

Pensions liability valuation estimate

| Question | Management response |
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| 1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed? | <p>The pension fund liability and any in year actuarial gain/loss is inherently risky due to its material nature and sensitivity to small changes in assumptions.</p> <p>The risk is addressed by placing reliance on the actuarial expert, Mercer and ensuring the data and assumptions used by the actuary are reasonable.</p> |
| <p>2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?</p> <p>Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?</p> | <p>The WECA is an admitted body to the Avon Pension Fund Local Government Pension Scheme. The administering body, (Bath and North East Somerset Council), engage Mercer (the actuary) who provide the estimate of the pension liability. Payroll data is provided to the actuary from Agilisys Payroll.</p> <p>No changes in methods/model used for 2020/21.</p> |
| <p>3. How do management select the assumptions used in respect of this accounting estimate?</p> <p>Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?</p> | <p>The assumptions used for estimating actuarial gains and losses are calculated by Mercer as the actuarial expert. Assumptions include discount rate used, rate of salary increases, changes in retirement age, mortality rates and expected return on Pension Fund Investments. Assumptions are updated on an annual basis and are shared with the WECA.</p> |
| <p>4. How do management select the source data used in respect of this accounting estimate?</p> <p>Were any changes made to this source data in 2020/21, and if so what was the reason for the change?</p> | <p>The source data is held by Avon Pension Fund, payroll data is submitted on a monthly basis from the Agilisys payroll team to Avon Pension Fund.</p> <p>No changes were made to this source data in 2020/21.</p> |
| 5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured? | <p>The administering body (BANES) engage Mercer (the actuary) who provide the estimate of the pension liability.</p> |
| 6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts? | <p>Reliance is placed on the work of the Actuary as an expert.</p> <p>Data disclosed in the IAS 19 report provided by the Actuary to the Avon Pension Fund is reviewed by the finance team for reasonableness and any unexplained variances challenged or queried with the actuary and Avon Pension Fund.</p> <p>Assurances are provided to both the Combined Authority and External audit in respect of the qualifications, independence, professionalism and experience of Mercers.</p> |
| 7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed? | <p>Adequate controls are in place.</p> <p>The Combined Authority challenges any unusual movements or assumptions with the actuary and responds to any queries raised by the administering body.</p> |

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| 8. Were any changes made to the key control activities this year? If so please provide details. | No changes made to key control activities in year. |
| 9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use? | <p>Management recognise that there is a large degree of estimation uncertainty in relation to the pension liability.</p> <p>The estimate is based upon a number of factors and judgements applied by the scheme's actuary including discount rate used, rate of salary increases, changes in retirement age, mortality rates and expected return on Pension Fund Investments.</p> <p>Estimates are made upon judgements and conditions, as seen by the actuary, at a point in time.</p> <p>The Combined Authority engage Mercers via the Administrating Body as its actuary to provide expert advice about the assumptions to apply.</p> |
| 10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements? | The effect of changing assumptions will result in changes in the valuation of the pension fund's assets and liabilities. Further details of the impact of variations in key assumptions will be disclosed in the Pensions Note to the financial statements. |

Accruals estimates

| Question | Management response |
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| 1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed? | No risks identified. |
| <p>2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used?</p> <p>Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change?</p> | <p>We use standard accruals accounting. Accruals are based on expenditure incurred that has not yet been paid or income due that has not yet been received. Activity is accounted for in the year it takes place, not when money is paid or received. Monthly budget monitoring provides analysis so that accruals are identified. Accruals for income and expenditure are principally based on known values. Where accruals are estimated they are based on the latest information available.</p> <p>No changes were made to the methods or models.</p> |
| <p>3. How do management select the assumptions used in respect of this accounting estimate?</p> <p>Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change?</p> | <p>Procedures for identifying accruals are included in the closedown instructions distributed to budget holders.</p> <p>No changes in assumptions.</p> |
| <p>4. How do management select the source data used in respect of this accounting estimate?</p> <p>Were any changes made to this source data in 2020/21, and if so what was the reason for the change?</p> | <p>Various sources of data are used in calculating accruals.</p> <p>No changes were made to source data.</p> |
| 5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured? | Accruals identified by finance team and through discussion and return of accruals forms from budget holders. |

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| 6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts? | Significant accruals are reviewed as part of the accounts preparation process. Supporting documentation is maintained to support accruals and any assumptions made in the estimation process. |
| 7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed? | Adequate controls are in place. Controls are subject to review from both internal and external audit. |
| 8. Were any changes made to the key control activities this year? If so please provide details. | No changes to the key control activities. |
| 9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use? | Accruals are largely based on known values, where estimates are used the level of uncertainty is not deemed to be material. |
| 10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements? | See comment above. |

Provisions estimate

| Question | Management response |
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| 1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed? | No specific risk identified other than inherent estimation uncertainty on the Business Rate Appeals. |
| 2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change? | Under the 100% Business Rate Retention Pilot, WECA is liable for its proportionate share of successful appeals against Business Rates charged. A provision is estimated by technical officers at each of the Billing Authorities for the amount that businesses have been overcharged up to 31 March. The estimate is made using Valuation Office Agency data and analysis of successful appeals to date. No changes since last year. |
| 3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change? | The provision is calculated based on outstanding appeals losses and past experience of successful appeals. The Officers at the relevant Billing Authorities will revisit the assumptions as part of the 2020/21 accounts process to ensure that they remain prudent and soundly based. |
| 4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2020/21, and if so what was the reason for the change? | The Billing Authorities use source data including appeals settled during the financial year. |
| 5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured? | CIPFA approached during the year. Review of the process and level of provision for the WECA was undertaken by Business Partner Accountant. |
| 6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts? | The WECA provision is calculated by the Business Partner Accountant and based on the UA's NNDR3 returns - the calculation and assumptions applied are reviewed by the Head of Finance. |
| 7. In management's opinion, are their adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed? | Adequate controls are in place in respect of the calculation of the estimate. The provision value is taken from individual UA's NNDR3 returns, which are signed off by their Chief Financial Officer and submitted to MHCLG. Business Partner Accountant reviews the reasonableness of assumptions applied. |
| 8. Were any changes made to the key control activities this year? If so please provide details. | No changes in key control activities planned. |
| 9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use? | There is a significant level of estimation uncertainty in relation to business rate appeals due to the volume of outstanding appeals, which are processed by the Valuation Office. The value of provision is assessed by the Technical Officers using information on outstanding appeals rates. |

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| <p>10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements?</p> | <p>Where appeals are successful, refunds of business rates are generally repayable back to the latest valuation date which reduces the business rate yield in the year in which the refund is made.</p> <p>Management disclose there is significant estimation uncertainty surrounding this estimate within the statement of accounts.</p> |
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Fair value estimates (including categorisation in the fair value hierarchy)

| Question | Management response |
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| 1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed? | No risk identified. |
| 2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change? | We use our treasury advisors Arlingclose for information on fair values. No changes |
| 3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change? | We use our treasury advisors Arlingclose for information on fair values. No changes |
| 4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2020/21, and if so what was the reason for the change? | We use our treasury advisors Arlingclose for information on fair values. No changes |
| 5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured? | Arlingclose calculators |
| 6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts? | The contract with Arlingclose, internal audit of treasury management, experience and expertise of finance team, approval of journals relating to fair value adjustments. |
| 7. In management's opinion, are there adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed? | Yes adequate controls are in place in respect of the calculation of the estimate. |
| 8. Were any changes made to the key control activities this year? If so please provide details. | No changes |
| 9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use? | We use Arlingclose for information on fair values |
| 10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements? | See comment above |

Credit loss and impairment estimates

| Question | Management response |
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| 1. Were any risks identified relating to the material accuracy of this accounting estimate for the financial year and, if so, how were these risks addressed? | No risk identified |
| 2. How do management select, or design, the methods, used in respect of this accounting estimate, including the models used? Were any changes made to these methods or models in 2020/21, and if so what was the reason for the change? | Expected credit losses are recognised on all financial assets held at amortised cost (or where relevant Fair Value through Other Comprehensive Income (FVOCI)). Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. No changes were made to these methods or models in 2020-2021. |
| 3. How do management select the assumptions used in respect of this accounting estimate? Were any changes made to these assumptions in 2020/21, and if so what was the reason for the change? | Assumptions are based on the reasonable and supportable credit risk information available e.g. the nature of the debt, the age of the debt and the likelihood of recovery. We rely on the expert knowledge and experience of the valuers and other relevant officers for the asset type. No changes |
| 4. How do management select the source data used in respect of this accounting estimate? Were any changes made to this source data in 2020/21, and if so what was the reason for the change? | Source data comes from the Agresso financial system No changes |
| 5. Were any specialised skills or knowledge used in respect of this accounting estimates, and if so how were these specialist skills procured? | No |
| 6. How do management monitor the operation of control activities in relation to this accounting estimates, including the control activities at any service providers or management experts? | All valuations provided to management will be subject to review and challenge if appropriate. This will ensure any significant movements or assumptions are understood and consistent with the knowledge and experience of the team. Management ensure that valuers appointed are independent, professional, suitably experienced and qualified |
| 7. In management's opinion, are there adequate controls in place over the calculation of this accounting estimate, including those at any service provider or management expert used, and if so how is the robustness of the key controls assessed? | Yes – management has oversight of the source data and assumptions |
| 8. Were any changes made to the key control activities this year? If so please provide details. | No |
| 9. How do management consider the estimation uncertainty related to this accounting estimate and address this uncertainty when selecting the point estimate to use? | Management considers the potential materiality and risk as part of their review process. |

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| 10. How do management consider the sensitivity of the estimate to the methods and assumptions used and identify the range of reasonably possible outcomes for disclosure in the financial statements? | See comment above. |
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