,917	3,074	19,111
Transport Levy (and NSC Recharge)	14,737	20,716	21,131	21,554	78,138
WECA Managed Revenue Budgets	35,730	47,904	46,218	42,701	172,553
Investment Fund (UA and third parties)	11,367	5,132	215	-	16,714
Total WECA Revenue Budget	47,097	53,036	46,433	42,701	189,267

Volatility of core revenue funding for WECA remains an issue, with annual income from the Business Rates Retention pilot, (£1.2m), and Mayoral Capacity Fund, (£1m), remaining uncertain beyond the 2020/21 financial year.

The main factor that will influence future finances relate to the Covid-19 Pandemic.

Covid-19 Pandemic

This has created an unprecedented challenge for the businesses, residents and public services across the West of England. WECA and the LEP have been working to support businesses and residents through this crisis period and seeking to ensure that the support and infrastructure is in place to prepare for recovery.

The Mayor of the West of England has established a regional recovery taskforce, made up of a cross-section of our region's economy, to drive our planning. The taskforce will consider how we can use the region's strengths in innovation and collaboration, and our highly-skilled workforce, to accelerate our region's economic renewal. It brings together employers, innovators, educators, trade unions and community champions to identify the challenges and opportunities that businesses and workers across the region are facing. The stages of the crisis and main focus of activity in each stage are summarised in the table below:

West of England Combined Authority (WECA)

Short Term (3-6 months)	Medium Term (1-2 years)	Long Term (2 years plus)
Regional Focus: Crisis management and preparation for staged exit from lockdown	Regional Focus: Adaption and resilience building and preparation for recovery	Regional Focus: Rebuilding and growing thriving places
Infrastructure: <ul style="list-style-type: none"> Ensure essential workers can travel to their place of work. Support key public transport services so services can be resumed as soon as possible. Business: <ul style="list-style-type: none"> Help businesses access government support and work with government to ensure that support addresses the particular challenges of our region. Skills: <ul style="list-style-type: none"> Respond to individuals becoming out of work by: refocusing existing interventions e.g. Future Bright using intelligence and analysis to identify gaps in support e.g. apprenticeship provision. Provide financial stability to adult education sector. Other: <ul style="list-style-type: none"> Ensure WECA can operate effectively, with financial and legal, statutory obligations fulfilled and communicate its priorities clearly, while making sure staff have the tools and guidance they need to deal with immediate priorities. Ensure Government has clear feedback on specific challenges faced by our region and work with other regions to coordinate feedback. 	Infrastructure: <ul style="list-style-type: none"> Maintain momentum on infrastructure priorities that reflect the new world including: projects with swift impact; projects that embed positive behaviour change as a result of pandemic e.g. increased cycling and walking; ensure region is ready to benefit from govt funding opportunities. Business: <ul style="list-style-type: none"> Support businesses to improve their resilience and agility, particularly in most exposed sectors of economy. Drive recovery through targeted investment e.g. technology, resource efficiency, start-up, supply chain development. Ensure region's innovative strengths and assets are mobilised in response to challenges e.g. new ways of working. Skills: <ul style="list-style-type: none"> Tackle increased unemployment and ensure individuals can move back into employment (e.g. a regional triage service). Create pathways into employment, aligning skills development with changing needs. Support groups most at risk of exclusion to access opportunities. Other: <ul style="list-style-type: none"> Ensure funding is available to support new priorities including: reprioritising investment, accessing govt funding streams, lobbying for flexibility in existing funding streams. Ensure that our WECA workforce is adequately equipped with flexible HR policies and effective ICT systems Other: <ul style="list-style-type: none"> Develop a longer-term recovery plan reflecting changes as a result of Covid-19 epidemic, building on strengths of our region, reflecting new opportunities and retaining high level objectives of clean and inclusive growth 	Infrastructure: <ul style="list-style-type: none"> Ensure infrastructure investment programme reflects evidence on changes to economy / demand / behaviour as a result of crisis. Business: <ul style="list-style-type: none"> Develop initiatives to support a revitalised business base in line with our Local Industrial Strategy. Skills: <ul style="list-style-type: none"> Ensure businesses can access skills they need to thrive in recovery, and residents have access to pathways to employment. Implementation of Employment and Skills Plan. Implications for excluded communities. Other <ul style="list-style-type: none"> Implementation of Longer Term Recovery Plans

The financial implications of Covid-19 on public sector finances is potentially crippling. All are suffering from significant losses in Council Tax, Business Rates, Commercial, Tourism and Leisure income, alongside rapidly escalating costs on front line services such as social care.

Despite receiving initial government emergency funding of circa £70m to date, the West of England region is still facing a financial shortfall of up to £280m for the 2020/21 financial year which will have a major knock on impact on budgeting in subsequent years.

New Responsibilities

WECA have the statutory responsibility to shape public transport policy and delivery across the region. This includes developing policies for the promotion and encouragement of safe, integrated, efficient and economic transport.

Integrated Transport Operations have moved across, from the respective Unitary Authorities, into a single team managed by WECA, with effect from April 2020. The team will be responsible for public transport, including:

- Concessionary travel – administering a service providing free off-peak bus passes for older people and people with qualifying disabilities.
- Bus service information - providing bus timetable information at bus stops and data to journey planners and apps, including real-time predictions.
- Community transport – funding, advice and support for on-demand local transport services, such as dial-a-ride, community buses and voluntary car schemes.
- Supported bus services – procuring and managing bus contracts supported with public money where the service is not commercially viable.
- Metrobus – managing the metrobus contract and providing service information to metrobus iPoints.
- Travelwest – managing the Travelwest website, including travel information.

West of England Combined Authority (WECA)

The formation of the new integrated transport team has been impacted through Covid, needing to hit the ground running supporting local bus operators through the initial emergency period alongside transitioning operations back into commercial viability, giving consideration to increased costs, (for example implementing social distancing arrangements), and falling patronage and corresponding income.

Statement of Accounts 2019/20

The Statement of Accounts which follows set out the Authority's income and expenditure for the year and its financial position as at 31 March 2020. It is prepared on a single entity basis in accordance with the requirements of the Accounts and Audit Regulations 2015. The format and content of the statements is prescribed by the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code). This is based on International Financial Reporting Standards (IFRSs) adapted for use in a local government sector context.

The Statement of Accounts comprises:

- **Comprehensive Income and Expenditure Statement:**

This statement shows the accounting cost of providing services in the year, according to the Code. An adjustment is required to be made between the accounting basis and the funding basis due to the different accounting treatments for capital grants and pension costs, further details of which are shown in the Movement in Reserves Statement.

- **Movement in Reserves Statement:**

This statement shows the movement of the different reserves in the year. These are analysed between 'usable reserves' (those that can be applied to fund expenditure) and 'unusable reserves' (those allocated for specific statutory responsibilities).

- **Balance Sheet:**

The Balance Sheet shows the value of the assets and liabilities of WECA. The net assets (assets less liabilities) are matched by the reserves held.

- **Cash Flow Statement:**

The Cash Flow Statement shows the changes in cash and cash equivalents during the year. The statement shows how the Combined Authority generates and uses cash and cash equivalents by classifying the cash flows as operating, investing and financing activities.

- **Statement of Accounting Policies:**

Sets out the accounting policies that have been followed in preparing the financial statements and how Code requirements have been met in practice.

- **Disclosure Notes:**

These provide more detail about individual transactions and balances.

Governance

Governance arrangements continue to be strengthened under the political leadership of the WECA Mayor ably supported by an experienced Senior Management Team of Officers. WECA have an

West of England Combined Authority (WECA)

established constitution, clear financial regulations and delegations and established policies and procedures for managing risks, fraud and freedom of information requests

Further details of our governance arrangements are set out in the Annual Governance Statement that can be found on pages 21 to 31; a formal statement that covers all significant corporate systems, processes and controls, spanning the whole range of its activities. It is approved by the Audit and Accounts Committee and signed by the Authority's Chief Executive and the Mayor.

Auditors

Grant Thornton UK LLP are the auditors of the WECA for 2019/20. Their appointment was made under the Local Audit and Accountability Act 2014 through Public Sector Audit Appointments.

On behalf of the Combined Authority

Malcolm Coe

Malcolm Coe

Director of Investment & Corporate Services

Date: 7th August 2020

West of England Combined Authority (WECA)

Statement of Responsibilities

1. The Authority's Responsibilities

The Authority is required to:

- (i) Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. These responsibilities are discharged through the role of the Chief Finance Officer (CFO) Malcolm Coe in the role of Director of Investment and Corporate Services
- (ii) Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- (iii) Approve the Statement of Accounts.

2. The CFO's Responsibilities

The CFO is responsible for the preparation of the Combined Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the CFO has:

- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Local Authority Code.

The CFO has also:

- Kept proper accounting records which were up to date
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

3. Certification of the financial statements

I certify that this Statement of Accounts gives a true and fair view of the financial position of the West of England Combined Authority at the reporting date and of its income and expenditure for the period ended 31 March 2020.

Malcolm Coe

Malcolm Coe

Director of Investment and Corporate Services and Chief Finance Officer

Date: 31st July 2020

West of England Combined Authority (WECA)

Statement of Responsibilities (continued)

4. Approval of the financial statements

I certify that this Statement of Accounts for the period ended 31 March 2020 was approved by a resolution of WECA Audit Committee at its meeting on dd mmm 2020.

Councillor Geoff Gollop

Chair, West of England Combined Authority Audit Committee

Date:

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Annual Governance Statement 2019/20

1. Scope of Responsibility

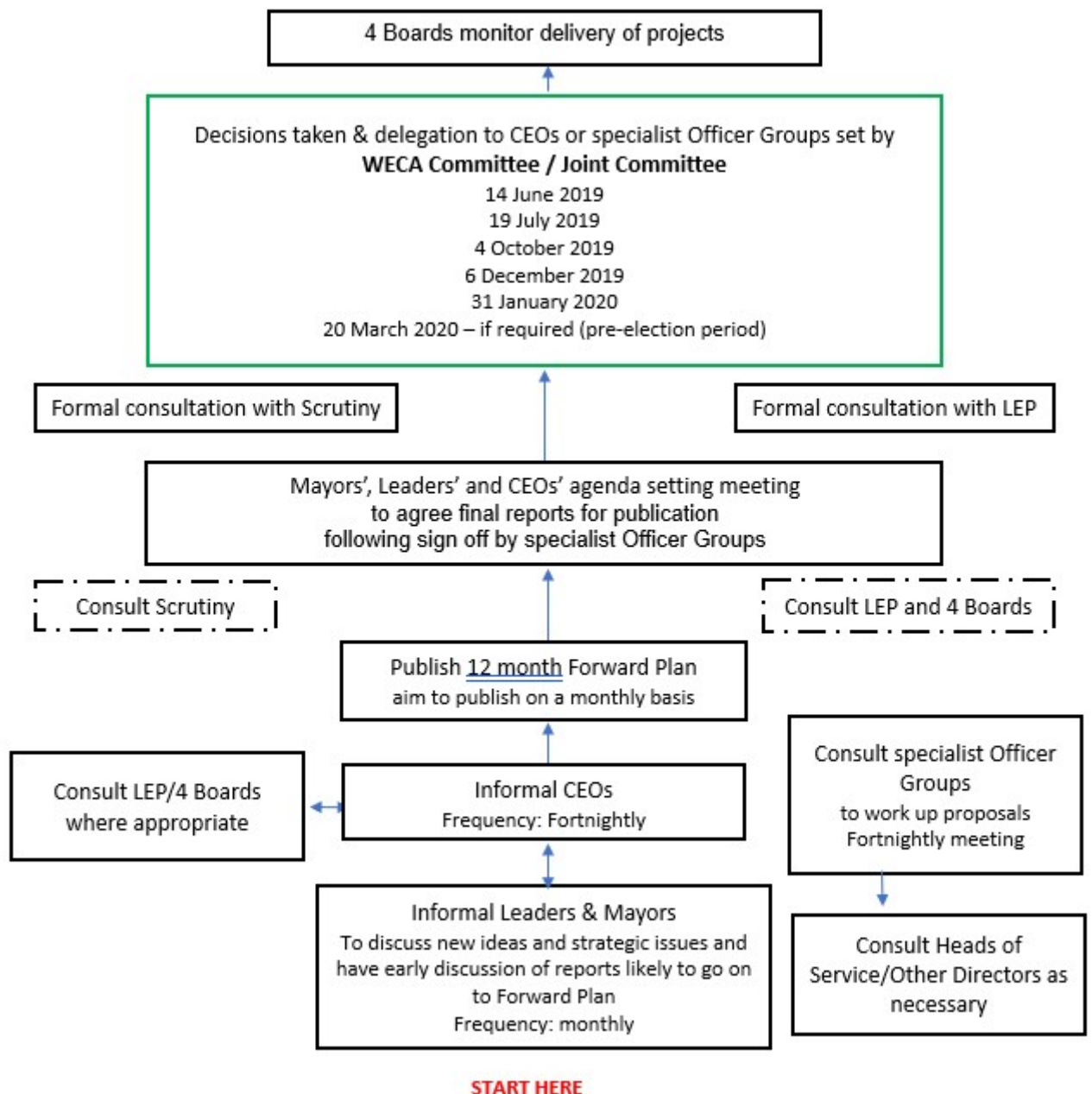
- 1.1 West of England Combined Authority (WECA) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.
- 1.2 In discharging this overall responsibility, WECA is responsible for putting in place proper arrangements for the governance of its affairs, which includes ensuring a sound system of internal control and effective arrangements for the management of risk.
- 1.3 WECA has adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of our code is available from our website.
- 1.4 WECA's Local Code of Corporate Governance aims to ensure that in conducting its business it will:
 - operate in a lawful, open, inclusive and honest manner
 - make sure public money is safeguarded, properly accounted for and spent wisely
 - has effective arrangements in place to manage and control risk
 - secure continuous improvements in the way it operates.
- 1.5 This Annual Governance Statement explains how WECA has complied with our Local Code of Corporate Governance and also meets the requirements of:
 - The Accounts and Audit (England) Regulations 2015, specifically Regulation 6 (1) in respect of the annual review of the effectiveness of its system of internal control and preparation and publication of an Annual Governance Statement.

2. Governance Framework

- 2.1 In preparing the Annual Governance Statement WECA has:
 - Reviewed the Authority's existing governance arrangements against the revised CIPFA / SOLACE framework - 2016 Edition' good practice guidance;
 - Assessed the effectiveness of WECA's Local Code of Corporate Governance;
 - Taken into consideration the findings of external inspection agencies and the auditor's formal opinion on the internal control framework.
- 2.2 WECA's Constitution, which sets out how the Authority operates, is kept under constant review and updated as necessary through the year. It clearly defines the roles of councillors and officers and this clarity contributes to effective working relationships.
- 2.3 There are two main decision-making committees being WECA Committee, which oversees the operations of the Combined Authority, and the Joint Committee which governs decisions across the wider West of England region, including North Somerset Council.

- 2.4 To supplement formal committees there are a number of established senior officer and member forums which facilitate full engagement and consultation on all significant issues and decisions for committee consideration. *Figure 1* details the governance structure for both formal member meetings and key internal officer groups.

Figure 1: West of England Combined Authority Structures and Arrangements



- 2.5 A key component of reviewing the effectiveness of our governance arrangements is assessing the level of assurance provided against the eight themes of the 'Reasonable Assurance Framework' as detailed in *Figure 2*. Audit West, our internal auditors, undertake an annual independent review of WECA's performance against this framework.

Figure 2: Reasonable Assurance Model



- 2.6 Each Theme has a set of questions with the responses helping to assess the level of assurance and the level of risk for each theme which then informs the Internal Audit Annual Plan.

3. WECA assessment against the 7 'good practice' Governance Framework Principles

The following section provides an update on the current status of WECA's governance and operations against the seven good practice governance framework principles as laid out within the CIPFA / SOLACE framework:

i. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

WECA has both a Members Code of Conduct and an Employees Code of Conduct which the respective Individuals are required to adhere to in their respective roles. The Members Code is recorded within the Constitution.

All members appointed to WECA roles have a full induction and training programme, including the Members Code of Conduct. Dependent on the roles allocated to members additional tailored training is provided. The Monitoring Officer has overall responsibility for member induction and support services for elected members.

Officers sign contracts of employment and are required to complete a probationary period of employment as standard. All relevant HR policies are in place and include a formal disciplinary procedure, a Whistleblowing Policy, Information Governance Policies, Counter Fraud Strategy bringing together the Authority's Anti-Fraud and Corruption Policy, Anti-Bribery Policy and Money Laundering Policy under one umbrella. We maintain electronic registers of interests and gifts & hospitality for staff.

Members are required to declare interests, as a standing item at each committee, with declarations at meetings being recorded. There is also a member complaint policy which is overseen and administered by the Monitoring Officer.

WECA's Constitution sets out the legal requirements around its business including decision making. Guidance is available through the website to ensure that decisions are taken by the appropriate committee or nominated officer under the approved Scheme of Delegation.

All reports requiring decision must be cleared by the S151 and Monitoring Officers. The adopted report template requires the author to record consultation undertaken, a risk management assessment, public sector equalities duties and finance, legal, property, human resources and climate change implications.

All WECA contracts must comply with the Authority's Contract Standing Orders and guidance from specialist procurement and legal officers is available in order to comply with legal requirements e.g. EU Procurement regulations.

ii. Ensuring openness and comprehensive stakeholder engagement

The Constitution outlines citizen's rights to access information including rights to attend meetings; notice of meetings being held; access to agendas and reports; access to meeting minutes; and rules around the exclusion of access by the public to meetings.

Key decisions are all recorded and the templates for decisions require officers to provide all necessary and pertinent information to make an informed decision. The forward plan of business is published in advance in accordance with access to information requirements.

To help ensure decision making rules are followed an intranet page provides officers with information about the stages to be followed for formal decision making and urgent decisions.

WECA's website contains information about services and provides key links such as 'Committee Meetings and Decisions'.

WECA also comply with the Local Government Transparency Code and the Transparency page on the internet provides the links to access business operations and outcomes (such as payments to suppliers / expenditure over £500) as required by the Code.

We have developed an effective and efficient system for managing Freedom of Information (Fol) requests and have an excellent record in terms of providing responses within required timescales.

iii. Defining outcomes in terms of sustainable, economic, social and environmental benefits

WECA has had a published Operating Framework in place since 2018, as detailed under the Narrative report – Operating Framework section, which states the high-level objectives and priority areas that drives and determines the authority's decision making.

Building on this, working in partnership with the Local Enterprise Partnership and other key regional stakeholders, WECA published a, strongly evidenced based, Local Industrial Strategy in the summer of 2019 which is the core strategic document that will direct and influence our future investment priorities.

Annual Business Plans are published and reviewed regularly at public committees. Business Plans translate longer term strategy into specific targets, measures and actions for the forthcoming financial year. Performance metrics are detailed within the 2020 WECA Business Plan which detail the anticipated outcomes that will be achieved through WECA investment by March 2023.

iv. Determining the interventions necessary to optimize the achievement of the intended outcomes

WECA published a £350m regional investment programme in July 2019 which details all priority interventions that will be made over the next three years. A Capital Investment Strategy was published in December 2019 which details the different funding streams available to the region explicitly detailing the purpose and uses of WECA funding.

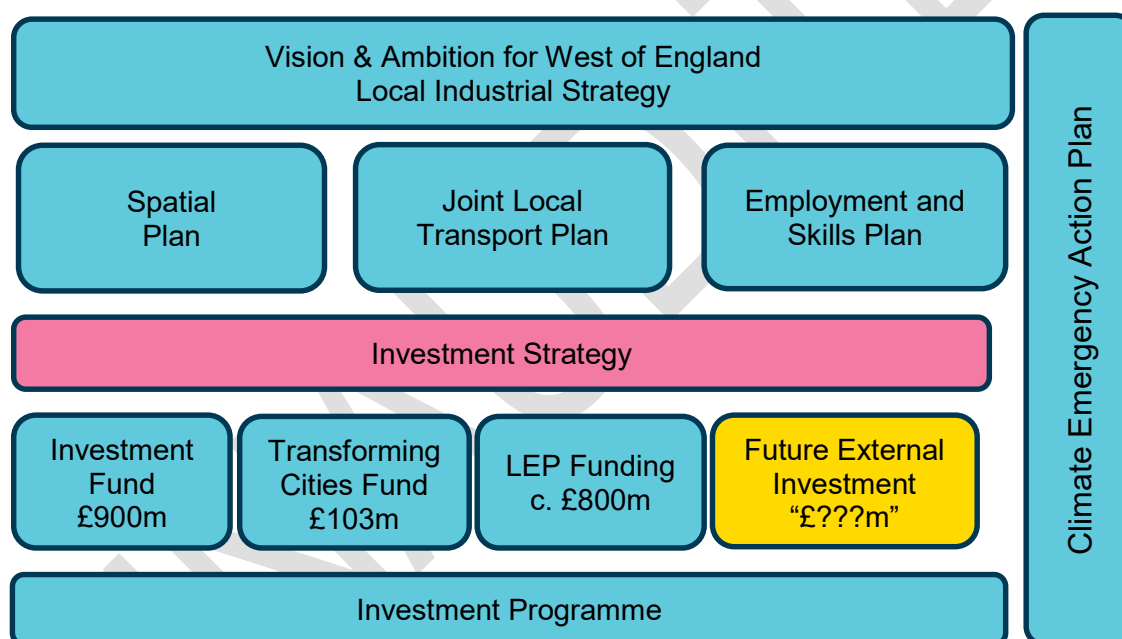
Each individual project has to comply with published criteria prior to entry into the WECA investment programme which includes a transparent value for money assessment in terms of the outcomes achievable through investment.

WECA Director of Infrastructure holds regular meetings with his counterparts within the neighbouring Unitary Councils to determine the priority interventions required for transportation and housing enabling - working jointly to develop a coherent regional investment programme. A similar process is facilitated through WECA Head of Business and Skills ensuring that investment is prioritised to deliver the core strands of the region’s Local Industrial Strategy.

Additionally, the Chief Executives meet on a regular basis to discuss strategic matters and current major cross-authority issues. This is chaired by the WECA Chief Executive Officer with the three other constituent council Chief Executive Officers in attendance (B&NES, South Gloucestershire and Bristol) and is also attended by the North Somerset Chief Executive Officer.

Figure 4 details how WECA investment is aligned to the delivery of regional strategies and priorities. This graphic features both within our Capital Investment Strategy and Business Plan.

Figure 4: Linkage between WECA Strategic Direction and Funding decisions.



WECA’s decision making processes are set by its Constitution and citizens and service users are consulted where appropriate prior to decisions being taken.

The decision making process requires objective and rigorous analysis of options and associated risks. A Risk Management Strategy and Toolkit has been adopted and this provides guidance on the assessment of risks related to recommended actions / decisions.

v. Developing the entity’s capacity, including the capability of its leadership and the individuals within it

WECA has an established senior management structure and has recruited suitably experienced officers into its leadership team. A structured organisational development programme was introduced from September 2019 which supplements and complements the authority’s appraisal process.

A comprehensive induction programme has been rolled out to all employees which incorporates a presentation from the Chief Executive on the vision, mission and objectives of the Combined Authority. A formal training budget has been established to fund bespoke training needs which supplements the organisational development programme.

WECA undertook its first formal staff survey in July/August 2019 with the overall results being extremely positive. Action plans have been developed by the Senior Management Team and Directorate Management teams to respond to identified areas requiring further development.

In terms of financial capacity, WECA has set about growing the expertise, knowledge and capabilities of in-house staff resource. Further investment has been made in the Finance service utilising funding that was previously allocated to third party support. Treasury Management was brought back in-house, (previously provided through Bath and North East Somerset), in April 2019 and reliance on contractor support for developing the authority's Statement of Accounts has been reduced with WECA firmly leading the process for 2019/20. Bespoke support is still contracted on an identified needs basis for example, for specific tax advice, (through Public Sector (PS) Tax), and technical aspects of the accountancy requirements (through CIPFA).

WECA published a three-year Medium-Term Financial Plan on 31 January 2020 as an integral part of the 2020/21 budget setting process. This plan details the revenue resources available to the Combined Authority through Investment Fund approvals along with various confirmed, and anticipated, grant allocations. Contributions have been made to WECA General Fund Reserve throughout 2018/19 and 2019/20, with non-earmarked reserves increased to circa £1m.

WECA maintains strong relationships and networks both regionally, and nationally. Finance Directors and Monitoring Officers across the West of England meet regularly, developing regional solutions to issues and sharing best practice, and the authority is a key member and co-ordinator for the M9 Combined Authority (national) network.

vi. Managing risks and performance through robust internal control and strong public financial management

WECA adopted a Risk Management Strategy and Toolkit during 2019/20 which has been endorsed by the Audit Committee. The Strategy records key activities and frequency with the toolkit providing detailed guidance on risk management processes.

WECA continues to raise awareness of the importance of good risk management and embed the adopted processes. Directors give on-going assurance to the Chief Executive regarding the management of risks within their area of service delivery. Risk management objectives are monitored through the Audit Committee in line with its terms of reference to evaluate the effectiveness of the risk management strategy and framework.

Performance Management arrangements continue to be strengthened with an adopted Monitoring and Evaluation Framework, (as endorsed by the Audit Committee), key performance metrics incorporated within WECA Business Plan and transparent published criteria in relation to outcomes being delivered through approved investments.

The Combined Authority Local Growth Assurance Framework has been revised and approved by WECA Committee in January 2020. This embeds a 'single pot' approach to governing all core LEP and WECA funding streams including the:

- Investment Fund;
- Transforming Cities Fund;
- Local Growth Fund;
- Revolving Infrastructure Fund;

- Economic Development Fund; and;
- Adult Education Budget

WECA maintains a robust system of internal control with a, (risk assessed), review and monitoring of internal controls undertaken by Internal Audit and other 'independent' inspectors. The Audit Committee's 'Terms of Reference' includes approving the Internal Audit Plan alongside monitoring its delivery and effectiveness (including the implementation of audit recommendations).

WECA's Financial Regulations require Members and staff to inform the Chief Finance Officer and / or the 'Chief Audit Executive' immediately of any suspected financial irregularity. This enables the Internal Audit function to investigate all reported cases promptly to ensure the integrity of the system of internal control.

Financial updates are regularly reported to WECA Committee and this includes budget monitoring and outturn reports. All decision papers for Committees, or officer delegated decisions, require S73 financial sign-off before the decision can be taken. The Director of Investment and Corporate Services acts as the S73 Chief Financial Officer for the Combined Authority.

The Director of Investment and Corporate Services has confirmed that the principles outlined in the CIPFA Statement on the Role of the Chief Financial Officer, (s151/s73 Officer), in Local Government have been compiled with in performing his duties.

vii. Implementing good practices in transparency, reporting and audit, to deliver accountability

Transparency is a key condition and driver for the delivery of WECA services. As a publicly funded organisation, we have a duty to our residents to be transparent about our business operations and outcomes.

Committee meetings and reports are easily accessible through WECA's website and the public are encouraged to engage with the operations of the authority and contribute to public committee meetings. Public Scrutiny Committees are held in advance of all WECA and Joint Committee meetings in order to scrutinise papers in advance of formal consideration. The respective Chairs of Scrutiny and the Local Enterprise Partnership have a standard slot on WECA committee agendas to feed in their comments in advance of the formal debate.

WECA constitution requires decisions to be taken by an appropriate committee, or officer delegation, and requires formal 'sign-off' by the S73 and Monitoring Officers in advance.

The annual governance review, which has been carried out to produce this statement, requires a robust methodology to be followed to enable a statement to be published within the statutory Statement of Accounts.

4. Internal Audit Opinion

Internal Audit is satisfied that the risk, governance and control environment of the Authority is adequate to ensure delivery of its priorities. Through the work of Internal Audit and delivery of the Annual Audit Plan, some control issues have been identified, however none are deemed significant when assessed against the key criteria. Internal Audit is content that management have accepted responsibility to address the control weaknesses.

The Plan focused on core financial and other systems and areas presenting the greatest risk to the authority and was designed to ensure sufficient depth and breadth of audit coverage to meet the requirements of those charged with governance. In forming an opinion on the governance, risk and control environment Internal Audit also considered other sources of assurance including reports from external regulators, external audit and commissioned reviews.

Signed: Jeff Wring (Audit West)

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West of England Combined Authority (WECA)

Annual Governance Statement (continued)

4 SIGNIFICANT GOVERNANCE ISSUES 2019/20

Having considered all of the evidence, data and input from regulators, the following significant governance issues have been identified within the 2019/20 financial year:

	Issues identified in 2019/20	Commentary & Mitigating actions for 2020/21
1	Coronavirus: The current (March 2020) global known, and anticipated, impact of the coronavirus might have a material impact on core governance issues. Flexibility will need to be exercised on areas such as delegated decision making and procurement practices. There could also be an impact on the transition to operating our new Agresso financial system through Agilisys from April 2020.	<ul style="list-style-type: none"> • Refreshed WECA business continuity arrangements; • Ensured that core groupings of staff are able to process and authorise financial information remotely; • Equipped all WECA staff for effective homeworking; • Regular updates and communications provided to staff; • All WECA events have either been cancelled or re-scheduled as virtual sessions; • Maintained effective networks with neighbouring Unitary Councils and other Combined Authorities in terms of controls put in place in response to coronavirus; • Incorporated climate change considerations within WECA decision making processes; • Successfully facilitated, and enabled, virtual meetings of full WECA Committee and WECA Scrutiny Committee
2	Robustness of the Statement of Accounts: Problems were encountered when finalising the Combined Authority's Statement of Accounts for 2018/19. Although draft accounts were issued on WECA website by the statutory deadline of 31 May 2019, the external auditors, Grant Thornton UK LLP, were not able to complete their audit, or form an opinion on the accounts, in time for the scheduled audit committee on 31 July 2019 due to a number of errors and incomplete information. Lack of functionality of our previous Finance system and problems encountered with external contractors, (commissioned to produce a draft set of accounts), were key contributing factors.	<ul style="list-style-type: none"> • Conducted 'lessons learnt' sessions to identify improvements needed for the 2019/20 accounts closedown process – subsequently developed a finance improvement plan; • Increased in-house finance capacity in WECA and reduced reliance on external contractors for drafting a full set of accounts; • Commissioned, and developed, a new version of the Agresso finance system through a new ICT provider, Agilisys; • Commissioned expertise to help design the new finance system with a clear focus on improving automation and reducing reliance on manual systems; • Engaged CIPFA as technical experts, to supplement internal finance capacity, on specific elements of 2019/20 technical accounting identified as being high risk.

West of England Combined Authority (WECA)

Annual Governance Statement (continued)

CERTIFICATION

To the best of our knowledge the governance arrangements as defined have been effectively operating during the year 2019/20. Significant governance issues identified through the Annual Governance Review are recorded in Section 4.

We propose to take actions to address the issues raised with the objective of enhancing WECA's governance arrangements. The issues and related actions will be monitored as part of the annual governance review process.

SIGNED BY:

TIM BOWLES

WECA MAYOR

PATRICIA GREER

CHIEF EXECUTIVE

DATE:

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West of England Combined Authority (WECA)

Independent Auditor's Report

Hold: Independent Auditors
UNAUDITED
Report March 2020

West of England Combined Authority (WECA)

Independent Auditor's Report

Holden Independent Auditor's
Report March 2020

West of England Combined Authority (WECA)

Independent Auditor's Report

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UNAUDITED
Independent Auditor's
Report March 2020

West of England Combined Authority (WECA)

Comprehensive Income and Expenditure Statement

For the year ended 31 March 2020

The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing the Combined Authority's services in accordance with generally accepted accounting practices, rather than the amount to be funded from resources. The reconciliation from the accounting cost to the funding position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

	Gross Expenditure £'000	Gross Income £'000	2018/19 Net Expenditure £'000		Notes	Gross Expenditure £'000	Gross Income £'000	2019/20 Net Expenditure or (Income) £'000
	24,603	(7,112)	17,491	Combined Authority Services	6	56,799	(16,632)	40,167
	23,060	(2,861)	20,199	Mayoral Fund	7	19,565	(1,066)	18,499
	47,663	(9,973)	37,690	Cost of services		76,364	(17,698)	58,666
	42	(1,278)	(1,236)	Financing and investment income and expenditure	8	61	306	367
	2,505	(42,438)	(39,933)	Taxation and non-specific grant income and expenditure	9	2,965	(60,349)	(57,384)
	50,210	(53,689)	(3,479)	(Surplus) or deficit on provision of services		79,390	(77,741)	1,649
			-	Fair value movement on financial assets		-	-	-
			380	Remeasurement of the net defined benefit liability	27	-	-	2,990
			380	Other comprehensive (income) and expenditure		-	-	2,990
			(3,099)	Total comprehensive (income) and expenditure		-	-	4,639

West of England Combined Authority (WECA)

Movement in Reserves Statement

For the year ended 31 March 2020

The Movement in Reserves Statement shows the movement in the year on the different reserves held by the Combined Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure) and 'unusable reserves' (i.e. those allocated for specific purposes). This statement shows how the movements in the year are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts to be funded from resources.

	Usable reserves			Unusable reserves						Total reserves £'000
	General fund balance £'000	Ear-marked reserves (note 24) £'000	Total usable reserves £'000	Pooled Investment Fund Adjustment Account £'000	Accumulated Absences Account £000	Collection Fund Adjustment Account £000	Capital adjustment account £'000	Pensions reserve £'000	Total unusable reserves £'000	
Balance at 31 March 2018	312	1,425	1,737	(483)	(4)	(315)	460	(1,711)	(2,053)	(316)
Movements in reserves										
Total comprehensive income and expenditure	3,479	-	3,479	-	-	-	-	(380)	(380)	3,099
Adjustments between accounting basis under regulations	(234)	-	(234)	141	(24)	273	468	(624)	234	-
Increase before transfer to earmarked reserves	3,245	-	3,245	141	(24)	273	468	(1,004)	(146)	3,099
Transfers (from)/to reserves	(2,568)	2,568	-	-	-	-	-	-	-	-
Movement in reserves in the year	677	2,568	3,245	141	(24)	273	468	(1,004)	(146)	3,099
Balance at 31 March 2019	989	3,993	4,982	(342)	(28)	(42)	928	(2,715)	(2,199)	2,783
Movements in reserves										
Total comprehensive income and expenditure	(1,649)	-	(1,649)	-	-	-	-	(2,990)	(2,990)	(4,639)
Adjustments between accounting basis under regulations	3,432	-	3,432	(2,348)	-	(86)	(137)	(861)	(3,432)	-
Increase before transfer to earmarked reserves	1,783	-	1,783	(2,348)	-	(86)	(137)	(3,851)	(6,422)	(4,639)
Transfers (from)/to reserves	(1,134)	1,134	-	-	-	-	-	-	-	-
Movement in reserves in the year	649	1,134	1,783	(2,348)	-	(86)	(137)	(3,851)	(6,422)	(4,639)

Balance at 31 March 2020	1,638	5,127	6,765	(2,690)	(28)	(128)	791	(6,566)	(8,621)	(1,856)
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West of England Combined Authority (WECA)

Balance Sheet as at 31 March 2020

Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Combined Authority. The net assets (assets less liabilities) are matched by the reserves held by the Combined Authority. Reserves are reported in two categories — usable and unusable. Usable reserves are those that may be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. Unusable reserves are those that the Combined Authority is not able to use for the provision of services. This category of reserves includes reserves that hold unrealised gains and losses and reserves that hold timing differences in capital investment (the Capital Adjustment Account).

	Notes	2020 £'000	2019 £'000
Intangible assets	14	507	592
Property, plant and equipment	15	285	336
Long-term investments	16	-	25,181
Long term assets		792	26,109
Short-term investments	17	128,601	91,373
Trade and other debtors	18	4,943	6,676
Financial assets at fair value through other comprehensive income	29	-	-
Financial assets at fair value through income and expenditure	29	21,274	9,621
Cash and cash equivalents	19	27,302	43,863
Current assets		182,120	151,533
Short Term Loans	20	(15,005)	-
Trade and other creditors	21	(10,754)	(6,238)
Grant receipts in advance - revenue	10	(48,990)	(37,489)
Current liabilities		(74,749)	(43,727)
Net current assets		107,371	107,806
Grant receipts in advance - capital	10	(58,506)	(48,852)
Net pensions liability	27	(6,566)	(2,715)
Provisions	23	(3,092)	(2,860)
Agency creditor	22	(41,853)	(76,705)
Non-current liabilities		(110,017)	(131,132)
Net assets/(liabilities)		(1,854)	2,783
General fund balance	24	1,638	989
Earmarked reserves	24	5,127	3,993
Usable reserves		6,765	4,982
Pooled Investment Fund Adjustment Account	25	(2,689)	(342)
Accumulated Absences Account		(28)	(28)
Collection Fund Adjustment Account	25	(128)	(42)
Capital adjustment account	25	792	928
Pensions reserve	25	(6,566)	(2,715)
Unusable reserves	25	(8,619)	(2,199)

West of England Combined Authority (WECA)

Total reserves	(1,854)	2,783
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West of England Combined Authority (WECA)

Balance Sheet

As at 31 March 2020

The financial statements were approved and authorised for issue by:

Malcolm Coe

Malcolm Coe

Director of Investment and Corporate Services and Chief Finance Officer

Date: 31 July 2020

UNAUDITED

West of England Combined Authority (WECA)

Cash Flow Statement

For the year ended 31 March 2020

Cash Flow Statement

For the year ended 31 March 2020

The Cash Flow Statement shows the changes in cash and cash equivalents of the Combined Authority during the reporting period. The statement shows how the Combined Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations are funded by way of grant income or from the recipients of services provided by the Combined Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Combined Authority's future service delivery.

	Note	2020 £'000	2019 £'000
Net (Deficit)/surplus on the provision of services		(1,649)	3,479
Adjustments to net surplus or deficit on the provision of services for non-cash movements			
Depreciation of property, plant and machinery	15	121	95
Amortisation of intangible assets	14	277	145
Release of impairment on investments		(19)	(6)
Change in pensions reserves	27	861	624
Decrease in trade and other debtors	18	1,733	(2,576)
Decrease in trade and other creditors	21	4,516	1,052
Increase in provisions	23	232	205
Decrease in agency creditor	22	(34,852)	12,054
Net interest receivable	8	308	(1,278)
Interest received		2,018	868
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities			
Capital grants received	10	(24,062)	(7,604)
Net cash flows from operating activities		(50,516)	7,058
Investing activities			
Purchase of property, plant and machinery	15	(70)	(106)
Purchase of intangible assets	14	(192)	(603)
Capital grants received for the purchase of property, plant and equipment	10	24,062	7,604
Increase in long and short-term investments	16,17	(12,000)	(27,000)
Increase in financial assets at fair value through other comprehensive income	29	(14,000)	-
Net cash flows from investing activities		2,200	(20,105)

West of England Combined Authority (WECA)

Cash Flow Statement

For the year ended 31 March 2020

Financing activities

Increase in capital grants receipts in advance	10	9,654	18,500
Increase in revenue grants receipts in advance	10	11,501	9,586
Increase in short term loans	20	15,000	0

Net cash flows from financing activities		36,155	28,086
Net increase or decrease in cash and cash equivalents	19	(16,561)	15,039
Cash and cash equivalents at 1 April	19	43,863	28,824
Cash and cash equivalents at 31 March	19	27,302	43,863

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West of England Combined Authority (WECA)

Notes to the Financial Statements

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West of England Combined Authority (WECA)

1. Basis of preparation

a) General principles

The Statement of Accounts summarises the West of England Combined Authority's (WECA) transactions for the financial year 2019/20 and its position as at 31 March 2020. The Authority is required to prepare an Annual Statement of Accounts in accordance with the Accounts and Audit Regulations 2015 which require the financial statements to be completed in accordance with proper accounting practices. These practices primarily comprise the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code), supported by International Financial Reporting Standards (IFRS).

b) Basis of preparation

The accounting convention adopted by the Statement is principally historic cost, modified by the revaluation of certain categories on non-current assets and financial instruments in accordance with the Code.

c) Going concern

The Statement of Accounts has been completed on a going concern basis as it considered that the activities will continue in operational existence for the foreseeable future by meeting the Authority's liabilities as they fall due for payment. WECA has the ability to raise a levy to constituent authorities to fund its integrated transport functions and has access to significant revenue and capital grant income in order to meet the revenue and capital commitments as they are agreed by WECA Committee. The Authority receives funding for Highways Maintenance expenditure under the 100% Business Rate Retention Pilot, subject to a minimum income 'safety net'. On conclusion of the pilot the funding should revert to central government grant.

d) Changes in accounting policies and disclosures

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

e) Accounting Standards issued but not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code.

The Code requires local authorities to disclose information relating to the impact of an accounting change that will be required by a new standard under the International Financial Reporting Standard (IFRS) that has been issued but not yet adopted by the Code. The accounting standards that are to be introduced in the 2019/20 CIPFA Code of Practice are:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015-2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement

Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures

The amendments are effective for periods beginning on or after 1 January 2019 and they are:

- i) Paragraph 14A has been added to clarify that an entity applies IFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.
- ii) Paragraph 41 has been deleted.

Annual Improvements to IFRS Standards 2015-2017 Cycle

The following standards have been amended and are effective for periods beginning on or after 1 January 2019:

- i) IFRS 3 Business Combinations – clarified that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business.
- ii) IFRS 11 Joint Arrangements – clarified that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- iii) IAS 12 Income Taxes – clarified that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits
- iv) IAS 23 Borrowing Costs – clarified that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement

The amendments are effective for periods beginning on or after 1 January 2019 and they are:

- i) If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.

- ii) Amendments have been included to clarify the effect of plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

Most of these standards will not be applicable to the Authority. For those standards that apply, they are not anticipated to have a material impact on the financial statements.

CIPFA/LASAAC has deferred implementation of IFRS16 Leases for local government to 1st April 2021. The standard will require authorities that are lessees to recognise most leases on their balance sheet as right of use assets with corresponding lease liabilities. The estimated impact of this standard is not yet known.

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2. Significant accounting policies

Taxation

Corporation, income and capital gains tax

The Combined Authority is exempt from corporation, income and capital gains tax by virtue of regulations section 74 of the Local Government Finance Act 1988.

Value added tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from HMRC. VAT receivable is excluded from income.

Irrecoverable VAT on the purchase of assets or services is recognised as an expense in the Comprehensive Income and Expenditure statement.

a) Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are received. There are no material supplies where there is a gap between the date supplies are received and their consumption, which would require them to be carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments is accounted for as income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- The Authority has determined that transactions occurring in respect of the collection of Non-Domestic Rates arise from non-exchange transactions and IPSAS 23 may be applied in accounting for these.

WECA does not engage in any material transactions that would meet the definition of a contract under IFRS 15.

Details regarding the accounting treatment for agency income and expenditure is provided in note 3.

b) Government grants and other contributions

Grants and contributions are accounted for on an accruals basis and recognised immediately in the Comprehensive Income and Expenditure Statement, except to the extent that the grant or contribution has a condition that the Combined Authority has not satisfied. Where a grant has been received and conditions remain outstanding at the Balance Sheet date, the grant is recognised in the Balance Sheet as grants receipts in advance. Once the condition has been met, the grant or contribution is transferred from grants receipts in advance and recognised as income in the Comprehensive Income

and Expenditure Statement.

With respect to capital grants, if the expenditure to be financed from the grant has been incurred at the Balance Sheet date, the grant is transferred from the general fund to the Capital Adjustment Account via the Movement in Reserves Statement. If the expenditure has not been incurred at the Balance Sheet date, the grant is transferred from the general fund to the capital grants unapplied reserve via the Movement in Reserves Statement. When the expenditure is incurred, the grant is transferred from the general fund to the Capital Adjustment Account via the Movement in Reserves Statement.

With respect to revenue grants, if the expenditure has not been incurred at the Balance Sheet date, the grant is transferred from the general fund to earmarked reserves via the Movement in Reserves Statement. When the expenditure is incurred, the grant is transferred back via the Movement in Reserves Statement.

c) Revenue expenditure funded from capital under statute

Revenue expenditure funded from capital under statute (REFCUS) is expenditure of a capital nature that does not result in the creation of a non-current asset on the Balance Sheet. The Combined Authority receives grants from Central Government which it administers and passes onto Constituent Authorities. This expenditure is included within REFCUS.

REFCUS is charged to the Cost of Services as the expenditure is incurred and reversed out through the Movement in Reserves Statement and a transfer made to the Capital Adjustment Account.

d) Pensions scheme

Employees of the Combined Authority are members of the Avon Pension Fund.

Pension costs have been charged to the Comprehensive Income and Expenditure Statement and the Combined Authority's share of the fund's assets and liabilities are recognised in the Balance Sheet in accordance with IAS 19. The Comprehensive Income and Expenditure Statement has therefore been charged with the full cost of providing for future pension liabilities arising from in year service.

In the Movement in Reserves Statement an appropriation equal to the difference between this amount and the actual employer's pension contribution is made to the Pensions Reserve, so that any additional costs arising from applying IAS 19 do not impact on the amount to be levied on the Local Authorities, and therefore ensuring no additional impact on local taxation. This appropriation is made under the general application of the Code. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the general fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.

e) Financial assets

The Combined Authority's financial assets include trade debtors, long-term investments, short-term investments and cash and cash equivalents.

Classification

The Combined Authority classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the Combined Authority's business model for managing the financial

assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded either in profit or loss or in OCI.

For investments in equity instruments that are not held for trading, this will depend on whether the Combined Authority has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Combined Authority reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date (that is, the date on which the Combined Authority commits to purchase or sell the asset). Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Combined Authority has transferred substantially all the risks and rewards of ownership.

Subsequent measurement

At initial recognition, the Combined Authority measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Trade debtors are recognised and carried at invoice or contract value, less an allowance for any amounts which may not be collectible. Should such an amount become uncollectible, it is written off to the Comprehensive Income and Expenditure Statement in the period in which it is recognised.

Cash and cash equivalents

Cash is represented by deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash Equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

f) Financial liabilities

The financial liabilities of the Combined Authority consist of trade creditors.

Classification

Finance liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge. The Authority determines the classification of its financial liabilities at initial recognition.

Recognition and derecognition

All financial liabilities are recognised initially at fair value.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Subsequent measurement

Subsequent to initial recognition trade creditors are recognised and carried at invoice or contract value, which is materially equivalent to measurement at amortised cost using the effective interest method. Should an amount become non-payable, it is written back to the Comprehensive Income and Expenditure Statement in the period in which it is recognised.

Financial assets and liabilities are offset and the net amount presented in the Balance Sheet when, and only when, the Combined Authority has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

g) Property, plant and equipment

Recognition and measurement

All assets are measured at depreciated historical cost (as a proxy for current value), the carrying value is the initial cost less accumulated depreciation. Depreciation is calculated on a straight line basis over the expected useful life.

Cost includes expenditure that is directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the assets to a working condition for their intended use.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The Combined Authority has a de-minimis level for capitalisation of £5,000. Each capital project is reviewed on an individual basis and the costs considered for capitalisation. Non-enhancing expenditure is written off to the Comprehensive Income and Expenditure Statement.

Given the short asset life of office equipment and fit out costs, depreciated historical cost is considered to be a reasonable proxy for current value.

Depreciation

Depreciation is calculated on a straight line basis over the estimated useful life of the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives. Depreciation is charged from the date that the asset first comes into use and depreciation is charged in the year up to the date of disposal. The mid-year point is taken as a proxy for the date the asset comes into useful life, and the date it is disposed of.

Fixed assets are recorded at significant component level. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost is depreciated separately. The estimated useful lives for the current and comparative periods are as follows:

- Computer Equipment: 3 years
- Fixtures & Fittings: Over length of office lease term of 5 years and 4 months

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

h) Intangible assets

Intellectual property – The 5G Smart Tourism Project

Acquired intellectual property is capitalised on the basis of the costs incurred to acquire and bring to

use the specific assets. These costs are amortised over their estimated useful lives of three years.

Development costs that are directly attributable to the design and testing of a 5G solution as part of the 5G Smart Tourism project are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the project so that the asset will be available for use;
- management intends to complete the project;
- there is an ability to use the asset;
- it can be demonstrated how the project will deliver service potential by demonstrating the usefulness of the asset;
- adequate technical, financial and other resources to complete the development are available; and
- the expenditure attributable to the asset during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the asset include employee costs, an appropriate portion of relevant overheads, materials and capital usage.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Economic Model

The acquired Economic Model is capitalised on the basis of the costs incurred to acquire and bring to use the model. These costs will be fully amortised by 2021.

i) Impairment of Non-financial assets

The carrying value of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount is estimated.

Impairment losses are recognised in the Comprehensive Income and Expenditure Statement. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

j) Impairment - Financial assets (including debtors)

Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment. The Authority assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and fair value through profit or loss. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

k) Provisions and contingent liabilities

Provisions are recognised when the Combined Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the

amount of the obligation. The expense relating to the provision is recognised in the Comprehensive Income and Expenditure Statement.

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the financial statements.

I) Events after the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period — the Statement of Accounts is adjusted to reflect such events
- Those that are indicative of conditions that arose after the reporting period — the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

West of England Combined Authority (WECA)

3. Significant Judgements and Estimation Uncertainty

The preparation of the financial report in conformity with the Code requires the Authority to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future periods affected.

Judgements

In applying the accounting policies set out in note 2, WECA has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

Agency

The Authority took over the Accountable Body role for the West of England Local Enterprise Partnership (LEP) in 2017/18 and the balance of funds was transferred from Bath & North East Somerset Council to WECA during the Financial Year. The reporting approach is that total expenditure is not shown in the Financial Statements, rather the following accounting treatment is adopted:

- WoE LEP expenditure is incurred as an agent, acting as an intermediary on behalf of the four Unitary Authorities. Each Authority's financial statements will reflect its own contribution towards expenditure.
- Where the LEP has received grant funding directly, this is on behalf of all authorities, but the share for any individual authority is not considered material to show.

Similarly, WECA assumed the Accountable Body role for the Invest in Bristol and Bath inward investment function and the MetroBus/MetroWest Communications function in 2017/18, with the teams transferred from Bristol City Council to the Authority's employment on 1 May 2017.

This agency accounting approach has been taken because;

- Expenditure decisions on these service areas are taken at a separate Joint Committee of the four Unitary Authorities and involve funding and expenditure decisions for a geographic area, North Somerset, which is outside the Combined Authority area. They do not form part of the decision-making process at WECA Committee that governs the business of the Mayoral and Combined Authority Funds.
- WECA is not exposed to significant risks or rewards associated with its actions in relation to these functions. Separate budgets are maintained and reported to the Joint Committee and where staff time and office overheads are shared between WECA and LEP/other agency duties, the actual costs are apportioned between those budgets on an appropriate basis.
- Any surpluses that are held on behalf of the four Unitary Authorities, whether from their own contributions or grant funding, may only be redistributed by a decision of the Joint Committee, WECA itself has no control over determining the use or remaining benefits of such assets and they do not result in an increase in equity for the Combined Authority.

West of England Combined Authority (WECA)

A separate Disclosure for all the above functions, where the Authority acts as Agent, is shown at Note 22. This provides a reconciliation between expenditure and income for agency functions and the cash balances held at 31 March 2020, where these are held on behalf of other organisations, and treated as a creditor liability in the Balance Sheet.

Estimates and assumptions

The financial report contains estimated figures that are based on assumptions about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Balance Sheet at 31 March 2020 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Pension benefits

The cost of defined benefit pension plans is determined using independent actuarial valuation involving the use of assumptions about discount rates, returns on assets, future salary increases, mortality rates and future pension increases. Such assumptions are reviewed at each period end, and determined jointly between the pension fund management and the actuaries. The effects of changes in individual assumptions have been measured by the funds actuaries in their IAS 19 valuation report:

- A 0.1% p.a. increase in the discount rate will reduce the pension fund liability by £0.386m.
- An increase of life expectancy at retirement by 1 year will increase the pension fund liability by £0.419m.
- 0.1% p.a. increase in inflation will increase the pension fund liability by £0.394m.
- 0.1% p.a. increase in pay growth will increase the pension fund liability by £0.086m.

NNDR Appeals

Under the 100% BRR Pilot, WECA is liable for its proportionate share of successful appeals against Business Rates charged. A provision has been estimated by officers at each of the Billing Authorities for the amount that businesses have been overcharged up to 31 March 2020. The provision for the 2010 list of cases has been estimated using Valuation Office Agency data and analysis of successful appeals to date. Provision for appeals against 2017 rateable values list is calculated at 4.7% of net rates payable for 2017-2019. Because of the lack of data, this % has been applied as per Central Government advice. The Authority's share of the business rate appeals provisions held at 31st March 2020 amounted to £3.1m. If appeals were to increase by 10% then this could require an increase in the Authority's share of the appeals provision by £310k.

West of England Combined Authority (WECA)

Investment Fund Grant Income

In the 2017/18 and 2018/19 accounts, WECA treated the Investment Fund Grant as 'conditional'. This was due to the uncertainty surrounding the forthcoming 5 year government gateway review on how the fund had been deployed and subsequent outcomes delivered.

During 2019/20 a 4 year investment programme has been developed that allocates all Investment and Transforming Cities Funding against regional strategic priorities. The programme to 2022/23 was agreed at the WECA Committee in July 2019. We have been working closely with the government's commissioned contractors, SQW, to better understand the specifics of the review. The contractors have been engaged to undertake the evaluation of investment fund type arrangements across all localities who have these nationally. The One Year Out (baseline) Report has now been agreed and work progresses to complete the Final Report by the end of the year which will trigger the release of the next 5 year tranche of £150m funding from 2021/22.

4. Expenditure and Funding Analysis

(a) Expenditure and Funding Analysis

The Expenditure and Funding analysis shows how annual expenditure is used and funded from resources (business rates, levies, government grants, interest and other income) by WECA in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated between WECA's services.

2019/20	Net expenditure/ (income) as reported per Management Outturn £'000	Remove transfers to and from reserves from Outturn £'000	Adjustment to arrive at the net amount chargeable to the General Fund Balance (b i) £'000	Net expenditure chargeable to the general fund £'000	Adjustments between funding and accounting basis (bii) £'000	2019/20 Net expenditure in the comprehensive income and expenditure statement £'000
Combined Authority	(551)	(836)	17,881	16,494	23,673	40,167
Mayoral fund	-	(396)	17,572	17,176	1,325	18,501
Cost of services	(551)	(1,232)	35,453	33,670	24,998	58,668
Other income chargeable to the General Fund	-	-	(35,453)	(35,453)	(21,567)	(57,020)
Surplus or deficit on provision of services	(551)	(1,232)	-	(1,783)	3,431	1,648
Opening General Fund balance				(989)		

West of England Combined Authority (WECA)

Transfers to
earmarked
reserves

1,134

**Closing General
Fund balance**

(1,638)

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West of England Combined Authority (WECA)

2018/19	Net expenditure/ (income) as reported per Management Outturn £'000	Remove transfers to and from reserves from Outturn £'000	Adjustment to arrive at the net amount chargeable to the General Fund Balance (b i) £'000	Net expenditure chargeable to the general fund £'000	Adjustments between funding and accounting basis (bii) £'000	2018/19 Net expenditure in the comprehensive income and expenditure statement £'000
Combined Authority	(976)	(1,881)	15,621	12,764	4,727	17,491
Mayoral fund	-	(388)	17,572	17,184	3,015	20,199
Cost of services	(976)	(2,269)	33,193	29,948	7,742	37,690
Other income chargeable to the General Fund	-	-	(33,193)	(33,193)	(7,976)	(41,169)
Surplus or deficit on provision of services	(976)	(2,269)	-	(3,245)	(234)	(3,479)
Opening General Fund balance				(312)		
Transfers to earmarked reserves				2,568		
Closing General Fund balance				(989)		

West of England Combined Authority (WECA)

(b i) Note to the Expenditure and Funding Analysis

Adjustments for 2019/20

	Combined Authority Services			Mayoral Fund	Total Adjustments
	Interest Income	Transport Levy Income	Net Business Rates Retention Income	Business Rates Retention Income	
Combined Authority	2,060	14,503	1,318	-	17,881
Mayoral fund	-	-	-	17,572	17,572
Net cost of services	2,060	14,503	1,318	17,572	35,453
Other income chargeable to the General Fund	(2,060)	(14,503)	(1,318)	(17,572)	(35,453)
(Surplus) or deficit on provision of services	-	-	-	-	-

Adjustments for 2018/19

	Combined Authority Services			Mayoral Fund	Total Adjustments
	Interest Income	Transport Levy Income	Net Business Rates Retention Income	Business Rates Retention Income	
Combined Authority	1,137	13,394	1,090	-	15,621
Mayoral fund	-	-	-	17,572	17,572
Net cost of services	1,137	13,394	1,090	17,572	33,193
Other income chargeable to the General Fund	(1,137)	(13,394)	(1,090)	(17,572)	(33,193)
(Surplus) or deficit on provision of services	-	-	-	-	-

West of England Combined Authority (WECA)

(b ii) Note to the Expenditure and Funding Analysis

This note provides an analysis of the adjustments to Net Expenditure Chargeable to the General Fund to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The relevant transfers between reserves are shown in the Movement in Reserves Statement.

Adjustments for 2019/20

	Adjustments for capital purposes				Collection Fund Adjustment Account	Pensions adjustments	Accumulated Absences Account	Pooled Investment Fund adjustment Account	Total adjustments
	Depreciation/loss on disposal	REFCUS	RCCO	Grants/contributions					
Combined Authority	399	22,546	(70)	-	-	800	-	-	23,675
Mayoral fund	-	18,895	(17,572)	-	-	-	-	-	1,323
Net cost of services	399	41,441	(17,642)	-	-	800	-	-	24,998
Other income chargeable to the General Fund	-	-	-	(24,061)	86	61	-	2,347	(21,567)
(Surplus) or deficit on provision of services	399	41,441	(17,642)	(24,061)	86	861	-	2,347	3,431

The amounts disclosed in tables (b i) and (b ii) are not included in the management outturn report but have been recognised in the Comprehensive Income and Expenditure Statement.

West of England Combined Authority (WECA)

Adjustments for 2018/19

	Adjustments for capital purposes				Collection Fund Adjustment Account	Pensions adjustments	Accumulated Absences Account	Pooled Investment Fund adjustment Account	Total adjustments
	Depreciation/loss on disposal	REFCUS	RCCO	Grants/contributions					
Combined Authority	240	3,987	(106)	-	-	582	24	-	4,727
Mayoral fund	-	20,587	(17,572)	-	-	-	-	-	3,015
Net cost of services	240	24,574	(17,678)	-	-	582	24	-	7,742
Other income chargeable to the General Fund	-	-	-	(7,604)	(273)	42	-	(141)	(7,976)
(Surplus) or deficit on provision of services	240	24,574	(17,678)	(7,604)	(273)	624	24	(141)	(234)

West of England Combined Authority (WECA)

Depreciation

Charges for depreciation of non-current assets are chargeable to the Comprehensive Income and Expenditure Statement under proper accounting practices.

REFCUS - Revenue expenditure funded from capital under statute

Revenue expenditure funded from capital under statute in respect of capital development schemes is charged to Cost of Services as the expenditure is incurred and reversed out through the movement in reserves statement and a transfer made to the capital adjustment account.

RCCO - Revenue Contribution to Capital Outlay

Capital expenditure may be funded from revenue budgets. This method of funding is known as Revenue Contribution to Capital Outlay (RCCO).

Grants/contributions

The taxation and non-specific grant income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Collection Fund Adjustment Account

The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for NNDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference, as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

West of England Combined Authority (WECA)

Pension Adjustments

The adjustment to Combined Authority Services represents the removal of the employer contributions made by WECA as allowed by statute and the replacement with current service costs and administration costs calculated under accepted accounting practices (IAS 19).

The adjustment to Financing and investment income and expenditure is the net interest on the defined benefit liability charged to the Comprehensive Income and Expenditure Statement under IAS 19.

Accumulated absences account

The adjustment for the removal of the accrued element of short-term accumulating compensated absences (for example holiday pay) to the salaries actually payable in the financial year in accordance with relevant statutory provisions.

WECA is considered a local authority following its existence by virtue of the Order, it has applied the statutory provisions that allow authorities to adjust the effect of accounting for benefits on the General Fund in the Movement in Reserves Statement, via the use of an Accumulated Absences Account.

Available for Sale Reserve

The adjustment to recognise the change in the fair value of financial assets held at fair value through income and expenditure that is recognised in Financing and investment income and expenditure in the Comprehensive Income and Expenditure Statement under IFRS 9.

West of England Combined Authority (WECA)

5. Expenditure and income analysed by nature

WECA's expenditure and income is analysed as follows:

	2020 £'000	2019 £'000
Expenditure		
Employee benefits expenses including pension	4,250	2,958
Other service expenses	30,336	19,933
Depreciation, amortisation and impairment	399	240
Revenue expenditure funded from capital under statute	41,441	24,574
Business Rates Retention Tariff	2,965	2,505
Total Expenditure	79,391	50,210
Income		
Local Authority business rates growth and contributions	(22,852)	(21,440)
Levies	(14,503)	(13,394)
Government revenue grants and contributions	(16,553)	(9,843)
Capital grants and contributions	(24,061)	(7,604)
Interest and investment income	306	(1,278)
Other service income	(79)	(130)
Total Income	(77,742)	(53,689)
Surplus/(Deficit) on provision of services	1,649	(3,479)

West of England Combined Authority (WECA)

6. Combined Authority's services

2019/20	Gross Expenditure £000	Grants Received £000	Other Income £000	Net Expenditure £000
Implementation & set up costs	144	-	-	144
Combined Authority Services	3,553	-	-	3,553
Concessionary fares	12,622	-	-	12,622
Community transport	1,691	-	-	1,691
RTI costs	502	-	-	502
Futurebright	1,346	-	-	1,346
Adult education	9,219	-	-	9,219
Apprenticeship grants for employers	94	-	-	94
Other projects	1,604	-	-	1,604
Mayoral capacity fund	852	-	-	852
Housing capacity fund	599	-	-	599
Housing infrastructure bid	611	-	-	611
Workforce for the Future	298	-	-	298
Gainshare - Revenue Contribution	-	(689)	-	(689)
Grant Income	-	(15,723)	-	(15,723)
Other Income	-	-	(220)	(220)
Amounts chargeable to the General Fund	33,135	(16,412)	(220)	16,503
Adjustments between funding and accounting basis, including 5G - Capital REFCUS (note 4)	23,664	-	-	23,664
Per Comprehensive Income and Expenditure Statement	56,799	(16,412)	(220)	40,167

West of England Combined Authority (WECA)

2018/19	Gross Expenditure £000	Grants Received £000	Other Income £000	Net Expenditure £000
Implementation & set up costs	44	-	-	44
Combined Authority Services	2,134	-	-	2,134
Concessionary fares	12,795	-	-	12,795
Community transport	1,691	-	-	1,691
RTI costs	376	-	-	376
Futurebright	1,105	-	-	1,105
Adult education	195	-	-	195
Apprenticeship grants for employers	127	-	-	127
Other projects	61	-	-	61
Mayoral capacity fund	453	-	-	453
Housing capacity fund	235	-	-	235
Housing infrastructure bid	660	-	-	660
Gainshare - Revenue Contribution	-	(1,882)	-	(1,882)
Grant Income	-	(5,100)	-	(5,100)
Other Income	-	-	(130)	(130)
Amounts chargeable to the General Fund	19,876	(6,982)	(130)	12,764
Adjustments between funding and accounting basis, including 5G - Capital REFCUS (note 4)	4,727	-	-	4,727
Per Comprehensive Income and Expenditure Statement	24,603	(6,982)	(130)	17,491

West of England Combined Authority (WECA)

7. Mayoral Funds

	2020 £'000	2019 £'000
Expenditure		
Mayoral office running costs	206	210
Joint Spatial Plan Scheme Development	-	699
Transport Feasibility Studies	464	1,564
Election costs	-	-
Revenue expenditure funded from capital under statute:		
- <i>Highways Maintenance Grants</i>	10,254	10,254
- <i>Transport Grants</i>	5,183	5,183
- <i>Highways Incentive Grants</i>	2,135	2,135
- <i>Pothole Action Fund</i>	662	1,241
- <i>Transport Scheme Business Case Grants</i>	661	1,774
Gross Expenditure	19,565	23,060
Income		
Gainshare - Revenue Contribution	(1,066)	(2,861)
Gross Income	(1,066)	(2,861)
Net Expenditure	18,499	20,199

Within the Narrative Statement, WECA fund, a transfer of the Gainshare Revenue income has been shown gross in expenditure and income. For the financial statements this is shown only within the Mayoral Fund as the net value.

The Mayoral elections in England have been postponed for a year due to the Coronavirus outbreak.

West of England Combined Authority (WECA)

8. Financing and investment income and expenditure

	2020 £'000	2019 £'000
Net interest on the net defined benefit liability (note 27)	61	42
Fair value movement on financial assets	2,366	(141)
Interest receivable and similar income	(2,060)	(1,137)
Net financing and investment income and expenditure	(367)	(1,236)

9. Taxation and non-specific grant income and expenditure

	2020 £'000	2019 £'000
National Non-Domestic Rates	(20,272)	(20,297)
Section 31 National Non-Domestic Rates Grant - MHCLG	(1,512)	(1,142)
Business Rates Retention Tariff	2,965	2,505
Transport levy from the Constituent Authorities	(14,503)	(13,394)
Pothole Action Fund Grant - DfT	(662)	(1,241)
Gainshare Capital Grant - MHCLG	(22,346)	(2,239)
5G Smart Tourism - DCMS	(1054)	(4,125)
	(57,384)	(39,933)

10. Government and Other Grant income

Whether paid on account, by instalments or in arrears, government grants and third-party contributions are recognised as due to the Authority when there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments and
- The grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contributions have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors (grants receipts in advance). When conditions have been satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

West of England Combined Authority (WECA)

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the Revenue Account in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

The following grants and contributions have been credited to the Comprehensive Income and Expenditure Statement during the year:

	2020 £'000	2019 £'000
Revenue grants credited to cost of services		
Gainshare Revenue Grant - MHCLG	-	4,743
Housing Capacity Fund	1,050	1,950
Mayoral Capacity Fund	2,067	1,000
Futurebright	1,346	1,106
Irrecoverable VAT S31 Grant	-	429
Apprenticeship Grant for Employers	-	239
Adult Education Budget Implementation Grant - SFA	9,215	195
Other grants	2,875	181
Total	16,553	9,843
<i>Analysed between the following segments:</i>		
Combined Authority services	15,487	6,982
Mayoral	1,066	2,861
	16,553	9,843
	2020 £'000	2019 £'000
Capital grants and contributions credited to taxation and non-specific grant income		
Gainshare Capital Grant - MHCLG	22,346	2,239
Productivity Investment Fund - DfT	-	-
Pothole Action Fund Grant - DfT	662	1,241
5G Smart Tourism - DCMS	1,054	4,124
	24,062	7,604

West of England Combined Authority (WECA)

The Combined Authority has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the transferor if the conditions are not met or the grant is not used. The balances at the year-end are as follows:

	2020 £'000	2019 £'000
Grants received in advance - capital		
Pothole Action Fund Grant - DfT	-	662
Gainshare Capital - MHCLG	34,506	42,190
Transforming Cities Fund - DfT	24,000	6,000
	58,506	48,852
Grants received in advance - revenue		
Gainshare Revenue Grant - MHCLG	47,380	35,729
Future Bright - DWP	1,471	1,740
Adult Education Budget Implementation Grant - SFA	106	-
Housing Capacity Fund	-	-
Planning Delivery Fund - MHCLG	-	-
Third Party Contributions	33	-
	48,990	37,469

West of England Combined Authority (WECA)

11. Officers' remuneration

Employees receiving more than £50,000 remuneration per year, which includes exit packages for the year

The remuneration paid to senior employees during 2018/19 and 2019/20 was as follows:

Salary of £150,000 or more for the year ending 31 March 2019 and year ending 31 March 2020

	Salary £	Expenses £	Pension Contributions £	Total Remuneration £
For the period 01/04/2019 - 31/03/2020				
Chief Executive - Patricia Greer	159,060	43	22,368	181,471
For the period 01/04/2018 - 31/03/2019				
Chief Executive – Patricia Greer	150,000	103	19,500	169,603

Salary between £50,000 and £150,000 for the year ending 31 March 2019 and year ending 31 March 2020

	For the period:	Salary £	Expenses £	Pension Contributions £	Total Remuneration £
Director of Infrastructure	01/04/2019 – 31/03/2020	127,500	617	17,956	146,073
Director of Business Skills	01/04/2019 – 31/03/2020	81,187	187	11,431	92,618
Director of Investment and Corporate Services	01/04/2019 – 31/03/2020	122,400	372	17,238	140,100
Director of Legal Services	01/04/2019 – 31/03/2020	81,127	83	11,421	92,631

Salary between £50,000 and £150,000 for the year ending 31 March 2018 and year ending 31 March 2019

	For the period:	Salary £	Expenses £	Pension Contributions £	Total Remuneration £
Director of Infrastructure	22/05/2018 – 31/03/2019	107,527	374	13,979	121,880
Director of Business Skills	30/04/2018 – 31/01/2019	72,607	443	9,297	82,347
Director of Investment and Corporate Services	29/10/2018 – 31/03/2019	50,968	375	6,626	57,969
Director of Legal Services	13/08/2018 – 31/03/2019	51,005	544	6,631	58,180

West of England Combined Authority (WECA)

For part of 2018/19, two senior officers posts were covered by staff seconded from a Constituent Authority at a cost of:

Director of Investment and Corporate Services	£56,578
Monitoring Officer	£22,462

Employees receiving more than £50,000 remuneration, which includes exit packages for the year (excluding pension contributions) were paid the following amounts:

	2020 £'000	2019 £'000
£50,000 - £54,999	4	5
£55,000 - £59,999	4	5
£60,000 - £64,999	3	1
£65,000 - £69,999	1	1
£70,000 - £74,999	1	3
£75,000 - £79,999	2	-
£80,000 - £84,999	3	-
£85,000 - £89,999	1	-
£90,000 - £94,999	-	-
£95,000 - £99,999	1	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	1
£110,000 - £114,999	-	-
£115,000 - £119,999	-	-
£120,000 - £124,999	1	-
£125,000 - £129,999	1	-
£130,000 - £134,999	-	-
£135,000 - £139,999	-	-
£150,000 - £154,999	-	1
£155,000 - £159,999	1	-

Secondment costs are not included in the above table.

West of England Combined Authority (WECA)

Exit Packages

The numbers of exit packages, with total cost per band, are set out in the table below. Exit packages include any pension contributions paid to the pension fund.

Cost band (including special payments)	Voluntary redundancies		Total exit packages		Total cost of packages in each band	
	2020 No.	2019 No.	2020 No.	2019 No.	2020 £'000	2019 £'000.
£0 - £40,000	1	-	-	-	17	-
£40,000+	-	-	1	-	57	-
		-		-		-

12. Members' allowances

	2020 £'000	2019 £'000
Allowances	78	70
Expenses	1	1
	79	71

13. External audit costs

The table below discloses the fees paid to the Authority's external auditor, Grant Thornton UK LLP, in respect of its external audit and inspection work:

	2020 £'000	2019 £'000
Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor for the year	30	19
Fees payable in respect of other services provided by Grant Thornton UK LLP during the year	-	-
	30	19

A significant increase in the operations and transactions of the Combined Authority has increased audit expenditure, but, has been offset through a reduction in fees paid to consultancy support.

West of England Combined Authority (WECA)

14. Intangible Assets

	Economic Model £'000	Computer software £'000	Intellectual property £'000	Total £'000
Cost				
At 1 April 2018	115	47	-	162
Additions	-	-	603	603
At 1 April 2019	115	47	603	765
Additions	-	-	192	192
At 31 March 2020	115	47	795	957
Accumulated amortisation				
At 1 April 2018	19	9	-	28
Charge for the year	29	16	100	145
At 1 April 2019	48	25	100	173
Charge for the year	29	16	232	277
At 31 March 2020	77	41	332	450
Net book value				
At 31 March 2020	38	6	463	507
At 31 March 2019	67	22	503	592
At 31 March 2018	96	38	-	134

15. Property, plant and equipment

	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost			
At 1 April 2018	306	65	371
Additions	44	62	106
At 1 April 2019	350	127	477
Additions	11	59	70
At 31 March 2020	361	186	547
Accumulated depreciation			
At 1 April 2018	33	13	46
Charge for the year	63	32	95
At 1 April 2019	96	45	141
Charge for the year	69	52	121
At 31 March 2020	165	97	262
Net book value			
At 31 March 2020	196	89	285
At 31 March 2019	254	82	336
At 31 March 2018	273	52	325

West of England Combined Authority (WECA)

16. Long Term Investments

	Loans to local authorities £'000
At 1 April 2018	-
Additions	25,000
Interest accrued	181
At 31 March 2019	25,181
Moved to Short-term investments	(25,181)
Interest Accrued	-
At 31 March 2020	-

The Authority has no investments longer than 365 days. Investments included in the 2019 balance now mature in less than one year and have been moved to short term investments.

17. Short-term investments

	Loans to local authorities £'000
At 1 April 2018	89,285
Additions	1,715
Interest accrued	373
At 31 March 2019	91,373
Additions	36,627
Interest Accrued	601
At 31 March 2020	128,601

West of England Combined Authority (WECA)

18. Trade and other debtors

	2020 £'000	2019 £'000
Trade debtors	44	27
Other debtors	4,899	6,649
Prepayments and accrued income	-	-
	4,943	6,676
Analysed between the following classes of debtors:		
Central government bodies	803	3,219
Other local authorities	4,070	3,429
Other entities and individuals	70	28
	4,943	6,676

As at 31 March 2020 there were £Nil (2019: £Nil) trade debtors past due but not impaired.

As at 31 March 2020 other debtors of £6,000 (2019: £100,000) were impaired in relation to NNDR income and the amount of the impairment provision was £6,000 (2019: £100,000). The movement in the year on the provision for impairment was a reduction of £93,000 (2019: £57,000).

West of England Combined Authority (WECA)

19. Cash and Cash Equivalents

	2020 £'000	2019 £'000
Cash at bank and in hand	166	48
Short-term deposits	27,136	43,815
	27,302	43,863

Short-term deposits consist of Money Market Funds which are highly liquid (convertible into cash within the same day) and therefore classed as a cash equivalent.

20. Short-term Loans

	Loans from local authorities £'000
At 31 March 2019	-
Additions	15,000
Interest Accrued	5
At 31 March 2020	15,005

As part of its approach to liquidity management, the Authority may borrow short term loans to cover any unplanned cash flow shortages as they arrive.

Covid-19 has had a detrimental effect on cashflow like any other Local Authority in the country and, together with receipt of funding from Government being difficult to forecast, this has led the Authority to approach the short term LA loan market at the end of March 2020.

21. Trade and other creditors

	2020 £'000	2019 £'000
Trade creditors	2,434	1,844
Taxes and social security	223	170
Accruals and deferred income	8,097	4,224
	10,754	6,238
Analysed between the following classes of creditors:		
Central government bodies	1,668	170
Other local authorities	8,672	3,745
Other entities and individuals	414	2,323
	10,754	6,238

West of England Combined Authority (WECA)

22. Agent for West of England LEP and associated grants/functions

Bath & North East Somerset Council, Bristol City Council, North Somerset Council and South Gloucestershire Council continue to work together and co-ordinate high level planning to improve the quality of life of their residents and provide for a growing population. This joint work focuses on activities that are better planned at the West of England level, rather than at the level of the individual council areas. Decisions are made at a Joint Committee.

Similarly, WECA assumed the Accountable Body role for the Invest in Bristol and Bath inward investment function and the MetroBus/MetroWest Communications function in 2017/18, with the teams transferred from Bristol City Council to the Authority's employment on 1 May 2017.

	2020	2019
	£000	£'000
Reconciliation of the Agency Creditor		
LEP	2,449	2,868
IBB	(2,726)	(1,767)
MetroBus/MetroWest Communications	-	(150)
Grant Balances	42,130	75,754
Total Agency Creditor / (Asset)	41,853	76,705

Under the agency accounting approach, none of the above transactions are recognised in the Combined Authority's Comprehensive Income and Expenditure Statement. The net cash balances, totalling £41.853m at 31 March 2020 (2019: £76.705m), held by the Authority where it is acting as agent, are treated as a creditor balance within WECA's Balance Sheet, as they are held on behalf of the West of England LEP Unitary Authorities, would be paid to future grant recipients or returned to government.

The table below reflects the revenue expenditure incurred by WECA on behalf of the West of England Authorities in 2018/19 and 2019/20:

West of England Combined Authority (WECA)

West of England LEP Revenue Expenditure 2018/19 and 2019/20

	2020 £'000	2019 £'000
Expenditure		
LEP Management & Co-ordination	801	1,063
LEP Infrastructure	415	248
LEP Skills & Economy	160	222
Growth Hub	484	310
LEADER	24	67
Energy Strategy	-	10
RIF Administration	124	212
SW Energy Hub	356	93
Local Industrial Strategy	95	148
5G Urban Bid	-	147
ERDF Administration	-	67
Enterprise Advisor	340	70
Skills Advisory Panel	11	19
LEP Strategy	105	125
Infrastructure & Investment Delivery Plan	38	425
LEP Innovation & Sector Development	486	-
Other expenditure	209	15
	3,648	3,241
	2020 £'000	2019 £'000
Income		
Local Authority contributions	439	507
Investment Interest	415	554
Higher/Further Education contributions	320	151
Government Grant - Core & Strategic Economic Plan	530	500
Government Grant - RIF administration	-	212
Government Grant - Growth Hub	484	309
Government Grant - Infrastructure & Investment Delivery Plan	38	425
Government Grant - Other	667	246
Government Grant – Innovation & Sector Development	432	-
Movement from Reserves	323	337

	3,648	3,241
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West of England Combined Authority (WECA)

	2020 £'000	2019 £'000
Expenditure/Income yet to be defrayed/received		
Growth Hub Net Creditor	50	26
LEADER Net Debtor	(25)	(18)
LEP Net Creditor	1,594	1,871
LEP Reserves	830	989
Cash Balance held	2,449	2,868
Invest in Bristol and Bath Revenue Expenditure 2018/19 and 2019/20		
	2020 £'000	2019 £'000
Expenditure		
Inward Investment Team	1,122	1,050
	1,122	1,050
Income		
Economic Development Fund Grant	1,100	899
Other Grants	-	-
Sponsorship Income	-	86
Contributions	22	65
	1,122	1,050
	2020 £'000	2019 £'000
Expenditure/Income yet to be defrayed/received		
Net Debtor	(2,726)	(1,767)
Cash Balance Held	(2,726)	(1,767)

West of England Combined Authority (WECA)

MetroBus/Metrowest Communications Team Revenue Expenditure

	2020 £'000	2019 £'000
Expenditure		
Communications Team	-	74
	-	74
Income		
MetroBus contribution	-	-
MetroWest contribution	-	74
Other contribution	-	-
	-	74
	2020 £'000	2019 £'000
Expenditure/Income yet to be defrayed/received		
Net Debtor	-	(150)
Cash Balance Held	-	(150)

In addition, WECA is the accountable body for central government grants and acts as Agent. Balances were transferred from Bath & North East Somerset Council. Sums are distributed to specific projects, as various criteria are satisfied, with the receiving body or Authority treating as grant in their own financial statements. The balance of funds not distributed is therefore treated as a creditor in WECA's financial statements; these sums will either be paid to future grant recipients or returned to government if not used or where they are recovered:

West of England Combined Authority (WECA)

West of England LEP Central Government Grants 2018/19 and 2019/20

2019/20

Grants Awarded	Funds transferred £'000	Grant received /returned £'000	Interest applied £'000	Grant distributed /recovered £'000	Funds c/fwd £'000
MHCLG - Growing Places Revolving Infrastructure Fund	5,251	-	-	(81)	5,170
BEIS - Regional Growth Fund 2 Revolving Infrastructure Fund	2,715	(363)	115	(2,975)	(508)
RIF - Returned Funds from completed schemes	6,285	-	-	478	6,763
MHCLG - Local Growth Fund	38,592	13,575	-	(31,439)	20,728
	52,843	13,212	115	(34,038)	32,153

2019/20

Grant funding yet to be distributed / (returned)

	Funds c/fwd (as above) £000	Net Creditor/ (Debtor) £'000	Impairment of Trade Debtors (RGF3) £'000	Total Cash Balance held £'000
MHCLG - Growing Places Revolving Infrastructure Fund	5,170	52	-	5,222
BEIS - Regional Growth Fund 2 Revolving Infrastructure Fund	(508)	-	-	(508)
RIF - Returned Funds from completed schemes	6,763	-	-	6,763
MHCLG - Local Growth Fund	20,728	9,925	-	30,653
Total	32,153	9,977	-	42,130

West of England Combined Authority (WECA)

2018/19					
	Funds transferred £'000	Grant received /returned £'000	Interest applied £'000	Grant distributed /recovered £'000	Funds c/fwd £'000
Grants Awarded					
MHCLG - Growing Places Revolving Infrastructure Fund	5,534	-	-	(282)	5,252
BEIS - Regional Growth Fund 2 Revolving Infrastructure Fund	8,276	-	162	(5,723)	2,715
RIF - Returned Funds from completed schemes	5,897	387	-	-	6,284
MHCLG - Local Growth Fund	36,577	45,370	-	(43,355)	38,592
	56,284	45,757	162	(49,360)	52,843

2018/19				
Grant funding yet to be distributed / (returned)				
	Funds c/fwd (as above) £000	Net Creditor/ (Debtor) £'000	Impairment of Trade Debtors (RGF3) £'000	Total Cash Balance held £'000
MHCLG - Growing Places Revolving Infrastructure Fund	5,252	115	-	5,367
BEIS - Regional Growth Fund 2 Revolving Infrastructure Fund	2,715	5,052	-	7,767
RIF - Returned Funds from completed schemes	6,284	-	-	6,284
MHCLG - Local Growth Fund	38,592	17,744	-	56,336
Total	52,843	22,911	-	75,754

23. Provisions, Contingent Liabilities and Guarantees

Provisions are recognised when the Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount. The expense relating to the provision is recognised in the Comprehensive Income and Expenditure Statement.

Provision for Appeals - NNDR Income	2020 £'000	2019 £'000
At 1 April	2,860	2,655
Charged to income and expenditure	232	205
At 31 March	3,092	2,860

The National Non-Domestic Rates (NNDR) Appeals Provision is for appeals made to the Valuation Office Agency in respect of NNDR valuations. These estimates of reductions to NDR income are made by officers at the three Billing Authorities participating in the 100% BRR Pilot.

The Authority has not entered into any Guarantees.

West of England Combined Authority (WECA)

24. Usable reserves

The purpose of the individual reserves are as follows:

General Fund Balance

The General Fund Balance is a statutory fund which represents funds available to the Combined Authority to meet unexpected short term requirements. Movements in the General Fund are detailed in the Movement in Reserves Statement.

Earmarked Reserves

Current year movements	Carry forward reserve £'000	Integrated Transport Authority reserve £'000	BRR Reserve £'000	Mayoral elections £'000	Mayoral Capacity funding £'000	Housing Capacity funding £'000	Other £'000	Total £'000
Balance at 1 April 2019	-	135	500	388	551	1,724	695	3,993
Transfers in year from/(to) general reserves	-	(12)	-	396	152	457	141	1,134
Net transfer from/(to) general reserves	-	(12)	-	396	152	457	141	1,134
Balance at 31 March 2020	-	123	500	784	703	2,181	836	5,127

Integrated Transport Authority reserve

The Integrated Transport Authority Reserve exists in order to hold variances between the costs of Concessionary Fares, Bus Information services and Community Transport support, pending the adjustment of Levy calculations in subsequent Financial Years, to maintain a revenue neutral position between WECA and contributing Authorities.

BRR Reserve

The Business Rates Reserve exists in order to meet costs arising from the volatility in NNDR income due to changes in the Rateable Value of properties or the granting of new exemptions and reliefs and is utilised to fund deficits impacting in future years.

Mayoral Elections Reserve

A contribution of £396k was made to this earmarked reserve to meet the estimated costs of the next mayoral election in 2021.

Mayoral and Housing Capacity Funding

The balance of these two grant funding streams has been transferred into earmarked reserves to facilitate and accelerate delivery of infrastructure and investment projects, and to create a strategic housing delivery unit.

West of England Combined Authority (WECA)

25. Unusable reserves

The purpose of the individual reserves are as follows

Pooled Investment Fund Adjustment Account

The Pooled Investment Fund Adjustment Account includes all gains and losses recognised on revaluation of financial assets held at fair value through other comprehensive income.

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

The account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The account is credited with capital grants and contributions receivable and amounts set as finance for the costs of acquisition, construction and subsequent costs (MRP).

	2020 £'000	2019 £'000
Opening balance at 1 April	928	460
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
Charges for depreciation and amortisation of non-current assets	(399)	(240)
Revenue expenditure funded from capital under statute	(41,441)	(24,574)
Transfer of revenue contributions on capital outlay (RCCO)	17,642	17,678
Capital financing applied in the year		
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	24,061	7,604
Closing balance at 31 March	791	928

West of England Combined Authority (WECA)

Pensions Reserve

The pensions reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The balance on the reserve shows the shortfall in the benefits earned by past and current employees and the resources the Combined Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2020 £'000	2019 £'000
Opening balance at 1 April	(2,715)	(1,711)
Remeasurements (liabilities and assets)	(2,990)	(380)
Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on provision of services in the Comprehensive Income and Expenditure Statement	(1,452)	(923)
Employers pension contributions payable in the year; Current year	591	299
Closing balance at 31 March	(6,566)	(2,715)

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of NNDR income in the Comprehensive Income and Expenditure Statement as it falls due from business rate payers, compared with the statutory arrangements for paying across amounts to the Authority from the Billing Authorities. The annual movement attributable to each of the three Billing Authorities is shown in the table below:

Collection Fund Adjustment Account 2018/19 and 2019/20

	2020 £'000	2019 £'000
Balance at 1 April	(42)	(315)
Bath & North East Somerset Council	23	76
Bristol City Council	80	(128)
South Gloucestershire Council	(189)	325
Balance at 31 March	(128)	(42)

West of England Combined Authority (WECA)

26. Capital expenditure and capital financing

The Authority spent £41.7m (2018/19: £25.3m) on capital during 2019/20. This expenditure is summarised below:

	31 March 2020 £'000	31 March 2019 £'000
Office Fit out and ICT Set-up Costs	70	106
Transport Scheme Business Case Development	661	1,774
Highways Maintenance & Infrastructure	18,233	18,813
Real Time Information	-	465
5G Smart Tourism	1,054	4,125
Bristol Temple Meads Eastern Access	560	-
On Bus Contactless	119	-
Housing Land Acquisition	8,297	-
Cribbs Patchway Metrobus	12,709	-
Total expenditure	41,703	25,283
Analysed between the following:		
Intangible Asset (note 14)	192	603
Property, plant and equipment (note 15)	70	106
Total capital expenditure	262	709
Written off to cost of services - transport capital grants and 5G grants	41,441	24,574
	41,703	25,283

The table below details the funding of the capital programme:

	31 March 2020 £'000	31 March 2019 £'000
Funded by:		
Central government grants	672	5,366
Gainshare Contributions	23,389	2,239
Mayoral Fund RCCO	17,572	17,572
WECA RCCO	70	106
	41,703	25,283

The Authority receives capital grants from MHCLG and DfT as well as funding via the 100% Business Rates Retention system, which it administers and passes onto Constituent Authorities. As detailed above, a significant proportion of the capital investment made by the Authority therefore relates to REFCUS. REFCUS relates to capital expenditure incurred on assets that are not in the ownership of the Authority.

27. Defined benefit pension scheme

Employees of the Combined Authority participate in the Avon Pension Fund, a defined benefit career average salary statutory scheme whose administering Authority is Bath & North East Somerset Council in accordance with the Local Government Pension Scheme Regulations 2013.

An actuarial valuation of this fund was carried out by Mercer, an independent firm of actuaries. There are significant increases in the assets and liabilities due to the updating of the position at the 2019 actuarial valuation. In particular, a number of extra members had moved across to WECA after the inception date bringing with them accrued benefits and extra assets.

In March 2020 there were substantial falls in equity markets as a result of the COVID-19 pandemic. These would have had consequences for asset values and these falls in equity markets are reflected in the accounting figures as at 31st March 2020. Over the same month, a reduction in the discount rate and a small reduction in CPI inflation assumption has produced a combined effect of another increase in pension liabilities and also, the incorporation of the 2019 actuarial valuation results into these figures. The effect of these movements is included within remeasurements on assets and liabilities.

Following the recent McCloud judgement which relate to age discrimination within the Judicial and Fire Pension Schemes respectively, an allowance was made in 2018/19 for the estimated potential impact on the employer's defined benefit obligation and the employer's liability profile. Following government confirmation in a statement by the Chief Secretary to the Treasury on 15 July 2019 that the principles of the outcome would be accepted as applying to all public service schemes, this allowance is therefore incorporated in the roll forward approach and is remeasured at the accounting date along with the normal LGPS liabilities.

Based on the results of this valuation the actuaries advise that the cost of pensions to be charged to the Comprehensive Income and Expenditure Statement from 1 April 2019 should be 13% of the current employees' pensionable pay. This pension cost has been determined after allowing for the amortisation of the difference between the assets and the accrued liabilities relating to the Combined Authority over the average remaining service lives of the current members of the fund.

Calculation method

The figures as at 31 March 2020 are based on the Triennial Valuation uses ongoing valuation assumptions. The membership data from the 2019 Valuation was used as a basis for the 2020 IAS19 Report. The IAS19 Report has been valued on the criteria in the IAS19 Account Standards using high quality corporate bond yield returns.

Liabilities are based on benefit payment and contribution information provided by the fund's administrator as at 31 March 2020. This valuation was carried out by Mercer.

Net liability and pension reserve

The net amount recognised on the Balance Sheet at 31 March 2020 is a deficit of £6,566,000 (2019: £2,715,000).

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Movement in net pension fund liability during the year

	2020 £'000	2019 £'000
Opening balance at 1 April	2,715	1,711
Employer's pension contributions payable in the year	(591)	(299)
Current service cost	1,273	769
Past service cost	10	99
Curtailment	84	-
Administrative expenses	24	13
Net interest cost	61	42
Remeasurements (liabilities and assets)	2,990	380
Closing balance at 31 March	6,566	2,715

Employer's pension contributions expected to be paid in 2020/21 are estimated at £537,000.

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Transactions relating to post-employment benefits

The cost of retirement benefits is recognised in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required to be made against the levy is based on the cash payable in the year, so the real cost of post-employment benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	2020 £'000	2019 £'000
Comprehensive Income and Expenditure Statement		
Cost of services		
Current service cost	1,273	769
Past service cost	10	99
Administration expenses	24	13
Curtailment	84	-
Financing and investment income and expenditure		
Net interest cost	61	42
Total post-employment benefit charged to the surplus or deficit on provision of services	1,452	923
Remeasurements (liabilities and assets)	2,990	380
Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement	4,442	1,303
Movement in reserves statement		
Reversal of net charges made to the surplus or deficit on provision of services for post-employment benefits in accordance with the Code	(1,452)	(923)
Actual amount charged against the General Fund Balance for pensions in the year	591	299
	(861)	(624)
Assets and liabilities in relation to post-employment benefits		
	2020 £'000	2019 £'000
Present value of scheme liabilities	(16,804)	(6,140)
Present value of scheme assets	10,238	3,425
Amounts recognised as liabilities	(6,566)	(2,715)

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Reconciliation of present value of the scheme liabilities (defined benefit obligation)

	2020 £'000	2019 £'000
Opening balance at 1 April	6,140	4,523
Current service cost	1,273	769
Past service cost	10	99
Interest on pension liabilities	163	124
Member contributions	329	188
Actuarial losses/(gains)	8,415	456
Curtailment	84	-
Benefits paid	390	(19)
Closing balance at 31 March	16,804	6,140

Reconciliation of fair value of the scheme assets

	2020 £'000	2019 £'000
Opening balance at 1 April	3,425	2,812
Employer's pension contributions payable in the year	591	299
Interest on plan assets	102	82
Member contributions	329	188
Actuarial gains/(losses)	5,425	76
Administrative expenses	(24)	(13)
Benefits paid	390	(19)
Closing balance at 31 March	10,238	3,425

The plan assets at the year-end were as follows:

	2020 %	2020 £'000	2019 %	2019 £'000
Asset				
Equities	44	4,460	40	1,383
Gilts	6	573	12	414
Other bonds	9	927	12	401
Property	10	1,013	10	333
Cash/liquidity	2	225	2	58
Other	30	3,040	24	836
	100	10,238	100	3,425

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Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The expected rate of return on plan assets is based on market expectations, at the beginning of the year, for investments returns over the entire life of the related obligation.

	2020	2019
Valuation assumptions		
Discount rate	2.3%	2.5%
Rate of salary increase	3.6%	3.7%
Rate of pension increase	2.2%	2.3%
Inflation assumption	2.1%	2.2%
Future life expectancies from age 65		
Retiring today:		
Males	23.2	23.7
Females	25.3	26.2
Retiring in 20 years:		
Males	24.7	26.3
Females	27.3	29.0

Estimates within these accounts take account of the actuary's best estimate of pension liabilities at the balance sheet date.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring in the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

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Sensitivity analysis

	Per financial statements £'000	+ 0.1% p.a. discount rate £'000	+ 0.1% p.a. inflation £'000	+ 0.1% p.a. pay growth £'000	1 year increase in life expectancy £'000
Liabilities	16,804	16,418	17,198	16,890	17,223
Assets	(10,238)	(10,238)	(10,238)	(10,238)	(10,238)
Deficit/(Surplus)	6,566	6,180	6,960	6,652	6,985
Projected Service Cost for next year	1,234	1,194	1,276	1,234	1,272
Projected Net Interest Cost for next year	145	142	154	147	155

28. Financial risk management

The Authority has existed as an entity since February 2017. During the year to 31 March 2020, the focus has been on continuing to develop appropriate governance structures and ensure that sufficient resources are in place to support the delivery of the organisation's objectives.

As part of a prudent investment strategy, the Authority seeks to invest any monies received in advance of need with public sector bodies and financial institutions of a high credit-worthiness.

The Authority's principal financial liabilities comprise trade and other creditors. The main purpose of these financial liabilities is to fund WECA's operations. The Authority has trade and other debtors, and cash, long-term investments and short-term deposits that derive directly from its operations. WECA does not enter into any derivative transactions.

WECA is exposed to credit risk, liquidity risk, market risk and price risk. Currency risk is not a significant factor for WECA since all its financial assets or liabilities are denominated in Sterling and it makes few purchases or sales in foreign currencies. It therefore has no material exposure to loss arising from movement in exchange rates.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Authority is exposed to credit risk from its operating activities (primarily for trade debtors) and from its financing activities, including deposits with banks, other financial institutions and local authorities.

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WECA manages the credit risk from its financing activities by restricting its exposure with financial institutions to those that are on the official lending list as compiled by the Authority's treasury management advisors. The criteria for these lending lists are set out in the Treasury Management Strategy report and credit ratings monitored constantly through the receipt of credit rating bulletins from its treasury management advisors. If a financial institution fails to meet the criteria they are removed from the official lending list. The lending list contains financial as well as duration limits to reduce risk. Minimal balances are held for daily cash-flow management and any surplus funds are invested in Money Market Funds or Fixed Term Investments.

Customer credit risk: customers for goods and services are assessed, taking into account their financial position, past experience and other factors.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	31 March 2020 £'000	31 March 2019 £'000
Long-term Investments	-	25,181
Short-term Investments	128,601	91,373
Trade and other debtors	4,943	6,676
Cash and short-term deposits	27,302	43,863
	160,846	167,093

Liquidity risk

Liquidity risk covers the ease of access to finance. The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. WECA maintains a sufficient level of liquidity through the use of Money Market Funds. If short term funding was required, the Authority has ready access to borrowings from the money markets. There is no significant risk that it will be unable to raise finance to meet its commitments. All trade and other creditors are due to be paid in less than one year.

Market risk

The Authority is exposed to the risk of interest rate movements on its investments. For instance, a rise in interest rates would cause the fair value of investments at fixed rates to fall. The effect of interest rates is monitored throughout the year and the impacts are reflected in budget monitoring reports which identify the performance against budget. However, fixed rate investments are not currently carried at fair value, so nominal losses would not impact on the Comprehensive Income and Expenditure Statement.

Price Risk

The Authority invests in one pooled property fund and two multi asset funds, and is therefore exposed to losses arising from movements in these funds. Since the outbreak of the COVID-19 pandemic, the global economic fallout was sharp and large. Market reaction was extreme with large falls in equities, corporate bonds and real estate. The falls in the capital values of the Authorities pooled funds were reflected in the 31st March fund valuations, with every fund registering negative capital returns, with unrealised losses of 11.1%. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives is regularly reviewed. These investments are made in the knowledge that capital values will move both up and down on months and quarters, but with the confidence that over a three to five-year period, total returns will exceed interest rates. They provide regular revenue income and in 2019-20 provided an average total

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return of 3.56%. In light of their performance over the medium-long term, investment in these funds have been maintained. Price risk is not considered to be significant on Money Market Funds as the funds are considered to be sufficiently diverse to mitigate this risk.

EU Referendum

Following the triggering of Article 50 on 29 March 2017, WECA continues to closely assess and manage the direct effects of the UK leaving the European Union, in relation to market reaction (i.e. returns on investments), financial stability of counter parties and likelihood of future funding opportunities. WECA are assisted in this regard by professional Treasury Management advisors, Arlingclose Limited.

Coronavirus

The Authority will continue to monitor closely the impacts of COVID-19 including the effect on financial markets and the stability of the financial institutions the Authority has dealings with to ensure that security and liquidity of Group investments are not adversely affected. WECA are assisted in this regard by professional Treasury Management advisors, Arlingclose Limited.

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29. Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet. Financial assets at fair value consist of Pooled Multi Asset fund investments and Money Market Funds. Short-term debtors consist of investments, accrued interest and trade and other debtors. Cash and cash equivalents include investments in Money Market Funds. Short-term creditors consist of trade creditors and accruals.

	Long term		Current		Total	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000
<i>Financial assets at fair value through other income or expenditure:</i>						
Pooled funds	-	-	-	-	-	-
<i>Financial assets at fair value through profit and loss:</i>						
Pooled funds	-	-	21,274	9,621	21,274	9,621
<i>Financial assets at amortised cost:</i>						
Investment assets:						
- Principal	-	25,000	128,000	91,000	128,000	116,000
- Accrued interest	-	181	601	373	601	554
Total investments	-	25,181	149,875	100,994	149,875	126,175
<i>Financial assets at fair value through income or expenditure:</i>						
- Short-term deposits	-	-	6,840	23,620	6,840	23,620
<i>Financial assets at amortised cost:</i>						
- Cash at bank and in hand	-	-	166	48	166	48
- Short-term deposits	-	-	19,974	19,993	19,974	19,993
- Accrued interest	-	-	322	202	322	202
Total Cash and cash equivalents	-	-	27,302	43,863	27,302	43,863
- Trade debtors	-	-	44	27	44	27
- Other debtors	-	-	5,060	6,759	5,060	6,759
- Accrued income	-	-	-	-	-	-
- Loss allowance	-	-	(161)	(110)	(161)	(110)
Included in Trade and other debtors *	-	-	4,943	6,676	4,943	6,676
Total financial assets		25,181	182,120	151,533	182,120	176,714

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* The trade and other debtors line on the Balance Sheet include £Nil (2019: £NIL) short-term debtors that do not meet the definition of a financial asset as they relate to non-exchange transactions.

	Long term		Current		Total	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Financial liabilities at amortised cost						
- Trade creditors	-	-	(2,434)	(1,844)	(2,434)	(1,844)
- Short term borrowing	-	-	(15,005)	-	(15,005)	
- Accruals	-	-	(8,096)	(1)	(8,096)	(1)
Included in trade and other creditors **	-	-	(10,530)	(1,845)	(10,530)	(1,845)
Total financial liabilities	-	-	(25,535)	(1,845)	(25,535)	(1,845)

** The trade and other creditors line on the Balance Sheet include no (2019: Nil) short-term creditors that do not meet the definition of a financial liability as they relate to non-exchange transactions.

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following items:

	For the year ending 31 March 2020		
	Financial assets at amortised cost £'000	Financial assets at fair value through income and expenditure £000	Total £000
Interest income	(2,060)	-	(2,061)
Loss on assets at fair value through income or expenditure	-	2,366	2,366
Interest expense	-	-	-
Net impact on surplus/deficit on provision of services	(2,060)	2,366	306
Gain on assets at fair value through other comprehensive income	-	-	-
Net loss for the year	(2,060)	2,347	306

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	For the year ending 31 March 2019		
	Financial assets at amortised cost £'000	Financial assets at fair value through income and expenditure £000	Total £000
Interest income	(1,137)	-	(1,137)
Gain on assets at fair value through income or expenditure	-	(141)	(141)
Interest expense	-	-	-
Net impact on surplus/deficit on provision of services	(1,137)	(141)	(1,278)
Gain on assets at fair value through other comprehensive income	-	-	-
Net gain for the year	(1,137)	(141)	(1,278)

Fair value of financial assets and liabilities

Except for financial assets carried at fair value (Pooled Property fund and short-term deposits within cash and cash equivalents), all other financial assets and financial liabilities are carried on the Balance Sheet at amortised cost in accordance with the requirements of the Code and IFRS 9.

Some of WECA's financial assets are carried on the Balance Sheet at fair value, defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Pooled Multi Asset funds (managed externally by fund managers) and Money Market Funds are valued by reference to the published unit price, and this is input level 1 in the fair value hierarchy.

The different levels in the fair value hierarchy have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

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The table below compares the Balance Sheet value of financial assets and financial liabilities to their fair value.

	2020		2019	
	Balance Sheet £'000	Fair value £'000	Balance Sheet £000	Fair value £000
Financial assets at fair value through other income and expenditure				
Pooled funds	-	-	-	-
Financial assets at fair value through profit and loss				
Pooled funds	21,274	21,274	9,621	9,621
Financial assets at amortised cost				
Investment assets:				
- Fixed-term investments	128,000	129,078	116,000	116,635
- Accrued interest	601	601	554	554
- Trade and other debtors	4,943	4,943	6,676	6,676
Total investment assets	154,818	155,896	132,851	133,486
<i>Cash and cash equivalents:</i>				
<i>Financial assets at fair value through income or expenditure:</i>				
- Short-term deposits	6,840	6,840	23,620	23,620
<i>Financial assets at amortised cost:</i>				
- Cash at bank and in hand	166	166	48	48
- Short-term deposits	19,974	20,000	19,993	20,009
- Accrued interest	322	322	202	202
Total cash and cash equivalents	27,302	27,328	43,863	43,879
Total financial assets	182,120	183,224	176,714	177,365
Financial liabilities at amortised cost				
Trade and other creditors	(10,530)	(10,530)	(1,845)	(1,845)
Short term borrowing	(15,005)	(15,005)	-	-
Total financial liabilities	(25,535)	(25,535)	(1,845)	(1,845)

Short-term debtors and creditors, cash and cash equivalents (including short-term deposits) approximate to their carrying amounts largely due to the short-term nature of these instruments. Accrued interest reflects interest on fixed-term investments which is payable within 12 months of the balance sheet date.

Sensitivity analysis

Income or expenditure and the fair value of financial assets are sensitive to the following changes:

	Impact on fair value		Impact on income or expenditure
	5% property price fall £'000	1% interest rate rise £'000	5% equity price fall £'000
Pooled funds	(496)	(129)	(183)
Fixed-term investments	-	(597)	-
Short-term deposits	-	(186)	-

30. Operating leases

Under the requirements of IAS 17 Leases, the Authority is required to review all lease arrangements and apply the primary and secondary tests detailed in the standard to determine the extent to which the risks and rewards incidental to ownership lie with the lessor or lessee and therefore whether leases should be classified as operating or finance leases, with the subsequent accounting treatment being in accordance with the standard.

The Authority is a lessee for the occupation of its offices at Temple Quay. This is considered an Operating Leases.

Operating leases are not recognised in the Balance Sheet but charged as an expense in the Comprehensive Income and Expenditure Statement on a straight line basis over the lease term, even if this does not match the pattern of payments. The table below sets out the future minimum lease payments payable under non-cancellable operating leases due to be paid by the Authority:

	31 March 2020 £'000	31 March 2019 £'000
Land and buildings		
Less than one year	173	173
Between two and five years	299	472
	472	645

There are no lease payments due to be paid to the Authority.

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31. Capital commitments

As at 31 March 2020, the Authority has issued a number of Grant Offer Letters funding Transport Scheme Business Cases and Highways and Transport Grants. It has also entered into a contract for the installation of Bus Information hardware.

The major commitments are listed in the table below:

	2020/21 £'000	2021/22 £'000	2022/23 £'000
WECA Capital			
Business Case Development Grants	5,827	5,203	3,810
Real Time Information	94	-	-
Metrowest phase 1	5,860	-	-
Cribbs Patchway Metrobus Extension	9,442	-	-
CPNN Cycle Links	3,125	-	-
On Bus Contactless Payment	297	-	-
Bristol Temple Meads Station Eastern Entrance	1,510	430	-
Great Stoke Roundabout Improvements	2,272	58	30
Mayoral Capital			
Highways and Transport Grants	17,572	-	-
Pothole Action Fund grants	8,519	-	-
	54,518	5,691	3,840

32. Related party disclosures

The Authority is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence WECA or to be controlled or influenced by WECA. Disclosure of these transactions allows readers to assess the extent to which WECA might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority. These include:

Central Government

Central Government has significant influence over the general operations of WECA. It is responsible for providing the statutory framework within which WECA operates and provides funding in the form of grants. Grants received from Government Departments are set out in note 10 together with grant receipts not yet recognised due to conditions attached to them at 31 March 2020. A significant body of funding comes from Central Government, which provides the majority of the Authority's funding as part of the Devolution deal, including through redistributed NNDR income.

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Members

The Mayor has control over WECA's financial and operating policies. The total of Members allowances paid in 2019-20 is shown in note 12. There were no transactions with related parties during the year.

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Officers

During the year, there were income and expenditure transactions with local authorities or central government departments which officers had registered an employment interest with (for either themselves or their partner). These transactions are included in the expenditure and income disclosures below. There were no transactions with companies in which officers had an interest.

Constituent authorities

The Leaders of Bath and North East Somerset and South Gloucestershire Councils, and the Mayor of Bristol City Council, alongside the Mayor of the West of England, have direct control over the Authority's financial and operating policies through decision-making at WECA Committee. Within this capacity, in consultation with their respective councils, they approve the level of Levy raised annually to support the transport functions of the Authority. The Authority operates several other committees, details of which are in the Annual Governance Statement.

To support the operation of the Authority, the constituent councils within the region have provided support to WECA to assist in the discharge of its functions, i.e. The provision of ICT, Payroll, Insurance, Financial Systems and Exchequer services. Recharges have been made by the respective councils to the Authority to recover the cost of providing elements of this support.

Details of material income and expenditure are detailed below.

The Authority received the following levy payments and funding from Related Parties:

Funding received by WECA from Related Parties

2019/20

	ITA Levy £'000	100% BRR Pilot £'000	Grants £'000	Other Contributions £'000
Government	-	-	1,066	-
Constituent Authorities				
Bath & North East Somerset Council	4,104	3,281	-	-
Bristol City Council	7,912	10,497	-	223
South Gloucestershire Council	2,566	6,494	-	125
	14,582	20,272	1,066	348

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2018/19

	ITA Levy £'000	100% BRR Pilot £'000	Grants £'000	Other Contributions £'000
Government	-	-	2,861	-
Constituent Authorities				
Bath & North East Somerset Council	4,011	3,317	-	-
Bristol City Council	7,165	10,387	-	-
South Gloucestershire Council	2,218	6,593	-	-
	13,394	20,297	2,861	-

The Authority made the following payments to Related Parties:

Expenditure incurred by WECA to Related Parties

2019/20

	ITA Functions £'000	Second -ments £'000	Support Services £'000	Distribu- tion of Grants £'000	Reimburse- ment of Election Costs £'000	Other Contribu- tions £'000
Government	-	-	-	-	-	-
Constituent Authorities						
Bath & North East Somerset Council	482	23	197	216	-	-
Bristol City Council	1,372	62	15	542	-	-
South Gloucestershire Council	12,960	43	12	26	-	-
	14,814	128	224	784	-	-

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2018/19

	ITA Functions £'000	Second -ments £'000	Support Services £'000	Distribu- tion of Grants £'000	Reimburse- ment of Election Costs £'000	Other Contribu- tions £'000
Government	-	76	-	-	-	-
Constituent Authorities						
Bath & North East Somerset Council	481	14	430	808	-	20
Bristol City Council	975	102	-	505	-	-
South Gloucestershire Council	13,017	22	-	53	-	-
	14,473	214	430	1,366	-	20

Entities controlled or significantly influenced by WECA

WECA owns no subsidiary companies.

33. Events after the Balance Sheet date

The Statement of Accounts were authorised for issue by the West of England's Responsible Financial Officer on 31st July 2020. Events taking place after this date are not reflected in the financial statements or notes to the accounts. Where events taking place before this date provided information about conditions existing as at 31 March 2020, the amounts in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

34. 100% Business Rates Retention Pilot

In 2017/18, the Authorities in WECA area joined a pilot of 100% Business Rates Retention (BRR), under which WECA receives a 5% share of Business Rates collected by the three Billing Authorities with effect from 1 April 2017.

Under the pilot, the £17.572m of Highways Maintenance Grants that WECA would have otherwise received from the Department for Transport, is instead funded from the 5% share of NNDR income (including s31 grants for compensation under the new burdens principle) with a Tariff payment to Government representing the difference between the value of the Grants and WECA's Business Rates Baseline.

As a Major Preceptor within the BRR system, WECA also has to account for its share of Business Ratepayer arrears, overpayments, appeals and bad debt provisions calculated by the Billing Authorities, who are acting as WECA's agents in collecting such amounts. NNDR income included within the Comprehensive Income and Expenditure Statement includes the Authority's share of the surplus or deficit from other Local Authorities collection funds and any surplus or deficit is subject to the statutory arrangements which allow such variances to impact on the General Fund in subsequent accounting periods.

Appendix 1: Glossary of Financial Terms

A

Accounting Period

The period of time covered by the accounts, normally a period of 12 months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

Accounting Policies

Within the range of possible methods of accounting, a policy is a statement of the actual methods chosen locally and used to prepare these accounts.

Accounting Statements

The Authority's Core Financial Statements and Supplementary Financial Statements.

Accruals

Sums included in the final accounts to cover income or expenditure attributable to the accounting period for which no payment has yet been made or received at the Balance Sheet date.

Actuarial Gains and Losses (Pension Schemes)

Changes in the net pensions liability that arise because events have not matched assumptions at the last actuarial valuation or because actuarial assumptions have changed.

Amortisation

A term used to refer to the charging of the value of a transaction or asset (usually related to intangible assets or deferred income charges) to the Income and Expenditure Account over a period of time, reflecting the value to the authority; similar to the depreciation charge for Non-Current Assets.

AQM

Air Quality Management

Asset

An asset is a resource controlled by the Authority as a result of past events, and from which future economic benefits are expected to flow to the Authority. An item having value in monetary terms. See also Current Assets, Non-Current Assets and Financial Asset.

B

Bad (and Doubtful) Debts

Debts/income which may be uneconomic to collect or un-enforceable.

Balances

The reserves of the Authority, which include the accumulated surplus of income over expenditure.

Balance Sheet

A statement of the recorded assets, liabilities and other balances at the end of an accounting period.

Budget

The forecast of net revenue and capital expenditure over an accounting period.

West of England Combined Authority (WECA)

C

Capital Adjustment Account

This provides a balancing mechanism between the different rates at which assets are depreciated under the Code and are financed through capital control system.

Capital Expenditure

Expenditure for the acquisition, provision or improvement of non-current assets, which will be long term value to the Authority, providing services beyond the current accounting period.

Capital Financing

The raising of money to pay for capital expenditure through borrowing, usable capital receipts, capital grants and contributions or use of reserves.

Capital Programme

The capital schemes as the Authority intends to carry out over a specified period.

Capital Grants

Grants received towards capital expenditure either generally or for a particular project.

Capital Receipts

Money received from the sale of property, plant and equipment or repayment of a capital advance.

Carrying Amount

The balance sheet value recorded of an asset or a liability.

Cash and Cash Equivalents

This comprises cash in hand, cash overdrawn and short-term investments, which are readily convertible into known amounts of cash.

CIPFA (The Chartered Institute of Public Finance and Accountancy)

CIPFA is the leading professional accountancy body for public services.

Collection Fund

A statutory fund maintained by a billing authority, which is used to record local taxes and NonDomestic Rates collected by the authority, along with payments to precepting authorities, the national pool of Non-Domestic Rates and the billing authority's General Fund.

Consistency

The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.

Consolidated

Added together with adjustments to avoid double counting of income, expenditure or to avoid exaggeration.

Contingency

Money set aside in the budget to meet the cost of unforeseen items of expenditure, or shortfalls in income.

West of England Combined Authority (WECA)

Appendix 1: Glossary of Financial Terms (continued)

Contingent Asset

A possible asset that arises from past events from whose existence will be confirmed only by the occurrence of one or more uncertain future events now wholly within the Authority's control.

Contingent Liability

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control; or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount cannot be measured with sufficient liability.

Council Tax

The main source of local taxation for local authorities. Council Tax is levied on households within its area by the billing authority and the proceeds are paid into the Collection Fund for distribution to precepting authorities and the Authority's General Fund.

Creditors

Amounts owed by the Authority for works completed, goods received, or services rendered before the end of the accounting period but for which payments have not been made.

Current Assets

Assets which can be expected to be consumed or realised during the next accounting period.

Current Liabilities

Amounts which will become due or could be called upon during the next accounting period.

Current Service Cost (Pensions)

The increase in the present value of a defined benefit scheme's liabilities as a result of employee service earned in the current period.

D

Debtors

Amounts due to the Authority for works completed, goods received, or services rendered before the end of the accounting period but for which payments have not been received.

De-minimis

Indicates that beneath a certain low level a quantity is regarded as trivial, and treated commensurately.

Depreciation

The estimated benefit of an asset consumed during the accounting period, owing to age, wear and tear, deterioration or obsolescence.

E

Equity

The Authority's value of total assets, less total liabilities.

Equity Instrument (Financial instruments)

A contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

West of England Combined Authority (WECA)

Appendix 1: Glossary of Financial Terms (continued)

Events After the Reporting Period

Those events, both favourable and unfavourable, of such materiality that either their disclosure, or amendment to the accounts, is required for the fair presentation of the Statement of Accounts, which occur between the Balance Sheet date and the date on which the Accounts are signed by the responsible financial officer.

Expected credit losses (Financial instruments)

The weighted average of credit losses with the respective risks of a default occurring as the weights. 12-month expected credit losses is the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instruments.

Experience gain (Pension schemes)

The actuarial gains and losses element arising where actual events have not coincided with the actuarial assumptions made at the last assessment.

External Audit

The independent examination of the activities and accounts of local authorities in order to give an opinion as to whether the Statement of Accounts have been prepared in accordance with legislative requirements and proper practices, and to ensure the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Expected Return on Pension Assets

For a funded defined benefit pension scheme, the average return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Expenditure

Amounts paid by the Authority for goods received or services rendered of either a capital or revenue nature. This does not necessarily involve a cash payment.

F

Fair Value (FV)

The price an asset could be exchanged for in an orderly transaction between market participants at the measurement date.

Finance Leases

A lease that transfers substantially all the risks and rewards of ownership of an asset to the lessee. Accounting guidance requires that it should be presumed that such transfer of risks and rewards occurs if at the inception of a lease the present value of the minimum lease payments including any initial payment, amounts to substantially all (normally 90% or more) of the fair value of the leased asset. The present value is calculated using the interest rate implicit in the lease.

Financial Asset

A right to future economic benefits controlled by the Authority that is represented by:

- cash
- an equity instrument of another entity
- a contractual right to receive cash (or another financial asset) from another entity
- a contractual right to exchange financial assets/liabilities with another entity under conditions

West of England Combined Authority (WECA)

Appendix 1: Glossary of Financial Terms (continued)

that are potentially favourable to the Authority.

Financial assumptions (Pensions)

Finance related assumptions used by the actuary in assessing pension scheme liabilities (e.g. rates of inflation)

Financial Instruments

Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Liability

An obligation to transfer economic benefits controlled by the Authority that is represented by:

- a contractual obligation to deliver cash (or another financial asset) to another entity
- a contractual obligation to exchange financial assets/liabilities with another entity under conditions that are potentially unfavourable to the Authority.

G

General Fund (GF)

The main revenue fund of a billing Authority used to meet day-to-day spending.

Government Grants

Grants made by the Government towards either revenue or capital expenditure to support the cost of provision of the Authority's services. Some grants may be restricted to be used towards the cost of particular capital schemes or revenue expenditure of the Authority.

Gross Expenditure

The total cost of providing the Authority's services before taking into account income from government grants and fees and charges for services.

Growth

Any increase in spending from one year to another which enables the Authority to pay for more services rather than to meet higher costs.

GVA

Gross Value Added

H

Historical Cost

The actual cost of assets, goods or services, at the time of their acquisition.

I

Impairment

A permanent reduction in the value of an asset, below its carrying amount on the Balance Sheet.

Income

Amounts that the Authority receives or expects to receive from any source, including fees and charges, sales and grants.

Intangible Assets

West of England Combined Authority (WECA)

Appendix 1: Glossary of Financial Terms (continued)

Non-financial assets which do not have physical substance but are identified and controlled by the Authority through legal rights.

Interest Receivable

The money earned from the investment of surplus cash.

Inventories

Items of raw materials and stores the Authority has procured to use on a continuing basis and which it has not yet used.

International Financial Reporting Standards (IFRS)

These are statements prepared by the International Accounting Standards Board to ensure consistency in Accountancy matters. Many of these standards now apply to local authorities and any departure from these must be disclosed in the published accounts.

J

JLTP4

Joint Local Transport Plan 4

L

Levy

An amount of money, such as a tax, that you have to pay to a government or organisation.

Liability

A liability is where the Authority owes payment to an individual or another organisation. See also Contingent Liability, Current Liabilities and Financial Liability.

Long-Term Assets

Non-current and other assets which can be expected to be of use or benefit the Authority in providing its service for more than one accounting period.

Long-Term Liabilities

Amounts which will become due or could be called upon beyond the next accounting period.

M

Materiality

The concept that the Statement of Accounts should include all amounts which, if omitted, or misstated, could be expected to influence the decisions of the user of the financial statements.

N

National Non-Domestic Rates (NNDR)

A levy on businesses, based on a national rate in the pound set by the Government, multiplied by the rateable value of the premises they occupy.

Net Debt

The Council's total borrowings less cash investments.

Net Expenditure

West of England Combined Authority (WECA)

Appendix 1: Glossary of Financial Terms (continued)

Gross expenditure less specific service income.

Net Interest on the Net Defined Benefit Liability (Pensions)

The net interest expense - the change during the period in the net benefit liability that arises from the passage of time.

Net Realisable Value

The open market value of the asset in its existence use (or open market value in the case of nonoperational assets), less the expenses to be incurred in realizing the asset.

Non-Current Assets

Property, plant and equipment and other assets that bring longer term benefit or service potential to the Authority.

O

Operating Leases

A lease other than a Finance Lease (see above). The future obligations relating to operating leases are disclosed to provide the reader with an estimate of the outstanding un-discharged obligations in relation to such leases.

Other Comprehensive Income

Consists of items that have an effect on the balance sheet amounts, but the effect is not reported on the company's income statement. Instead, these changes are reported on the statement of comprehensive income along with the amount of net income from the income statement.

Out-turn

Actual income and expenditure in a financial year (accounting period).

P

Pension Fund

An employees' pension fund maintained by an authority, or group of authorities, in order to make pension payments on the retirement of its participants. It is financed from contributions from the employing authority, the employee and from investment income.

Preceptor

Precepting authorities levy a charge on local tax payers through council tax or business rates in the same way as the local authority for provision of services across the region.

Prior Period Adjustments

Adjustments made to prior years comparator figures arising from changes in accounting policies or from the correction of material errors.

Provisions

Amounts set aside for the purposes of providing for any liability or loss which is likely or certain to be incurred but is uncertain as to the amount or the date on which it will arise.

R

Rateable Value

The annual assumed rental value of a property that is used for NNDR purposes.
Revenue Expenditure Funded by Capital Under Statue (REFCUS)

West of England Combined Authority (WECA)

Appendix 1: Glossary of Financial Terms (continued)

Expenditure of a capital nature but which gives rise to no tangible asset held by the Authority.

Recognition/Derecognition

Regular purchases and sales of financial assets are recognised on trade date (that is, the date on which the Combined Authority commits to purchase or sell the asset).

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Combined Authority has transferred substantially all the risks and rewards of ownership.

Related Parties

Two or more parties are related parties when at any time during the financial period:

- One party has direct or indirect control of the other party; or
- The parties are subject to common control from the same source; or
- One party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interest.

Examples of related parties to an authority include central government, local authorities and other bodies precepting or levying demands on the Council Tax, its members, its Chief Officers and its pension fund.

For individuals identified as related parties, it is also presumed that members of the close family, or the same household, or any partnerships, companies in which the individual or a member of their close family, or the same household has a controlling interest, are deemed to be related parties.

Related Party Transactions

The transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. The materiality of related party transactions is judged not only in terms of their significance to the Authority, but also in relation to its related party.

Reserves

Amounts set aside in the accounts for the purpose of meeting general, future expenditure.

Reserves may also be used to smooth the cost of certain activities over a number of years. A distinction is drawn between reserves and provisions (see above), which are set up to meet known liabilities.

Receipts in Advance

Amounts actually received in an accounting period prior to the period in which they are due.

Residual Value

The net realizable value of property, plant or equipment at the end of its useful life.

Retirement Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

Return on Plan Assets (Pensions)

Changes during the period in the net benefit liability that arises from the passage of time, excluding amounts included in Net Interest on the Net Defined Benefit Liability.

Revenue Expenditure

Spending on day-to-day items including employees' pay, premises and transport costs and supplies

West of England Combined Authority (WECA)

Appendix 1: Glossary of Financial Terms (continued)

and services.

S

Settlements (Pension schemes)

A gain or loss on settlement arises when an authority enters into a transaction that eliminates all further obligation for the benefits provided under a defined benefit plan. Settlements have the effect of extinguishing a portion of the plan liabilities, usually by transferring plan assets to or on behalf of plan members to their new employer.

T

Total Cost

The actual cost of services reflecting all of the direct, indirect and overhead costs that have been incurred in providing the service, even where the expenditure is not under the control of the service's chief officer.

Abbreviations used in the Statement of Accounts

B&NES	Bath & North East Somerset Council
BEIS	Department for Business, Energy and Industrial Strategy
BRR	Business Rates Retention
CEO	Chief Executive Officer
CFO	Chief Finance Officer
CIPFA	Chartered Institute of Public Finance and Accountancy
CPNN	Cribbs Patchway New Neighbourhood (Cycle Scheme)
DCMS	Department for Digital, Culture, Music and Sport
DFE	Department for Education
DFT	Department for Transport
DWP	Department for Work and Pensions
ERDF	European Regional Development Fund

West of England Combined Authority (WECA)

Appendix 1: Glossary of Financial Terms (continued)

EU	European Union
FOI	Freedom of Information
FVOCI	Fair Value through Other Comprehensive Income
FVPL	Fair value through Profit or Loss
HR	Human Resources
IBB	Invest in Bristol and Bath
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
ICT	Information Communication Technology
IFRS	International Financial Reporting Standard
LASAAC	The Local Authority (Scotland) Accounts Advisory Committee
LEP	Local Enterprise Partnership
LGF	Local Growth Fund
LGPS	Local Government Pension Scheme
LIS	Local Industrial Strategy
LSTF	Local Sustainable Transport Fund
MHCLG	Ministry of Housing, Communities and Local Government
NNDR	National Non-domestic Rates
OCI	Other Comprehensive Income
RCCO	Revenue Contribution to Capital Outlay
REFCUS	Revenue Expenditure from Capital Under Statute
RIF	Revolving Infrastructure Fund
SFA	Skills Funding Agency
WECA	West of England Combined Authority
WIDJET	Women in Digital Jobs, Education & Training

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Grant Thornton UK LLP
2 Glass Wharf
Bristol
BS2 0EL

16 October 2020

Dear Sirs

West of England Combined Authority
Financial Statements for the year ended 31 March 2020

This representation letter is provided in connection with the audit of the financial statements of West of England Combined Authority (WECA) for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Authority's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Authority and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Authority has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements.
- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the financial statements:

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- a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Authority has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Authority and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the Authority's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Authority's needs. We believe that no further disclosures relating to the Authority's ability to continue as a going concern need to be made in the financial statements

Information Provided

- xv. We have provided you with:
- a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. access to persons within the Authority via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.
- xvi. We have communicated to you all deficiencies in internal control of which management is aware.
- xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

- xviii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority, and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xx. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxi. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxii. We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.
- xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xxiv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Authority's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- xxv. The disclosures within the Narrative Report fairly reflect our understanding of the Authority's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Authority's Audit Committee at its meeting on 16 October 2020.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

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3 Rivergate, Temple Quay, Bristol, BS1 6EW
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Date.....

Signed on behalf of the Authority

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The West of England Combined Authority (WECA) covers Bath & North East Somerset, Bristol and South Gloucestershire. WECA also supports the Local Enterprise Partnership and the Joint Committee, which includes North Somerset.



ITEM: 08

REPORT TO: WEST OF ENGLAND AUDIT COMMITTEE

DATE: 16 OCTOBER 2020

REPORT TITLE: WECA WHISTLEBLOWING AUDIT REVIEW (2020/21)

AUTHOR: JEFF WRING – AUDIT WEST (INTERNAL AUDIT)

Purpose of Report

1. To present the summary findings of the Internal Audit review of WECA's Whistleblowing arrangements following work completed in September 2020.

Impact of Covid-19 pandemic

The Combined Authority has actively reviewed its key activities and work programme to reflect changing priorities as a result of the Covid-19 pandemic. Specific issues relating to the Covid-19 situation that impact on, or are addressed through, this report are as follows:

- There are no specific impacts from Covid-19 in relation to this report. However, it is imperative that the Authority maintains strong governance processes and controls during these uncertain times.

Recommendation

- (1) To note the findings of the Whistleblowing audit at the West of England Combined Authority (WECA) attached at Appendix 1;
- (2) That the Management response set out in Appendix 2 be noted;

Background / Issues for Consideration

- 2 A review of WECA's Whistleblowing arrangements was conducted in August / September 2020 as part of the Counter Fraud Arrangements Audit on WECA's 2020/21 Internal Audit Plan. As at the time of writing this report, the detailed internal audit report was still in draft format and therefore a summary of the key findings has been attached at Appendix 1. An update of Whistleblowing arrangements was requested by Members at the July 2020 Audit Committee.
- 3 The draft (WECA) management responses to the recommendations made by Internal Audit are detailed in Appendix 2.

Consultation

- 4 The scope for the internal audit review of WECA's Whistleblowing arrangements was agreed with the Director of Legal Services and the Director of Investment & Corporate Services – with the corresponding findings, draft recommendations and corresponding action plan currently being finalised.

Risk Management/Assessment

- 5 An effective and accessible Whistleblowing policy is a core component of the authority's overall governance and risk management arrangements.

Public Sector Equality Duties

- 6 No significant implications. Whistleblowing arrangements, and reporting channels, should be clearly communicated and be fully accessible to all.

Finance Implications, including economic impact assessment where appropriate:

- 7 No direct financial implications. This internal audit review was undertaken within the scope, and agreed fee structure, of the 2020/21 approved internal audit plan.

Legal Implications:

- 8 No direct implications.

Appendices:

Appendix 1 – Whistleblowing Internal Audit (draft) Findings

Appendix 2 – WECA (draft) management responses to the recommendations made by internal audit.

West of England Combined Authority Contact:

Any person seeking background information relating to this item should seek the assistance of the contact officer for the meeting who is Ian Hird / Tim Milgate on 0117 332 1486; or by writing to West of England Combined Authority, 3 Rivergate, Temple Quay, Bristol BS1 6EW; email: democratic.services@westofengland-ca.gov.uk

Context and Audit Comment

As part of the West of England Combined Authority (WECA) 2020/21 Annual Audit Plan, an audit review has been carried out on the adequacy of the framework of risk controls in relation to the awareness and management of Whistleblowing. The systems of internal risk controls were assessed at Level 3 – Reasonable Assurance and whilst the report's findings have been accepted it is still in draft form at the time of writing this report.

A total of 6 key recommendations were raised and the review findings are summarised as follows -

Audit Opinion:

Assurance Rating	Opinion
Level 3 - Reasonable Assurance	The systems of internal control are satisfactory and reasonable assurance can be provided. However, there are a number of areas detailed in the Assurance Summary which require improvement and specific recommendations are detailed in the Action Plan.

Assurance Summary:

Assessment	Key Control Objectives
Good	To ensure there is a clearly defined Whistleblowing Policy which is written in line with best practice
Weak	To ensure the arrangements in the Whistleblowing Policy are put into practice effectively

Background

Whistleblowing is the process of reporting certain types of wrongdoing at an organisation, which would be in the public interest. Types of wrongdoing could include criminal offences, risks to health and safety, or damage to the environment. It may also include attempts to cover up wrongdoing. Whistleblowing is generally carried out by someone working at the organisation, but allegations can also be put forward by agency workers, contractors and others with an interest in the organisation. Where a whistle-blower is a member of staff, they are protected by law against being dismissed or being penalised by their employers when raising a legitimate concern, by the Public Interest Disclosure Act (1999).

The responsibility for the management of the WECA's Whistleblowing Policy falls under the Legal Services Directorate which has implemented a public-facing Whistleblowing Policy and an internal Policy for WECA staff.

This review of Whistleblowing was split into two sections, with one half looking at the contents of the Policy itself and whether it provides a suitable basis for receiving and appropriately processing Whistleblowing allegations. The second half relates to the implementation of the Policy into suitable practices, which ensure Whistleblowing allegations are handled in line with the text of the Policy.

This review concludes that WECA has a largely suitable Whistleblowing Policy which is primarily in line with best practice and provides a suitable basis for the secure receipt and handling of Whistleblowing concerns. The Policy clearly distinguishes between whistleblowing, complaints and grievances, and provides appropriate information on the protections available to whistle-blowers, including when protection may be limited or could prevent the successful sanction of a genuine allegation. The Policy provides a firm stance against malicious allegations, provides appropriate information to whistle-blowers for raising their concern, and gives reasonable high-level expectations to the whistle-blower on what will happen to their referral once submitted.

The implementation of the Policy itself is an area requiring improvement. Officers with responsibilities under the Whistleblowing Policy such as the Head of HR and the Chief Executive Officer have not received formal training to be able to fulfil their whistleblowing responsibilities. The Policy is not sufficiently promoted to staff on a regular basis and is not easily accessible on the WECA website. In addition, the Policy would benefit from having suitable paths set up for making referrals to independent organisations such as Protect or Internal Audit, in cases where the whistle-blower believes the concern may relate to officers listed in the policy. It should also be noted that there have been no instances of Whistleblowing allegations being received since the inception of WECA, so it was not possible to test any cases going through the process.

We identified the following strengths

- The Whistleblowing Policy clearly references other policies which might be more appropriate for raising other concerns, such as complaints and grievances.
- The Whistleblowing Policy provides appropriate details of the protection possible for individuals raising genuine whistleblowing concerns.
- The Whistleblowing Policy provides suitable information for how to raise a concern, such as providing the background of the concern, whether it has been raised before and dates of actions.
- The Whistleblowing Policy clearly outlines the firm stance against malicious or false allegations, including that action could be taken.
- The Whistleblowing Policy provides suitable routes for disclosers to take if they are not satisfied with the outcome of their concern, such as the Police and Trade Unions.
- The Whistleblowing Policy provides suitable information to explain the limitations when whistle-blowers stay anonymous, or the circumstances where it may be required for whistle-blowers to act as witnesses to improve the chances of successful action.
- The Whistleblowing Policy provides suitable details for the whistle-blower to outline the basic investigation process including where investigations and referrals to the Police may be required.

We identified the following weaknesses

- The Whistleblowing Policy is not communicated to all WECA staff on a regular basis;
- The Whistleblowing Policy does not have provision for reporting incidents to an independent organisation for investigation such as Internal Audit, or a specialist organisation for supporting Whistleblowing Concerns such as Protect (formerly Public Concern at Work).
- The staff-facing Whistleblowing Policy does not provide direct details for making the whistleblowing allegation for example an email address, phone number or reporting form;
- No formal training or guidance has been issued to individuals with responsibilities under the Whistleblowing Policy, for example how to record concerns and what formal steps to take;
- The Whistleblowing Policy and method for reporting incidents is not easily accessible from the WECA website via the menu navigation and there is no obvious search function.
- There is no formal process in place to ensure that the Whistleblowing Policy is reviewed on an annual basis and any changes made effectively recorded and disseminated to all WECA staff.

AUDIT RECOMMENDATIONS (WHISTLEBLOWING) – MANAGEMENT RESPONSE – APPENDIX 2

	Recommendation(s)	Responsible Officer Management Comments Implementation Date
1.	Reading the Whistleblowing Policy should form part of the staff induction and should be communicated to all staff via email either when updates have been made or at least on an annual basis, for example as part of a rolling programme of policy reminders via email or the intranet. The communication should ensure all staff are notified, including those who may not be on the organisation's email system.	Responsible Officer: Shahzia Daya Staff to be reminded of all relevant policies via staff newsletter Specific reference to the Whistleblowing policy and other key policies to be included in staff newsletter Implementation date: Oct 2020
2	Consideration should be given to using an independent organisation to manage /support whistleblowing concerns. Contact details of these organisations should be provided clearly in the Whistleblowing Policy.	Responsible Officer: Shahzia Daya Policy to be amended to include link Implementation date: Oct 2020
3	It is recommended that a formal version control process should be introduced to record details of the changes to and reviews undertaken of the Whistleblowing Policy. Formal reviews should be undertaken on at least an annual basis. Any changes made to the document, its version history, the approver of any changes and the distribution list of the revised policy should also form part of the version control process and must be recorded within a version control table within the policy document.	Responsible Officer: Shahzia Daya The policy was drafted in 2019 and will be reviewed annually via Audit committee It will be included in the Audit committee Forward Plan and the report to the committee will detail proposed changes and will provide a public record of any changes approved. Implementation date: March 2021
4	Basic contact details for the main routes for Whistleblowing should be provided on the policy itself, for example a hotline number, email address or weblink for a referral form.	Responsible Officer: Shahzia Daya

		<p>Generic email addresses and an external contact will be included in the current procedure</p> <p>Implementation Date: Oct 2020</p>
5	<p>Officers with Whistleblowing responsibilities, as listed in the Policy should receive appropriate training and/or guidance on at least an annual basis to ensure they are familiar with their duties and responsibilities on receipt of a whistleblowing allegation. Training should include how to handle the enquiry sensitively and confidentially, how to open an investigation and how to respond to the discloser.</p>	<p>Responsible Officer: Shahzia Daya</p> <p>Training has been provided to Senior Management Team on the Whistleblowing policy.</p> <p>Implementation Date: completed. Refresher training to be timetabled in annually.</p>
6	<p>The Whistleblowing Policy should be easily accessible on the WECA website in a logical place, such as the 'contact us' section, or via a suitable search function.</p> <p>A new website is currently under construction and should be completed in early 2021, which would be a good opportunity for setting a suitable location for the policy.</p>	<p>Responsible Officer: Shahzia Daya</p> <p>To be included in new website</p> <p>Implementation date: March 2021</p>