

A meeting of the  
**West of England Combined Authority Audit Committee**

will be held on

**Date: Wednesday, 12 October 2022**  
**Time: 10.30 am**  
**Place: Council Chamber - Bristol City Council**

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

Cllr Geoff Gollop, Bristol City Council  
Cllr Mark Bradshaw, Bristol City Council  
Cllr Sarah Classick, Bristol City Council  
Cllr Jonathan Hucker, Bristol City Council  
Cllr Brenda Massey, Bristol City Council  
Cllr David Wilcox, Bristol City Council  
Cllr Rob Appleyard, Bath & North East Somerset Council  
Cllr Hal MacFie, Bath & North East Somerset Council  
Cllr John Ashe, South Gloucestershire Council  
Cllr John O'Neill, South Gloucestershire Council  
Cllr Matthew Riddle, South Gloucestershire Council  
Mark Hatcliffe, Independent Member of WECA Audit Committee

**Enquiries to:**

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# West of England Combined Authority Committee Agenda

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- Inspect agendas and public reports five days before the date of the meeting
- Inspect agendas, reports and minutes of the WECA and 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 public reports for a period of up to four years from the date of the meeting. (A list of background papers to a report is given at the end of each report.) A background paper is a document on which the officer has relied in writing the report.
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### Guidance for press and public attending this meeting

The Openness of Local Government Bodies Regulations 2014 mean that any member of the public or press attending this meeting may take photographs, film or audio record proceedings and may report on the meeting including by use of social media (oral commentary is not permitted during the meeting as it would be disruptive). This will apply to the whole of the meeting except where there are confidential or exempt items, which may need to be considered in the absence of the press or public.

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Some of our meetings are webcast. By entering the meeting room and using the public seating areas you are consenting to being filmed, photographed or recorded. At the start of the meeting, the Chair will confirm if all or part of the meeting is to be filmed. If you would prefer not to be filmed for the webcast, please make yourself known to the camera operators.

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To comply with the Data Protection Act 2018, we require the consent of parents or guardians before filming children or young people. For more information, please speak to the camera operator.

## 1. EVACUATION PROCEDURE

*In the event of a fire, please await direction from the West of England Combined Authority staff who will help assist with the evacuation. Please do not return to the building until instructed to do so by the fire warden(s).*

## 2. COMMITTEE MEMBERSHIP & APOLOGIES FOR ABSENCE

*To note the committee's membership as set out on the agenda and to receive apologies for absence from Members.*

## 3. ELECTION OF CHAIR FOR MUNICIPAL YEAR 2022/23

*The West of England Combined Authority Audit Committee to elect a Chair for municipal year 2022/23.*

## 4. ELECTION OF VICE-CHAIR FOR MUNICIPAL YEAR 2022/23

*Having elected a Chair, the Committee is invited to elect a Vice-Chair for Municipal Year 2022/23*

## 5. 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.*

## 6. TERMS OF REFERENCE

*The Committee is invited to note its Terms of Reference.*

5 - 6

## 7. MINUTES

*To consider and approve the minutes from the last meeting held on 28 April 2022*

7 - 10

## 8. ITEMS FROM THE PUBLIC

*Members of the public can speak on the topic of their statement for up to 3 minutes each. The total time for this session is 30 minutes so speaking time will be reduced if more than 10 people wish to speak.*

*If you wish to present a petition or make a statement and speak at the meeting, you are required to give notice of your intention by noon on the working day before the meeting by e-mail to [democratic.services@westofengland-ca.gov.uk](mailto:democratic.services@westofengland-ca.gov.uk). For this meeting, this means that your submission must be received in this office by **12noon on Tuesday 11 October 2022.***

*If you wish to ask a question at the meeting, you are required to submit the question in writing to [democratic.services@westofengland-ca.gov.uk](mailto:democratic.services@westofengland-ca.gov.uk) no later than 3 clear working days before the meeting. For this meeting, this means that your question(s) must be received in this office by **5pm on Thursday 6 October 2022.***

## 9. PETITIONS

*Any member of the public in the West of England Combined Authority may present a*

*petition at a West of England Combined Authority Audit Meeting.*

- 10. VALUE FOR MONEY ARRANGEMENTS (2020-21)** 11 - 38  
*This paper provides the West of England Audit Committee with an overview of Grant Thornton's findings to date on the financial sustainability objective as prescribed by the National Audit Office (NAO) Code of Audit Practice.*
- 11. EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE** 39 - 52  
*This paper provides the West of England Audit Committee with a report on progress in delivering Grant Thornton's responsibilities as our external auditors. The report also includes a summary of emerging national and developments.*
- 12. CIPFA'S UPDATED POSITION STATEMENT: AUDIT COMMITTEES IN LOCAL AUTHORITIES 2022** 53 - 64  
*To present the Chartered Institute of Public Finance & Accountancy (CIPFA) Position Statement: Audit Committees in Local Authorities and Police 2022 to the Audit Committee for review and comment.*
- 13. DRAFT STATUTORY ACCOUNTS 2021/22** 65 - 180  
*To present to Members of the WECA Audit Committee the West of England Combined Authority Annual Draft Statement of Accounts for 2021-22 for their review and approval.*

**Next meeting: Thursday, 10 November 2022**

## The West of England Combined Authority Audit Committee

The functions of the audit committee shall include:

- (i) reviewing and scrutinising the authority's financial affairs;
- (ii) reviewing and assessing the authority's risk management, internal control and corporate governance arrangements;
- (iii) reviewing and assessing the economy, efficiency and effectiveness with which resources have been used in discharging the authority's functions; and
- (iv) making reports and recommendations to the Combined Authority in relation to the reviews they have conducted.
- (v) To consider and approve the Annual Statutory Accounts

Save for the provision in Section A – Standing Orders (Descriptions and Rules of Procedure), that can only apply to a meeting of the West of England Combined Authority, the rules of procedure will apply to meetings of the Audit Committee.

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## West of England Combined Authority WECA Audit Committee

Thursday, 28 April 2022, 10:30am  
The Guangzhou Room, Bristol City Council

### Present:

Cllr Geoff Gollop, Bristol City Council (Chair)  
Cllr Hal MacFie, Bath and North East Somerset  
Council  
Cllr Rob Appleyard, Bath & North East Somerset  
Council  
Cllr Andrew Brown, Bristol City Council (as  
substitute for Cllr Tim Kent)  
Cllr Zoe Goodman, Bristol City Council (as  
substitute for Cllr Brenda Massey)

Mark Hatcliffe, Independent Member of WECA  
Audit Committee  
Cllr John Ashe, South Gloucestershire Council  
Cllr Heather Mack, Bristol City Council (as  
substitute for Cllr David Wilcox)  
Cllr Steve Pearce, Bristol City Council (as  
substitute for Cllr Mark Bradshaw)  
Cllr Jonathan Hucker (as substitute for Cllr Steve  
Smith)

### Officers In Attendance:

Patricia Greer, Chief Executive  
Richard Ennis, Interim Director of Investment and  
Corporate Services  
Selonge Russell, Head of Finance  
Stephen Gerrard, Interim Director of Legal and  
Democratic Services  
George Margesson, Principal Economist

Tom Foster, David Bray and Jon Roberts (Grant  
Thornton, External Auditors)  
Jeff Wring and Pete Charles (Audit West, Internal  
Audit)  
Steve Finnegan, Financial Accountant  
Mark Wakefield, Corporate Performance  
Manager

### Apologies:

Cllr Matthew Riddle, South Gloucestershire  
Council  
Cllr David Wilcox, Bristol City Council (Cllr  
Heather Mack attended as substitute)  
Cllr Tim Kent, Bristol City Council (Cllr Andrew  
Brown attended as substitute)

Cllr Mark Bradshaw (Cllr Zoe Goodman attended  
as substitute)  
Cllr Brenda Massey (Cllr Steve Pearce attended  
as substitute)  
Cllr Steve Smith (Cllr Jonathan Hucker attended  
as substitute)

## Minutes

1	<b>EVACUATION PROCEDURE</b>  The evacuation procedure was noted.
2	<b>APOLOGIES FOR ABSENCE</b>  Apologies for absence were noted and as listed above in the attendance list.
3	<b>DECLARATIONS OF INTEREST UNDER THE LOCALISM ACT 2011</b>  No declarations of interest were declared under the Localism Act 2011.
4	<b>MINUTES</b>  The minutes of the meeting held on 9 December 2021 were agreed as a correct record and signed by the Chair.

5	<p><b>ITEMS FROM THE PUBLIC</b></p> <p>No statements or questions had been received from members of the public.</p>
6	<p><b>PETITIONS</b></p> <p>No petitions had been received.</p>
7	<p><b>MONITORING &amp; EVALUATION &amp; RISK MANAGEMENT FRAMEWORKS</b></p> <p>The Committee considered a report on the annual review and update of the West of England Combined Authority Monitoring &amp; Evaluation Framework and the Risk Management Framework. The Committee was asked to endorse the Monitoring &amp; Evaluation and Risk Management Frameworks for 2022.</p> <p>The following points were raised:</p> <ul style="list-style-type: none"> <li>• Members asked how conflicts between internal and external monitoring requirements were managed. In response it was noted that the monitoring regime was well established with external monitoring an additional requirement. Many of the grants came with specific monitoring criteria which were part of the Assurance Framework;</li> <li>• Members asked that the Forward Plan be published ideally with a 12 month lead-in time allowing time for proper scrutiny. It was confirmed that this was the intention;</li> <li>• Members raised concerns that there was not currently a deputy mayor at the Authority and asked that this be resolved and the issue reported back to a future Audit Committee meeting. The constitution of the Authority reflected what was set out in the Order. It was confirmed that decision-making was captured within the risk register;</li> <li>• It was asked whether sufficient discussions were taking place while reports were in draft stage. In response officers stated that discussions took place at all levels as reports worked their way through the system;</li> <li>• It was confirmed that the climate action plan was a living document and the Authority had recruited a Head of Environment to oversee the work. Climate change work was a thread that ran through all the work of the Authority, including as a section in all Committee reports;</li> <li>• The risk register, which had been attached for information to the report, was noted. Members did ask that this be circulated regularly to Committee members. It was requested that the Chair, Mark Wakefield and Jeff Wring discuss an appropriate timetable. Internal Audit stated that the scoring system was monitored to make sure it was robust and individual risks were tested. There was both pre-action and post-action management actions in place;</li> <li>• An updated Climate and Ecological Action Plan had been developed and once agreed and a monitoring and evaluation plan would be developed;</li> <li>• Updates on Risk 7 and the trend field in the risk register would be made;</li> <li>• Members asked that an internal fraud briefing be arranged in due course;</li> </ul> <p><b>Agreed:</b></p> <ol style="list-style-type: none"> <li>(1) That the Monitoring &amp; Evaluation and Risk Management Frameworks for 2022 be endorsed;</li> <li>(2) That the Risk Register be circulated to committee members on a regular basis;</li> <li>(3) That an informal session on fraud be arranged;</li> <li>(4) That the Interim Director of Legal and Democratic Services bring forward a report on the situation with the deputy mayor to the next meeting.</li> </ol>



8	<p><b>INFORMING THE AUDIT RISK ASSESSMENT</b></p> <p>The Committee considered a report which set out the the effective two-way communication between the Combined Authority’s external auditors and Audit Committee (as those charged with governance). The report covered some important areas of the auditor risk assessment where Grant Thornton, WECAs appointed auditors, were required to make inquiries of the Audit Committee under auditing standards.</p> <p>“Grant Thornton: Informing the audit risk assessment for West of England Combined Authority 2021/22” was appended to the report.</p> <p>It was reported that the expectation of familiarity for the Committee with the accounting estimates had increased and it was therefore requested that a workshop be arranged to present the estimates to Committee members.</p> <p>It was also stated that it was important for Auditors to anticipate fraudsters actions, as fraudsters were always looking for weaknesses in the system. The Fraud Review had a list of recommendations that could be shared.</p> <p><b>Agreed:</b> The committee confirms that the West of England Combined Authority management response to the auditor risk assessment was a true reflection of the Authority’s management processes.</p>
9	<p><b>EXTERNAL AUDIT PLAN</b></p> <p>This report set out the planned external audit work that would be undertaken by Grant Thornton for the year ended 31 March 2022.</p> <p>The “Grant Thornton External Audit Plan for the year ending 31 March 2022” was appended.</p> <p>The Audit work focussed on the key responsibilities of external auditors to investigate unusual behaviour. There was close liaison between internal and external auditors. The report also set out the proposed fees. These were set in consultation with the PSAA (Public Sector Audit Appointments) body.</p> <p><b>Agreed:</b> That the (Grant Thornton) External Audit Plan for year ended 31 March 2022 be approved.</p>
10	<p><b>EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE</b></p> <p>This Committee received a report which provided the Committee with a report on progress in delivering Grant Thornton’s responsibilities as the Authority’s external auditors.</p> <p>The West of England Combined Authority Audit Progress Report and Sector Update for Year ending 31 March 2022 was appended.</p> <p>The Auditors gave a progress update at the meeting and confirmed the timetable for signing off the Authority’s accounts. There was an industry move to include a section on climate change in the account’s narrative in addition to cyber security. Involvement of the Committee in this process could include an informal consultation process.</p> <p><b>Agreed:</b> That the report be noted.</p>
11	<p><b>VALUE FOR MONEY ARRANGEMENTS 2020-21</b></p>

	<p>The Committee received a report which provided the WECA Audit Committee with an overview of Grant Thornton’s initial findings to date on the financial sustainability objective as prescribed by the National Audit Office (NAO) Code of Audit Practice.</p> <p>Grant Thornton would bring an updated version of this report at a future meeting. It was reported that there were no improvement recommendations being made.</p> <p><b>Agreed:</b> That the report be noted.</p>
12	<p><b>INTERNAL AUDIT ANNUAL REPORT 2021/22</b></p> <p>Pete Charles and Jeff Wring, Audit West (Internal Audit) presented a report detailing the Annual Report of the Internal Audit service which set out progress against the Plan, gave a summary of audit performance and key issues, and the formal opinion on the internal control framework.</p> <p>The Internal Audit report showed 89% of audits had been completed on time and there had been a 100% customer satisfaction rate for two years in a row.</p> <p>It was noted that there had been one whistleblowing case that had been investigated.</p> <p><b>Agreed:</b> That the Internal Audit Report 2021/22 and formal opinion on the internal control framework be noted.</p>
13	<p><b>INTERNAL AUDIT PLAN 2022/23</b></p> <p>Pete Charles and Jeff Wring, Audit West (Internal Audit), presented the Internal Audit Plan for 2022/23 for approval. The following were appended:</p> <p>Appendix 1 – Internal Audit Plan 2022/23. Appendix 2 – Internal Audit Charter</p> <p>The Plan had been subject to consultation with the Director of Investment and Corporate Services (S73 Officer) and WECA’s Senior Management. The Internal Audit service (Audit West) use the reasonable assurance model to compile the plan.</p> <p><b>Agreed:</b> That the report be noted and the Internal Audit Plan attached at Appendix 1 be approved.</p>
	<p>The next meeting has been arranged for Wednesday, 8 June 2022, 2.00 pm.</p> <p>Meetings for 2022/23 would be as follows. Members were keen to use venues other than Council buildings if possible and asked officers to explore this option:</p> <p>14 July 2022 10 November 2022 12 December 2022 2 March 2023</p>



## **WEST OF ENGLAND AUDIT COMMITTEE**

**15 SEPTEMBER 2022**

### **REPORT SUMMARY SHEET**

#### **AUDIT COMMITTEE BRIEFING – VALUE FOR MONEY ARRANGEMENTS (2020-21)**

##### **Purpose**

This paper provides the West of England Audit Committee with an overview of Grant Thornton's findings to date on the financial sustainability objective as prescribed by the National Audit Office (NAO) Code of Audit Practice.

##### **Summary**

This report includes the following key information:

- Commentary on the arrangements to secure economy, efficiency, and effectiveness in the use of resources.
- Executive Summary.
- Governance.
- Improving economy, efficiency, and effectiveness.
- Financial sustainability.
- Opinion.
- COVID-19

Appendices:

- A – The responsibilities of the Combined Authority.
- B – An explanatory note on recommendations.
- C – Formal Auditors Powers.

##### **Recommendations**

WECA Audit Committee are asked to note the report.

**Contact officer:** Richard Ennis

**Position:** Interim Director of Investment and Corporate Services

**Email:** Richard.Ennis@westofengland-ca.gov.uk

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# Audit Committee Briefing: Value for Money arrangements

The West of England Combined Authority

2020-21  
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31 August 2022



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Combined Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Combined Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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## Appendices

- A – The responsibilities of the Combined Authority
- B – An explanatory note on recommendations
- C – Formal auditor's powers

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Combined Authority or all weaknesses in your internal controls. 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.

# Commentary on the arrangements to secure economy, efficiency and effectiveness in the use of resources

All Local Authorities are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Combined Authority's responsibilities are set out in Appendix A.

Local Authorities report on their arrangements, and the effectiveness of these arrangements, as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Combined Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



## Financial sustainability

Arrangements for ensuring the Combined Authority can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



## Governance

Arrangements for ensuring that the Combined Authority makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Combined Authority makes decisions based on appropriate information.



## Improving economy, efficiency and effectiveness

Arrangements for improving the way the Combined Authority delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



# Executive summary



## Value for money arrangements

### Introduction

We did not identify any risks of significant weaknesses during our initial planning work for 2020/21 and none were therefore included in our audit plan for that financial year.

Since issuing the audit plan for 2020/21, matters have been reported in the public domain regarding strained relationships within the West of England.

In our final Audit Findings Report for 2020/21, which we presented to the Combined Authority's Audit Committee on 9 December 2021, we designated the governance arrangements impacting these relationships as a risk of significant VFM weakness.

We determined a plan of appropriate work relating to this particular risk and shared an outline of this at an Audit Briefing meeting on 3 February 2022.

We subsequently held discussions with the Combined Authority's Chief Executive and interim Monitoring Officer and agreed an updated Terms of Reference for this view.

Our work to address this significant risk is substantially complete and we shared a draft report with the Combined Authority's Chief Executive and interim Monitoring Officer on 20 June 2022.

### Reporting to date

On 28 April 2022 we provided the Combined Authority's Audit Committee with feedback on our work on the 'financial sustainability' objective and on the Combined Authority's financial reporting for 2020/21. For completeness, this is also repeated in this document.

### Current Reporting

This report provides an overview of our findings to date on the 'governance' and 'Improving economy, efficiency and effectiveness' objectives, as prescribed by the NAO's Code of Audit Practice, alongside a commentary on the Combined Authority's response to COVID-19.

In order to avoid potential duplication, we have excluded the areas covered by our work to address the risk of significant VFM weakness regarding the Combined Authority's governance arrangements referred to above.

### Final Reporting

Our findings across all three objectives (i.e. 'financial sustainability', 'governance' and 'Improving economy, efficiency and effectiveness') together with a commentary on the Combined Authority's financial reporting arrangements, its response to COVID-19 and any recommendations arising from our work will be included in our Auditor's Annual Report.

We expect to issue this full and final Auditor's Annual Report in September 2022.



# Governance



## We considered how the Combined Authority:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards

## Background

The Combined Authority was established in early 2017 through the Region's devolution deal.

The structure of the Combined Authority is relatively straightforward compared to many Local Authorities and there are two decision-making committees in place as follows:

	The West of England Combined Authority Committee	West of England Joint Committee
<b>Chair</b>	West of England Mayor (Metro Mayor)	West of England Mayor (Metro Mayor)
<b>Voting members</b>	Leader (L) / Mayor (M) of the 3 constituent Councils: <ul style="list-style-type: none"> <li>• Bristol City Council (M)</li> <li>• South Gloucestershire Council (L)</li> <li>• Bath &amp; North East Somerset Council (L)</li> </ul> In addition, the West of England Mayor (Metro Mayor) votes on some matters.	Leader (L) / Mayor (M) of the 4 West of England Councils: <ul style="list-style-type: none"> <li>• Bristol City Council (M)</li> <li>• South Gloucestershire Council (L)</li> <li>• Bath &amp; North East Somerset Council (L)</li> <li>• North Somerset Council (L)</li> </ul>
<b>Other attendee (non-voting)</b>	Chair of the West of England Local Enterprise Partnership (LEP)	Chair of the West of England Local Enterprise Partnership (LEP)
<b>Remit</b>	Key decisions on matters affecting the region, including funding projects through the Regional Investment Fund.	Key decisions on matters affecting the Combined Authority, the West of England LEP and North Somerset Council.

We refer to the operation of these two Committees in our governance report regarding the risk of significant weakness and will include the final commentary here, once that report is published.

In addition to these two decision-making committees, there is also the West of England Combined Authority Overview and Scrutiny Committee which comprises 11 councillors from the 3 constituent councils, with 3 observers from North Somerset Council, and an Audit Committee – please see page 8 for further commentary on the Combined Authority’s Audit Committee.

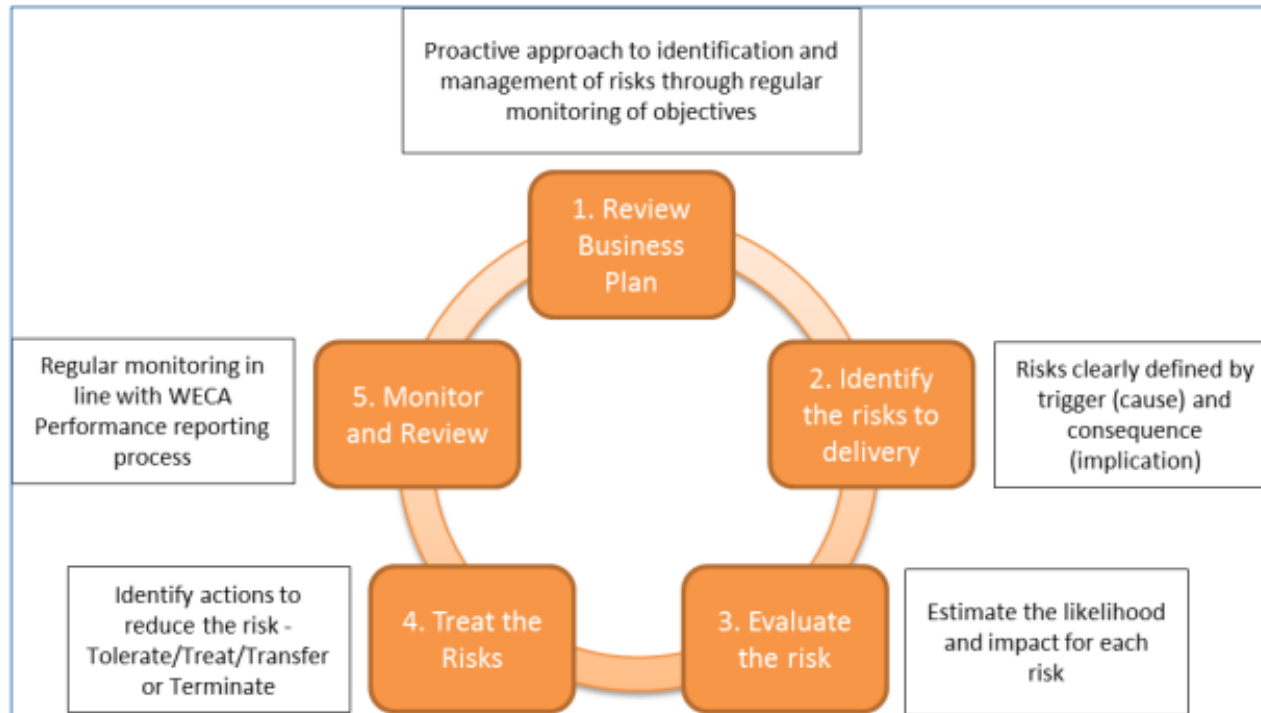
### Constitution

We refer to the Combined Authority’s constitution in our governance report regarding the risk of significant weakness and will include the final commentary here, once that report is published.

### Assessment of Risk and Internal Control

The arrangements for risk management are included within the risk management framework which is reviewed by the Combined Authority’s Audit Committee annually.

This framework includes the following helpful summary of the processes in place:



Risk management is an integral part of the performance reporting process and the framework referred to above is very clear on the various levels of risk management within the organisation – culminating in the corporate risk register which is reviewed monthly by senior management alongside the Directorate Risk Registers.

A summary of key risks is provided in the quarterly progress reviews to the Combined Authority.

The risk management framework is clear that the arrangements apply to the whole organisation and the various levels of risk management are articulated as follows:

Role	Responsibility for Risk Management
The West of England Combined Authority and Joint Committee	Oversee effective delivery of The West of England Combined Authority’s objectives and management of risk
The West of England Combined Authority Audit Committee	Provide independent assurance of the risk management framework.
The West of England Combined Authority Scrutiny Committee	Provide scrutiny on progress to deliver the business plan.
The West of England Combined Authority SMT	Accountability for delivery of the business plan and management of the risks affecting its delivery. Ownership of Corporate Risk Register and departmental risk registers.
Heads of Service	Ensure the risk management process is promoted, managed and implemented effectively in the organization. Manage departmental risks.
Programme and Project Boards	Own programme and project risk registers, escalating risks to the The West of England Combined Authority Head of Service/Director as appropriate.
Employees	Identify and manage risk effectively in their jobs, liaising with their managers to identify new or changing risks.
Internal Audit	Review the risk management process and provide assurance to officers and members on the effectiveness of controls.

**Internal Audit**

Internal Audit for the Combined Authority is provided by ‘Audit West’, which is part of ‘One West’, a trading arm of Bath and North East Somerset Council.

Audit West have been assessed as meeting the Public Sector Internal Audit Standards and their risk-based plan for 2020/21 was presented to the Combined Authority’s Audit Committee in July 2020, having been agreed with The West of England Combined Authority’s senior management beforehand.

The total planned Internal Audit coverage in 2020/21 was 100 days and this is considered an appropriate level of audit resource.

Internal Audit’s Annual Report for 2020/21 was presented to the Audit Committee in September 2021 (the scheduled Audit Committee meeting for July 2021 was cancelled) and this noted that Internal Audit’s planned programme of work had been flexed to reflect the COVID-19 pandemic at the start of the financial year. Nevertheless, the expected level of inputs for 2020/21 were delivered by the Combined Authority’s Internal Auditors.



The Head of Internal Audit opinion for 2020/21 stated that ‘WECA’s internal control framework and systems to manage risk are reasonable’.

The Head of Internal Audit went on to say:

- reasonable assurance can be provided over the WECA’s systems of internal control, helping to ensure corporate priorities can be achieved;
  - agreed policies, Financial Regulations and Contract Standing Orders are broadly being complied with;
  - managers throughout the WECA are aware of the importance of maintaining adequate and effective governance arrangements;
  - appropriate arrangements are operated to deter and detect fraud and investigations and did not identify any systemic failures;
  - there were no fundamental system failures or control breakdowns to business-critical functions or any identified fraud; and
- there were no poor or weak ratings from [Internal] Audit Work.



### Audit Committee

The Audit Committee comprises 12 people, including one independent member. The make-up of the Audit Committee from the three constituent Councils is as follows:

- Bristol City Council – 6 members
- South Gloucestershire Council – 3 members
- Bath and North East Somerset Council – 2 members

The role of the Audit Committee is to provide independent assurance to the Combined Authority on its governance, internal control and risk management arrangements and to oversee the statutory financial reporting process.

However, as noted on page 5, the political decision-making within the Combined Authority is restricted to a small number of senior politicians from the three constituent Councils – plus the ‘Metro Mayor’ – and so the role of the Audit Committee is very much one of oversight, as the Committee members have no day to day involvement in the operations of the Combined Authority.

This lack of involvement is inevitable given the constitution of the Combined Authority, but we have noted that a number of Audit Committee meetings have been cancelled in recent years. These cancellations dilute the understanding and engagement of Audit Committee members and this is exacerbated when substitutes attend the Audit Committee instead of the named Councillors.

### Annual Approach to Budget Setting

As set out in our reporting regarding financial sustainability, the 2020/21 budgets for the mayoral fund and the combined authority were both approved by the Combined Authority Committee on 31 January 2020, comfortably ahead of the start of the financial year. This was also just before the outbreak of COVID-19 and, at the time the budget was set, the impact across the region – and the Country as a whole – could not have been foreseen.

Each budget was accompanied by a comprehensive paper clearly setting out the proposed income and expenditure for the year. Given the fact that the Combined Authority’s spending plans are aligned to the income it receives, the budget setting is not as complex as with other local government bodies in that there are no trade-offs between different service areas and no Council Tax implications that need to be taken into consideration.

## Budgetary Control and Financial Information

In our reporting on financial sustainability we concluded that day-to-day budgetary control was strong.

At an operational level, there is monthly monitoring of all areas of the Combined Authority that:

- Compares the month's financial performance with the budget for that period
- Compares the year-to-date financial performance with the budget for that period
- Forecasts the financial performance for the full year and compares this to the annual budget.

Each of these internal reports clearly signposts the variances for management to act upon.

In addition to the above operational reports, there is regular reporting to the joint meetings of the West of England Combined Authority Committee and the West of England Joint Committee. This enables action at a strategic level – for example the allocation of £5m to support COVID-19 economic recovery – where appropriate.

## Informed Decisions

The primary objective of the Devolution Deal for the West of England agreed in 2016 was attract investment and to deliver an enhancements in a strategic way that would support the Region's ambitions. In this context, enhancements can be physical assets – such as improved public transport – but also other enablers to economic growth such as an increase in skills across the Region.

We refer to this in our governance report regarding the risk of significant weakness and will include the final commentary here, once that report is published.

## Standards and Regulation

We refer to this in our governance report regarding the risk of significant weakness and will include the final commentary here , once that report is published.



# Improving economy, efficiency and effectiveness



## We considered how the Combined Authority:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

## Background

Effective partnership working is fundamental to the success of the Combined Authority, recognising that it was established to help deliver better outcomes for the West of England as a whole.

Through the devolution process, the West of England has been awarded long term investment funds to use to design and deliver programmes to accelerate local economic growth.

These funds are subject to a Gateway Review process which is required by Central Government every five years and future funding can only be unlocked if a Combined Authority passes these Gateway Reviews..

An independent firm, SQW, was appointed by the Government to undertake Gateway Reviews for all Combined Authorities across the Country and the results were announced in early 2021. The successful outcome of this review unlocked funding of a £30m per annum for a further five years.

Whilst there is a large degree of freedom for Combined Authorities regarding the way in which the allocated funding is spent, it must ultimately contribute to economic growth in the area in order to pass the Gateway Review.

The next Gateway Reviews, to be undertaken in 2024/25, will therefore be crucial for all Combined Authorities as there is an expectation that greater evidence will be available to demonstrate the outcomes that have already been achieved and that there are robust plans in place to build on these earlier achievements.

However, we understand that The Department for Levelling Up, Housing and Communities (DHLUC) will be undertaking a mid-term, non-scored review of all Combined Authorities, commencing later in 2022. These reviews will provide helpful guidance on any issues to be addressed ahead of the next formal Gateway Review.

### Using information and evaluating service performance to identify areas for improvement

The Combined Authority’s planning is based on delivering against its operating framework, which sets out its priorities for clean and inclusive economic growth in the West of England.

This operating framework is set out in the figure below:



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The Authority develops an annual business plan which sets out the strategic activities over the next 12 months across the three pillars of the Combined Authority’s operating framework:

- Infrastructure
- Skills
- Business

There is a Monitoring and Evaluation Framework which sets out the Combined Authority’s overall approach to the monitoring and evaluation of activities across The West of England Combined Authority and the Local Enterprise Partnership.

As noted on page 10, £150m of funding was released following the completion of the first Gateway Review.

SQW (the firm appointed by the Government to undertake such assessments for all Combined Authorities) concluded that the West of England Investment Fund (WEIF) had made an important contribution to the capacity development and partnership working improvements observed across the West of England.

They also noted that there had been delays in commencing the various programmes and that programme expenditure was expected to increase significantly from 1 April 2021 to 31 March 2023.

There were a variety of reasons for these delays cited, including some of which were inevitable or beyond the Combined Authority’s control. These included:

- The Devolution Deal was announced in March 2016, but The West of England Combined Authority was not formally created until February 2017, with the Mayor being elected in May 2017;
- The need for greater capacity and expertise in-house to establish internal processes (such as the assurance framework and approach to risk management) and support the deployment of the Investment Fund; and
- COVID-19, particularly where social distancing has delayed contractors accessing sites or where projects needed to pause and reflect on appropriate delivery mechanisms in light of changing needs.

SQW reviewed two completed projects (interventions) as part of their review and their findings are summarised below:

	Bath Western Riverside	Real Time Information System Upgrade
Was expenditure on budget?	Yes	Yes
Were agreed delivery milestones met?	Yes	No - delay
Were outputs delivered as anticipated?	Yes, in part	Yes
Were intermediate outcomes delivered as anticipated?	Too early to assess	Partly
Does the intervention remain on course to deliver against its original objectives?	Yes	Yes

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We had previously reported that we had not identified any issues regarding the Combined Authority's financial management and this is mirrored in the findings above, where both projects were delivered on budget.

SQW also concluded that the Monitoring and Evaluation Framework was sufficient information to enable the success of the projects against the original expectations to be assessed, albeit that there had been slippage in the delivery.

As noted on page 10, there is an expectation that greater evidence will be available to demonstrate the outcomes that have already been achieved and that there are robust plans in place to build on these earlier achievements.

Project management therefore needs to continue beyond financial close.

As services have been devolved in bespoke arrangements, the opportunity for benchmarking with others is limited.

### Engaging with partners

The Combined Authority is itself a partnership, bringing together the local authorities within the West of England to drive economic growth.

We refer to this in our governance report regarding the risk of significant weakness and will include the final commentary here, once that report is published.

### Procurement of services

The Authority has a procurement strategy in place. Internal audit have completed a review of these arrangements and did not identify any significant weaknesses with their assessment being one of 'reasonable assurance' (amber rating).

The impact of COVID-19 resulted in the need to revise procurement and supplier practices and ensure compliance with Central Government directives.

Our discussions with officers have identified how they have worked in collaboration with suppliers, particularly in relation to transportation services, to ensure they have remained solvent during the pandemic. Further information on the impact of COVID-19 is included overleaf.





# Financial sustainability

(previously reported to April 2022 Audit Committee)



## We considered how the Combined Authority:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

## Introduction

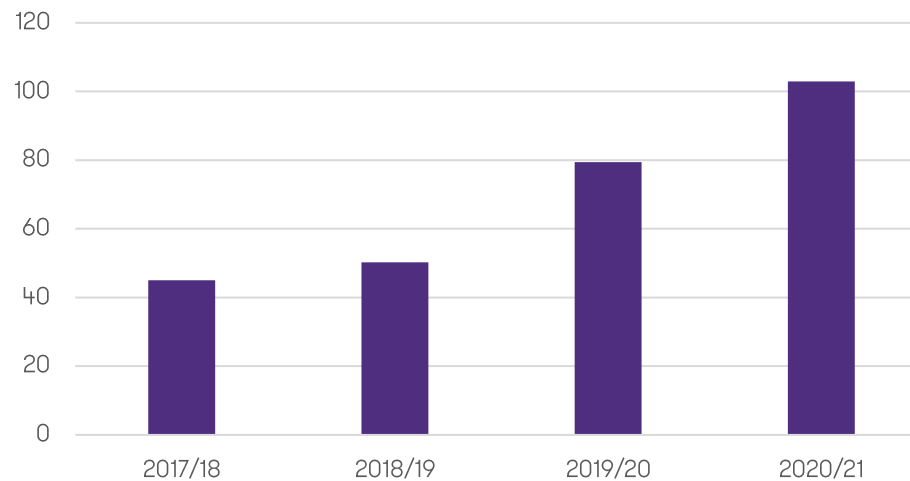
The Devolution Deal for the West of England was agreed with the Government in 2016.

This resulted in the establishment of the West of England Combined Authority in February 2017 and the election of the first Mayor in May 2017.

As such, the Combined Authority is a relatively new organisation and its arrangements continue to evolve as the Combined Authority grows and becomes more established.

The total gross expenditure on the provision of services in each of the four years since its formation is illustrated below. The expenditure in 2016/17 was minimal as the Combined Authority was not established until February 2017.

Gross expenditure (£m)

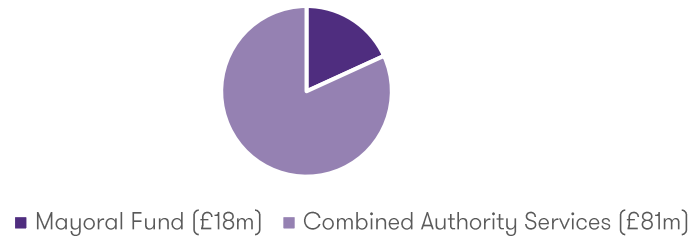


## Financial Planning

The budget setting and financial reporting arrangements differentiate between the Mayoral Fund and the Combined Authority itself and this split arises from the legislation which originally set up the Combined Authority in 2017 – the West of England Combined Authority (WECA) Order 2017 (the 2017 Order)

In 2020/21 the reported gross expenditure for the mayoral fund was £18m and the gross expenditure for the Combined Authority services was approximately £81m.

### Gross Expenditure in 2020/21



Page 26

The mayoral fund relates to those functions that fall under the specific responsibility of the Mayor in accordance with the 2017 Order.

For 2020/21, these functions primarily related to the payment of Highways and Transport Capital grants as well as the costs of the Mayor and related office expenses and election costs.

The funding for the Mayoral budget comes from the Retained Local Business Rates Pilot, (which meets the majority of Transport Costs), and a contribution from the West of England Combined Authority itself.

The Combined Authority covers the remainder of the service expenditure and the funding for the Combined Authority in 2020/21 came from five main sources::

- Investment funding provided by the Government as part of the Devolution Deal;
- A levy on the constituent councils for the costs of transport functions that transferred to The West of England Combined Authority;
- A 5% share of business rates under the 100% Business Rates Retention Pilot;
- Government funding for various functions, capacity and projects including:
  - Adult Education Budget;
  - Housing Capacity Fund;
  - Mayoral Capacity Fund; and
  - Future Bright (providing career coaching).
- Interest on balances.

## Financial Planning (cont'd)

The 2020/21 budgets for the mayoral fund and the combined authority were both approved by the Combined Authority Committee on 31 January 2020, comfortably ahead of the start of the financial year. This was also just before of the outbreak of COVID-19 and, at the time the budget was set, the impact across the region – and the Country as a whole – could not have been foreseen.

Each budget was accompanied by a comprehensive paper clearly setting out the proposed income and expenditure for the year. Given the fact that the Combined Authority's spending plans are aligned to the income it receives, the budget setting is not as complex as with other local government bodies in that there are no trade-offs between different service areas and no Council Tax implications that need to be taken into consideration.

Budgets are kept under review and are flexed as necessary. For example, in June 2020 the joint meeting of the West of England Combined Authority Committee and the West of England Joint Committee approved the allocation of £5m to support COVID-19 economic recovery across the region.

### Medium term financial planning

As part of the budget setting process for 2020/21, the The West of England Combined Authority Committee also approved a medium term financial forecast (MTFF).

This forecast set out the expected income and expenditure for a three year period – 2020/21 itself plus a further two financial years. The length of financial planning is consistent with other Local Government bodies.

However, medium term financial planning at The West of England Combined Authority does have differences compared to most Public Sector organisations in that:

- The Combined Authority produces a medium term financial forecast rather than a medium term financial 'strategy', which would look to achieve certain financial or operational ambitions.
- Although there was a 30 year devolution deal agreed with the government, ongoing funding is subject to interim gateway reviews every five years. Please see page 10 for additional commentary in this area.
- Notwithstanding the interim reviews noted above, the bulk of the funding is assured meaning the Combined Authority can plan over the medium term with reasonable confidence.
- As the Combined Authority is not delivering statutory services (such as adult social care) it has the option to flex its expected expenditure to match the resources that are available.

## Savings plans

The primary purpose of the Combined Authority is to deliver long term sustainable growth projects and programmes across the region.

The West of England Combined Authority therefore does not have the same front-line service pressures that its neighbouring Unitary Councils experience, especially around the key national pressure points such as adult social care and children's services.

The core revenue funded activities relate to:

- integrated transport operations – which is fully funded via a levy from the constituent authorities; and
- the Adult Education Budget – which is managed through a robust grant process to various educational providers.

The Combined Authority's core funding is the Investment Fund which is a £30m per annum agreement with the Government over a 30 year period. The West of England Combined Authority's responsibility is to ensure that its medium to long term investment programmes are affordable within the resources available at its disposal. As such, the Combined Authority has not needed to develop any savings schemes as part of its budget setting process.



## Budgetary control

Day-to-day budgetary control is considered to be strong.

At an operational level, there is monthly monitoring of all areas of the Combined Authority that:

- Compares the month's financial performance with the budget for that period
- Compares the year-to-date financial performance with the budget for that period
- Forecasts the financial performance for the full year and compares this to the annual budget.

Each of these internal reports clearly signposts the variances for management to act upon.

In addition to the above operational reports, there is regular reporting to the joint meetings of the West of England Combined Authority Committee and the West of England Joint Committee. This enables action at a strategic level – for example the allocation of £5m to support COVID-19 economic recovery – where appropriate.

## 2020/21 Outturn

The Combined Authority's accounts for the year ending 31 March 2021 report the outturn for the year compared to the budget.

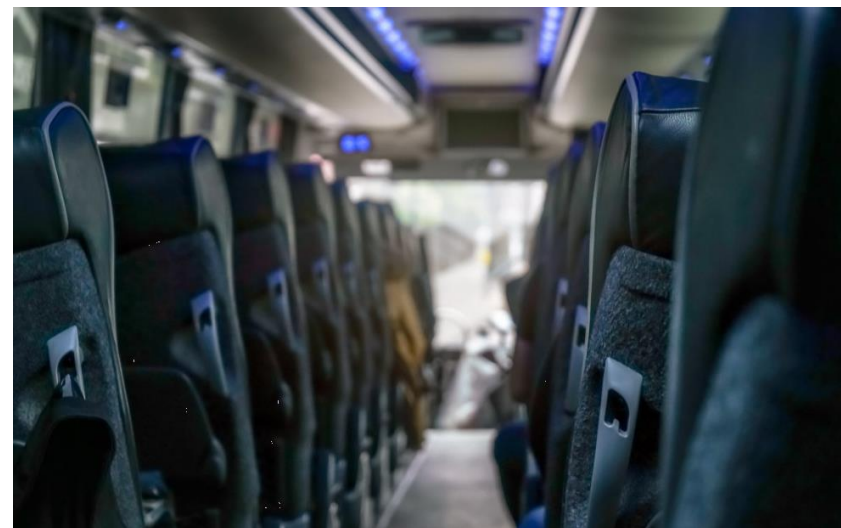
The mayoral fund income and expenditure were both in line with the budget and there was only a small variation of £41,000 relating to office and election costs.

This outturn reflects the predictable nature of both the income and expenditure of the mayoral fund.

As far as the Combined Authority itself is concerned, the outturn itself was also in line with the budget and the only significant variance from the planned expenditure (approximately £6m) related to an additional spend on supported bus services. There was no overall impact on the Combined Authority's financial position as this increased spend, necessitated by the fall in passenger numbers caused by the outbreak of COVID-19, was largely offset by an increase in Government grant support.

As noted on page 7, the original budget for 2020/21 was set in January 2020 which just before of the outbreak of COVID-19. The additional spending on supported bus services was as a result of the pandemic and not as a result of weaknesses in the budget setting or budgetary control processes.

This additional spending was financed by a range of Government grants and so there was no direct impact of this as far as the Combined Authority is concerned.



## Reserves

When the Combined Authority was established in 2017 there were no reserves or balances transferred to it from the constituent councils.

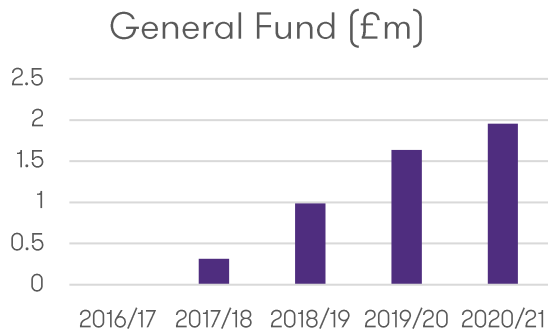
However, unlike a typical Council, the Combined Authority delivers very few front-line services and so does not face the level of risks associated with service cost and demand pressures that are experienced by other local government bodies.

Equally, the income of the Combined Authority is relatively certain within each year and there are no pressures around, for example, the level of income received from fees and charges or Council Tax collection rates.

The Combined Authority therefore does not need to maintain significant levels of reserves to help mitigate such financial risks.

There are inevitably some financial pressures for the Combined Authority and The West of England Combined Authority has therefore started to build a General Fund reserve to manage future financial risk. These risks are primarily because the core operating costs are funded through temporary sources such as Mayoral Capacity Fund and Business Rates Retention pilot share, meaning there is no long-term certainty. There are also the inevitable day-to-day budgetary pressures experienced by every organisation.

However, this remains at a relatively low level compared to the size of the organisation and at 31 March 2021 the General Fund balance was approximately £2m:



The budget setting papers for 2020/21 and 2021/22 suggested that General Fund reserves of approximately 5% of total turnover would be appropriate for the Combined Authority.

The West of England Combined Authority's revenue budget for 2021/22, which was approved by Combined Authority Committee on 29 January 2021, was £56.7m.

The target General Fund balance (5% of £56.7m) is therefore approximately £2.8m and so the current General Fund balance is only 70% of the amount the former Chief Financial Officer deemed appropriate.

It is therefore important for the Combined Authority to develop plans to achieve the level deemed appropriate, taking into account any projected changes in future revenue budgets.

The main exposure to financial risk that the Combined Authority faces in respect of increases in construction costs for the delivery of capital projects and this has become very real in recent times.

The Investment Programme is kept under regular review and all projects would be subject to a re-prioritisation process should the programme run into affordability issues. There is therefore no need to build reserves to help mitigate this risk.

## Cash Flow

The Authority holds significant cash investments which have arisen largely from income being received in advance of the corresponding expenditure as well internal balances and reserves held, although these are far less significant.

The West of England Combined Authority's Treasury Management strategy for 21/22 states that since 1 April 2020, the Authority's investment balance has ranged between £178m and £285m.

For 2021/22 the balances were expected to range between £125m and £210m - this is slightly lower than the previous years due to capital grants and reserves being used to finance spend.

Cash flow is monitored and the maturity dates of investments take into account the projected needs of the Combined Authority in terms of planned expenditure.

However, with the level of investment balances referred to above, the key issue for The West of England Combined Authority is one of timing rather than the risks of having insufficient funding or 'running out of cash'.

### Looking ahead

As part of devolution deal referred to on page 5, the West of England Combined Authority (WECA) was awarded a total of £900m - £30m per year over 30 years.

This funding is subject to a 5-year gateway review process – whereby an independent panel assesses the impact of investments on economic growth – and this review is used to trigger the release of the next 5-year tranche of funding.

As the funding was agreed as part of the devolution deal there is no ability to change the profile of that funding.

It is also important to recognise that the £30m per annum Investment Fund is fixed and is not increased to reflect increases in costs. Inflationary pressures have become more pertinent of late and they are particularly relevant for construction projects. The Combined Authority estimates that the impact of inflation over the 30 year investment period will be as follows:

Year	Grant	Equivalent Purchasing Power
0	£30m	£30m
10	£30m	£22.3m
20	£30m	£16.6m
30	£30m	£12.7m

The need to keep the future plans of the Investment Fund under review is therefore increasingly important if the expected benefits from the planned schemes are to materialise.

# Opinion on the financial statements

## (previously reported to April 2022 Audit Committee)



### Audit opinion on the financial statements

We issued an unqualified audit opinion on the Combined Authority's financial statements for the year ended 31 March 2021 on 10 December 2021.

### Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Combined Authority's Audit Committee on 9 December 2021.

### Preparation of the accounts

The Combined Authority provided draft accounts in line with the national deadline and provided a good set of working papers to support it.

### Issues arising from the accounts:

We identified nine adjustments to the draft financial statements that resulted in a £4.6m adjustment to the Authority's Comprehensive Income and Expenditure Statement.

These adjustments mainly arose because:

- There were a number of new starters that were not originally reflected in the actuarial report, and as this had an estimated material impact on the defined benefit net liability the Authority therefore needed to request an updated report from its actuary and to produce a revised set of financial statements. Officers have informed us that the Pension Fund was advised of the staff additions, although the impact on the liability was not appreciated when the initial figures were produced. This was because far more of the new starters were generally long-standing members of the Local Government Pension Scheme than would normally be the case.
- A number of required material adjustments were identified in relation to the creditors balance, which also affected the agency liability. We extended our sample of creditors items to reflect these initial errors.

There were no unadjusted misstatements within the Combined Authority's financial statements for the year ended 31 March 2021.

### Other matters

We asked for the Annual Governance Statement to be updated to reflect that relationships within the West of England are currently publicly reported to be strained. This amendment was made and we therefore issued an unmodified opinion in this respect.

### Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Combined Authority. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

The guidance regarding the Whole of Government Accounts for the year ended 31 March 2021 was not been issued by the National Audit Office (NAO) until July 2022 and so this work was delayed for all Local Government organisations.

We expect to complete this by 31 August 2022.

### Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair
- Prepared in accordance with relevant accounting standards
- Prepared in accordance with relevant UK legislation.

# COVID-19 arrangements



Since March 2020, COVID-19 has had a significant impact on the population as a whole and how services are delivered.

We have considered how the arrangements adapted to respond to the new risks they faced.

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## Financial sustainability

The 2020/21 budgets for the mayoral fund and the combined authority were both approved by the Combined Authority Committee on 31 January 2020, comfortably ahead of the start of the financial year. This was also just before of the outbreak of COVID-19 and, at the time the budget was set, the impact across the region – and the Country as a whole – could not have been foreseen.

The mayoral fund income and expenditure outturn were both in line with the budget and there was only a small variation of £41,000 relating to office and election costs.

This outturn reflects the predictable nature of both the income and expenditure of the mayoral fund.

As far as the Combined Authority itself is concerned, the outturn itself was also in line with the budget and the only significant variance (approximately £5m) related to supported bus services.

This additional spending was as a result of the pandemic and not as a result of weaknesses in the budget setting or budgetary control processes.

The additional spending was financed by a range of Government grants and so there was no direct impact of this as far as the Combined Authority is concerned.

## Governance

As a result of the lockdown restrictions announced on the 16 March 2020, the Authority moved to ensure all but a handful of essential staff were able to work from home. This has continued throughout the pandemic, with no significant impact identified on productivity.

Following the introduction of regulations to hold formal meetings via remote attendance committee meetings moved to video conferencing.

The arrangements around procurement have been reviewed by Internal Audit, who reported reasonable assurance in this area.

The Corporate risk register has also been updated to ensure Covid related risks are appropriate recorded, mitigated and monitored.

## Improving economy, efficiency and effectiveness

Although the Combined Authority itself was not adversely impacted by the pandemic from a financial perspective there was an impact on the investment plans, such as:

- slippage to projects, particularly where social distancing has delayed contractors accessing sites; and
- where projects needed to pause and reflect on appropriate delivery mechanisms in light of changing needs.

The West of England was impacted by COVID-19, with 30% of Region's workforce being furloughed, with a knock-on effect on the local economy.

The West of England Combined Authority published the West of England Recovery Plan in September 2020, which set out its ambition for the Region to emerge from the pandemic 'better, greener and stronger'.



# Appendices

# Appendix A - Responsibilities of the Combined Authority



## Role of the Chief Financial Officer (or equivalent):

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- Preparation of the statement of accounts
- Assessing the Combined Authority's ability to continue to operate as a going concern

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

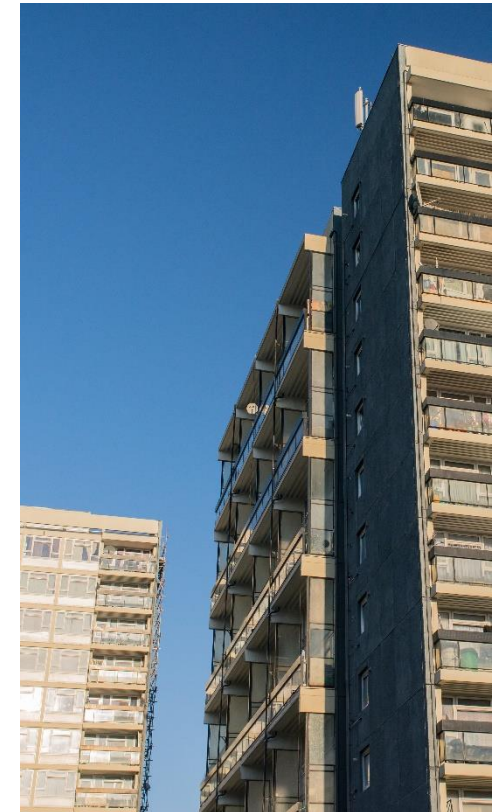
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare 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. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Combined Authority's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Combined Authority will no longer be provided.

The Combined Authority is responsible for putting in place proper arrangements to secure 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.



# Appendix B - An explanatory note on recommendations

A range of different recommendations can be raised by the Combined Authority's auditors as follows:

Type of recommendation	Background
Statutory	Written recommendations to the Combined Authority under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Combined Authority to discuss and respond publicly to the report.
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Combined Authority. We have defined these recommendations as 'key recommendations'.
Improvement	These recommendations, if implemented should improve the arrangements in place at the Combined Authority, but are not a result of identifying significant weaknesses in the Combined Authority's arrangements.

# Appendix C - Formal auditor's powers

There are a range of formal powers available to External Auditors. These are summarised below.

We have not exercised any of these at the Combined Authority in 2020/21.

## Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

## Public interest report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

## Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

## Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

## Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.



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## **WEST OF ENGLAND AUDIT COMMITTEE**

**15 September 2022**

### **REPORT SUMMARY SHEET**

### **EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE**

#### **Purpose**

This paper provides the West of England Audit Committee with a report on progress in delivering Grant Thornton's responsibilities as our external auditors. The report also includes a summary of emerging national and developments.

#### **Summary**

This report includes the following key information:

- Progress Report
- Audit Deliverables
- Sector Update including a summary of emerging national issues and developments

#### **Recommendations**

WECA Audit Committee are asked to note the report.

**Contact officer:** Richard Ennis

**Position:** Interim Director of Investment and Corporate Services

**Email:** Richard.Ennis@westofengland-ca.gov.uk

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# The West of England Combined Authority Audit Progress Report and Sector Update

**Year ending 31 March 2022**

Audit Committee 15 September 2022

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Progress at 26 August 2022	4
Audit Deliverables	6
Sector Update	7

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Combined Authority or all weaknesses in your internal controls. 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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# Introduction

## Your key Grant Thornton team members are:

### Jon Roberts

Key Audit Partner

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### David Bray

Senior Manager

E: [david.bray@uk.gt.com](mailto:david.bray@uk.gt.com)

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes a summary of emerging national issues and developments that may be relevant to you as a Combined Authority.

Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications [www.grantthornton.co.uk](http://www.grantthornton.co.uk)

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

# Progress at 26 August 2022

## 2020/21 Audit

### Financial Statements Audit

We issued an unqualified audit opinion on the Combined Authority's financial statements for the year ended 31 March 2021 on 10 December 2021.

At that time we were unable to issue our certificate for the year because we had not completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report; and
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2021.

The National Audit Office (NAO) issued the guidance regarding the Whole of Government Accounts work for 2020/21 in July 2022.

We completed the required WGA return and submitted this to the NAO on 18 August 2022.

However, the group audit instructions highlight that the NAO may also require component auditors to carry out further specific procedures.

We, and other firms, have sought further clarification from the NAO as to the extent of any further work that may be required and the timing of this. We will advise management and the Audit Committee if further work is required.

## Value for Money

The new Code of Audit Practice (the "Code") came into force on 1 April 2020 for audit years 2020/21 and onwards. The most significant change under the new Code is the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations, if required.

The new approach is more complex, more involved and is planned to make more impact.

We did not identify any risks of significant weaknesses during our initial planning work for 2020/21 and none were therefore included in our audit plan for 2020/21.

Since issuing that audit plan, matters have been reported in the public domain regarding strained relationships within the West of England.

As previously reported to the Audit Committee we designated the governance arrangements impacting these relationships as a risk of significant VFM weakness. We determined a plan of appropriate work relating to this particular risk and shared the Terms of Reference with the Audit Committee in April 2022.

We issued a draft report on this work to management on 20 June 2022 and are in the process of agreeing this.

Our work on the other areas prescribed by the Code has been completed and is a separate agenda item for the September 2022 Audit Committee meeting (reference: Audit Committee Briefing on 2020-21 Financial Sustainability, Governance, 3 Es and financial reporting VFM work).

We will include our findings in these areas, along with our detailed findings on the Governance element of the Code, in our Auditor's Annual Report for 2020/21 which we will be in a position to issue once our governance review has been finalised.

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# Progress at 26 August 2022

## 2021/22 Audit

### Financial Statements Audit

We have been provided with the draft financial statements for the year ended 31 March 2022 and will attend the informal Audit Committee briefing on 7 September 2022 when these will be discussed.

Our audit is scheduled to commence on 26 September 2022 and we will report our findings to the Audit Committee on 10 November 2022.

We will aim to complete our work by 30 November 2022.

### Value for Money

We will commence our Value for Money (VFM) risk assessment for 2021/22 once the VFM work for 2020/21 has been completed and reported.

We will provide an update to the Audit Committee once this risk assessment has been completed.

# Audit Deliverables

## 2020/21 Deliverables

	Planned Date	Status
<p><b>Auditor's Annual Report</b></p> <p>This Report communicates the key issues arising from our Value for Money (VFM) work.</p>	TBC	Work in progress – see page 4
<p><b>Certificate</b></p> <p>The certificate confirms that the audit has been completed.</p>	TBC	To be issued on completion of VFM work

## 2021/22 Deliverables

<p><b>Audit Plan</b></p> <p>We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Combined Authority's 2021/22 financial statements and the Auditor's Annual Report on the Combined Authority's Value for Money arrangements.</p>	April 2022	Presented to April 2022 Audit Committee See page 5 re VFM
<p><b>Audit Findings Report</b></p> <p>The Audit Findings Report will be reported to the Combined Authority's Audit Committee on completion of our work.</p>	November 2022	Not yet due
<p><b>Auditors Report</b></p> <p>This includes the opinion on your financial statements.</p>	November 2022	Not yet due
<p><b>Auditor's Annual Report</b></p> <p>This Report communicates the key issues arising from our Value for Money work.</p>	TBC	See pages 4 and 5

# Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:



Public Sector



Local  
government

# Response to local audit consultation – Department for Levelling Up, Housing and Communities (“DLUHC”)

The Department for Levelling Up, Housing and Communities (“DLUHC”) has published its response to the local audit consultation. This follows the “Redmond Review”, which reported in September 2020.

The response confirms plans to establish a new regulator, the Audit Reporting and Governance Authority (ARGA), as the system leader for local audit within a new, simplified local audit framework.

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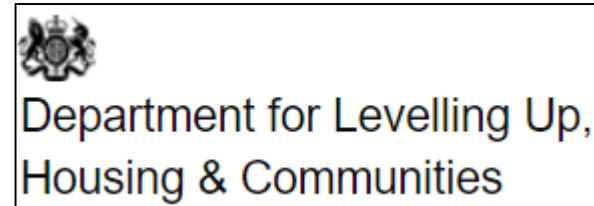
Ahead of ARGA’s establishment, a shadow system leader arrangement will start at the Financial Reporting Council (FRC) from September 2022.

The consultation response also announces:

- Plans to make audit committees compulsory for all councils, with each audit committee required to include at least one independent member. This will create greater transparency and consistency across local bodies.
- ARGA will take over statutory responsibility for preparing and issuing the Code of Audit Practice (from the National Audit Office).
- A post-implementation review of the new Value for Money arrangements. The Code is a key part of the local audit system, and it is important to ensure that it helps to facilitate effective local audit. To allow time for the new arrangements to bed in the response proposes this is completed within three years.

The full response can be found here:

[Government response to local audit framework: technical consultation - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/government-response-to-local-audit-framework-technical-consultation)





# The Value of Internal Audit – CIPFA

One of the key elements of good governance is an independent and objective internal audit service. Some organisations engage fully and reap significant benefits from the assurance, insight and expertise they bring whilst others pay lip-service to them and see their work as an administrative burden.

CIPFA's recent report, [Internal Audit: Untapped Potential](#), lifts the lid on internal audit in public services. For some chief financial officers and chief executives, this report confirms the value and contribution of internal audit teams with 87% of respondents recognising the contribution internal audit makes to their organisation. However, some leadership teams saw internal audit as providing a basic service at minimal cost.

Getting the most out of the function requires honest conversations and long-term planning. Maintaining appropriate skills and knowledge within the function is necessary to ensure high quality internal audit in public services are retained.

## Culture and governance

The Audit Committee should monitor the delivery of internal audit and their output will be a key part of the annual work-plan. However, internal audit is not a substitute for risk management and should enhance the overall assurances received by management. Executives and Officers should engage with internal audit recommendations to ensure the organisation gains maximum value from reviews.

## Capacity

Reducing internal audit days can lead to a lack of 'corporate grip' and not identifying issues at an early stage. This report raises concerns over the capacity of internal audit across the public sector. The profession needs to be valued and invested in to make it more attractive to new blood and for bodies to be able to attract the best candidates to their service.

## Expectations

To maximise the impact of internal audit, a clear and aligned strategic audit plan and annual audit plan should be in place. This should be agreed with all stakeholders.

## Future plans

Internal audit needs to adapt to the changing landscape, including risks such as climate change, digital and technological developments, cyber-security and ongoing financial and service pressures within their planning processes. For financial resilience and medium- and long-term financial strategies internal audit can provide vital independent assurance to decision makers to allow them to take on more risk and be more ambitious. Leadership teams need to be clear on what assurances they will require going forward.

For more information, [Rob Whiteman](#) share his views on this report.



# Audit and Risk Assurance Committee effectiveness tool – NAO

The National Audit Office (NAO) has published this tool which supports Audit Committees in assessing their effectiveness.

The NAO comment “Audit and Risk Assurance Committees (ARACs) play a crucial role in supporting the effective governance of central government departments, their agencies and arm’s-length bodies.

ARACs are operating in a highly challenging context. Government organisations are managing many short- and long-term risks and are required to be resilient to a number of pressures. This has created an environment where ARACs need to be dynamic and responsive to the changing risk profiles and demands of their organisations. ARACs can see this as an opportunity to work out how they can most proactively work with the Board and accounting officer.

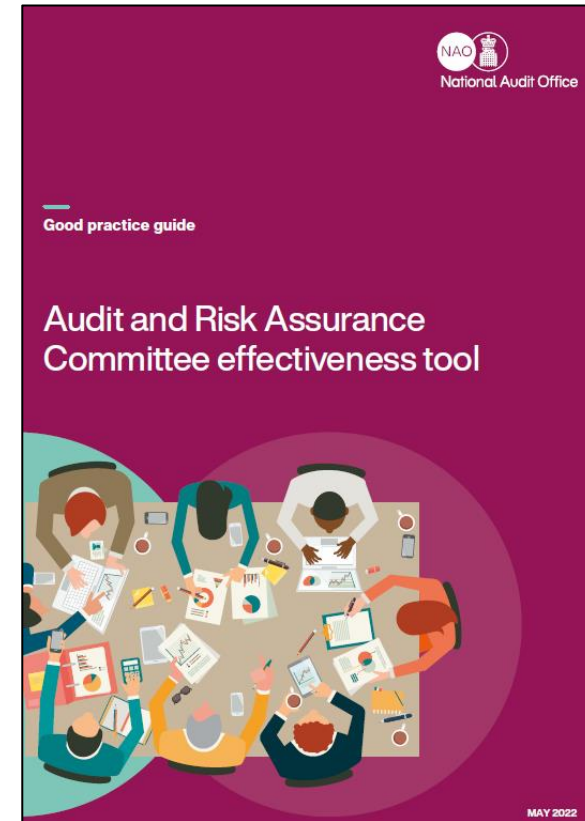
Against this background, the NAO’s effectiveness tool provides a way for ARACs to assess their effectiveness against more than just the basic requirements. It provides aspects of good practice to give ARACs greater confidence and the opportunity to meet the requirements of their role.

The NAO’s effectiveness tool is a comprehensive way for ARACs to assess their effectiveness on a regular basis.”

The tool covers:

- Membership, independence, objectivity and understanding
- Skills and experience
- Roles and responsibilities
- Scope
- Communication and reporting

Although the tool is designed for central government Audit Committees it is also relevant to local government.



The guide can be found here:

[Audit and Risk Assurance Committee effectiveness tool - National Audit Office \(NAO\) Report](#)



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**ITEM: 12**

**REPORT TO: AUDIT COMMITTEE**

**DATE: 15 SEPTEMBER 2022**

**REPORT TITLE: CIPFA's UPDATED POSITION STATEMENT: AUDIT COMMITTEES IN LOCAL AUTHORITIES 2022**

**DIRECTOR: RICHARD ENNIS, INTERIM DIRECTOR OF INVESTMENT AND CORPORATE SERVICES**

**AUTHOR: SELONGE RUSSELL, HEAD OF FINANCE**

## **Purpose of Report**

- 1 The purpose of this report is to present the Chartered Institute of Public Finance & Accountancy (CIPFA) Position Statement: Audit Committees in Local Authorities and Police 2022 to the Audit Committee for review and comment.

## **Recommendation**

To review and comment on the new Position Statement and consider if any actions are required as a result of the updates.

## **Background / Issues for Consideration**

- 2 CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022 ('the Position Statement') sets out CIPFA's view of the role and functions of an audit committee. It replaces the previous 2018 Position Statement and includes all principal local authorities in the UK.
  - 2.1 The statement represents CIPFA's view on the audit committee practice and principles that local government bodies in the UK should adopt and has been prepared in consultation with sector representatives. CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements. This will enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.
  - 2.2 The 2022 Position Statement sets out the purpose, model, core functions and membership of an audit committee. Key details for each of these areas are set out under each heading below.

## 2.3 Purpose

The Statement defines the purpose of Audit Committees as follows:

Audit committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance, risk and control gives greater confidence to all those charged with governance that those arrangements are effective.

The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

### **Independent and effective model**

2.4 The audit committee should be established so that it is independent of executive decision making and able to provide objective oversight. It should be an advisory committee that has sufficient importance in the authority so that its recommendations and opinions carry weight and have influence with the leadership team and those charged with governance.

2.5 The Statement notes that audit committees should include co-opted independent members in accordance with the appropriate legislation. Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise.

### **Core functions**

2.6 The Position Statement notes that the core functions of an audit committee are to provide oversight of a range of core governance and accountability arrangements, responses to the recommendations of assurance providers and helping to ensure robust arrangements are maintained. Specific responsibilities identified include:

- Maintenance of governance, risk and control arrangements.
- Financial and governance reporting
- Establishing appropriate and effective arrangements for audit and assurance

### **Membership**

2.7 The Statement sets out guidance regarding the membership of an audit committee. The members need to be of high calibre in order to provide the level of expertise and understanding required of the committee, and to have an appropriate level of influence within the authority. When selecting elected representatives to be on the committee or when co-opting independent members, aptitude should be considered alongside relevant knowledge, skills and experience.

### **Engagement and outputs**

2.8 The audit committee should be established and supported to enable it to address the full range of responsibilities within its terms of reference and to generate planned outputs. To discharge its responsibilities effectively, the committee should:

- Meet regularly, at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public.
- Be able to meet privately and separately with the external auditor and with the head of internal audit.
- Include, as regular attendees, the chief finance officer(s), the chief executive, the head of internal audit and the appointed external auditor; other attendees may include the monitoring officer and the head of resources (where such a post exists). These officers should also be able to access the committee members, or the chair, as required.
- Have the right to call on any other officers or agencies of the authority as required.
- Support transparency, reporting regularly on its work to those charged with governance.
- Report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.

2.9 The Updated CIPFA Position Statement is attached as **Appendix 1**.

### **Consultation**

3 None arising from the contents of this report.

### **Other Options Considered**

4 None arising from the contents of this report.

### **Risk Management/Assessment**

5 The Combined Authority must ensure that it has an appropriate governance framework, including an effective audit committee, in place to comply with legislative requirements and good practice. Failure to do this could have potentially significant consequences for the Authority in relation to external assessments, public confidence and risk of legal challenge.

The Audit Committee is an important source of assurance on the arrangements for managing risk, maintaining an effective control environment, and reporting on financial and other performance.

A review of current best practice will help the Committee to fulfil its responsibilities and ensure the relevant Terms of Reference remains appropriate.

## Public Sector Equality Duties

- 6 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.
- 6.1 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.
- 6.2 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.
- 6.3 The authority's core financial documents are made available in different formats and / or languages, as required, in order to improve ease of access.

## Finance Implications, including economic impact assessment where appropriate:

- 7 There are no direct financial implications arising from this report.

*Advice given by: Richard Ennis, Interim Director of Investment and Corporate Services*

## Legal Implications:

- 8 The Accounts and Audit (England) Regulations 2015 state that the authorities must ensure that it has a sound system of internal control that:
- i) facilitates the effective exercise of its functions and the achievement of its aims and objectives.
  - ii) ensures that the financial and operational management of the authority is effective; and
  - iii) includes effective arrangements for the management of risk.

The Audit Committee has been designated as the committee charged with ensuring the on-going effectiveness of the Combined Authorities overall governance arrangements.

*Advice given by: Stephen Gerrard, Interim Director of Legal Services*



## Climate Change Implications

- 9 On 19 July 2019, the West of England Combined 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 Combined Authority is committed to taking climate change considerations fully into account as an integral part of its governance and decision-making process.

Each report/proposal submitted for Combined Authority / Joint Committee approval is assessed in terms of the following:

Will the proposal impact positively or negatively on:

- \* The emission of climate changing gases?
- \* The region's resilience to the effects of climate change?
- \* Consumption of non-renewable resources?
- \* Pollution to land, water or air?

Particular projects will also be subject to more detailed environmental assessment/consideration as necessary as part of their detailed project-specific management arrangements

- 9.1 There are no direct climate change implications from the proposed external audit work to be undertaken in 2019/20.

## Appendices:

Appendix 1: The Chartered Institute of Public Finance & Accountancy (CIPFA) Position Statement: Audit Committees in Local Authorities and Police 2022.

## 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 Tim Milgate on 0117 332 1486; or by writing to West of England Combined Authority, 3 Rivergate, Temple Way, Bristol BS1 6ER; email: [democratic.service@westofengland-ca.gov.uk](mailto:democratic.service@westofengland-ca.gov.uk)

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## CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022

### Scope

This position statement includes all principal local authorities in the UK, corporate joint committees in Wales, the audit committees for PCCs and chief constables in England and Wales, PCCFRAs and the audit committees of fire and rescue authorities in England and Wales.

The statement sets out the purpose, model, core functions and membership of the audit committee. Where specific legislation exists (the Local Government & Elections (Wales) Act 2021 and the Cities and Local Government Devolution Act 2016), it should supplement the requirements of that legislation.

### Status of the position statement

The statement represents CIPFA's view on the audit committee practice and principles that local government bodies in the UK should adopt. It has been prepared in consultation with sector representatives.

CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements. This will enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.

The 2022 edition of the position statement replaces the 2018 edition.

**The Department for Levelling Up, Housing and Communities and the Home Office support this guidance.**

## CIPFA's Position Statement 2022: Audit committees in local authorities and police

### Purpose of the audit committee

Audit committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.

In a local authority the full council is the body charged with governance. The audit committee may be delegated some governance responsibilities but will be accountable to full council. In policing, the police and crime commissioner (PCC) and chief constable are both corporations sole, and thus are the individuals charged with governance.

The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

### Independent and effective model

The audit committee should be established so that it is independent of executive decision making and able to provide objective oversight. It is an advisory committee that has sufficient importance in the authority so that its recommendations and opinions carry weight and have influence with the leadership team and those charged with governance.

The committee should:

- be directly accountable to the authority's governing body or the PCC and chief constable
- in local authorities, be independent of both the executive and the scrutiny functions
- in police bodies, be independent of the executive or operational responsibilities of the PCC or chief constable
- have rights of access to and constructive engagement with other committees/functions, for example scrutiny and service committees, corporate risk management boards and other strategic groups
- have rights to request reports and seek assurances from relevant officers
- be of an appropriate size to operate as a cadre of experienced, trained committee members. Large committees should be avoided.

The audit committees of the PCC and chief constable should follow the requirements set out in the Home Office Financial Management Code of Practice and be made up of co-opted independent members.

The audit committees of local authorities should include co-opted independent members in accordance with the appropriate legislation.

Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise.

## Core functions

The core functions of the audit committee are to provide oversight of a range of core governance and accountability arrangements, responses to the recommendations of assurance providers and helping to ensure robust arrangements are maintained.

The specific responsibilities include:

### Maintenance of governance, risk and control arrangements

- Support a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good governance.
- Consider the effectiveness of the authority's risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.
- Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority's exposure to the risks of fraud and corruption.

### Financial and governance reporting

- Be satisfied that the authority's accountability statements, including the annual governance statement, properly reflect the risk environment, and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.
- Support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them.

### Establishing appropriate and effective arrangements for audit and assurance

- Consider the arrangements in place to secure adequate assurance across the body's full range of operations and collaborations with other entities.
- In relation to the authority's internal audit functions:
  - oversee its independence, objectivity, performance and conformance to professional standards
  - support effective arrangements for internal audit
  - promote the effective use of internal audit within the assurance framework.

- Consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit.
- Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.
- Support effective relationships between all providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review and accountability.

### Audit committee membership

To provide the level of expertise and understanding required of the committee, and to have an appropriate level of influence within the authority, the members of the committee will need to be of high calibre. When selecting elected representatives to be on the committee or when co-opting independent members, aptitude should be considered alongside relevant knowledge, skills and experience.

Characteristics of audit committee membership:

- A membership that is trained to fulfil their role so that members are objective, have an inquiring and independent approach, and are knowledgeable.
- A membership that promotes good governance principles, identifying ways that better governance arrangement can help achieve the organisation's objectives.
- A strong, independently minded chair, displaying a depth of knowledge, skills, and interest. There are many personal skills needed to be an effective chair, but key to these are:
  - promoting apolitical open discussion
  - managing meetings to cover all business and encouraging a candid approach from all participants
  - maintaining the focus of the committee on matters of greatest priority.
- Willingness to operate in an apolitical manner.
- Unbiased attitudes – treating auditors, the executive and management fairly.
- The ability to challenge the executive and senior managers when required.
- Knowledge, expertise and interest in the work of the committee.

While expertise in the areas within the remit of the committee is very helpful, the attitude of committee members and willingness to have appropriate training are of equal importance.

The appointment of co-opted independent members on the committee should consider the overall knowledge and expertise of the existing members.

## Engagement and outputs

The audit committee should be established and supported to enable it to address the full range of responsibilities within its terms of reference and to generate planned outputs.

To discharge its responsibilities effectively, the committee should:

- meet regularly, at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public
- be able to meet privately and separately with the external auditor and with the head of internal audit
- include, as regular attendees, the chief finance officer(s), the chief executive, the head of internal audit and the appointed external auditor; other attendees may include the monitoring officer and the head of resources (where such a post exists). These officers should also be able to access the committee members, or the chair, as required
- have the right to call on any other officers or agencies of the authority as required; police audit committees should recognise the independence of the chief constable in relation to operational policing matters
- support transparency, reporting regularly on its work to those charged with governance
- report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.

## Impact

As a non-executive body, the influence of the audit committee depends not only on the effective performance of its role, but also on its engagement with the leadership team and those charged with governance.

The committee should evaluate its impact and identify areas for improvement.

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**ITEM: 13**

**REPORT TO: AUDIT COMMITTEE**

**DATE: 15 SEPTEMBER 2022**

**REPORT TITLE: DRAFT STATUTORY ACCOUNTS 2021/22**

**DIRECTOR: RICHARD ENNIS, INTERIM DIRECTOR OF INVESTMENT & CORPORATE SERVICES (s73 OFFICER)**

**AUTHOR: SELONGE RUSSELL, HEAD OF FINANCE  
STEVE FINNEGAN, FINANCIAL ACCOUNTANT**

## **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 Draft Statement of Accounts for 2021-22 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 2022;
  - 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 2021/22.

## **Recommendations**

**That the committee:**

- (a) **Review and comment the West of England Combined Authority Annual Draft Statement of Accounts for 2021-22 (as detailed in Appendix 1).**

## **Background / Issues for Consideration**

3. The Accounts and Audit Regulations (England) 2015 require the Annual Draft 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 July 2022 for the 2021/22 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/2022/07/Draft-West-of-England-Combined-Authority-Statement-of-Accounts-2021-22.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. 2021/22 has been the third year that the WECA Finance team have fully led on, and 'owned', the Statement of Accounts process having terminated the contract previously held with Price Waterhouse Coopers (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 2022.
7. Grant Thornton will begin their external audit of the WECA Accounts on 26<sup>th</sup> September 2022
8. The full set of WECA Accounts for the 2021/22 financial year are contained within Appendix 1 of this report.

## **Consultation**

9. The draft accounts for 2021-22 were published on the West of England Combined Authority website by the required deadline of 31 July 2022 and made available for public inspection as required under the Accounts and Audit Regulations (England) 2015.

## **Risk Management/Assessment**

10. 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.
11. 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**

12. 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.
13. 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.
14. 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.
15. There are no direct implications arising from this report.

**Finance Implications, including economic impact assessment where appropriate:**

16. The Statement of Accounts reflect the financial accounting position of the Combined Authority as at 31 March 2022 (as required by legislation). Management Accounting reports are published throughout the year evidencing progress and spend against the authority's set budget.

**Legal Implications:**

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

**Appendices:**

Appendix 1 – WECA Draft Statement of Accounts for 2021/22

**Background papers:**

WECA Draft Statement of Accounts 2021-22:

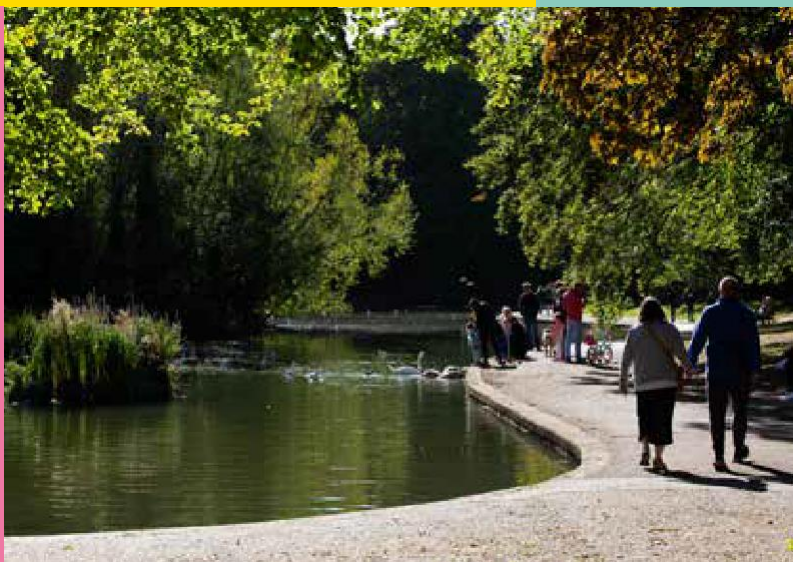
<https://www.westofengland-ca.gov.uk/wp-content/uploads/2022/07/Draft-West-of-England-Combined-Authority-Statement-of-Accounts-2021-22.pdf>

**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](mailto:democratic.services@westofengland-ca.gov.uk)

# DRAFT STATEMENT OF ACCOUNTS

For the year ended  
31st March 2022



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# Narrative Report

## Overview

The West of England is a dynamic and successful place. The people, communities, and organisations that call this region home are proud of our achievements and are ambitious for our future.

The West of England Combined Authority is led by the Metro Mayor and brings together the Leaders of the three councils that are Combined Authority members, Bristol, Bath & North East Somerset, and South Gloucestershire. The Authority works with other public service, industry partners and communities to deliver for the region. The Authority also works closely with North Somerset Council.

The Combined Authority was established in 2017 and Dan Norris came into office in May 2021. As Metro Mayor, he is leading the delivery of significant reform for the region. Since the 2021 election, over £700m in new investment has been secured for the West of England and new plans are in place to improve transport provision, take action to tackle the climate and ecological emergency, and to support people and communities to recover from the impacts of covid. The Authority is increasingly focusing its efforts on addressing and ameliorating the impact that inflation, higher interest rates, and the current and future economic and international issues are having on the cost of living for our residents and the costs to business.

2021/22 has been a year of change in the West of England. There has been a decisive shift towards delivery, ensuring investment is seen and felt by the people who live, work and visit the region. There is more change to come as the delivery of significant transport investment picks up pace and as we expand the skills, training and business support services we deliver to ensure a skilled workforce and businesses are retained and attracted to the West of England.

The significant increase in funding coming into the region is a real success – the challenge now is to make sure investment hits the ground as quickly as possible. To speed up delivery, we will increase the frequency of programme reviews, constructively challenge delays, and ensure oversight for delivery is transparent and public. Where delivery can and should move faster, the Combined Authority will focus on helping achieve this working with the Unitary Authorities and our partners.

Underpinning everything the Combined Authority does is an ever-increasing focus on taking action to tackle the climate and ecological emergencies. In the past year, the regional Climate and Ecological Strategy and Action Plan has been fully refreshed and its ambition extended. The Combined Authority has established a £50m Green Recovery Fund, and investment from that fund is already having impact. More action is being taken to help people make their homes energy efficient; community groups are being supported to develop habitats that will help grow the number of pollinators in our region; and we are investing to ensure our transport networks become increasingly green. Tackling climate change will continue to underpin every decision we make.

In 2021/22, the Combined Authority has taken action to make a real difference to the lives of people across the West of England. Though significant economic and inflationary challenges will remain our largest challenge, the focus on delivery will be unrelenting, putting the West of England on the map for regional, national and global success.

This narrative report provides information about the Combined Authority and action that has been taken in the past year. It complements the financial position set out in the report.

## Our Priorities

Over the past year, the Combined Authority has refocused its priorities, ensuring the work of the organisation is focused on strengthening delivery and maximising investment (and making each pound of investment work as hard as possible). Our priorities and progress against each of them in the past year is set out below.

Priority	2021/22 progress
<p><b>Create West of England Sustainable Transport</b> - delivering the transport improvements the region needs - changing how people travel within the region with more journeys by bus, train, cycling and walking. Making journeys affordable, reliable, enjoyable, and safe</p>	<ul style="list-style-type: none"> <li>• Secured a £540m City Region Sustainable Transport Settlement (the highest level of funding, per head, awarded across the country) and agreed regional delivery plans, which will create 100 miles of transport corridors (including bus lanes and cycle lanes)</li> <li>• Secured a £106m Bus Service Improvement Plan settlement – the second highest in the country - and began work on a bus service review, which will help buses run more reliably, improve the frequency on well-used routes, and develop demand responsive transport to meet the needs of more rural communities.</li> <li>• Launched the West of England’s first ever ‘tap on, tap off’ bus payment system – paving the way for future reform.</li> <li>• Put plans in place for 6 new rail stations to open over the next five years- Portishead, Pill, Henbury, North Filton, Ashley Down and Charfield</li> <li>• Opened a new Park &amp; Ride site at Yate; with 236 car parking spaces</li> <li>• Opened new cycling and walking routes, including at Chew Valley Lake</li> </ul>
<p><b>Tackle the climate and ecological emergency</b> - investing and taking tough decisions to tackle the climate and ecological emergency so we breathe cleaner air</p>	<ul style="list-style-type: none"> <li>• Established a £50m Green Recovery Fund and made the first investments, including to help increase support for people to make their homes energy efficient.</li> <li>• Supporting over 100 businesses through the Green Business Grant to reduce their carbon footprint and costs, and delivered over 400 free carbon surveys to businesses. All leading to 1,358 tCO2e saved in a year.</li> <li>• Delivering key Green Infrastructure programmes to improve the quality of the natural environment within the region including Chew Valley Lake and Common Connections</li> <li>• Launched the Bee Bold Business Awards to celebrate existing good practice amongst regional businesses in supporting pollinator spaces and encouraging action amongst others.</li> <li>• Taken forward a transport decarbonisation study to begin to scope out options for significantly reducing emissions from transport – ensuring our transport decisions draw on the most up to date evidence</li> <li>• Providing a £52m green homes retrofit programme for low-income households through the South-West Net Zero Energy Hub.</li> </ul>



<p><b>Secure decent jobs and training</b> - bringing secure and fairly-paid jobs to the region including 23,000 green jobs</p>	<ul style="list-style-type: none"> <li>• Secured £3.3m new funding for short training courses that will help people enter or progress in work. Courses will focus on improving residents job prospects in areas where jobs are growing, such as the retrofit and digital skills sectors.</li> <li>• Invested over £15m of Adult Education Fund budget, ensuring people across the region have access to good quality training.</li> <li>• Delivered over £9m of grant funding through our Covid Recovery Strategy and Creative Scale-Up programmes, including supporting over 120 creative businesses and freelancers to receive tailored training, peer to peer support and mentoring to help them grow.</li> <li>• Supported growth in local jobs and safeguarded existing ones by helping businesses to find the right support to help them grow (through our West of England Growth Hub). We've also brought new employers to the region. Since April 2021, 70 businesses have been helped to land in the West of England with the potential to create 2,750 new jobs and safeguard a further 900.</li> <li>• Supported more people to progress in work through the continued success of our Future Bright programme – with close to 2,000 new referrals to the programme and supporting many of these people with one to one with support to progress in work. In addition, 252 businesses are now being supported with developing the skills of their workforce through the Workforce for the Future programme.</li> <li>• Given children from all background access to information and experience of engineering careers – ensuring young people know about the range of opportunities open to them. More than 4,200 children from 60 schools in the West of England have used the DETI Inspire services.</li> </ul>
	<ul style="list-style-type: none"> <li>•</li> </ul>
<p><b>Increase the availability of affordable places to call home</b> - working to increase the availability of homes that people can afford in communities they are proud to call home</p>	<ul style="list-style-type: none"> <li>• Delivered on the funding gap that was holding back progress in the Temple Quarter development. £95m in new funding has been secured, which will help support the building of affordable homes.</li> <li>• Launched our Place Making Charter, providing a framework to ensure future development in the region is clean, inclusive and responsive to the challenges of climate change.</li> </ul>
<p><b>Put the West of England on the map for national and global success</b> - Supporting people and places across all parts of the region to build on our reputation as a region of innovation and creativity</p>	<ul style="list-style-type: none"> <li>• Delivered a Cultural Plan for the region, which will help tackle labour shortages, support recovery of the region's hospitality, tourism and creative sectors, and raise our profile on the national and international stage.</li> <li>• Strengthening digital infrastructure in the region, ensuring more people have access to high-speed services.</li> <li>• Delivered funding to support the continued expansion of our film and TV industry, including the expansion of Bristol's Bottle Yard studios.</li> <li>• Delivered over £460,000 in grants to organisations developing</li> </ul>

	<p>creative and innovative products, processes and services.</p> <ul style="list-style-type: none"><li>• Attracted further businesses to the region as our world-renowned creative cluster continues to grow, supported by the Combined Authority inward investment team, Invest Bristol &amp; Bath.</li><li>• We're developing our world class Digital Engineering, Technology and Innovation capacity – upskilling both the current and future workforce and inspiring the next generation of engineers.</li></ul>
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## Our Ambition

In 2021/22 and the years to come, the Combined Authority will continue to focus on the priorities set out above. Through the action we take, we are focused on delivering tangible improvements for people across the region. The outcomes we are focused on delivering are set out below.

The projects and programmes described in this business plan are expected to deliver significant benefits to the region when they are completed.

We have made an estimate of the impact of these projects. This includes projects across all of the Combined Authority's funding streams, for delivery up to 2025-26. These measures identify the key strategic themes of delivery, but do not capture the full value of these projects, which will provide a range of other specific benefits.

By 2025-26, the Combined Authority will deliver the following against our priorities:

### 2. Tackle the climate & ecological emergency

- Enabling residents to take public transport and increasing rates of walking and cycling
- supporting the development of sustainable housing and employment space
- helping people across the region to gain green skills and jobs

We are bringing forward programmes to meet our ambition. Subject to approval, initial actions will deliver:

- Support the retrofit of at least 1,700 homes, and stimulate private investment to go further
- Over 22ha of improved pollinator habitats

### 4. Affordable places to call home

- We will enable the development of homes across the region, including 8 current projects directly enabling over 4,200 homes
- Delivery of flood defences to protect and enable 19,400 jobs and £3.8bn of GVA
- Delivery of over 375ha of improved natural green spaces

### 1. Create West of England sustainable transport

- 500,000 new bus journeys per year, and significant improvements locally
- 1,300,000 new rail journeys per year
- Six new railway stations opened
- Delivery of 100 miles of sustainable transport corridors across the region (including Chipping Sodbury, Somer Valley, Hengrove, Bristol and Bath)

### 3. Secure decent jobs & training

- Over 13,400 new jobs
- Over 45,000 learners gaining new qualifications or skills
- 1,870 people supported to gain increased earnings, and many more moving into work
- Supporting upskilling by enabling at least 470 small businesses to access skills and training support

### 5. Put the West of England on the map for national & global success

- 90 new products or services brought to market through CA support
- 110 new research and development projects carried out
- Engage 1,000 small businesses in innovation and provide intensive support to 470, including registering intellectual property rights
- Approximately 7,000 business receiving enterprise support
- 195 businesses supported to bring inward investment to the region, and hundreds of new businesses started
- Bringing increased Government investment to the region – supporting residents and our economy to thrive

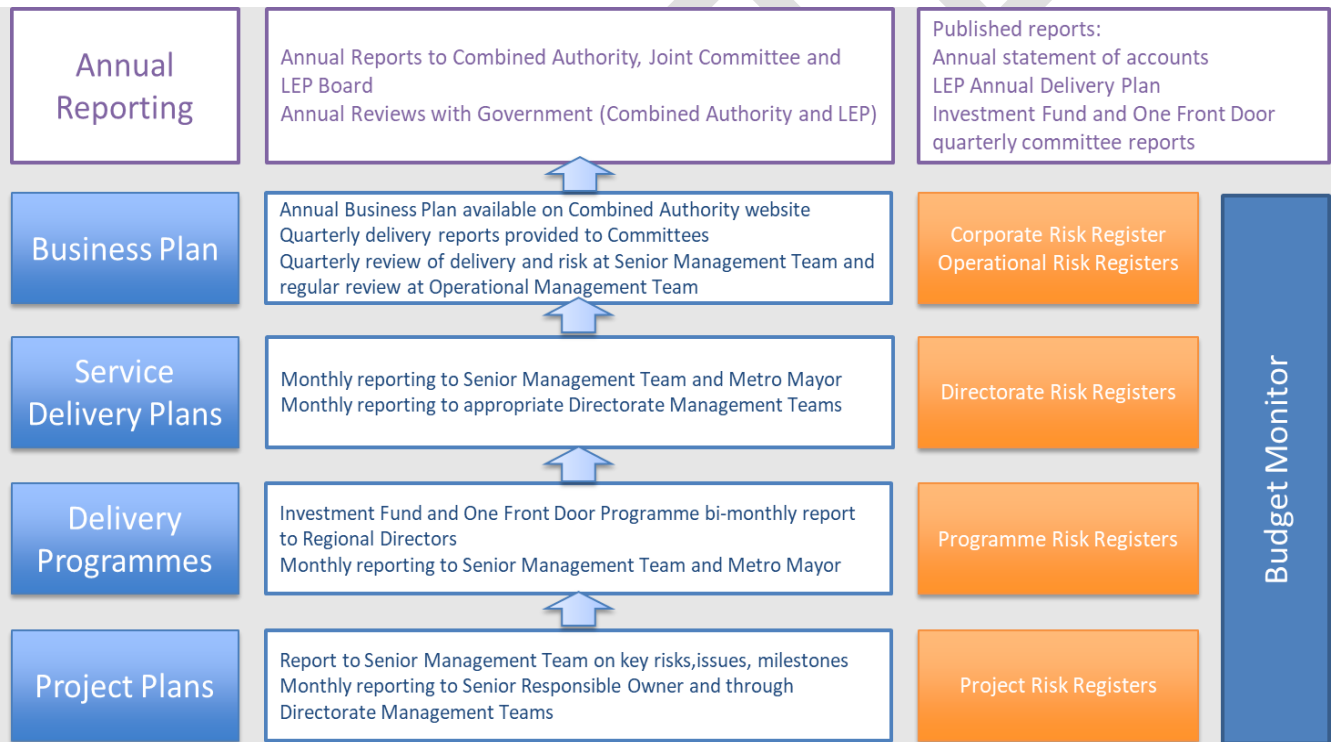
## Our Operating Environment

Like all organisations, the Combined Authority is currently dealing with the impact of growing inflation and the continued impact of Covid. We are taking action to ensure our investment plans are robust and mitigate for risks. We are continuing to develop the organisation, ensuring it remains in a strong position to deliver. 2021/22 has seen significant progress in putting the Combined Authority on a clear delivery footing. In 2022/23, we will continue to build on this while also focusing on strengthening the range of devolved powers in place in the West of England.

The Combined Authority remains squarely focused on strengthening the region, its economy, and improving opportunities for people across the region both now and in the future.

## Performance

The Combined Authority’s overall approach to monitoring and evaluation of activities across the region and the Local Enterprise is set out below. This covers both performance reporting and risk management.



All combined authorities are currently subject to five-yearly gateway reviews as part of the national gateway process to assess the delivery and outcomes achieved through investment fund type arrangements. This process provides an independent evaluation for Government of the impact of these funds based upon an agreed methodology nationally. The West of England Combined Authority gateway review was carried out during 2020. This focused on a number of key themes including progress with delivery and spend, together with the extent to which these funds have enabled enhanced partnership working and the building of delivery capacity, measured through interviews with around 30 key stakeholders. The review also included two very positive case studies, one around the innovative approach through the repayable Land Acquisition Fund to unlock housing delivery, and the other around the development of a long-term strategic rail programme and developing the capacity, with partners, to deliver it.

Following a challenge session with representatives from relevant Government departments, in July 2021 it was confirmed that the Combined Authority had successfully passed the first of these scheduled reviews, unlocking the next five-year tranche of Investment Funds. As already set out in the devolution deal document, this amounts to funding of £150 million from Government over the next five years, starting in 2021-22. As part of the process the Combined Authority produced a [Complementary Report](#) to provide context for the review

The next gateway review will focus on the impact of completed interventions and we anticipate that information about the preparation for this will be issued during 2022 as part of a 'mid-term non-scored review' ahead of the next formal review in 2025.

## Financial Performance

The following paragraphs provide a brief overview of the financial position in terms of the West of England Combined Authority'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, it 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

The Mayoral Fund's outturn revenue position for the 2021/22 financial year is as detailed in the table below.

<b>Mayoral Fund April to March 2022</b>			
	<b>2021/22 Budget £'000s</b>	<b>2021/22 Outturn £'000s</b>	<b>Variance £'000s</b>
<b>EXPENDITURE</b>			
Staff	211	180	31
Premises Services	13	13	0
Support Services	10	10	0
Supplies & Services	15	30	(15)
	<b>249</b>	<b>233</b>	<b>16</b>
<b>Mayoral Election Costs</b>	396	1074	(678)
<b>Payment to Reserve</b>	0	0	0
<b>Contribution to Highway Grants</b>			
Integrated Highway	5,183	5,224	(41)
Highway Maintenance Grants	10,254	7,071	3,183
Highway Incentive Grants	2,135	1,768	367
	<b>17,572</b>	<b>14,063</b>	<b>3,509</b>
<b>Total Expenditure</b>	<b>18,217</b>	<b>15,370</b>	<b>2,847</b>
<b>INCOME</b>			
Business Rates Retention Pilot	17,572	14,063	3,509
Transfer from Reserve	0	947	(947)
Funding Contribution from CA	645	360	285
<b>Total Income</b>	<b>18,217</b>	<b>15,370</b>	<b>2,847</b>
<b>NET TOTAL – Under/(Over) Spent</b>	<b>0</b>	<b>0</b>	<b>0</b>

- Capital Highways maintenance funding from Department of Transport reduced by 20% from March 2021.
- Election costs - contributions totalling £1.2m over last three years made to earmarked reserves from revenue and drawn down to cover the election costs in 2021-22.

## The West of England Combined Authority Fund Revenue Budget

A net outturn of £87k (2020/21: £1,127m) surplus was achieved in 2021/22 which is mainly due to higher income received from investing cash balances.

In-year spend on Government funded projects is £11.3m higher than originally budgeted with the main variations being various new approved projects which have been added since the budget was approved in January 2021 and increase in the Adult Education Budget (AEB).

Following January 2022 committee, the total transport levy was reduced by £280k to £21.175m, which consisted of £252k reduced concessionary fares and £28k reduced supported bus services capacity; in relation to North Somerset Council's contribution to the regional operational transport budget. Transport operations during 2021-22 were affected through reduced patronage and amended provider routes due to the Covid pandemic. Government grants for supporting bus operations have been received within the year although such grants are uncertain in terms of their future value and duration. The 2021/22 outturn was a net £1,347k underspend, (difference between levy income, grants received and spend).

The West of England Combined Authority Committee, in January 2022, approved transferring the underspend in 21/22 to earmarked reserves to invest in further support to regional bus services to protect routes, particularly in rural areas and other communities not well served by public transport, during 2022/23. Accordingly, the underspend of £1,347k has been transferred to earmarked reserves.

A summary of the West of England Combined Authority outturn position is detailed in the following table:

<b>West of England Combined Authority Fund April to March 2021/22</b>			
	<b>Budget £'000s</b>	<b>Outturn £'000s</b>	<b>Variance £'000s</b>
<b>EXPENDITURE</b>			
Staff	8,098	8,990	(892)
Supplies & Services	6,830	6,625	205
Third Party Payments	43,824	57,241	(13,417)
Overhead	(464)	(686)	222
Recharge Income	(1,727)	(1,796)	69
Transfer to Reserve	151	2,579	(2,428)
<b>Total Expenditure</b>	<b>56,712</b>	<b>72,953</b>	<b>(16,241)</b>
<b>INCOME</b>			
Transport Levy	21,455	21,175	280
Business Rates Retention Pilot	1,200	118	1,082
Government Grants	18,720	30,017	(11,297)
Investment Fund Grant	14,307	17,275	(2,968)
Other Income and Contributions	0	643	(643)
Interest on Balances	1,030	2,428	(1,398)
Transfer from Reserves	0	1,384	(1,384)
<b>Total Income</b>	<b>56,712</b>	<b>73,040</b>	<b>(16,328)</b>
<b>NET TOTAL – Surplus</b>	<b>0</b>	<b>87</b>	<b>(87)</b>



## Financial Reserves

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

The level of business rates growth has slowed down in the region, even prior to the COVID-19 situation. The Combined Authority's share of the business rates retention pilot is 5%, budgeted at £1.2m for 2021/22 which was predicted during the year not to be achieved as reported previously to the Committee. The Combined Authority's business rates retention share is dependent on the actual business rate submissions from the individual constituent authorities, which have been further complicated over the last 18 months due to various Covid-related government grants received as compensation for business rate income losses. The final out-turn figure is to be confirmed upon completion of NNDR3 returns by the constituent authorities.

The Combined Authority General Reserve, as at 31 March 2022, is expected to be £2m which is 3.6% of the 2021/22 revenue budget. The future revenue position remains volatile whilst core operating costs are funded through temporary sources such as Mayoral Capacity Fund and Business Rates Retention pilot share.

Although there is no explicit guidance on the appropriate level of unearmarked financial reserves that an authority should retain, general practice suggests that these should be in the region of 5% of the annual net revenue budget. The Combined Authority's revenue budget for 2021/22, as approved by Committee on 29 January 2021, was £56.7m against which 5% would represent £2.8m. As such, our current reserve holding is low, and we will continue to review opportunities for further contributions in line with the Reserves Policy which was approved by the Committee on 28 January 2022. More details on the Authority's reserves can be found in Disclosure Notes 24 and 25.

## Capital

In January 2022, the Committee approved a £450m investment programme to March 2026 spanning the Investment Fund and Transforming Cities Fund. This sits within the framework of the Capital Strategy, updated in January 2022, which covers the parameters, priorities, uses and constraints of Combined Authority funding.

The funding available through the Investment Fund and Transforming Cities Fund over the period to 2025/26 includes a level of structured over programming.

A high-level summary of the approved programme, as at April 2022, is detailed in the following table:

	Funding Awards and Allocations £'000s
	Apr-22
<b>Transport Infrastructure</b>	
Approved Awards and Allocations	120,468
Associated 'tail' required to deliver all projects up to March 2026	44,316
<b>Total Investment in Transport Infrastructure</b>	<b>164,784</b>
<b>Housing, High Streets and Green Infrastructure</b>	
Approved Awards and Allocations	81,259
Associated 'tail' required to deliver all projects up to March 2026	869
<b>Total Investment in Housing Infrastructure</b>	<b>82,127</b>
<b>Business and Skills</b>	
Approved Awards and Allocations	122,005
Associated 'tail' required to deliver all projects up to March 2026	20,568
<b>Total Investment in Business and Skills Infrastructure</b>	<b>142,573</b>
<b>Leverage Match Fund / Other</b>	
Funding put aside to respond to external funding opportunities	9,061
Approved CA set up, operating costs and elections up to 2026	9,768
Headroom	41,686
<b>Total Investment Programme up to March 2026</b>	<b>450,000</b>

The Investment Fund programme will need to be kept under review to respond to new priorities, challenges, and opportunities.

The Investment Fund proportion of the West of England Combined Authority Investment Programme is flexible in terms of being 50% revenue and 50% capital. This allows schemes to progress through feasibility studies and early business case development prior to the need for capitalisation.

In terms of capital spend, the 2021/22 outturn position is expenditure of £57.4m against a revised budget of £81.3m as detailed in the table below:

<b>West of England Combined Authority and Mayoral Capital Programme 2021/22</b>			
	<b>Revised Budget £'000</b>	<b>Outturn £'000</b>	<b>Variance £'000</b>
<b>West of England Combined Authority Capital</b>			
Business Case Development	878	246	632
Cribbs Patchway Metrobus Extension	7,317	6,336	981
CPNN Cycle Links (post FBC/ Delivery)	774	543	231
On Bus Contactless Payment	32	29	3
Great Stoke Roundabout Improvements	30	11	19
Wraxall Road	3,638	3,567	71
Centre for Digital Engineering Technology	18	-10	28
Whitfield Tabernacle Kingswood	602	439	163
Thornbury Hospital	3,771	3,617	154
Keynsham Town Centre	425	196	229
South Bristol Industrial Light Workspace	148	0	148
Metrowest phase 1	5,860	0	5,860
Metrowest phase 2	5,584	1,660	3,924
Yate A432 Park & Ride	3,904	3,443	461
Low Carbon Challenge Fund Extension	80	63	17
Bottle Yard Studios	7,633	6,181	1,452
Bath Quays Bridge Cycle/Pedestrian Links	170	0	170
Bath University Walking & Cycle Routes	80	0	80
Old City and King Street	344	0	344
St George Liveable Neighbourhood	100	0	100
Strategic Cycle Route Connecting Thornbury	125	45	80
Strategic Cycle Route Connecting Yate	125	41	84
Chew Valley Lake Recreational Trail	1,132	0	1,132
Bath City Centre High Streets Project	172	0	172
North Keynsham Land Acquisition Fund	467	0	467
Concorde Way / Dovercourt Depot	50	0	50
Grovesend Road - Gillingstool	20	0	20
Filton to MoD	20	0	20
Keynsham Road	15	0	15
Bristol Temple Meads Station Eastern Entrance	7,242	5,338	1,904
	<b>50,756</b>	<b>31,745</b>	<b>19,011</b>

<b>West of England Combined Authority and Mayoral Capital Programme 2021/22</b>			
	<b>Revised Budget £'000</b>	<b>Outturn £'000</b>	<b>Variance £'000</b>
<b>West of England Combined Authority Capital - Other</b>			
FTZ DfT funding to the capital programme	8,340	1,946	6,385
DfT Active Travel Fund to the capital programme	1,099	2,632	-1,533
	<b>9,439</b>	<b>4,577</b>	<b>4,862</b>
<b>Mayoral Capital</b>			
Highways and Transport Grants	14,063	14,063	0
Pothole Action Fund Grant	7,071	7,071	0
	<b>21,134</b>	<b>21,134</b>	<b>0</b>
<b>Grand Total</b>	<b>81,329</b>	<b>57,457</b>	<b>23,872</b>

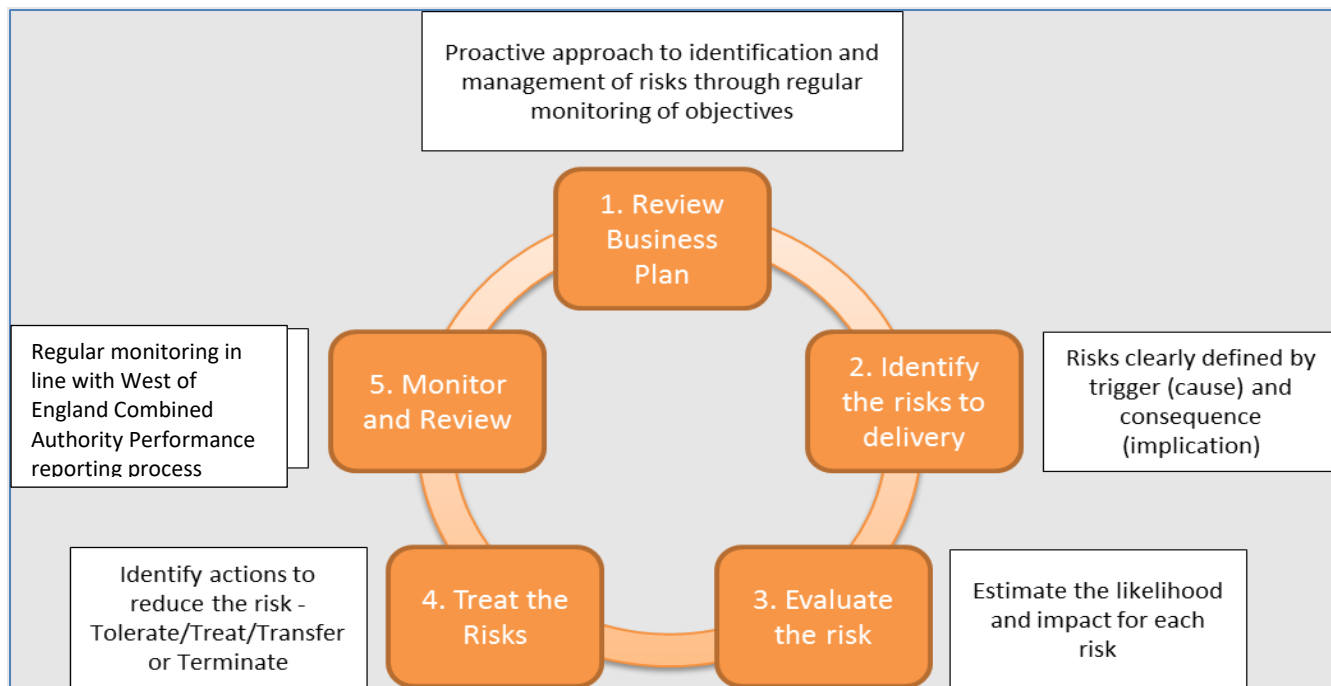
The reduced capital spend primarily reflects the re-phasing of activities in relation to the various schemes which are taking place slightly later than originally planned. The main variances at the end of March were contained within the metrobus Phase 1 and 2 capital schemes.

## Risks and Opportunities

The West of England Combined Authority is committed to deliver our strategic objectives 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 the Combined Authority's reporting process. It is reviewed each year by the Audit Committee.

Risk management is a cyclic process as illustrated below. Activities to identify and manage risks require regular monitoring of progress against the objectives in the business plan, the key risks to delivery, emerging risks, and the impact of mitigating actions.



The Combined Authority has strengthened this process during 2021, working with the Operational Management Team (Heads of Service and SMT members) to review the cross-cutting risks to delivery and to draw on collective expertise and understanding to help identify mitigations.

The Combined Authority 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 the West of England Combined Authority who maintain an independent view on the strength of our financial governance and delivery of value for money.

## Medium Term Financial Outlook

The West of England Combined Authority published a Medium-Term Financial Forecast, in January 2022, as part of the 2022/23 Revenue Budget setting. At that time, the anticipated spend of revenue budgets has been profiled across financial years up to 2025/26 and is shown below. Overall grants and committee approvals amount to **£277m** for the period, with **£64.9m** relating to 2022/23 as detailed in the following table:

	2021/22 £000s	2022/23 £000s	2023/24 £000s	2024/25 £000s	2025/26 £000s	Total £000s
Core Revenue Funding	3,588	4,012	3,552	3,560	3,270	17,982
Specific Grant Funding	17,748	18,565	17,569	17,569	17,569	89,020
Investment Fund (managed by West of England CA)	17,771	16,235	6,986	222	0	41,214
Transport Levy (and NSC Recharge)	21,176	21,427	21,855	22,293	22,739	109,490
<b>West of England CA Managed Revenue Budgets</b>	<b>60,283</b>	<b>60,239</b>	<b>49,962</b>	<b>43,644</b>	<b>43,578</b>	<b>257,706</b>
Investment Fund (UA and third parties)	12,678	4,673	1,824	84	48	19,307
<b>Total West of England CA Revenue Budget</b>	<b>72,961</b>	<b>64,912</b>	<b>51,786</b>	<b>43,728</b>	<b>43,626</b>	<b>277,013</b>

Volatility of core revenue funding for the Combined Authority remains an issue, with annual income from the Business Rates Retention pilot, (£1.2m), and Mayoral Capacity Fund, (£1m), remaining uncertain beyond the 2022/23 financial year. This will be considered as part of the Medium Term Financial Strategy.

## Statement of Accounts 2021/22

The Statement of Accounts which follows sets out the Combined Authority's income and expenditure for the year and its financial position as at 31 March 2022. 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 2021/22 (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 the Combined Authority. 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 West of England Metro Mayor, supported by an experienced Senior Management Team of officers. The Combined Authority has an 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 34; a formal statement that covers all significant corporate systems, processes and controls, spanning the entire range of its activities. It is approved by the Audit and Accounts Committee and signed by the Combined Authority's Chief Executive and the Metro Mayor.

## Auditors

Grant Thornton UK LLP are the auditors of the West of England Combined Authority for 2021/22. Their appointment was made under the Local Audit and Accountability Act 2014 through Public Sector Audit Appointments.

On behalf of the Combined Authority

**Richard Ennis**  
**Interim Director of Investment & Corporate Services**

**Date: 28<sup>th</sup> July 2022**

# STATEMENT OF RESPONSIBILITIES

## - The Authority's Responsibilities

The Authority is required to:

- 1.** 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) Richard Ennis (from 7<sup>th</sup> March 2021) in the role of Interim Director of Investment and Corporate Services and previously through Malcolm Coe.
- 2.** Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- 3.** Approve the Statement of Accounts.

## - 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.

## - 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 2022.

**Richard Ennis**  
**Interim Director of Investment and Corporate Services and Chief Finance Officer**

**Date: 28<sup>th</sup> July 2022**

## - Approval of the financial statements

I certify that this Statement of Accounts for the period ended 31 March 2022 was approved by a resolution of The Combined Authority Audit Committee at its meeting on.

**Chair, West of England Combined Authority Audit Committee**

**Date:**



# Annual Governance Statement 2021/22

## 1. Scope of Responsibility – Context for Statement

- 1.1 The West of England Combined Authority 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, the West of England Combined Authority 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 The West of England Combined Authority 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 The West of England Combined Authority 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
  - have 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 the West of England Combined Authority 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.

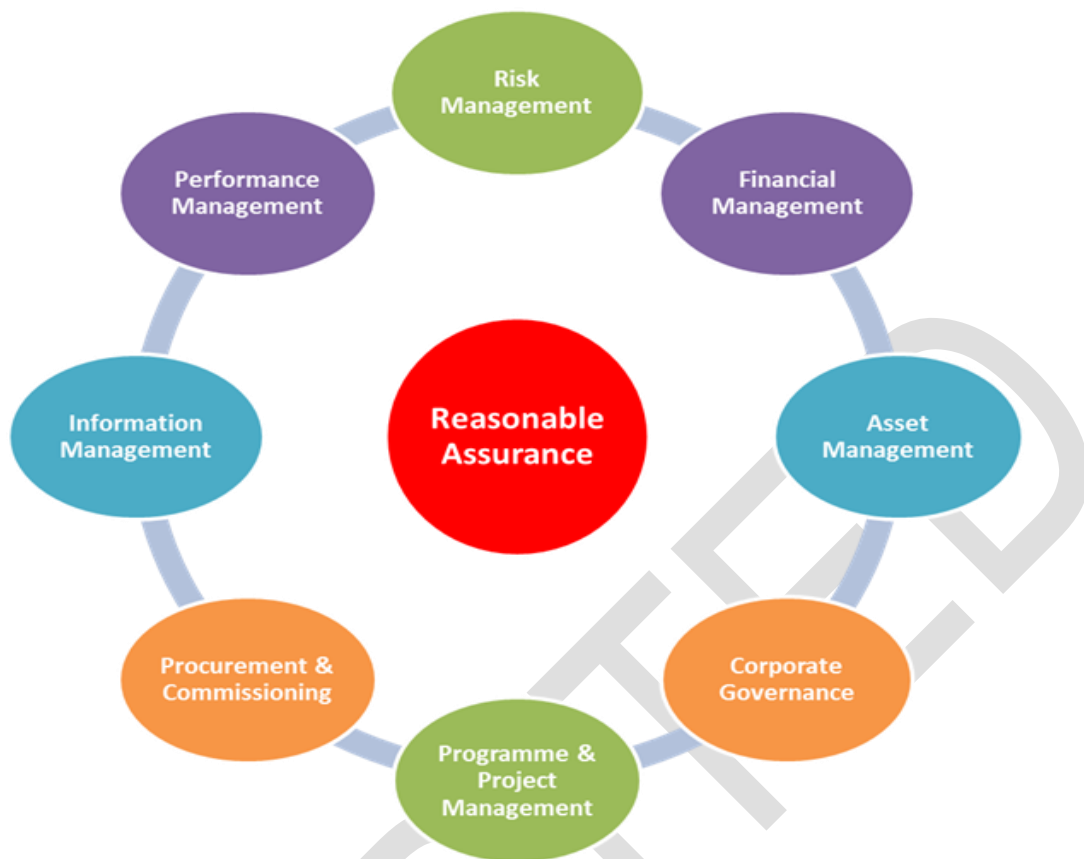
## 2. Governance Framework – Background & Overview for 2021/22

2.1 In preparing the Annual Governance Statement the West of England Combined Authority has:

- a) Reviewed the Authority's existing governance arrangements against the revised CIPFA / SOLACE framework - 2016 Edition good practice guidance;
- b) Assessed the effectiveness of the West of England Combined Authority's Local Code of Corporate Governance;
- c) Taken into consideration the findings of external inspection agencies, CIPFA guidance notes and the auditor's formal opinion on the internal control framework.

2.2 During the last year the governance framework continued to be tested by the ongoing COVID-19 pandemic and the Combined Authority continued to work with its constituent authorities to support the West of England community. Through 2020/21 the Combined Authority quickly adapted to remote and virtual working, and this continued into 2021/22 with a slow but steady increase in the number of physical meetings. There were therefore no significant changes required to the processes underpinning key decision making, policy development and the Corporate Governance of the Combined Authority.

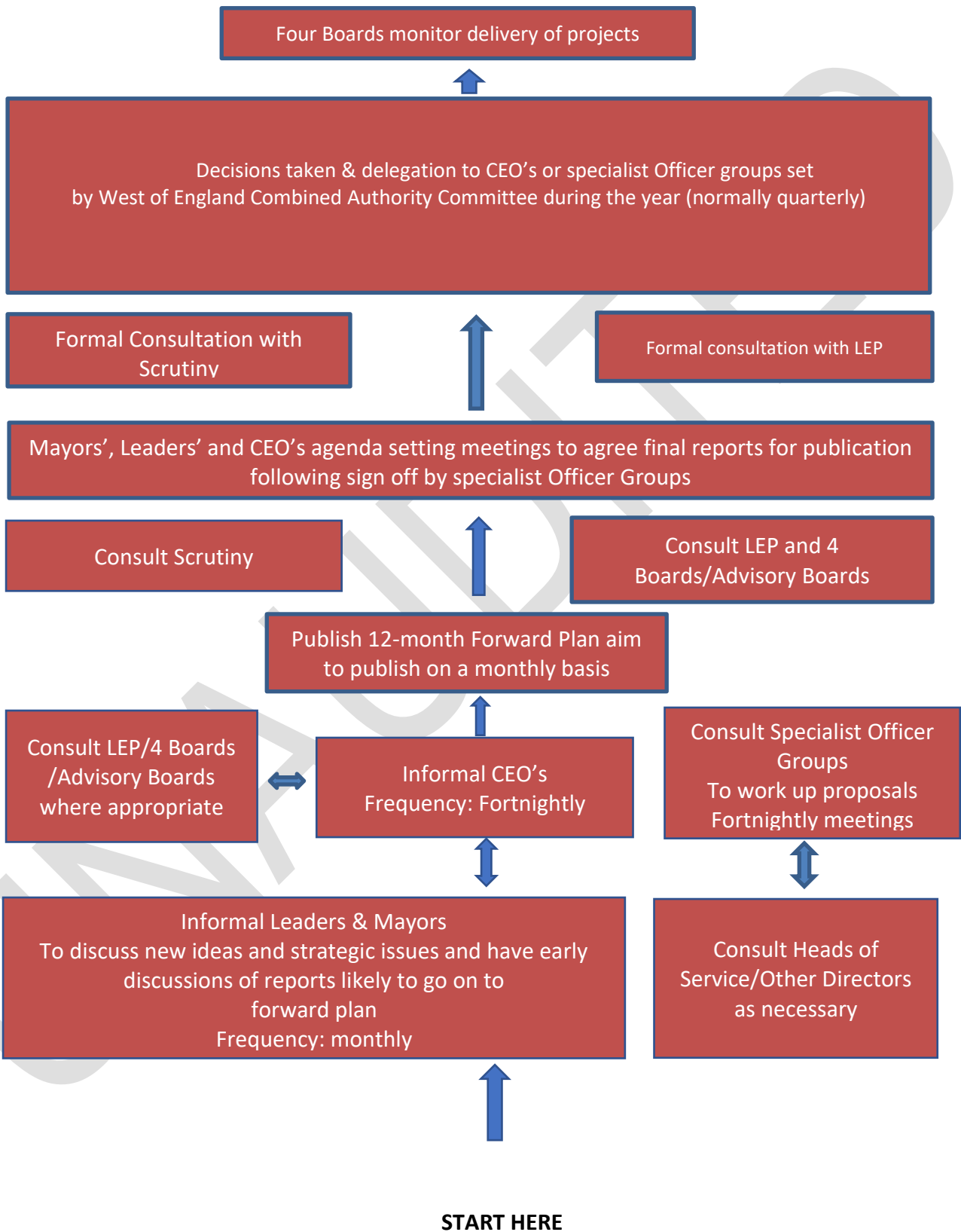
- 2.3 Elections were held during May 2021 for a Metro Mayor for the West of England, with Dan Norris duly elected to represent the West of England Combined Authority for the next four years. The process for elections was overseen by the Monitoring Officer acting as Returning Officer for the election.
- 2.4 The West of England Combined Authority'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 contributes to effective working relationships.
- 2.5 As part of a review of priorities and management of the West of England Combined Authority following the election of the Metro Mayor, the existing Director of Legal Services (Monitoring Officer), Director of Investment and Corporate Services (Section 73 Officer) and Director of Infrastructure left at different points of the year.
- Interim appointments have been made as follows –
  - Director of Legal Services – Stephen Gerrard – January 2022
  - Director of Investment and Corporate Services – Richard Ennis – March 2022
  - Director of Infrastructure – Alistair Kirk – April 2022
- 2.6 There are two main decision-making committees being the West of England Combined Authority 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.
- 2.7 As part of the previous year's annual governance statement, it was noted that relationships were strained between the Authority and its constituent bodies and this did lead to some meeting changes and cancellations. During 2021/22 the External Auditors commenced their review of value for money arrangements and further consideration of governance arrangements is being carried out, although no outcome to this review has been published as at the date of writing this statement.
- 2.8 In relation to core business meetings during 2021/22 the Joint Committee met again on the 17<sup>th</sup> December 2021 and 28<sup>th</sup> January 2022, the Combined Authority Committee met again on the 3<sup>rd</sup> December 2021, 17<sup>th</sup> December 2021 and 28<sup>th</sup> January 2022 whilst the Joint Combined Authority and Joint Committee met as one on the 25<sup>th</sup> June 2021 and 21<sup>st</sup> September 2021.
- 2.9 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.
- 2.10 Alongside the preparation of this statement, we also rely on independent assurance provided by Internal Audit in reviewing the effectiveness of our governance arrangements. They do this through assessing the level of assurance provided against the eight themes of their 'Reasonable Assurance Framework' as detailed. This forms part of the core work of Internal Audit and is reported on through the West of England Combined Authority Audit Committee.



The four boards are as follows: Business Board and Skills Board; Planning & Housing Board and Transport Board.

Advisory boards are as follows: Climate Panel; Skills Panel and Business Advisory Board

Figure 1: West of England Combined Authority Structure and Arrangements



### 3. West of England Combined Authority assessment against the 7 'good practice' Governance Framework Principles

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

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

The West of England Combined Authority 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 the West of England Combined Authority 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, and a Counter Fraud Strategy bringing together the Authority's Anti-Fraud and Corruption Policy, Anti-Bribery Policy and Money Laundering Policy under one umbrella. The West of England Combined Authority maintains 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.

The West of England Combined Authority'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 a decision must be cleared by the S73 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 West of England Combined Authority contracts must comply with the Authority's Contract Standing Orders and guidance from specialist procurement officers and legal advice is available in order to comply with legal requirements e.g. EU/UK Procurement regulations.

- **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.

The West of England Combined Authority's website contains information about services and provides key links such as 'Committee Meetings and Decisions'.

The West of England Combined Authority also complies 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.

The West of England Combined Authority has also developed an effective and efficient system for managing Freedom of Information (Fol) and data protection requests and has an excellent record in terms of providing responses within required timescales.

- **Defining outcomes in terms of sustainable, economic, social and environmental benefits**

The West of England Combined Authority 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, the West of England Combined Authority published a strongly evidence-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 developed. Business Plans translate longer term strategy into specific targets, measures and actions for the forthcoming financial year. Performance metrics are detailed within the 2020 the West of England Combined Authority Business Plan which detail the anticipated outcomes that will be achieved through the West of England Combined Authority investment by March 2023.

- **Determining the interventions necessary to optimize the achievement of the intended outcomes**

The West of England Combined Authority 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 is published in December each year which details the different funding streams available to the region explicitly detailing the purpose and uses of the West of England Combined Authority funding. This is then regularly reviewed and updated through the West of England Combined Authority Committee.

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

The West of England Combined Authority's Director of Infrastructure holds regular meetings with his counterparts within the neighbouring unitary councils to determine the priority interventions required for transportation and enabling housing - working jointly to develop a coherent regional investment programme. A similar process is facilitated through the West of England Combined Authority's Director of Business and Skills ensuring that investment is prioritised to deliver the core strands of the region's Local Industrial Strategy.

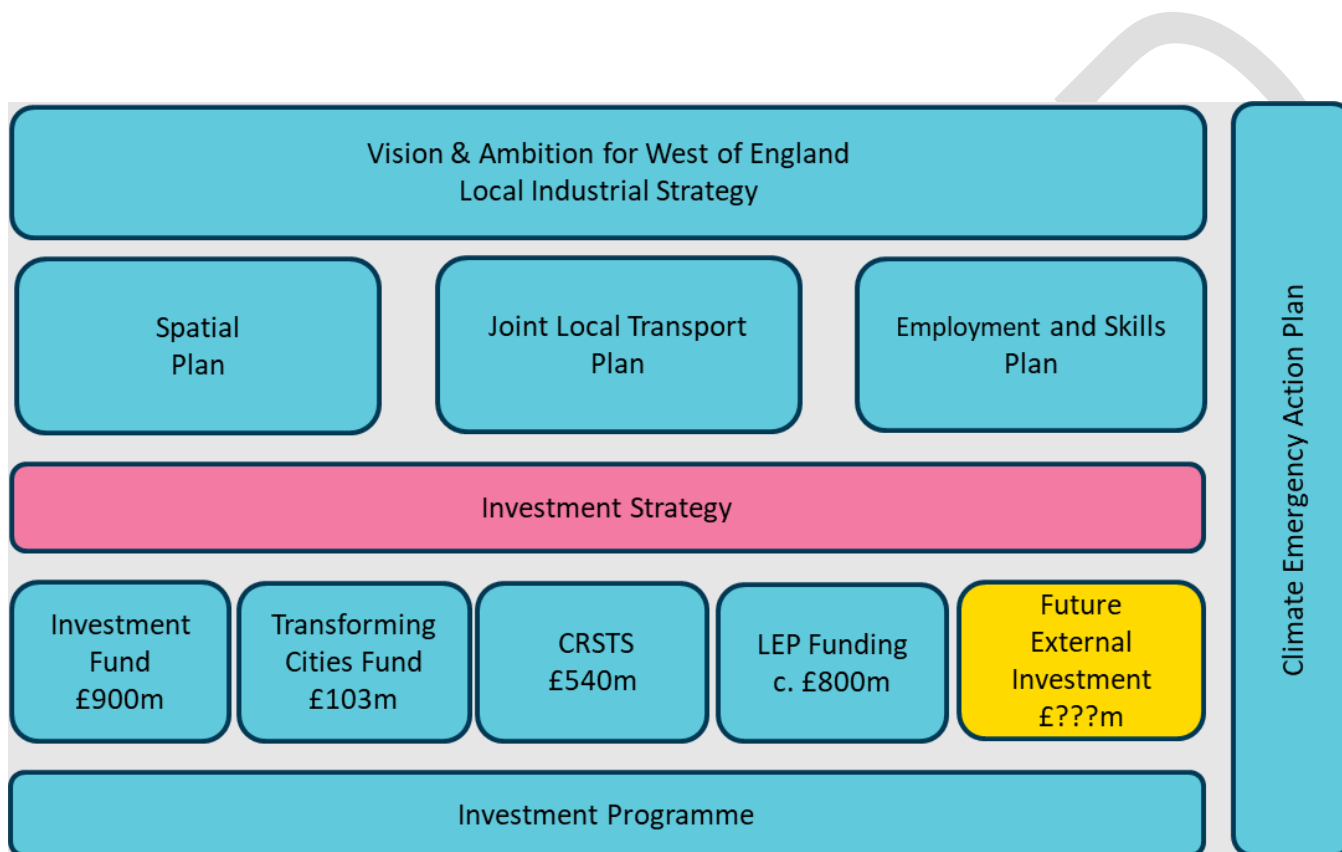
Additionally, the Chief Executives meet on a regular basis to discuss strategic matters and current major cross-authority issues. This is chaired by the West of England Combined Authority's Chief Executive Officer with the other constituent council Chief Executive Officers in attendance Bath & North East Somerset, Bristol and South

Gloucestershire) and is also attended by the Chief Executive Officer for North Somerset Council.

There is also a separate (Local Growth) Assurance Framework in which the West of England Combined Authority operates and updates are provided each year to the Audit Committee.

Figure 2 details how the West of England Combined Authority investment is aligned to the delivery of regional strategies and priorities. This graphic is detailed within the Capital Investment Strategy.

**Figure 2: Linkage between The West of England Combined Authority Strategic Direction and Funding decisions.**



The West of England Combined Authority'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.

- **Developing the entity's capacity, including the capability of its leadership and the individuals within it**

The West of England Combined Authority 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. During 2021/22 the senior management structure has been under review and changes have occurred as detailed earlier in the statement.

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.

The West of England Combined Authority 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 and this is repeated on an annual basis.

In terms of financial capacity, the West of England Combined Authority 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 Council), in April 2019 and reliance on contractor support for developing the authority's Statement of Accounts has been reduced with the West of England Combined Authority firmly leading the process from 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).

The West of England Combined Authority updated its medium-term plan and budget on 28<sup>th</sup> January 2021. 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 the West of England Combined Authority General Fund Reserve throughout previous years, with non-earmarked reserves increased.

The West of England Combined Authority 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 M10 Combined Authority (national) network, and the Monitoring Officer chairs the Urban Transport Group Legal arm.

- **Managing risks and performance through robust internal control and strong public financial management**

The West of England Combined Authority 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.

The West of England Combined Authority 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 The West of England Combined Authority's Business Plan and transparent published criteria in relation to outcomes being delivered through approved investments.

The Combined Authority Local Growth Assurance Framework was revised and approved by The West of England Combined Authority Committee in January 2020 and this was updated in April 2022. This embeds a 'single pot' approach to governing all core LEP and the West of England Combined Authority funding streams including the:

- a) Investment Fund;
- b) Transforming Cities Fund;
- c) Local Growth Fund;
- d) Getting Building Fund;



- e) Revolving Infrastructure Fund;
- f) Economic Development Fund; and;
- g) Adult Education Budget

The funding for the West of England Combined Authority comes from five main sources:

- Investment funding provided by the Government as part of the Devolution Deal (revenue funding for feasibility and development of approved schemes);
- A levy on the constituent councils for the costs of operating transport functions that transferred to the Combined Authority in 2020/21;
- A 5% share of business rates growth, (above a defined baseline), under the 100% Business Rates Retention Pilot;
- Government funding for specific functions, capacity and projects including:
  - Adult Education Budget;
  - Housing Capacity Fund;
  - Mayoral Capacity Fund;
  - Future Bright;
- Treasury Management - Interest received from cash balances held

The West of England Combined Authority 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).

The West of England Combined Authority'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 the West of England Combined Authority 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.

As part of good governance, the West of England Combined Authority continues to assess itself against the CIPFA Financial Management code 2019. A key goal of the Code is to improve the financial resilience of organisations by embedding enhanced standards of financial management. The outcome of this process has been positive with 32 out of 36 areas assessed as high compliance with the remaining 4 at medium compliance. This is an ongoing process and during 2022/23 any necessary actions or updates will be monitored through the Audit Committee.

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.

- **Implementing good practices in transparency, reporting and audit, to deliver accountability**

Transparency is a key condition and driver for the delivery of the West of England Combined Authority's services. As a publicly-funded organisation, the West of England Combined Authority has a duty to its residents to be transparent about its business operations and outcomes.

Committee meetings and reports are easily accessible through the West of England Combined Authority'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 the West of England Combined Authority 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 the West of England Combined Authority committee agendas to feed in their comments in advance of the formal debate. Strong governance arrangements have remained fully effective, in a virtual and physical working environment.

The West of England Combined Authority 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. All decisions taken are published in a Decision Notice template.

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. Independent Assessment & Opinion – Internal Audit**

Internal Audit works independently of the management of the organisation and reports through to the Audit Committee via the S73 Officer.

During 2021/22 whilst work was naturally affected by the pandemic, no significant changes were necessary to planned work and the opinion of the Head of Internal Audit is that he is satisfied that the risk, governance and control environment of the Authority is adequate to ensure delivery of the West of England Combined Authority's 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.

Whilst the Plan is limited to 100 days coverage, it is 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. As at the date of certifying this opinion external audit were yet to complete their review of Value For Money (VFM) arrangements.

## 5A. Conclusion - Certification

As laid out in the statement the West of England Combined Authority's governance arrangements have been reviewed and considered in line with the CIPFA/SOLACE code of practice. To the best of our knowledge the governance arrangements as defined have been effectively operating during the year 2021/22. Significant governance issues identified through the Annual Governance Statement Review process are recorded in Section 5.

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

**SIGNED BY:**

**DAN NORRIS**

**WEST OF ENGLAND METRO MAYOR**

**PATRICIA GREER**

**CHIEF EXECUTIVE**

**DATE:**

## 5B. Conclusion – Significant Governance Issues

### SIGNIFICANT GOVERNANCE ISSUES 2021/22

Having considered all of the evidence, data and input from regulators, the following significant governance issues have been identified within the 2021/22 financial year:

	<b>Issues identified in 2021/22</b>	<b>Commentary &amp; Mitigating actions for 2021/22</b>
1	<p><b>Coronavirus/COVID-19 Impacts – Green Recovery:</b> The impacts of COVID-19 continue to be significant and unprecedented in both Health and Economic terms.</p> <p>On a regional level this has significantly impacted on the Public Sector and the Constituent Authorities of the West of England Combined Authority.</p> <p>Whilst the West of England Combined Authority is less exposed economically due to its role as a Combined Authority it still has an important role to work with its constituent Authorities to support its local communities, specifically the business sector.</p> <p>The scale and scope of various grants has been significant, and the West of England Combined Authority has been central to this support process to assist regional business and to lobby central government on behalf of its constituent Authorities.</p> <p>Work has focused on a Green Recovery and specific investment has been identified to respond to the impacts of the pandemic which will continue over the coming months.</p>	<p>The Combined Authority has refocused its priorities, ensuring the work of the organisation is focused on strengthening delivery and maximising investment (and making each pound of investment work as hard as possible). The priorities are:</p> <p><b>Create West of England Sustainable Transport</b> - delivering the transport improvements the region needs - changing how people travel within the region with more journeys by bus, train, cycling and walking. Making journeys affordable, reliable, enjoyable, and safe.</p> <p><b>Tackle the climate and ecological emergency</b> - investing and taking tough decisions to tackle the climate and ecological emergency so we breathe cleaner air.</p> <p><b>Secure decent jobs and training</b> - bringing secure and fairly-paid jobs to the region including 23,000 green jobs.</p> <p><b>Increase the availability of affordable places to call home</b> - working to increase the availability of homes that people can afford in communities they are proud to call home.</p> <p><b>Put the West of England on the map for national and global success</b> - Supporting people and places across all parts of the region to build on our reputation as a region of innovation and creativity.</p>
2	<p><b>Governance Arrangements:</b> As reported in last years governance statement, matters have been reported in the public domain regarding strained relationships within the West of England.</p> <p>Within the final Audit Findings report for 2020/21 from Grant Thornton, which were presented to the</p>	<p>The findings and agreed actions from this review have not yet been published. The statement will be updated once any recommendations have been agreed and reported in the public domain to the Audit Committee.</p>

Issues identified in 2021/22	Commentary & Mitigating actions for 2021/22
Committee on 9 <sup>th</sup> December 2021, are a risk of significant VFM weakness relating to the governance arrangements impacting these relationships.	

### Update on Previous Year – 2020/21

Issues identified in 2020/21	Update on Mitigating actions delivered through 2021/22
<p>1 Covid 19 Pandemic &amp; Economic Impacts: The impacts of COVID-19 both internationally, nationally and regionally have been unprecedented in both Health and Economic terms. The country has been under emergency legislation which has led to a wider range of measures to manage the wide-ranging impacts.</p> <p>On a regional level this has significantly impacted on the Public Sector and the Constituent Authorities of the West of England Combined Authority. Whilst the West of England Combined Authority is less exposed economically due to its role as a Combined Authority it still has an important role to work with its constituent Authorities to support its local communities, specifically the business sector.</p> <p>The scale and scope of various grants has been significant, and the West of England Combined Authority has been central to this support process to assist regional business and to lobby central government on behalf of its constituent Authorities.</p> <p>The West of England Combined Authority Committee formally considered its response to the pandemic at its June and October 2020 meetings setting out its current position and the range of actions it was taking to support its communities.</p> <p>The recovery plan should be considered as an initial approach to address the known impacts of the crisis. Whilst the pandemic has had a significant impact on the region, the situation continues to evolve and the full extent of the long-term implications are not yet clear. Work to respond to the impacts of the pandemic will continue over the coming months with further West of England Combined Authority funding allocated to recovery activity.</p>	<p>The Combined Authority has actively reviewed its key activities and work programme to reflect changing priorities as a result of the Covid-19 pandemic.</p> <p>Specific issues relating to the Covid-19 situation are that:</p> <p>(a) There will be an impact on 2022/23 revenue budgets as core activity, and investment funding, is re-prioritised and re-focused on supporting ongoing economic recovery;</p> <p>(b) There is particular concern regarding the achievability of business rates growth targets which will directly impact on a proportion of the Combined Authority's core operating revenue through the 100% business rates retention pilot;</p> <p>(c) The sustainability, and cost, of commercial bus routes will be kept under regular review as patronage numbers remain lower than anticipated as a result of the pandemic.</p> <p>Although an underspend, (against transport levy), is forecast within the 2021/22 financial year this is mainly attributable to the government's Bus Services Operator Grant, (BSOG), which will not be available for 2022/23 Activity, and corresponding budgets, will continue to be reviewed in compliance with government advice and guidance</p> <p>Officers continued to work on a regional economic recovery taskforce and specific actions around 5 key pillars –</p> <ol style="list-style-type: none"> <li>2 Rebuilding business to help new and existing businesses to survive and thrive in order to safeguard existing and create new jobs.</li> <li>3 Getting residents back to work in jobs which pay</li> </ol>

	Issues identified in 2020/21	Update on Mitigating actions delivered through 2021/22
		<p>above the living wage and offer security of employment through targeted training and brokerage to available opportunities.</p> <p>4 Strengthening inclusion to prevent further widening of inequalities and build an inclusive economy where everyone has the opportunity to achieve their potential and reducing inequality gaps.</p> <p>5 Green recovery to use the changes in behaviour brought about by the pandemic to accelerate our transition to net zero carbon.</p> <p>6 Renew places to re-think our approach to ‘place’ creating greener, healthier, more vibrant places to live and work and so continuing to attract people from across the world</p>
2	<p><b>Governance:</b> As with other combined authorities there is always the risk that political agreement may not be reached on key financial decisions. Given that relationships within the West of England are currently publicly reported to be strained and that plans are now in place to seek to address the current situation, it is not possible or necessary to quantify any financial impact of the matter.</p>	<p>This area is subject to a specific review by Grant Thornton as part of their assessment of VFM arrangements. As at the date of this statement findings had not yet been published and relate to the significant issue reported above for 2021/22.</p>

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# INDEPENDENT AUDITORS REPORT

Hold for Independent Auditors Report

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# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

## For the year ended 31 March 2022

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	2020/21 Net Expenditure £'000		Notes	Gross Expenditure £'000	Gross Income £'000	2021/22 Net Expenditure or (Income) £'000
81,331	(33,685)	47,646	Combined Authority Services	6	127,860	(48,741)	79,119
18,067	(640)	17,427	Mayoral Fund	7	15,250	(392)	14,858
99,398	(34,325)	65,073	Cost of services		143,110	(49,133)	93,977
194	(4,120)	(3,926)	Financing and investment income and expenditure	8	289	(3,498)	(3,209)
3,300	(65,849)	(62,549)	Taxation and non-specific grant income and expenditure	9	6,809	(95,786)	(88,977)
102,892	(104,294)	(1,402)	<b>(Surplus) or deficit on provision of services</b>		150,208	(148,417)	1,791
		-	Fair value movement on financial assets		-	-	-
		5,792	Remeasurement of the net defined benefit liability	27	-	-	(2,590)
		5,792	<b>Other comprehensive (income) and expenditure</b>		-	-	(2,590)
		4,390	<b>Total comprehensive (income) and expenditure</b>		-	-	(799)

# MOVEMENT IN RESERVES STATEMENT

## For the year ended 31 March 2022

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						
	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	Total reserves £'000
<b>Balance at 31 March 2020</b>	1,638	5,127	6,765	(2,690)	(28)	(128)	791	(6,566)	(8,621)	(1,856)
<b>Movements in reserves</b>										
Total comprehensive income and expenditure	1,402	-	1,402	-	-	-	-	(5,792)	(5,792)	(4,390)
Adjustments between accounting basis under regulations	9,427	-	9,427	1,693	(85)	(9,747)	132	(1,420)	(9,427)	-
<b>Increase before transfer to earmarked reserves</b>	<b>10,829</b>	<b>-</b>	<b>10,829</b>	<b>1,693</b>	<b>(85)</b>	<b>(9,747)</b>	<b>132</b>	<b>(7,212)</b>	<b>(15,219)</b>	<b>(4,390)</b>
Transfers (from)/to reserves	(10,514)	10,514	-	-	-	-	-	-	-	-
<b>Movement in reserves in the year</b>	<b>315</b>	<b>10,514</b>	<b>10,829</b>	<b>1,693</b>	<b>(85)</b>	<b>(9,747)</b>	<b>132</b>	<b>(7,212)</b>	<b>(15,291)</b>	<b>(4,390)</b>
<b>Balance at 31 March 2021</b>	<b>1,956</b>	<b>15,641</b>	<b>17,597</b>	<b>(997)</b>	<b>(113)</b>	<b>(9,875)</b>	<b>923</b>	<b>(13,778)</b>	<b>(23,840)</b>	<b>(6,243)</b>
<b>Movements in reserves</b>										
Total comprehensive income and expenditure	(1,791)	-	(1,791)	-	-	-	-	2,590	2,590	799
Adjustments between accounting basis under regulations	(3,794)	-	(3,794)	1,070	8	5,609	(356)	(2,537)	3,794	-
<b>Increase before transfer to earmarked reserves</b>	<b>(5,585)</b>	<b>-</b>	<b>(5,585)</b>	<b>1,070</b>	<b>8</b>	<b>5,609</b>	<b>(356)</b>	<b>53</b>	<b>6,384</b>	<b>799</b>
Transfers (from)/to reserves	6,002	(6,002)	-	-	-	-	-	-	-	-
<b>Movement in reserves in the year</b>	<b>417</b>	<b>(6,002)</b>	<b>(5,585)</b>	<b>1,070</b>	<b>8</b>	<b>5,609</b>	<b>(356)</b>	<b>53</b>	<b>6,384</b>	<b>799</b>
<b>Balance at 31 March 2022</b>	<b>2,373</b>	<b>9,639</b>	<b>12,012</b>	<b>73</b>	<b>(105)</b>	<b>(4,266)</b>	<b>567</b>	<b>(13,725)</b>	<b>(17,456)</b>	<b>(5,444)</b>

# BALANCE SHEET AS AT 31 MARCH 2022

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	2022 £'000	2021 £'000
Intangible assets	14	280	424
Property, plant and equipment	15	288	499
Long-term investments	16	30,209	45,434
<b>Long term assets</b>		<b>30,777</b>	<b>46,357</b>
Short-term investments	17	170,491	175,548
Trade and other debtors	18	15,962	18,177
Financial assets at fair value through other comprehensive income	29	-	-
Financial assets at fair value through income and expenditure	29	47,036	32,966
Cash and cash equivalents	19	34,430	25,726
<b>Current assets</b>		<b>267,919</b>	<b>252,417</b>
Short Term Loans	20	-	(20,005)
Trade and other creditors	21	(23,631)	(24,451)
Grant receipts in advance – revenue	10	(73,848)	(56,867)
<b>Current liabilities</b>		<b>(97,479)</b>	<b>(101,323)</b>
<b>Net current assets</b>		<b>170,440</b>	<b>151,094</b>
Grant receipts in advance – capital	10	(107,646)	(99,269)
Net pensions liability	27	(13,725)	(13,778)
Provisions	23	(2,751)	(3,067)
Agency creditor	22	(82,539)	(87,581)
<b>Non-current liabilities</b>		<b>(206,661)</b>	<b>(203,695)</b>
<b>Net assets/(liabilities)</b>		<b>(5,445)</b>	<b>(6,244)</b>
General Fund balance	24	2,372	1,956
Earmarked reserves	24	9,639	15,641
<b>Usable reserves</b>		<b>12,011</b>	<b>17,597</b>
Pooled Investment Fund Adjustment Account	25	73	(997)
Accumulated Absences Account		(105)	(113)
Collection Fund Adjustment Account	25	(4,266)	(9,875)
Capital Adjustment Account	25	567	923
Pensions reserve	25	(13,725)	(13,778)
<b>Unusable reserves</b>	25	<b>(17,456)</b>	<b>(23,840)</b>
<b>Total reserves</b>		<b>(5,445)</b>	<b>(6,243)</b>

The financial statements were approved and authorised for issue by:

Richard Ennis

**Interim Director of Investment and Corporate  
Services and Chief Finance Officer**

**Date: 28<sup>th</sup> July 2022**

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# CASH FLOW STATEMENT

**For the year ended 31 March 2022**

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.

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	Notes	2022 £'000	2021 £'000
<b>Net (Deficit)/surplus on the provision of services</b>		<b>(1,791)</b>	1,402
<b>Adjustments to net surplus or deficit on the provision of services for non-cash movements</b>			
Depreciation of property, plant and machinery	15	249	191
Amortisation of intangible assets	14	285	344
Release of impairment on investments		-	24
Change in pensions reserves	27	2,537	1,420
Decrease in trade and other debtors	18	2,215	(13,234)
Decrease in trade and other creditors	21	(820)	13,697
Decrease in provisions	23	(317)	(25)
Decrease in agency creditors	22	(5,041)	45,728
Net interest receivable	8	(3,498)	(4,120)
Interest received		2,710	2,023
<b>Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b>			
Capital grants received	10	(53,731)	(23,383)
<b>Net cash flows from operating activities</b>		<b>(57,202)</b>	24,067
<b>Investing activities</b>			
Purchase of property, plant and machinery	15	(35)	(405)
Purchase of intangible assets	14	(144)	(261)
Capital grants received for the purchase of property, plant and equipment	10	53,731	23,383
Decrease in long and short-term investments	16,17	20,000	(92,000)
Increase in financial assets at fair value through other comprehensive income	29	(13,000)	(10,000)
<b>Net cash flows from investing activities</b>		<b>(60,552)</b>	(79,283)
<b>Financing activities</b>			
Increase in capital grants receipts in advance	10	8,378	40,763
Increase in revenue grants receipts in advance	10	16,982	7,877
Decrease in short term loans	20	(20,005)	5,000
<b>Net cash flows from financing activities</b>		<b>5,355</b>	53,640
<b>Net increase or decrease in cash and cash equivalents</b>	19	<b>8,704</b>	(1,576)
<b>Cash and cash equivalents at 1 April</b>	19	<b>25,726</b>	27,302
<b>Cash and cash equivalents at 31 March</b>	19	<b>34,430</b>	25,726

# NOTES TO THE FINANCIAL STATEMENTS

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## 1. Basis of Preparation

### 1. General principles

The Statement of Accounts summarises the West of England Combined Authority's (The Combined Authority) transactions for the financial year 2021/22 and its position as at 31 March 2022. 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 2021/22 (the Code), supported by International Financial Reporting Standards (IFRS).

### 2. 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.

### 3. Going concern

The Statement of Accounts has been completed on a going concern basis as it is 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.

### 4. 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.

## 5. 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 2022/23 CIPFA Code of Practice are:

- a) Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes 4 changed standards: IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS • IAS 37 (Onerous contracts) – clarifies the intention of the standard • IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material • IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.
- b) Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).

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 IFRS 16 Leases for local government to 2024/25. 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.

## 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.

#### - 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:

- c) 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.
- d) 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.
- e) 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.
- f) 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.
- g) 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.
- h) 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.

The Combined Authority 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.

#### - 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.

**- 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.

**- 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.

**- 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:

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

#### **- 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, 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.

#### **- 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.

#### - 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:

- c) it is technically feasible to complete the project so that the asset will be available for use;
- d) management intends to complete the project;
- e) there is an ability to use the asset;
- f) it can be demonstrated how the project will deliver service potential by demonstrating the usefulness of the asset;

g) adequate technical, financial and other resources to complete the development are available; and

h) 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.

#### - 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.

#### - Impairment – Financial assets (incl. 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.

#### - 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.

#### - 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.

### 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, The Combined Authority 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 The Combined Authority 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, the assumed the Accountable Body role for the Invest in Bristol and Bath inward investment function.

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 The Combined Authority Committee that governs the business of the Mayoral and Combined Authority Funds.
- The Combined Authority 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 The Combined Authority 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, The Combined Authority 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.

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 2022, 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 2022 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 £0.861m.
- An increase of life expectancy at retirement by 1 year will increase the pension fund liability by £0.987m.
- 0.1% p.a. increase in inflation will increase the pension fund liability by £0.883m.
- 0.1% p.a. increase in pay growth will increase the pension fund liability by £0.145m.

## Investment Fund Grant Income

During 2019/20 a 4-year investment programme was developed that allocated all Investment and Transforming Cities Funding against regional strategic priorities. The programme to 2022/23 was agreed at the Combined Authority Committee in July 2019.

The Investment Fund is subject to a 5 yearly Gateway process to unlock future tranches of funding. Following an independent assessment, in 2021 we were advised that we had successfully met our first Gateway confirming the £150m of funding for the period 2021/22 - 2025/26. In January 2022, The Committee agreed an extended £450m Investment and Transforming Cities fund programme to this date. In July the Committee agreed a set of regional objectives and investment principles to help establish refreshed regional investment priorities which could draw on the investment programme and other sources.

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#### 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 The Combined Authority in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated between The Combined Authority's services.

	Net expenditure/ (income) as reported per Management Outturn	Remove transfers to and from reserves from Outturn	Adjustment to arrive at the net amount chargeable to the General Fund Balance (b i)	Net expenditure chargeable to the general fund	Adjustments between funding and accounting basis (bii)	2020/21 Net expenditure in the comprehensive income and expenditure statement
2021/22	£'000	£'000	£'000	£'000	£'000	£'000
Combined Authority	(139)	(688)	23,611	<b>22,784</b>	56,355	79,119
Mayoral fund	-	795	14,063	<b>14,858</b>	-	14,858
<b>Cost of services</b>	<b>(139)</b>	<b>107</b>	<b>37,674</b>	<b>37,642</b>	<b>56,335</b>	<b>93,977</b>
Other income chargeable to the General Fund	-	5,617	(37,674)	<b>(32,057)</b>	(60,129)	(92,186)
<b>(Surplus) or deficit on provision of services</b>	<b>(139)</b>	<b>5,724</b>	-	<b>5,585</b>	<b>3,794</b>	<b>1,791</b>
Opening General Fund balance				<b>(1,956)</b>		
Transfers to earmarked reserves				<b>(6,002)</b>		
<b>Closing General Fund balance</b>				<b>(2,373)</b>		

	Net expenditure/ (income) as reported per Management Outturn	Remove transfers to and from reserves from Outturn	Adjustment to arrive at the net amount chargeable to the General Fund Balance (b i)	Net expenditure chargeable to the general fund	Adjustments between funding and accounting basis (bii)	2019/20 Net expenditure in the comprehensive income and expenditure statement
<b>2020/21</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Combined Authority	(1,117)	(6)	24,136	<b>23,013</b>	24,633	47,646
Mayoral fund	-	(145)	17,572	<b>17,427</b>	-	17,427
<b>Cost of services</b>	<b>(1,117)</b>	<b>(151)</b>	<b>41,708</b>	<b>40,440</b>	<b>24,633</b>	<b>65,073</b>
Other income chargeable to the General Fund	-	(9,562)	(41,708)	<b>(51,270)</b>	(15,205)	(66,475)
<b>(Surplus) or deficit on provision of services</b>	<b>(1,117)</b>	<b>(9,713)</b>	-	<b>(10,830)</b>	<b>9,428</b>	<b>(1,402)</b>
Opening General Fund balance				<b>(1,638)</b>		
Transfers to earmarked reserves				<b>10,514</b>		
<b>Closing General Fund balance</b>				<b>(1,954)</b>		

## (b i) Note to the Expenditure and Funding Analysis

## Adjustments for 2021/22

	Combined Authority Services			Mayoral Fund	
	Interest Income	Transport Levy Income	Net Business Rates Retention Income	Business Rates Retention Income	Total Adjustments
Combined Authority	2,428	21,175	8	-	<b>23,611</b>
Mayoral fund	-	-	-	14,063	<b>14,063</b>
<b>Net cost of services</b>	<b>2,428</b>	<b>21,175</b>	<b>8</b>	<b>14,063</b>	<b>37,674</b>
Other income chargeable to the General Fund	(2,428)	(21,175)	(8)	(14,063)	<b>(37,674)</b>
<b>(Surplus) or deficit on provision of services</b>	-	-	-	-	-

## Adjustments for 2020/21

	Combined Authority Services			Mayoral Fund	
	Interest Income	Transport Levy Income	Net Business Rates Retention Income	Business Rates Retention Income	Total Adjustments
Combined Authority	2,404	20,961	617	-	<b>23,982</b>
Mayoral fund	-	-	-	17,572	<b>17,572</b>
<b>Net cost of services</b>	<b>2,404</b>	<b>20,961</b>	<b>617</b>	<b>17,572</b>	<b>41,554</b>
Other income chargeable to the General Fund	(2,404)	(20,961)	(617)	(17,572)	<b>(41,554)</b>
<b>(Surplus) or deficit on provision of services</b>	-	-	-	-	-

**(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 2021/22**

Adjustments for capital purposes									
	Depreciation/ loss on disposal	REFCUS	RCCO	Grants/ contributions	Collection Fund Adjustment Account	Pensions adjustments	Accumulated Absences Account	Pooled Investment Fund adjustment Account	Total adjustments
Combined Authority	535	53,731	(179)	-	-	2,248	-	-	56,335
Mayoral fund	-	14,063	(14,063)	-	-	-	-	-	-
<b>Net cost of services</b>	<b>535</b>	<b>67,794</b>	<b>(14,242)</b>	-	-	<b>2,248</b>	-	-	<b>56,335</b>
Other income chargeable to the General Fund	-	-	-	(53,731)	(5,609)	289	(8)	(1,070)	(60,129)
<b>(Surplus) or deficit on provision of services</b>	<b>535</b>	<b>67,794</b>	<b>(14,242)</b>	<b>(53,731)</b>	<b>(5,609)</b>	<b>2,537</b>	<b>(8)</b>	<b>(1,070)</b>	<b>(3,794)</b>

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.

**Adjustments for 2020/21**

Adjustments for capital purposes									
	Depreciation/ loss on disposal	REFCUS	RCCO	Grants/ contributions	Collection Fund Adjustment Account	Pensions adjustments	Accumulated Absences Account	Pooled Investment Fund adjustment Account	Total adjustments
Combined Authority	535	23,382	(666)	-	-	1,131	-	-	24,382
Mayoral fund	-	17,572	(17,572)	-	-	-	-	-	-
<b>Net cost of services</b>	<b>535</b>	<b>40,954</b>	<b>(18,238)</b>	-	-	<b>1,131</b>	-	-	<b>24,382</b>
Other income chargeable to the General Fund	-	-	-	(23,384)	9,310	142	85	(1,693)	(15,540)
<b>(Surplus) or deficit on provision of services</b>	<b>535</b>	<b>40,954</b>	<b>(18,238)</b>	<b>(23,384)</b>	<b>9,310</b>	<b>1,273</b>	<b>85</b>	<b>(1,693)</b>	<b>8,842</b>

**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.

**Pension Adjustments**

The adjustment to Combined Authority Services represents the removal of the employer contributions made by The Combined Authority 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.

The Combined Authority 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.

## 5. Expenditure and Income Analysed by Nature

The Combined Authority's expenditure and income is analysed as follows:

	2022 £'000	2021 £'000
<b>Expenditure</b>		
Employee benefits expenses including pension	14,297	8,612
Other service expenses	60,560	49,370
Depreciation, amortisation and impairment	535	535
Revenue expenditure funded from capital under statute	67,794	41,110
Business Rates Retention Tariff	6,809	3,300
<b>Total Expenditure</b>	<b>149,995</b>	<b>102,927</b>
<b>Income</b>		
Local Authority business rates growth and contributions	(20,881)	(21,348)
Levies	(21,175)	(20,961)
Government revenue grants and contributions	(47,336)	(32,945)
Capital grants and contributions	(53,731)	(23,538)
Interest and investment income	(3,498)	(4,120)
Other service income	(1,583)	(1,417)
<b>Total Income</b>	<b>(148,204)</b>	<b>(104,329)</b>
<b>(Surplus)/Deficit on provision of services</b>	<b>1,791</b>	<b>(1,402)</b>



## 6. Combined Authority's services

2021/22	Gross Expenditure £000	Grants Received £000	Other Income	£000 Net Expenditure £000
Implementation & set up costs	421	-	-	421
Combined Authority Services	4,162	-	-	4,162
Concessionary fares	13,330	-	-	13,330
Community transport	1,285	-	-	1,285
RTI costs	512	-	-	512
Futurebright	1,367	-	-	1,367
Adult Education	17,418	-	-	17,418
Supported Bus Services	8,717	-	-	8,717
Other projects	14,014	-	-	15,392
Digital Engineering Technology	2,523			2,523
5G Logistics	1,877			1,877
Culture – Creative Recovery	1,378			1,378
Mayoral capacity fund	292	-	-	292
Housing capacity fund	594	-	-	594
Mass Transit Options	1,236	-	-	1,236
Workforce for the Future	1,793	-	-	1,793
Productivity Challenge	606			606
Gainshare – Revenue Contribution	-	-	-	-
Grant Income	-	(46,748)	-	(46,748)
Other Income	-	-	(1,993)	(1,993)
<b>Amounts chargeable to the General Fund</b>	<b>71,525</b>	<b>(46,748)</b>	<b>(1,993)</b>	<b>22,784</b>
Adjustments between funding and accounting basis – Capital REFCUS (note 4)	56,335	-	-	56,335
<b>Per Comprehensive Income and Expenditure Statement</b>	<b>127,860</b>	<b>(46,748)</b>	<b>(1,993)</b>	<b>79,119</b>

2020/21	Gross Expenditure £000	Grants Received £000	Other Income £000	Net Expenditure £000
Implementation & set up costs	755	-	-	755
Combined Authority Services	3,247	-	-	3,247
Concessionary fares	14,102	-	-	14,102
Community transport	1,251	-	-	1,251
RTI costs	418	-	-	418
Futurebright	1,188	-	-	1,188
Adult Education	14,960	-	-	14,960
Supported Bus Services	9,410	-	-	9,410
Other projects	7,464	-	-	7,464
Mayoral capacity fund	197	-	-	197
Housing capacity fund	1,085	-	-	1,085
Mass Transit Options	1,093	-	-	1,093
Workforce for the Future	995	-	-	995
Productivity Challenge	532	-	-	532
Gainshare – Revenue Contribution	-	(162)	-	(162)
Grant Income	-	(31,957)	-	(31,957)
Other Income	-	-	(1,565)	(1,565)
<b>Amounts chargeable to the General Fund</b>	<b>56,697</b>	<b>(32,119)</b>	<b>(1,565)</b>	<b>23,013</b>
Adjustments between funding and accounting basis – Capital REFUS (note 4)	24,633	-	-	24,633
<b>Per Comprehensive Income and Expenditure Statement</b>	<b>81,330</b>	<b>(32,119)</b>	<b>(1,565)</b>	<b>47,646</b>

## 7. Mayoral Funds

	2022 £'000	2021 £'000
<b>Expenditure</b>		
Mayoral office running costs	649	195
Joint Spatial Plan Scheme Development	-	-
Transport Feasibility Studies	-	-
Election preparation costs	538	300
Revenue expenditure funded from capital under statute:		
- Highways Maintenance Grants	7,071	10,254
- Transport Grants	5,224	5,183
- Highways Incentive Grants	1,768	2,135
- Pothole Action Fund	-	-
- Transport Scheme Business Case Grants	-	-
<b>Gross Expenditure</b>	<b>15,250</b>	<b>18,067</b>
<b>Income</b>		
Gainshare – Revenue Contribution	(392)	(640)
<b>Gross Income</b>	<b>(392)</b>	<b>(640)</b>
<b>Net Expenditure</b>	<b>14,858</b>	<b>17,427</b>

Within the Narrative Statement, The Combined Authority 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.

## 8. Financing and investment income and expenditure

	2022 £'000	2021 £'000
Net interest on the net defined benefit liability (note 27)	289	194
Fair value movement on financial assets	(1,070)	(1,716)
Interest receivable and similar income	(2,428)	(2,404)
<b>Net financing and investment income and expenditure</b>	<b>(3,209)</b>	<b>(3,926)</b>

## 9. Taxation and non-specific grant income and expenditure

	2022 £'000	2021 £'000
National Non-Domestic Rates	(7,914)	(10,708)
Section 31 National Non-Domestic Rates Grant – MHCLG	(12,966)	(10,640)
Business Rates Retention Tariff	6,809	3,300
Transport levy from the Constituent Authorities	(19,469)	(19,018)
North Somerset Council contribution to transport levy	(1,706)	(1,943)
Pothole Action Fund Grant – DfT	(7,071)	(8,519)
Gainshare Capital Grant – MHCLG	(46,660)	(15,021)
5G Smart Tourism – DCMS	-	-
	(88,977)	(62,549)

## 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.

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 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:

	2022 £'000	2021 £'000
<b>Revenue grants credited to cost of services</b>		
Gainshare Revenue Grant – MHCLG	17,985	9,506
5G	1,760	-
Mayoral Capacity Fund	1,000	1,000
Futurebright	362	1,106
Workforce for Future	817	496
Supported Bus Services	5,324	5,434
Adult Education Budget Implementation Grant – SFA	17,102	15,113
Active Travel	1,474	-
Western Gateway	448	-
Business Innovation	321	-
Community Renewal Fund	206	-
Other grants	537	272
<b>Total</b>	<b>47,336</b>	<b>32,927</b>
<i>Analysed between the following segments:</i>		
Combined Authority services	46,944	32,287
Mayoral	392	640
	<b>47,336</b>	<b>32,927</b>

	2022 £'000	2021 £'000
<b>Capital grants and contributions credited to taxation and non-specific grant income</b>		
Gainshare Capital Grant – MHCLG	46,944	15,020
Pothole Action Fund Grant – DfT	392	8,519
5G Smart Tourism – DCMS	-	-
	<b>47,336</b>	<b>23,539</b>

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:

	2022 £'000	2021 £'000
<b>Grants received in advance – capital</b>		
Pothole Action Fund Grant – DfT	-	2,121
Gainshare Capital – MHCLG	10,343	34,506
FTZ – Dft	10,188	12,010
Transforming Cities Fund – DfT	77,084	48,000
City Deal	7,400	-
Active Travel	2,632	2,632
	107,647	99,269
<b>Grants received in advance – revenue</b>		
Gainshare Revenue Grant – MHCLG	49,584	54,327
Intra-City Transport	3,820	-
Biodiversity Net Gain	11,936	-
ITA Supported Bus Service	363	891
Western Gateway	795	471
Active Travel	6,515	925
E-Cycle Extension	248	248
T Levels	5	5
Future Zones Transport	579	-
Future Bright	3	-
	73,848	56,867

## 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 2020/21 and 2021/22 was as follows:

### Salary of £150,000 or more for the year ending 31 March 2021 and year ending 31 March 2022

	Salary £	Expenses £	Pension Contributions £	Total Remuneratio n £
<b>For the period 01/04/2021 – 31/03/2022</b>				
Chief Executive – Patricia Greer	162,757	-	34,147	196,904
<b>For the period 01/04/2020 – 31/03/2021</b>				
Chief Executive – Patricia Greer	160,352	-	21,648	182,000

### Salary between £50,000 and £150,000 for the year ending 31 March 2021 and year ending 31 March 2022

	For the period:	Salary £	Expenses £	Pension Contributions £	Total Remuneratio n £
Director of Infrastructure	01/04/2021 – 31/03/2022	153,657	366	21,131	175,154
Director of Business Skills	01/04/2021 – 31/03/2022	98,797	-	13,831	112,628
Director of Investment and Corporate Services	01/04/2021 – 31/03/2022	127,653	86	17,871	145,610
Director of Legal Services	01/04/2021 – 31/03/2022	120,389	-	11,702	132,091

## Salary between £50,000 and £150,000 for the year ending 31 March 2020 and year ending 31 March 2021

	For the period:	Salary £	Expenses £	Pension Contributions £	Total Remuneration £
Director of Infrastructure	01/04/2020 – 31/03/2021	131,007	407	17,686	149,100
Director of Business Skills	01/04/2020 – 31/03/2021	95,228	-	12,851	108,079
Director of Investment and Corporate Services	01/04/2020 – 31/03/2021	125,766	332	16,978	143,076
Director of Legal Services	01/04/2020 – 31/03/2021	83,006	-	11,205	94,211

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

	2022 £'000	2021 £'000
£50,000 – £54,999	8	8
£55,000 – £59,999	5	3
£60,000 – £64,999	7	6
£65,000 – £69,999	4	6
£70,000 – £74,999	3	1
£75,000 – £79,999	2	-
£80,000 – £84,999	2	4
£85,000 – £89,999	2	1
£90,000 – £94,999	-	-
£95,000 – £99,999	2	2
£100,000 – £104,999	-	-
£105,000 – £109,999	-	-
£110,000 – £114,999	-	-
£115,000 – £119,999	-	-
£120,000 – £124,999	-	-
£125,000 – £129,999	1	1
£130,000 – £134,999	1	1
£135,000 – £139,999	-	-
£150,000 – £154,999	-	-
£155,000 – £159,999	-	-
£160,000 – £164,999	1	1

Secondment costs are not included in the above table.



### 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	
	2022 No.	2021 No.	2022 No.	2021 No.	2022 £'000	2021 £'000
£0 – £40,000	-	-	-	-	-	-
£40,000+	-	-	59	-	59	-
	-	-	59	-	59	-

### 12. Members' allowances

	2022 £'000	2021 £'000
Allowances	68	82
Expenses	-	-
	68	82

### 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:

	2022 £'000	2021 £'000
Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor for the year	39	39
Fees payable in respect of other services provided by Grant Thornton UK LLP during the year	-	-
	39	39

## 14. Intangible Assets

	Economic Model £'000	Computer software £'000	Intellectual property £'000	Total £'000
<b>Cost</b>				
At 1 April 2020	115	47	795	957
Additions	-	261	-	261
At 1 April 2021	115	308	795	1,218
Additions	-	140	-	140
<b>At 31 March 2022</b>	<b>115</b>	<b>448</b>	<b>795</b>	<b>1,358</b>
<b>Accumulated amortisation</b>				
At 1 April 2020	77	41	332	450
Charge for the year	29	50	265	344
At 1 April 2021	106	91	597	794
Charge for the year	10	110	165	285
<b>At 31 March 2022</b>	<b>116</b>	<b>201</b>	<b>762</b>	<b>1,079</b>
<b>Net book value</b>				
<b>At 31 March 2022</b>	<b>0</b>	<b>247</b>	<b>33</b>	<b>280</b>
At 31 March 2021	9	217	198	424
At 31 March 2020	38	6	463	507

## 15. Property, plant and equipment

	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
<b>Cost</b>			
At 1 April 2020	361	186	547
Additions	-	405	405
At 31 March 2021	361	591	952
Additions	-	39	39
<b>At 31 March 2022</b>	<b>361</b>	<b>630</b>	<b>991</b>
<b>Accumulated depreciation</b>			
At 1 April 2020	165	97	262
Charge for the year	71	120	191
At 31 March 2021	236	217	453
Charge for the year	73	177	250
<b>At 31 March 2022</b>	<b>309</b>	<b>394</b>	<b>703</b>
<b>Net book value</b>			
<b>At 31 March 2022</b>	<b>52</b>	<b>236</b>	<b>288</b>
At 31 March 2021	125	374	499
At 31 March 2020	196	89	285

## 16. Long Term Investments

Loans to local authorities	£'000
At 1 April 2020	-
Reclassification to short-term investments	-
Additions	45,000
Interest Accrued	434
At 31 March 2021	45,434
Reclassification to short-term investments	(30,434)
Additions	15,000
Interest Accrued	209
<b>At 31 March 2022</b>	<b>30,209</b>

## 17. Short-term investments

Loans to local authorities	£'000
At 31 March 2021	<b>175,548</b>
Investments Matured	(128,601)
Additions	175,000
Interest Accrued	548
At 31 March 2021	<b>175,548</b>
Investments Matured	(175,548)
Additions	170,000
Interest Accrued	491
<b>At 31 March 2022</b>	<b>170,491</b>

## 18. Trade and other debtors

	2022 £'000	2021 £'000
Trade debtors	<b>978</b>	171
Other debtors	<b>14,984</b>	18,006
Prepayments and accrued income	-	-
	<b>15,962</b>	18,177
<b>Analysed between the following classes of debtors:</b>		
Central government bodies	<b>1,333</b>	1,324
Other local authorities	<b>10,135</b>	14,699
Other entities and individuals	<b>4,494</b>	2,154
	<b>15,962</b>	18,177

As at 31 March 2022 there were £Nil (2020: £Nil) trade debtors past due but not impaired.

As at 31 March 2022 other debtors of £933k (2021: £364k) were impaired in relation to NNDR income and the amount of the impairment provision was £933k (2021: £364k). The movement in the year on the provision for impairment was an increase of £575k (2021: £358k).

## 19. Cash and Cash Equivalents

	2022 £'000	2021 £'000
Cash at bank and in hand	<b>276</b>	78
Short-term deposits	<b>34,154</b>	25,648
	<b>34,430</b>	25,726

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 to local authorities	£'000
At 31 March 2021	20,005
Repayments	(20,005)
Additions	0
Interest Accrued	0
<b>At 31 March 2022</b>	<b>0</b>

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.

## 21. Trade and other creditors

	2022 £'000	2021 £'000
Trade creditors	11,325	14,433
Taxes and social security	498	370
Accruals and deferred income	11,808	9,648
	<b>23,631</b>	24,451
<b>Analysed between the following classes of creditors:</b>		
Central government bodies	9,464	10,344
Other local authorities	11,848	12,042
Other entities and individuals	2,319	2,065
	<b>23,631</b>	24,451

## 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, The Combined Authority assumed the Accountable Body role for the Invest in Bristol and Bath Inward Investment function.

### Reconciliation of Agency

	2022 £'000	2021 £'000
<b>Agency Debtors</b>		
IBB	-	(58)
Leader	(8)	-
<b>Total Agency Debtors</b>	<b>(8)</b>	<b>(58)</b>
<b>Agency Creditors</b>		
LEP	8,529	6,214
Grant Balances	74,018	81,425
<b>Total Agency Creditors</b>	<b>82,547</b>	<b>87,639</b>
<b>Total Net Agency</b>	<b>82,539</b>	<b>87,581</b>

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 £96.703m at 31 March 2022 (2020: £87.581m), held by the Authority where it is acting as agent, are treated as a creditor balance within The Combined Authority'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 The Combined Authority on behalf of the West of England Authorities in 2020/21 and 2021/22:

### West of England LEP Revenue Expenditure 2020/21 and 2021/22

	2022 £'000	2021 £'000
<b>Expenditure</b>		
LEP Management & Co-ordination	876	817
LEP Infrastructure	226	219
LEP Skills & Economy	476	396
Growth Hub	807	902
LEADER	11	23
Inward Investment Table	913	767
RIF Administration	-	-
SW Energy Hub	1,409	1,038
Central Hub	62	-
ERDF Administration	66	64
Enterprise Advisor	-	-
Skills Advisory Panel	74	56
LEP Strategy	207	332
Infrastructure & Investment Delivery Plan	112	63
LEP Innovation & Sector Development	901	937
Green Homes	1,620	-
Other expenditure	489	485
	<b>8,249</b>	<b>6,099</b>
<b>Income</b>		
Local Authority contributions	440	440
Investment Interest	45	317
Higher/Further Education contributions	-	30
Government Grant – Core & Strategic Economic Plan	826	540
Economic Development Grant	1,021	893
Government Grant – Growth Hub	807	904
Government Grant – Infrastructure & Investment Delivery Plan	112	167
Government Grant – Other	3,987	1,794
Government Grant – Innovation & Sector Development	858	813
Lep Infrastructure	99	-
Movement from Reserves	54	201
	<b>8,249</b>	<b>6,099</b>

## West of England LEP Revenue Expenditure 2020/21 and 2021/22 continued

	2022 £'000	2021 £'000
<b>Expenditure/Income yet to be defrayed/received</b>		
Growth Hub Net Creditor	30	(8)
LEADER Net Debtor	(8)	(3)
LEP Net Creditor	7,747	5,243
LEP Reserves	760	982
<b>Cash Balance held</b>	<b>8,529</b>	<b>6,214</b>

## Invest in Bristol and Bath Revenue Expenditure 2020/20 and 2021/22

	2022 £'000	2021 £'000
<b>Expenditure</b>		
Inward Investment Team	913	767
	<b>913</b>	<b>767</b>
<b>Income</b>		
Economic Development Fund Grant	913	760
Other Grants	-	-
Sponsorship Income	-	-
Contributions	-	7
	<b>913</b>	<b>767</b>
<b>Expenditure/Income yet to be defrayed/received</b>		
Net Debtor	-	(58)
<b>Cash Balance Held</b>	<b>-</b>	<b>(58)</b>

In addition, The Combined Authority 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 The Combined Authority'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 LEP Central Government Grants 2020/21 and 2021/22

<b>2021/22 Grants Awarded</b>					
	<b>Funds transferred £'000</b>	<b>Grant received/ returned £'000</b>	<b>Interest applied £'000</b>	<b>Grant distributed/ recovered £'000</b>	<b>Funds c/fwd £'000</b>
MHCLG – Growing Places Revolving Infrastructure Fund	5,163	-	-	4,595	9,758
BEIS – Regional Growth Fund 2 Revolving Infrastructure Fund	(407)	-	38	(1,448)	(1,817)
BEIS – Greenhomes	53,139	-	-	(4,661)	48,478
RIF – Returned Funds from completed schemes	8,223	-	-	5,499	13,722
MHCLG – Local Growth Fund	(226)	6,850	-	(6,526)	98
	<b>65,892</b>	<b>6,850</b>	<b>38</b>	<b>(2,541)</b>	<b>70,239</b>

<b>2021/22 Grant funding yet to be distributed/(returned)</b>				
	<b>Funds c/fwd (as above) £000</b>	<b>Net Creditor/ (Debtor) £'000</b>	<b>Impairment of Trade Debtors (RGF3) £'000</b>	<b>Total Cash Balance held £'000</b>
MHCLG – Growing Places Revolving Infrastructure Fund	9,758	-	-	9,758
BEIS – Regional Growth Fund 2 Revolving Infrastructure Fund	(1,817)	-	-	(1,817)
BEIS - Greenhomes	48,478	-	-	48,478
RIF – Returned Funds from completed schemes	13,722	-	-	13,722
MHCLG – Local Growth Fund	98	3,779	-	3,877
<b>Total</b>	<b>70,239</b>	<b>3,779</b>	<b>-</b>	<b>74,018</b>

<b>2020/21 Grants Awarded</b>					
	<b>Funds transferred £'000</b>	<b>Grant received/ returned £'000</b>	<b>Interest applied £'000</b>	<b>Grant distributed/ recovered £'000</b>	<b>Funds c/fwd £'000</b>
MHCLG – Growing Places Revolving Infrastructure Fund	5,153	-	-	10	5,163
BEIS – Regional Growth Fund 2 Revolving Infrastructure Fund	(13)	-	68	(462)	(407)
BEIS – Green Homes	-	53,139	-	-	53,139
RIF – Returned Funds from completed schemes	6,285	-	-	1,938	8,223

MHCLG – Local Growth Fund	20,728	41,162	-	(62,116)	(226)
	32,153	94,301	68	(60,630)	65,892

**2020/21 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	5,163	-	-	5,163
BEIS – Regional Growth Fund 2 Revolving Infrastructure Fund	(407)	-	-	(407)
	53,139	-	-	53,139
RIF – Returned Funds from completed schemes	8,223	-	-	8,223
MHCLG – Local Growth Fund	(226)	15,533	-	15,307
<b>Total</b>	<b>65,892</b>	<b>15,533</b>	<b>-</b>	<b>81,425</b>

**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.

	2022 £'000	2021 £'000
<b>Provision for Appeals – NNDR Income</b>		
At 1 April	3,067	3,092
Charged to income and expenditure	(316)	(25)
At 31 March	2,751	3,067

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.

## 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.

### Integrated Transport Authority Reserves

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 the Combined Authority and contributing Authorities. The 2021/22 transport underspend of £1,347k has been transferred to a specific one-off earmarked bus reserve to invest in further support to regional bus services to protect routes, particularly in rural areas.

### 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 drawdown of £538k was made against this earmarked reserve to meet the costs of the 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.

### Section 31 Excess Reserve

The NNDR collection fund closed with a high deficit in 2021/22 (see note 25 for the breakdown), majority of which was due to COVID-19. To help funding the Covid related deficits, additional S31 grant has been awarded. An earmarked reserve of £3.4m was created to carry this over to 22/23 when the deficit will need to be repaid. The 2020/21 deficit of £9.5m was drawn down from the earmarked reserve in 2021/22.

### Treasury Management Reserve

At the January 2022 West of England Combined Authority Committee, approval was obtained for 50% of surplus investment income achieved in 2021/22 to be transferred to the Treasury Management Reserve to cover the risk of capital losses and/or lower financial returns in future years. This transfer to the specific reserve was £699k

## Earmarked Reserves

Current year movements	Integrated Transport Authority reserve General £'000	Integrated Transport Authority Bus reserve £'000	BRR Reserve £'000	Mayoral Elections £'000	Mayoral Capacity funding £'000	Housing Capacity funding £'000	S31 Excess & TIG	Delays in Programme Delivery Overhead Recovery £000	Treasury Management £000	Other £'000	Total £'000
<b>Balance at 1 April 2021</b>	843	-	777	888	507	1,096	9,561	391	400	1,178	15,641
Transfers in year from/(to) general reserves	(227)	1,347	-	(768)	(293)	(594)	(6,156)	431	699	(441)	(6,002)
<b>Net transfer from/(to) general reserves</b>	(227)	1,347	-	(768)	(293)	(594)	(6,156)	431	699	(441)	(6,002)
<b>Balance at 31 March 2022</b>	616	1,347	777	120	214	502	3,405	822	1,099	737	9,639

## 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.

	2022 £'000	2021 £'000
Balance as at 1 April	997	2,689
Amount by which the change in fair value of pooled funds charged to the Comprehensive Income & Expenditure Statement are different from that calculated for the year in accordance with statutory requirements.	(1,070)	(1,692)
Balance as at 31 March	(73)	997

The value of the CCLA property fund has increased by £1.6m, offset with a combined fall in the value of the multi assets funds of £546k creating an overall gain in the year of £1.07m.

### 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).

	2022 £'000	2021 £'000
Opening balance at 1 April	791	791
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement</b>		
Charges for depreciation and amortisation of non-current assets	(535)	(535)
Revenue expenditure funded from capital under statute	(67,794)	(41,110)
Transfer of revenue contributions on capital outlay (RCCO)	14,242	18,239
<b>Capital financing applied in the year</b>		
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	53,731	23,538
<b>Closing balance at 31 March</b>	<b>435</b>	<b>923</b>

### 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.

	2022 £'000	2021 £'000
Opening balance at 1 April	(13,778)	(6,566)
Remeasurements (liabilities and assets)	2,590	(5,792)
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	(3,721)	(2,264)
Employers pension contributions payable in the year; Current year	1,184	844
<b>Closing balance at 31 March</b>	<b>(13,725)</b>	<b>(13,778)</b>

### 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 2020/21 and 2021/22

	2022 £'000	2021 £'000
<b>Balance at 1 April</b>	<b>(9,875)</b>	<b>(128)</b>
Bath & North East Somerset Council	1,188	(2,166)
Bristol City Council	2,190	(4,228)
South Gloucestershire Council	2,231	(3,353)
<b>Balance at 31 March</b>	<b>(4,266)</b>	<b>(9,875)</b>

Majority of the deficit in 2021/22 has been caused by the unprecedented COVID-19 measures. Additional S31 grant has been awarded to fund this – Reference Section 31 Excess Reserve in Note 24 above.

## 26. Capital expenditure and capital financing

The Authority spent £67.9m (2020/21: £41.7m) on capital during 2021/22. This expenditure is summarised below:

	31 March 2022 £'000	31 March 2021 £'000
Bottle Yard Studios	7,678	-
CPNN Cycle Links	880	1,482
IT Equipment	179	666
Great Stoke Roundabout Improvements	10	1,845
Wraxall Road	3,922	2,328
Metrowest Phase 2	1,660	588
Yate A432 Park & Ride	3,934	225
5G	-	250
FTZ Dft funding to capital programme	-	491
QTIC+	-	62
Dft Active Travel Fund	2,632	201
Transport Scheme Business Case Development	6,528	2,318
Highways Maintenance & Infrastructure	21,134	26,091
Real Time Information	-	93
Thornbury Hospital Site	3,628	-
North Keynsham Land Acquisition	5,528	-
On Bus Contactless	30	67
Future Transport Zones	1,299	-
Metrowest Phase 1	1,816	-
Love Our High Streets	686	-
South Bristol Industrial Light Workspace	307	-
Low Carbon Challenge Fund	63	-
DCIA	31	-
Bus Strategy	426	-
Chew Valley Recreation	1,133	-
E Scooters	324	-
Future Transport Zones	323	-
Access for All	6	-
Keynsham Town Centre	425	-
Cribbs Patchway Metrobus	3,391	5,069
<b>Total expenditure</b>	<b>67,973</b>	<b>41,776</b>
<b>Analysed between the following:</b>		
Intangible Asset (note 14)	140	261
Property, plant and equipment (note 15)	39	405
<b>Total capital expenditure</b>	<b>179</b>	<b>666</b>
Written off to cost of services – transport capital grants and 5G grants	67,794	41,110
	67,973	41,776

The table below details the funding of the capital programme:

	31 March 2022 £'000	31 March 2021 £'000
<b>Funded by:</b>		
Central government grants	7,071	8,518
Gainshare Contributions	46,660	15,020
Mayoral Fund RCCO	14,063	17,572
The West of England CA RCCO	179	666
	<b>67,973</b>	<b>41,776</b>

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 the Combined Authority after the inception date bringing with them accrued benefits and extra assets.

There has been substantial volatility in financial markets since the start of the COVID-19 pandemic. Despite a period of relative stability, recently this volatility increased again with the situation in Ukraine. This has consequences for asset values, and any changes in markets will be reflected in accounting figures. Over the same period, volatility has extended to corporate bonds, but ultimately AA-rated corporate bond yields at 31 March have settled at around 2.7% p.a – higher than at the start of the accounting year.

The decisions of the Court of Appeal in the Sargeant/McCloud cases (generally referred to for the LGPS as “McCloud”) have ruled that the transitional protections afforded to older members when the Public Service Pension Schemes were amended constituted unlawful discrimination. The Government has accepted that remedies relating to the McCloud judgment are needed in relation to all public service pension schemes, and a consultation was published in July 2020 including a proposed remedy for the LGPS. The key feature of the proposed remedy was to extend the final salary scheme underpin to a wider group of members for service up to 31 March 2022.

This applies to all members who were active on or before 31 March 2012 and either remain active or left service after 1 April 2014 (including to those members who no longer have a benefit entitlement from the Fund). Unless specifically requested by employers, our figures already include an allowance for McCloud that is substantially in line with the above. There are some minor areas where our approach differs (principally in respect of members who left service after 1 April 2014), but other than in exceptional circumstances we would expect the impact of these minor proposed changes to be nil. Even where there would be minimal impact, an accurate assessment would be extremely difficult (if not impossible) due to lack of availability of data. The expected effect of the McCloud remedy has been taken into account in the pension fund calculations.

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 2022 are based on the Triennial ongoing valuation assumptions. The membership data from the 2019 Valuation was used as a basis for the 2022 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 2022. This valuation was carried out by Mercer.

### Net liability and pension reserve

The net amount recognised on the Balance Sheet at 31 March 2022 is a deficit of £13,725,000 (2021: £13,778,000).

### Movement in net pension fund liability during the year

	2022 £'000	2021 £'000
Opening balance at 1 April	13,778	6,566
Employer's pension contributions payable in the year	(1,184)	(844)
Current service cost	3,380	2,031
Past service cost	-	-
Curtailment	-	-
Administrative expenses	52	39
Net interest cost	289	194
Business Combination	-	5,035
Remeasurements (liabilities and assets)	(2,590)	757
<b>Closing balance at 31 March</b>	<b>13,725</b>	<b>13,778</b>

Employer's pension contributions expected to be paid in 2022/23 are estimated at £1,104,000.

**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:

	2022 £'000	2021 £'000
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of services</b>		
Current service cost	<b>3,380</b>	2,031
Past service cost	-	-
Administration expenses	<b>52</b>	39
Curtailment	-	-
<b>Financing and investment income and expenditure</b>		
Net interest cost	<b>289</b>	194
<b>Total post-employment benefit charged to the surplus or deficit on provision of services</b>	<b>3,721</b>	2,264
Remeasurements (liabilities and assets)	<b>(2,590)</b>	5,792
<b>Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>1,131</b>	8,056

The current service cost (38.8% of pay plus interest) represents the future service cost to the Authority of one year's accrual of pension benefits for active members, calculated on the actuarial assumptions used at the start of the year for accounting purposes.

The net interest cost is the difference between the interest on pension liabilities and interest on pension assets. Administration costs are the cost of running the fund.

Remeasurements on assets are sometimes referred to as actuarial gains and losses and are the net of assets and liabilities remeasurements. Remeasurements on assets are normally the investment return on the assets. However, for multi-employer schemes such as the LGPS, which do not have asset values which are formally segregated between employers, additional adjustments can arise in the year in which a new set of actuarial valuation results is brought into account for accounting purposes. In particular, the approach to calculating the accounting assets and liabilities in between full actuarial valuations is approximate in nature. At each valuation, the position is re-assessed, with the assets (and liabilities) attributable to each employer being fully recalculated. Following each full actuarial valuation it can therefore be necessary to put through some adjustments to reflect this recalculation.

Remeasurements on liabilities are subdivided into experience gains (losses) on liabilities and gain (loss) on assumptions. For IAS19, this latter figure is further divided into gains (losses) on financial and demographic assumptions.

	2022 £'000	2021 £'000
<b>Movement in reserves statement</b>		
Reversal of net charges made to the surplus or deficit on provision of services for post-employment benefits in accordance with the Code	<b>(3,721)</b>	(2,264)
Actual amount charged against the General Fund Balance for pensions in the year	<b>1,184</b>	844
	<b>(2,537)</b>	(1,420)
<b>Assets and liabilities in relation to post-employment benefits</b>		
Present value of scheme liabilities	<b>(35,392)</b>	(31,929)
Present value of scheme assets	<b>21,667</b>	18,151
<b>Amounts recognised as liabilities</b>	<b>(13,725)</b>	(13,778)

Reconciliation of present value of the scheme liabilities (defined benefit obligation)	2022 £'000	2021 £'000
Opening balance at 1 April	31,929	16,804
Current service cost	3,380	2,031
Past service cost	-	-
Interest on pension liabilities	707	492
Member contributions	660	492
Actuarial losses/(gains)	(1,115)	2,705
Curtailment	-	-
Benefits paid	(169)	222
Business Combination	-	9,183
<b>Closing balance at 31 March</b>	<b>35,392</b>	<b>31,929</b>

Reconciliation of fair value of the scheme assets	2022 £'000	2021 £'000
Opening balance at 1 April	18,151	10,238
Employer's pension contributions payable in the year	1,184	844
Interest on plan assets	418	298
Member contributions	660	492
Actuarial gains/(losses)	1,475	1,948
Administrative expenses	(52)	(39)
Benefits paid	(169)	222
Business Combination	-	4,148
<b>Closing balance at 31 March</b>	<b>21,667</b>	<b>18,151</b>

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

Asset	2022 %	2022 £'000	2021 %	2021 £'000
Equities	41	8,807	37	6,806
Gifts	12	2,685	14	2,564
Other bonds	7	1,618	9	1,535
Property	7	1,441	7	1,307
Cash/liquidity	2	343	3	533
Other	31	6,773	30	5,406
	<b>100</b>	<b>21,667</b>	<b>100</b>	<b>18,151</b>

### 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.

	2022	2021
<b>Valuation assumptions</b>		
Discount rate	<b>2.8%</b>	2.2%
Rate of salary increase	<b>4.7%</b>	4.2%
Rate of pension increase	<b>3.3%</b>	2.8%
Inflation assumption	<b>3.2%</b>	2.7%
<b>Future life expectancies from age 65</b>		
Retiring today:		
Males	<b>23.1</b>	23.3
Females	<b>25.3</b>	25.4
Retiring in 20 years:		
Males	<b>24.6</b>	24.8
Females	<b>27.3</b>	27.4

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.

## Sensitivity analysis

	Per financial statements £'000	+ 0.1% p.a. discount rate £'000	+1% p.a. inflation £'000	+ 0.1% p.a. pay growth £'000	1 year increase in Life expectancy £'000
Liabilities	35,392	34,531	38,931	35,537	36,379
Assets	(21,667)	(21,667)	(21,667)	(21,667)	(21,667)
Deficit/(Surplus)	13,725	12,864	17,264	13,870	14,712
Projected Service Cost for next year	3,217	3,113	3,538	3,217	3,324
Projected Net Interest Cost for next year	367	356	404	372	395

## 28. Financial risk management

The Authority has existed as an entity since February 2017. During the year to 31 March 2022, 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 The Combined Authority's operations. The Authority has trade and other debtors, and cash, long-term investments and short-term deposits that derive directly from its operations. The Combined Authority does not enter into any derivative transactions.

The Combined Authority is exposed to credit risk, liquidity risk, market risk and price risk. Currency risk is not a significant factor for The Combined Authority 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.

The Combined Authority 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 2022 £'000	31 March 2021 £'000
Long-term Investments	30,209	45,434
Short-term Investments	170,491	175,548
Trade and other debtors	15,962	18,177
Cash and short-term deposits	34,430	25,726
	<b>251,092</b>	<b>264,885</b>

### 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. The Combined Authority 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 four multi asset funds, and is therefore exposed to losses arising from movements in these funds. During the initial phase of the pandemic, the sharp falls in corporate bond and equity markets had a negative impact on

the value of the Council's pooled fund holdings which was reflected in the 31st March 2021 fund valuations with most funds registering negative capital returns over a 12 month period. Since March 2021 there has been improvement in market sentiment which is reflected in an increase in capital values of these strategic bond, equity and multi-asset income funds in the Authority's portfolio, although the conflict in Ukraine has added volatility to the markets. 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 2021-22 provided an average total return of 3.66%. In light of their performance over the medium-long term, investment in these funds have been maintained.

### EU Referendum

Following the triggering of Article 50 on 29 March 2017, The Combined Authority 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. The Combined Authority 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. The Combined Authority are assisted in this regard by professional Treasury Management advisors, Arlingclose Limited.

### **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	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Financial assets at fair value through other income or expenditure:						
Pooled funds	-	-	-	-	-	-
Financial assets at fair value through profit and loss:						
Pooled funds – Property FVL1	-	-	<b>10,828</b>	9,211	<b>10,828</b>	9,211
– Multi Asset FVL1	-	-	<b>36,209</b>	23,755	<b>36,209</b>	23,755
Financial assets at amortised cost:						
Investment assets:						
- Principal	<b>30,000</b>	45,000	<b>170,000</b>	175,000	<b>200,000</b>	220,000
- Accrued interest	<b>209</b>	434	<b>491</b>	548	<b>700</b>	982
<b>Total investments</b>	<b>30,209</b>	45,434	<b>217,528</b>	208,514	<b>247,737</b>	253,948
Financial assets at fair value through profit and loss:						
- Short-term deposits FVL1	-	-	<b>24,550</b>	19,100	<b>24,550</b>	19,100
Financial assets at amortised cost:						
- Cash at bank and in hand	-	-	<b>276</b>	77	<b>276</b>	77
- Short-term deposits	-	-	<b>9,384</b>	6,197	<b>9,384</b>	6,197
- Accrued interest	-	-	<b>220</b>	351	<b>220</b>	351
<b>Total Cash &amp; cash equivalents</b>	-	-	<b>34,430</b>	25,725	<b>34,430</b>	25,725
- Trade debtors	-	-	<b>978</b>	171	<b>978</b>	171
- Other debtors	-	-	<b>15,917</b>	18,538	<b>15,917</b>	18,538
- Accrued income	-	-	-	-	-	-
- Loss allowance	-	-	<b>(933)</b>	(532)	<b>(933)</b>	(532)
<b>Included in Trade and other debtors *</b>	-	-	<b>15,962</b>	18,177	<b>15,962</b>	18,177
<b>Total financial assets</b>	-	-	<b>267,920</b>	252,416	<b>298,129</b>	297,850

\* The trade and other debtors line on the Balance Sheet include £Nil (2021: £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	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000	2022 £'000	2021 £'000
<b>Financial liabilities at amortised cost</b>						
- Trade creditors	-	-	<b>(11,325)</b>	(14,433)	<b>(11,325)</b>	(14,433)
- Short term borrowing	-	-	-	(20,005)	-	(20,005)
- Accruals	-	-	<b>(11,808)</b>	(9,648)	<b>(11,808)</b>	(9,648)
<b>Total financial liabilities</b>	-	-	<b>(23,133)</b>	(44,086)	<b>(23,133)</b>	(44,086)
Included in trade and other creditors **	-	-	<b>(23,133)</b>	(24,081)	<b>(23,133)</b>	(24,081)

\*\* The trade and other creditors line on the Balance Sheet include no (2021: 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 2022			
	Financial assets at amortised cost £'000	Financial assets at fair value through income and expenditure £000	Total £000
Interest income	<b>(2,428)</b>	-	<b>(2,428)</b>
Gain on assets at fair value through income or expenditure	-	<b>(1,070)</b>	<b>(1,070)</b>
Interest expense	-	-	-
<b>Net impact on (surplus)/deficit on provision of services</b>	<b>(2,428)</b>	<b>(1,070)</b>	<b>(3,498)</b>
Gain on assets at fair value through other comprehensive income	-	-	-
<b>Net gain for the year</b>	<b>(2,428)</b>	<b>(1,070)</b>	<b>(3,498)</b>

For the year ending 31 March 2021			
	Financial assets at amortised cost £'000	Financial assets at fair value through income and expenditure £000	Total £000
Interest income	(2,404)	-	(2,404)
Gain on assets at fair value through income or expenditure	-	(1,716)	(1,716)
Interest expense	-	-	-
<b>Net impact on (surplus)/deficit on provision of services</b>	(2,404)	(1,716)	(4,120)
Gain on assets at fair value through other comprehensive income	-	-	-
<b>Net Gain for the year</b>	(2,404)	(1,716)	(4,120)

#### 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 The Combined Authority'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:

- i) Quoted prices (unadjusted) in active markets for identical assets of liabilities (Level 1).
- j) 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).
- k) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3)

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

	2022		2021	
	Balance Sheet £'000	Fair value £'000	Balance Sheet £000	Fair value £000
<b>Financial assets at fair value through other income and expenditure</b>				
Pooled funds	-	-	-	-
<b>Financial assets at fair value through profit and loss</b>				
Pooled funds	47,036	47,036	32,966	32,966
<b>Financial assets at amortised cost</b>				
Investment assets:				
- Fixed-term investments	200,000	200,000	220,000	221,754
- Accrued interest	700	700	982	982
- Trade and other debtors	15,962	15,962	18,177	18,177
Total investment assets	263,698	263,698	272,125	273,879
Cash and cash equivalents:				
Financial assets at fair value through profit and loss:				
- Short-term deposits	24,550	24,550	19,100	19,100
Financial assets at amortised cost:				
- Cash at bank and in hand	276	276	77	77
- Short-term deposits	9,384	9,385	6,198	6,200
- Accrued interest	220	220	351	351
Total cash and cash equivalents	34,430	34,430	25,726	25,728
<b>Total financial assets</b>	<b>298,128</b>	<b>298,129</b>	<b>297,851</b>	<b>299,607</b>
<b>Financial liabilities at amortised cost</b>				
Trade and other creditors	(23,133)	(23,133)	(24,451)	(24,451)
Short term borrowing	-	-	(20,005)	(20,005)
<b>Total financial liabilities</b>	<b>(23,133)</b>	<b>(23,133)</b>	<b>(44,456)</b>	<b>(44,456)</b>

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	1% interest rate rise £'000
Pooled funds	(560)	548	(431)	52
Fixed-term investments	-	1,245	-	1,149
Short-term deposits	-	41	-	232

### 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 2022 £'000	31 March 2021 £'000
<b>Land and buildings</b>		
Less than one year	126	173
Between two and five years	-	126
	126	299

There are no lease payments due to be paid to the Authority. The existing office lease expires at the end of December 2022. The Authority's new office building will be 70 Redcliffe Street, however the lease has not yet been formally signed.

### 31. Capital commitments

As at 31 March 2022, the Authority has issued a number of Grant Offer Letters funding Transport Scheme Business Cases and Highways and Transport Grants.

The major commitments are listed in the table below:

	2022/23 £'000	2023/24 £'000	2024/25 £'000
<b>THE COMBINED AUTHORITY Capital</b>			
Business Case Development Grants	186	-	-
Thornbury Hospital	35	-	-
Metrowest Phase 2	843	2,040	2,188
Bottle Yard Studios	4,185	-	-
CPNN Cycle Links	216	-	-
On Bus Contactless Payment	62	-	-
Wraxall Road	161	-	-
Quantum Technologies	8,501	16,487	9,923
St George Liveable Neighbourhood	272	-	-
Bath City Centre	452	248	343
Keynsham Road & Town Centre	192	-	-
South Bristol Industrial Light Workspace	4,434	492	-
Bristol Temple Meads	4,590	9,556	-
Low Carbon Challenge Fund	1,320	-	-
FTZ DfT Capital Programme	9,221	5,899	-
DfT Active Travel Fund	5,789	-	-
Bath Riverline	1,048	-	-
Portway Park and Ride	922	-	-
Somer Valley	500	-	-
Metrobus	1,828	-	-
ERDF	984	-	-
Concorde Way	350	-	-
Filton to MOD	125	-	-
Common Connections	66	182	288
Grovesend Road	80	-	-
Silver Street/Fosseway Walking Route	62	-	-
Fielding's Bridge	50	-	-
City Centre to Weston Cycle Route	62	-	-
City Region Sustainable Transport	90,898	108,760	108,760
	137,434	143,664	121,502

### 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 The Combined Authority or to be controlled or influenced by The Combined Authority. Disclosure of these transactions allows readers to assess the extent to which The Combined Authority 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 The Combined Authority. It is responsible for providing the statutory framework within which The Combined Authority 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 2022. 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.

#### Members

The Mayor has control over The Combined Authority's financial and operating policies. The total of Members allowances paid in 2021-22 is shown in note 12. There were no transactions with related parties during the year.

#### 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 The Combined Authority 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 The Combined Authority 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 The Combined Authority from Related Parties**

<b>2021/22</b>				
	<b>ITA Levy £'000</b>	<b>100% BRR Pilot £'000</b>	<b>Grants £'000</b>	<b>Other Contributions £'000</b>
<b>Government</b>	-	-	-	-
<b>Constituent Authorities</b>				
Bath & North East Somerset Council	5,194	2,322	-	400
Bristol City Council	10,261	8,173	-	34
South Gloucestershire Council	4,014	5,816	-	605
	19,469	16,311	-	1,039
<b>2020/21</b>				
<b>Government</b>	-	-	-	-
<b>Constituent Authorities</b>				
Bath & North East Somerset Council	5,048	1,256	-	25
Bristol City Council	10,035	6,207	-	67
South Gloucestershire Council	3,935	3,323	-	51
	19,018	10,786	-	143



The Authority made the following payments to Related Parties:

### Expenditure incurred by The Combined Authority to Related Parties

2021/22						
	ITA Functions £'000	Secondments £'000	Support Services £'000	Distribution of Grants £'000	Reimburse- ment of Election Costs £'000	Other Contributions £'000
<b>Government</b>	-	-	-	-	-	-
<b>Constituent Authorities</b>						
Bath & North East Somerset Council	547	48	3	8,452	-	241
Bristol City Council	92	-	2	11,141	-	172
South Gloucestershire Council	97	42	1	23,220	-	410
	736	90	6	42,813	-	823
<b>2020/21</b>						
Government	-	-	-	-	-	-
Constituent Authorities						
Bath & North East Somerset Council	686	89	9	10,316	-	423
Bristol City Council	124	68	5	7,048	-	434
South Gloucestershire Council	1,485	84	12	23,336	-	37
	2,295	241	26	40,700	-	894

### Entities controlled or significantly influenced by the West of England Combined Authority

The Combined Authority 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 28<sup>th</sup> July 2022. 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 2022, 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 The Combined Authority area joined a pilot of 100% Business Rates Retention (BRR), under which The Combined Authority 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 (reduced to £14.06m in 2021/22) of Highways Maintenance Grants that The Combined Authority 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 The Combined Authority's Business Rates Baseline.

As a Major Preceptor within the BRR system, The Combined Authority 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 The Combined Authority's agent 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

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#### 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

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#### 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.

### C

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#### 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 Non-Domestic 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.

### **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**

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**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**

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**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.

**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

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### 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 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

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### 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**

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**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**

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**

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**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**

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**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

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### 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

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

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### 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

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### 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

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### Rateable Value

The annual assumed rental value of a property that is used for NNDR purposes.



### Revenue Expenditure Funded by Capital Under Statute (REFCUS)

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 and services.

## S

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### 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

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### 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.

### T Levels

T Level are courses that focus on vocational skills and can help students into skilled employment, higher study or apprenticeships.

## Abbreviations used in the Statement of Accounts

B&NES	Bath & North East Somerset Council	ICT	Information CommunicationTechnology
BEIS	Department for Business, Energy and Industrial Strategy	IFRS	International Financial Reporting Standard
BRR	Business Rates Retention	ITA	Integrated Transport Authority
CEO	Chief Executive Officer	LASAAC	The Local Authority (Scotland) Accounts Advisory Committee
CFO	Chief Finance Officer	LEP	Local Enterprise Partnership
CIPFA	Chartered Institute of Public Finance and Accountancy	LGF	Local Growth Fund
CPNN	Cribbs Patchway New Neighbourhood (Cycle Scheme)	LGPS	Local Government Pension Scheme
DCMS	Department for Digital, Culture, Music and Sport	LIS	Local Industrial Strategy
DFE	Department for Education	LSTF	Local Sustainable Transport Fund
DFT	Department for Transport	MHCLG	Ministry of Housing, Communities and Local Government
DWP	Department for Work and Pensions	NNDR	National Non-domestic Rates
ERDF	European Regional Development Fund	OCI	Other Comprehensive Income
EU	European Union	RCCO	Revenue Contribution to Capital Outlay
FOI	Freedom of Information	REFCUS	Revenue Expenditure from Capital Under Statute
FVOCI	Fair Value through Other Comprehensive Income	RIF	Revolving Infrastructure Fund
FVPL	Fair value through Profit or Loss	SFA	Skills Funding Agency
HR	Human Resources	WIDJET	Women in Digital Jobs, Education & Training
IBB	Invest in Bristol and Bath		
IAS	International Accounting Standards		
IPSAS	International Public Sector Accounting Standards		

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