

REPORT TO: AUDIT COMMITTEE

DATE: 09 December 2021

REPORT TITLE: FINANCIAL RESERVES POLICY

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

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Purpose of Report

1. The purpose of this Report is to present to Members of the WECA Audit Committee an update on the holding and management of the Combined Authority and Local Enterprise Partnership, (LEP), financial reserves.

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:
 - (a) There is a potential impact on future year revenue budgets which correlates directly to available reserve balances as activity is re-prioritised and focused on supporting economic recovery. Activity, corresponding budgets and reserves, will be kept under regular review over the coming months.

Recommendation:

- (a) **It is recommended that the committee review, and endorse, the draft Combined Authority and Local Enterprise Partnership Financial Reserves Policy as detailed in Appendix 1.**

Background / Issues for Consideration

3. Funding for the core operations of the West of England Combined Authority comes from the following main sources:
 - 5% share of business rates under the 100% Business Rates Retention Pilot;
 - Mayoral Capacity Fund;
 - Housing Capacity Fund;
 - Local Enterprise Partnership (LEP) Capacity Fund;
 - LEP match funding;
 - Income achieved from investing cash balances
4. Risk Management, and the holding of reserves, is detailed in the 'Combined Authority (CA) Budget 2021/22 and Medium-Term Financial Forecast' report which was approved by the CA Committee on 29 January 2021.
5. As the authority continues to grow, and whilst the volatility of revenue funding streams remains a significant issue, a Financial Reserves Policy has been drafted for consideration, (detailed in Appendix 1), as part of the 2022/23 budget setting process.

Consultation

6. The contents of this report have been shared, and discussed with, the Finance Directors / Section 151 Officers of BANES, South Gloucestershire and Bristol City Councils.

Other Options Considered

7. Appropriate use of local authority resources is constantly considered when allocating, monitoring and managing financial reserves.

Public Sector Equality Duties

8. 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.
- 8.1. 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.
- 8.2. 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.

Finance Implications:

9. All financial implications are contained within the body of the report. We will continue to review all reserves on an ongoing basis to ensure that there is sufficient financial capacity to cope with the challenges ahead.

Advice given by: Malcolm Coe, Director of Investment & Corporate Services

Legal Implications:

10. The proposals have been developed in accordance with appropriate Local Government Regulations, including the specific funding and related governance requirements set out in the West of England Combined Authority Order 2017 and The Combined Authorities (Finance) Order 2017.

Advice given by: Shahzia Daya, Director of Legal

Background papers:

Combined authority budget 2021/22 and medium-term financial forecast – 29th January 2021.

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