

**ITEM: 8**

**REPORT TO: WECA AUDIT COMMITTEE**

**DATE: 12 JULY 2018**

**REPORT TITLE: STATUTORY ACCOUNTS 2016/17 AND 2017/18**

**AUTHOR: TIM RICHENS, INTERIM DIRECTOR OF INVESTMENT & CORPORATE SERVICES**

**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 Statements of Accounts for 2016-17 and 2017-18 for their review and approval.

**Issues for Consideration**

2. The Accounts and Audit Regulations (England) 2015 require that the Annual Statement of Accounts must be certified by the Chief Financial Officer no later than 31 May. This statutory deadline was met. Due to the very small number of transactions taking place within the 2016-17 Statement of Accounts, it was agreed that the publication and audit of those Accounts would also take place alongside the 2017-18 Statements.
3. 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. A copy of the pre audit Statements of Accounts for both Financial Years are appended to this report.
4. The audit of both sets of Accounts by the Authority's external auditors, Grant Thornton, was therefore carried out between June and July. The External Auditors report on audit findings (ISA 260 Report) features separately on the agenda. The Accounts and Audit Regulations 2015 require that the Statement of Accounts shall 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.

**Consultation:**

6. The draft accounts for 2016-17 and 2017-18 were both published on the West of England Combined Authority website and were available for public inspection as required under the Accounts and Audit Regulations (England) 2015.

**Other Options Considered:**

7. None.

**Risk Management/Assessment:**

8. The publication of the Authority's Financial Statements forms a core part of the WECA's governance and risk management process. An Annual Governance Statement has to be published alongside the Statement of Accounts. The Authority's on-going financial position is an identified risk that is regularly monitored.

**Public Sector Equality Duties:**

9. None directly arising from this report.

**Economic Impact Assessment:**

10. There are no Economic Impacts arising as a result of this report.

**Finance Implications:**

11. None directly arising from this report.

**Legal Implications:**

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

**Environmental Implications:**

13. There are no environmental implications arising as a result of this report.

**Land/Property Implications;**

14. There are no land/property implications arising as a result of this report.

**Human Resources Implications:**

15. None directly arising from this report.

**Recommendation:**

16. **It is recommended that the Audit Committee of the West of England Combined Authority:**

16.1 **Note the contents of this report; and**

16.2 **Approve the West of England Combined Authority Annual Statement of Accounts for 2016-17 and 2017-18.**

**Report Author: Tim Richens, Director of Investment and Corporate Services**

**Appendices & Background Papers:**

Appendix 1: Draft 2016-17 Statement of Accounts

Appendix 2: Draft 2017-18 Statement of Accounts

**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 Richens** and who is available by telephoning Joanna Greenwood on 0117 426210; 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)

## ITEM 8

# **WEST OF ENGLAND**

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Combined Authority

**West of England Combined Authority (WECA)**

**Statement of Accounts**

**For the period ended 31st March 2017**

UNAUDITED

# West of England Combined Authority (WECA)

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# West of England Combined Authority (WECA)

## Narrative Report

These accounts provide the reader with information on the West of England Combined Authority's financial performance during 2016/17, enabling key stakeholders to understand the financial position of the Authority.

### Organisational overview and external environment

In 2016, three councils in the West of England – Bath and North East Somerset, Bristol and South Gloucestershire - signed a devolution deal worth £1 billion. As a result, significant powers and funding have been transferred to the region through the new West of England Combined Authority (WECA) and West of England Mayor.

The West of England is one of the UK's most prosperous regions with an economy worth over £33.2 billion a year. A net contributor to the national purse, with a population of over 1 million and over 43,000 businesses, the region competes on a global scale and is home to globally recognised clusters in Aerospace and Advanced Engineering, Creative and Digital, Low Carbon Technologies and Financial and Professional Business Services.

The aim of the Combined Authority is to be a driving force for clean and inclusive economic growth in the West of England, for local people to benefit from more job opportunities, a stronger economy and a high quality of life.

The WECA came into being on 9 February 2017 by virtue of the West of England Combined Authority Order 2017. The first meeting of the Authority, when it set its constitution and appointed its statutory officers, was on 1 March. However, staff didn't transfer from Bath & North East Somerset and Bristol Councils until 1 May 2017 and the West of England Mayor was elected on 4 May 2017.

The Narrative Statement accompanying the 2017/18 Financial Statements includes full details of the Performance, Aims and Objectives, Risks and Opportunities and Outlook for the WECA following completion of its first full 12 months in existence.

### Financial Performance

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

- **WECA Fund**

The only transactions that occurred in 2016/17 were the receipt of £15m Revenue Gainshare Government Grant and £15m Capital Gainshare Government Grant on 17 March 2017, the investment of these amounts with approved counterparties in line with the Treasury Management Strategy and the generation of investment income to 31 March 2017. There was no expenditure incurred apart from a small sum for bank fees;

<b>Investment income:</b>	<b>(£2,947)</b>
<b>Bank Fees</b>	<b>£55</b>
<b>Surplus to General Fund</b>	<b>(£2,892)</b>

The surplus balance as at 31 March 2018 was transferred to the General Fund Reserve.

# West of England Combined Authority (WECA)

## Narrative Report

### Statement of Accounts 2016/17

The Statement of Accounts which follow set out the Council's income and expenditure for the year, and its financial position at 31 March 2017 are 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 2016/17 (the Code). This is based on International Financial Reporting Standards (IFRS's) 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 as at the Balance Sheet date of the assets and liabilities of the West of England Combined Authority. The net assets (assets less liabilities) are matched by the reserves held.
- **Cashflow Statement:**  
The Cashflow 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 accounts and how Code requirements have been met in practice.
- **Disclosure Notes:**  
These provide more detail about individual transactions and balances.

### Governance

Since the Mayor was elected in May 2017, he has begun to shape the priorities of the WECA. A new leadership team has also been appointed and work has continued to strengthen and improve governance arrangements.

Further details are set out in the Annual Governance Statement that can be found on pages 6 to 18, a formal statement that covers all significant corporate systems, processes and controls, spanning the whole range of its activities. It is approved by the Audit and Accounts Committee and signed by the Authority's Chief Executive and the Mayor.

# **West of England Combined Authority (WECA)**

## **Narrative Report**

### **Auditors**

Grant Thornton (UK) LLP are the auditors of the West of England Combined Authority for 2016/17. Their appointment was made under part 2 of the Audit Commission Act 1998.

### **On behalf of the Combined Authority**

**Tim Richens FCCA CPFA**  
**Director of Investment & Corporate Services**  
**Date:**

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# West of England Combined Authority (WECA)

## Statement of Responsibilities

### 1. The Authority's Responsibilities

The Authority is required to:

- (i) Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. These responsibilities are discharged through the role of the Chief Finance Officer (CFO) which during the period to 31 March 2017 was Tim Richens, Director of Investment and Corporate Services.
- (ii) Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- (iii) Approve the Statement of Accounts.

### 2. The CFO's Responsibilities

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

In preparing this Statement of Accounts, the CFO has:

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

The CFO has also:

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

### 3. Certification of the accounts

I certify that this Statement of Accounts gives a true and fair view of the financial position of West of England's Combined Authority at the reporting date and of its income and expenditure for the period ended 31 March 2017.

**Tim Richens**

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

**Date:**

# **West of England Combined Authority (WECA)**

## **Statement of Responsibilities**

### **4. Approval of the Accounts**

The Combined Authority Committee has delegated approval of the Statement of Accounts for the period ended 31 March 2017 to the WECA Audit Committee. The Statement of Accounts will be approved by the Audit Committee at its meeting on 12 July 2018.

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West of England Combined Authority (WECA)

Annual Governance Statement

# **WEST OF ENGLAND COMBINED AUTHORITY**

## **2016/17 & 2017/18**

### **Annual Governance Statement**

UNAUDITED

# West of England Combined Authority (WECA)

## Annual Governance Statement

### 1. Scope of Responsibility

- 1.1 The West of England Combined Authority (WECA) is a new Authority only coming into inception in February 2017. It has spent its first year establishing appropriate arrangements and governance mechanisms to ensure that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.
- 1.2 In discharging this overall responsibility, WECA is responsible for putting in place proper arrangements for the governance of its affairs, which includes ensuring a sound system of internal control and effective arrangements for the management of risk.
- 1.3 WECA has adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government* within its constitution and is updating this during 2018 to ensure it reflects latest best practice.
- 1.4 This Statement sets out how WECA has complied with the 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.
- 1.5 The governance framework described in this Statement has been developed since its inception in February 2017 up to the year ended 31 March 2018, and up to the date of the approval of the statement of accounts.

### 2. The Purpose of the Governance Framework

- 2.1 Good governance enables WECA to effectively achieve its intended outcomes, whilst acting in the public interest at all times and the following diagram illustrates how good governance is integral to supporting the delivery of the organisations priorities.



# West of England Combined Authority (WECA)

## Annual Governance Statement

2.2 WECA recognises that establishing and maintaining a culture of good governance is as important as putting in place a framework of policies and procedures. WECA expects members and officers to uphold the highest standards of conduct and behaviour and to act with openness, integrity and accountability in carrying out their duties.

2.3 WECA is committed to seven core principles of good governance which are as follows –

- **Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law**
- **Ensuring openness and comprehensive stakeholder engagement**
- **Defining outcomes in terms of sustainable, economic, social and environmental benefits**
- **Determining the interventions necessary to optimize the achievement of the intended outcomes**
- **Developing the entity's capacity, including the capability of its leadership and the individuals within it**
- **Managing risks and performance through robust internal control and strong public financial management**
- **Implementing good practices in transparency, reporting and audit, to deliver accountability**

2.4 WECA has established a Local Code of Corporate Governance comprised of policies, procedures, behaviours and values by which WECA is controlled and governed and recognises that establishing and maintaining a culture of good governance is as important as putting in place a framework of policies and procedures.

2.5 WECA expects members and officers to uphold the highest standards of conduct and behaviour and to act with openness, integrity and accountability in carrying out their duties.

2.6 WECA will monitor its governance arrangements for their effectiveness in practice and will review them on a continuing basis to ensure that they are up to date.

### 3. Review of Effectiveness

#### 3.1 PROCESSES FOR MAINTENANCE AND REVIEW OF THE EFFECTIVENESS OF THE GOVERNANCE FRAMEWORK

The process for the Annual Governance Statement is a continuous process and the Elected Mayor, Senior officers and Members from the constituent authorities consider emerging issues during the course of the year. This means that controls issues and risks can be addressed more quickly.

Publication of this Annual Governance Statement is the culmination of this work. WECA's Chief Executive and Elected Mayor signs the Statement as a summary of the effectiveness of the council's governance framework.

#### 3.2 OTHER CONTRIBUTORY REVIEW / ASSURANCE MECHANISMS

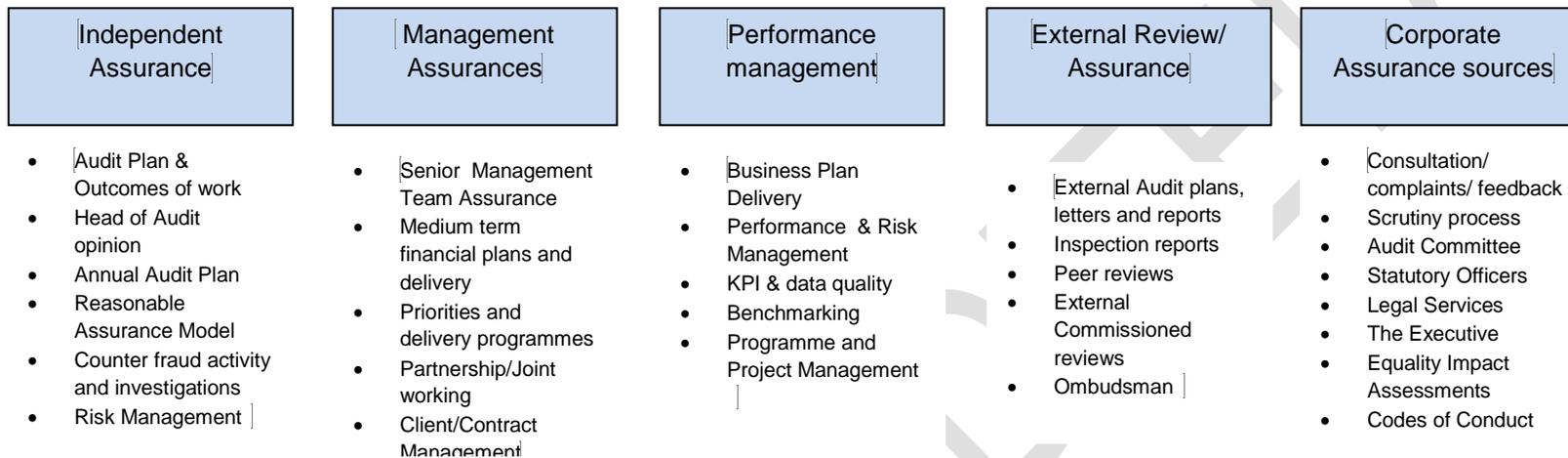
In evaluating the effectiveness of the council's governance, information is available from a range of sources. These include Internal and External Auditors and any relevant government inspectorates and senior management themselves.

The Internal Audit service reviews the effectiveness of the governance framework during the year and the draft Annual Governance Statement. The Statement is signed by the Chief Executive and Elected Mayor and formally reviewed by the Audit Committee as part of the Financial Statements.

# West of England Combined Authority (WECA)

## Annual Governance Statement

### 4. Methodology for preparing the Annual Governance Statement



**Set out the arrangements for compilation and approval of the Annual Governance Statement**  
 Audit Committee by 31 January 2018

**Consideration of draft findings and any potentially significant issues from Annual Governance Review**  
 Senior Management Team Continuous up to 31 May 2018

**Certification and formal Approval of Annual Governance Statement**  
 Chief Executive, Mayor and Audit Committee by 31st July 2018

# West of England Combined Authority (WECA)

## Annual Governance Statement

### 5. Context for the Annual Governance Statement

- 3.1 In 2016, three councils in the West of England – Bath and North East Somerset, Bristol and South Gloucestershire - signed a devolution deal worth £1 billion. As a result, significant powers and funding have been transferred to the region through the new West of England Combined Authority (WECA) and West of England Mayor.
- 3.2 The West of England is one of the UK's most prosperous regions with an economy worth over £33.2 billion a year. A net contributor to the national purse, with a population of over 1 million and over 43,000 businesses, the region competes on a global scale and is home to globally recognised clusters in Aerospace and Advanced Engineering, Creative and Digital, Low Carbon Technologies and Financial and Professional Business Services.
- 3.3 The aim of the Combined Authority is to be a driving force for clean and inclusive economic growth in the West of England, for local people to benefit from more job opportunities, a stronger economy and a high quality of life.
- 3.4 The WECA came into being on 9 February 2017 by virtue of the West of England Combined Authority Order 2017. The first meeting of the Authority, when it set its constitution and appointed its statutory officers, was on 1 March. However, staff didn't transfer from Bath & North East Somerset and Bristol Councils until 1 May 2017. The West of England Mayor was elected on 4 May 2017.
- 3.5 The WECA is now the Local Transport Authority for the Devolution area with transport functions of Concessionary Fares, Bus Information and Community Transport transferring from authorities in the area, and also has powers to exercise economic development and regeneration functions in conjunction with its three constituent local authorities, with progress made during 2017/18 to take forward plans to delegate central government budgets for transport, adult education and economic regeneration by 2019.
- 3.6 Political leadership of the WECA comes from the Mayor and the leaders of the three constituent authorities. Their policies are implemented by the leadership team, comprising the Chief Executive and three Directors, supported by officers. Decisions are made at the WECA Committee, in accordance with the constitution and regulation as set out in the Statutory Order.
- 3.7 WECA also provides support to the activities of West of England Local Enterprise Partnership (LEP), which also includes North Somerset Council, and also employs the Invest in Bristol and Bath Inward Investment team. The organisational arrangements as set out in the proposed Constitution make provision for the establishment of three Advisory Boards (Skills, Infrastructure and Business); and the establishment of a joint committee between the constituent councils of the WECA and North Somerset Council to comprise the Mayor of the WECA, the Mayor of Bristol and the Leaders of Bath and North East Somerset, North Somerset and South Gloucestershire Councils.
- 3.8 The WECA had appointed three Statutory Officers; The Head of Paid Service, Chief Financial Officer and Monitoring Officer.
- 3.9 In accordance with Statutory Orders, the WECA has established two Statutory Committees; an Overview and Scrutiny Committee and Audit Committee. Membership reflects the proportionality of political groups in the Combined Authority area.
- 3.10 During the past year, the Authority's first full year of operation, it has worked towards positioning itself as the enabling body, bringing together the political leadership in the West of England region, to deliver its ambitious plans for driving inclusive economic growth in the West of England region. The Authority's business plan sets out the key activities that WECA will deliver over the 2018 – 2019 period. It includes plans to bring further investment into transport, homes and skills to ensure the West of England is at the forefront of growth and innovation, where economic, cultural and environmental diversity is celebrated and forms the foundations of prosperity for all.

# West of England Combined Authority (WECA)

## Annual Governance Statement

### 6. The Governance Framework

WECA is committed to meeting best practice standards for good governance as set out in its local code of corporate governance and in more detail as follows:-

PRINCIPLES	SUB-PRINCIPLES	FRAMEWORK OF ACTIONS & BEHAVIOURS	FRAMEWORK EVIDENCE
<b>Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of the law</b>	Behaving with integrity	<ul style="list-style-type: none"> <li>WECA Officers and Members behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated</li> <li>Members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood.</li> <li>Leading by example and using standard operating principles or values as a framework for decision making</li> <li>Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively</li> </ul>	Constitution WECA Committee Joint Committee Scrutiny Committee Regional Strategy (to be finalised) Senior Management Structure
	Demonstrating strong commitment to ethical values	<ul style="list-style-type: none"> <li>Seeking to establish, monitor and maintain the organisation's ethical standards and performance</li> <li>Underpinning personal behaviour with ethical values and ensuring they permeate the organisation's culture</li> <li>Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values</li> <li>Ensuring that external providers of services are required to act with integrity and in compliance with ethical standards</li> </ul>	Constitution Local Code of Corporate Governance Policy Framework (to be finalised) Staff Handbook (to be finalised)
	Respecting the rule of law	<ul style="list-style-type: none"> <li>Ensuring Members and Staff demonstrate a strong commitment to the rule of the law and regulations</li> </ul>	Constitution Senior Management Structure

# West of England Combined Authority (WECA)

## Annual Governance Statement

		<ul style="list-style-type: none"> <li>• Ensure that the statutory officers, other key post holders, and members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements</li> <li>• Optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders</li> <li>• Dealing with breaches of legal and regulatory provisions</li> <li>• Ensuring corruption and misuse of power is dealt with</li> </ul>	<p>Statutory Officers</p> <p>Whistleblowing</p>
<b>Ensuring Openness and comprehensive stakeholder engagement</b>	Openness	<ul style="list-style-type: none"> <li>• Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness</li> <li>• Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes.</li> <li>• Providing clear reasoning and evidence for decisions and explanations to stakeholders that are explicit about the criteria, rationale and considerations used.</li> <li>• Using consultation and engagement to determine the most appropriate and effective courses of action</li> </ul>	<p>Constitution</p> <p>Regional Strategy</p> <p>Business Plan</p> <p>Decision Making process</p> <p>WECA Committee</p> <p>Joint Committee</p> <p>Scrutiny Committee</p>
	Engaging comprehensively with institutional stakeholders	<ul style="list-style-type: none"> <li>• Effectively engaging with stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably</li> <li>• Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively</li> </ul>	<p>Joint Meetings of Leaders and Chief Executives of Constituent Authorities and officer sub-groups</p> <p>Role of LEP/WEP</p>
	Engaging with individual citizens and service users effectively	<ul style="list-style-type: none"> <li>• Establishing a clear policy on the type of issues that the organisation will consult with or involve communities, citizens, service users and other stakeholders to ensure that service provision is contributing towards the achievement of intended outcomes</li> <li>• Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement</li> </ul>	<p>Communication and consultation strategy on each proposal and issues</p> <p>Wider process to be devised</p>

# West of England Combined Authority (WECA)

## Annual Governance Statement

		<ul style="list-style-type: none"> <li>• Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds</li> <li>• Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account</li> <li>• Balancing feedback from more active stakeholder groups with other groups to ensure inclusivity</li> <li>• Taking account of the impact of decisions on future generations of tax payers and service users</li> </ul>	
<b>Defining Outcomes in terms of sustainable economic, social and environmental benefits</b>	Defining Outcomes	<ul style="list-style-type: none"> <li>• Having a clear vision of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation's overall strategy, planning and other decisions</li> <li>• Specifying the intended impact on, or changes for, stakeholders including citizens and service users.</li> <li>• Delivering defined outcomes on a sustainable basis within the resources that will be available</li> <li>• Identifying &amp; managing risks to achievement of outcomes</li> <li>• Managing service users expectations effectively with regard to determining priorities and best use of the resources</li> </ul>	Regional Strategy Business Plan Performance Management Framework (being developed)
	Sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> <li>• Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision</li> <li>• Taking a long-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and the political cycle or financial constraints</li> <li>• Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits</li> <li>• Ensuring fair access to services</li> </ul>	Regional Strategy Business Plan PID Process WECA Committee Scrutiny
<b>Determining the interventions necessary</b>	Determining interventions	<ul style="list-style-type: none"> <li>• Ensuring decision makers receive objective analysis of options indicating how outcomes would be achieved</li> </ul>	Decision Making process

# West of England Combined Authority (WECA)

## Annual Governance Statement

to optimise the achievement of intended outcomes		<ul style="list-style-type: none"> <li>Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available</li> </ul>	PID Process Scrutiny
	Planning interventions	<ul style="list-style-type: none"> <li>Establishing robust planning and control cycles that cover strategic and operational plans, priorities and targets</li> <li>Engaging with all stakeholders in determining how services should be planned and delivered</li> <li>Considering and monitoring risks facing each partner when working collaboratively, including shared risks</li> <li>Ensuring arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances</li> <li>Establishing appropriate KPI's as part of the planning process in order to identify how the performance of services and projects is to be measured</li> <li>Ensuring capacity exists to generate the information required to review service quality regularly</li> <li>Preparing budgets in accordance with objectives, strategies and the medium term financial plan</li> <li>Informing medium term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy</li> </ul>	Business Plan Performance Management Framework Contract Management Framework
	Optimising achievement of intended outcomes	<ul style="list-style-type: none"> <li>Ensuring the medium term financial strategy integrates and balances priorities, affordability and resource constraints</li> <li>Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium term</li> <li>Ensuring the medium term financial strategy sets out the context for decisions on significant delivery issues or changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved</li> <li>Ensuring the achievement of 'social value' through service planning and commissioning</li> </ul>	Budgeting Process Medium Term Financial Plan Financial Regulations Contract Standing Orders

# West of England Combined Authority (WECA)

## Annual Governance Statement

<b>Developing the entity's capacity, including the capability of its leadership and the individuals within it</b>	Developing the entity's capacity	<ul style="list-style-type: none"> <li>• Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness.</li> <li>• Improving resource use through application of techniques such as benchmarking and other options in order to determine how resources are allocated.</li> <li>• Recognising the benefits of partnership working where added value can be achieved</li> <li>• Developing &amp; maintaining an effective workforce plan to enhance the strategic allocation of resources</li> </ul>	Business Plan
	Developing the capability of the entity's leadership and other individuals	<ul style="list-style-type: none"> <li>• Developing protocols to enable elected and appointed leaders to work with each other regarding their roles so that a shared understanding of role and objectives is maintained</li> <li>• Publishing decisions that are delegated and those reserved for the collective decision making of the governing body</li> <li>• Ensuring the leader and chief executive have clearly defined and distinctive leadership roles whereby the chief executive leads in implementing strategy and managing the delivery of services set by members and each provides a check and balance for each other's authority.</li> <li>• Developing the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by having access to appropriate induction tailored to their role.</li> </ul>	Constitution Senior Management Structure Regional Strategy Business Plan
<b>Managing risks and performance through robust internal control and strong public financial management</b>	Managing risk	<ul style="list-style-type: none"> <li>• Recognising that risk management is an integral part of all activities and must be considered in all decision making</li> <li>• Implementing robust and integrated risk management arrangements and ensuring that they are working effectively</li> <li>• Ensuring that responsibilities for managing individual risks are clearly allocated</li> </ul>	Risk Management Framework
	Managing performance	<ul style="list-style-type: none"> <li>• Monitoring service delivery effectively including planning, specification, execution and post implementation review</li> </ul>	Performance Management Framework

# West of England Combined Authority (WECA)

## Annual Governance Statement

		<ul style="list-style-type: none"> <li>• Making decisions based on relevant, objective analysis and advice and risks inherent in the organisation's outlook</li> <li>• Ensuring an effective scrutiny function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made</li> <li>• Providing members and senior management with regular reports on service delivery plans and on progress</li> <li>• Ensuring there is consistency between specification stages and post implementation reporting</li> </ul>	<p>WECA Committee</p> <p>Joint Committee</p> <p>Scrutiny</p>
	Robust Internal Control	<ul style="list-style-type: none"> <li>• Aligning the risk management strategy and policies on internal control with achieving objectives</li> <li>• Evaluating and monitoring risk management and internal controls along with ensuring effective counter fraud and anti-corruption arrangements are in place</li> <li>• Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor</li> </ul>	<p>Risk Management Framework</p> <p>Financial Regulations</p> <p>Contract Standing Orders</p> <p>Internal Audit</p>
	Managing Data	<ul style="list-style-type: none"> <li>• Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data</li> <li>• Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies</li> <li>• Reviewing and auditing the quality and accuracy of data used in decision making and performance monitoring</li> </ul>	<p>Secure PSN Compliant network</p> <p>Information Sharing Agreements</p> <p>Policy Framework</p>
	Strong Public financial management	<ul style="list-style-type: none"> <li>• Ensuring financial management supports achievement of outcomes and financial and operational performance</li> <li>• Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and control</li> </ul>	<p>Financial Management</p>
<b>Implementing good practices in transparency, reporting, and audit to deliver effective accountability</b>	Implementing good practice in transparency	<ul style="list-style-type: none"> <li>• Preparing reports for the public and other stakeholders in a fair, balanced and understandable style</li> <li>• Provide the right amount of information to satisfy transparency demands and enhance public scrutiny</li> </ul>	<p>Website &amp; Social Media</p> <p>Decision Making process</p> <p>Scrutiny</p>

# West of England Combined Authority (WECA)

## Annual Governance Statement

	Implementing good practice in reporting	<ul style="list-style-type: none"> <li>• Reporting at least annually on performance, value for money and stewardship of resources to stakeholders</li> <li>• Ensuring members &amp; management own results reported</li> <li>• Ensuring robust arrangements for assessing whether the principles contained in this framework have been applied</li> <li>• Ensuring that this framework is applied to jointly managed or shared service organisations as appropriate</li> <li>• Ensuring the performance information that accompanies the financial statements is prepared on a consistent basis</li> </ul>	Performance Management Framework
	Assurance and effective accountability	<ul style="list-style-type: none"> <li>• Ensuring that recommendations for corrective action made by external audit are acted upon</li> <li>• Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance &amp; recommendations are acted upon</li> <li>• Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations</li> <li>• Gaining assurance on risks associated with delivering services through third parties</li> <li>• Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met.</li> </ul>	External Audit  Internal Audit  Audit Committee

# West of England Combined Authority (WECA)

## Annual Governance Statement

### 7. Internal Audit Opinion

Audit West has reviewed the risk, governance and control environment of the council and is satisfied it is adequate to ensure delivery of WECA's priorities. Through the work of the Internal Audit Service (Audit West) and delivery of the Annual Audit Plan, some minor control issues have been identified, however none are deemed significant when assessed against the key criteria. Audit West is satisfied that management have accepted responsibility to address its recommendations.

The Annual Audit Plan was developed to give an independent opinion to the Council on reasonable assurance through a systematic detailed risk assessment of the totality of systems, processes, plans and resources which make up the council.

The Plan focused on core financial and other systems and areas presenting the greatest risk to the council 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, in addition to the Audit Plan, Audit West also considered other sources of assurance including reports from external regulators, external audit and commissioned reviews.

### 8. Significant Issues

Our review has not identified any significant issues to record in the Annual Governance Statement and no issues to follow up from previous years as this is a new Authority.

WECA will continue to focus on improving its governance arrangement and systems to manage risk and will set out in 2018 its final version of its Regional Strategy and Business Plan to support delivery of its objectives.

**On behalf of the West of England Combined Authority**

**Signed:**

**Tim Bowles**  
**WECA Mayor**  
**Date:**

# West of England Combined Authority (WECA)

## Annual Governance Statement

Signed:

Patricia Greer  
Chief Executive Officer  
Date:

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# **West of England Combined Authority (WECA)**

## **Independent Auditor's Report**

These accounts have not yet been audited. The audited accounts will be presented to the WECA Audit Committee on 12th July 2018, in accordance with the required statutory timescales.

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**West of England Combined Authority (WECA)**

**Independent Auditor's Report (continued)**

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# West of England Combined Authority (WECA)

## Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in the period 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.

		<b>Gross Expenditure £'000</b>	<b>Gross Income £'000</b>	<b>Period to 31 March 2017 Net Expenditure £'000</b>
Combined Authority Services		-	-	-
Mayoral fund		-	-	-
Cost of services		-	-	-
Financing and investment income and expenditure	5	-	(3)	(3)
<b>Surplus on provision of services</b>		-	(3)	(3)
<b>Total comprehensive income and expenditure</b>				(3)
<b>Surplus for the period under funding basis</b>				(3)

## West of England Combined Authority (WECA)

### Movement in Reserves Statement

The Movement in Reserves Statement shows the movement in the period 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 period 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.

	<b>Usable reserves</b>	
	<b>General fund balance £'000</b>	<b>Total reserves £'000</b>
<b>Balance at incorporation</b>	-	-
<b>Movements in reserves</b>		
Total comprehensive income and expenditure	<b>3</b>	<b>3</b>
<b>Balance at 31 March 2017</b>	<b>3</b>	<b>3</b>

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# West of England Combined Authority (WECA)

## Balance Sheet

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	2017 £'000
Trade and other receivables	8	20,003
Financial assets at fair value through other comprehensive income	14	9,950
Cash and cash equivalents	9	50
<b>Current assets</b>		<b>30,003</b>
Grant receipts in advance - revenue		(15,000)
<b>Current liabilities</b>		<b>(15,000)</b>
<b>Net current assets</b>		<b>15,003</b>
Grant receipts in advance - capital		(15,000)
<b>Net assets</b>		<b>3</b>
General fund balance	10	3
<b>Usable reserves</b>		<b>3</b>
<b>Total reserves</b>		<b>3</b>

The financial statements were approved and authorised for issue by:

Date:

# West of England Combined Authority (WECA)

## Cash Flow Statement

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.

	<b>2017</b>
	<b>£'000</b>
<b>Net surplus on the provision of services</b>	<b>3</b>
<b>Adjustments to net surplus or deficit on the provision of services for non-cash movements</b>	
Increase trade and other receivables	<b>(20,003)</b>
<b>Net cash flows from operating activities</b>	<b>(20,000)</b>
<b>Investing activities</b>	
Increase in financial assets at fair value through other comprehensive income	<b>(9,950)</b>
<b>Net cash flows from investing activities</b>	<b>(9,950)</b>
<b>Financing activities</b>	
Increase in capital grants receipts in advance	<b>15,000</b>
Increase in revenue grants receipts in advance	<b>15,000</b>
<b>Net cash flows from financing activities</b>	<b>30,000</b>
<b>Net increase or decrease in cash and cash equivalents</b>	<b>50</b>
<b>Cash and cash equivalents at incorporation</b>	<b>-</b>
<b>Cash and cash equivalents at 31 March (note 9)</b>	<b>50</b>

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

### Notes Index

<b>Number</b>	<b>Description</b>
1	Basis of preparation
2	Significant accounting policies
3	Critical accounting judgements, estimates and assumptions
4	Expenditure and Funding Analysis
5	Financing and investment income and expenditure
6	Officers' remuneration
7	External audit costs
8	Trade and other receivables
9	Cash and Cash Equivalents
10	Usable reserves
11	Capital expenditure and capital financing
12	Financial risk management
13	Financial Instruments
14	Capital commitments
15	Related party disclosures
16	Events after the Balance Sheet date

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

### 1. Basis of preparation

#### a) General principles

The Statement of Accounts summarises the West of England Combined Authority's (WECA) transactions for the financial period from 9 February (when the Authority first existed as a corporate body) to 31 March 2017 and its position as at 31 March 2017. This is the first financial statements that have been prepared for the Authority, and no comparative information has therefore been disclosed. The Authority is required to prepare an Annual Statement of Accounts in accordance with the Accounts and Audit Regulations 2015 which require the Accounts 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 2017/18 (the Code), supported by International Financial Reporting Standards (IFRS).

#### b) Basis of preparation

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

#### c) Going concern

The Statement of Accounts has been completed on a going concern basis as it considered that the activities will continue in operational existence for the foreseeable future by meeting the Authority's liabilities as they fall due for payment.

#### d) 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 relevant standards are:

1. IFRS 9 Financial Instruments issued in July 2014 effective 1 January 2018
2. IFRS 15 Revenue contracts from customers issued in May 2014 effective 1 January 2018

The WECA will adopt IFRS 9 with effect from 1 April 2018. The main changes include the reclassification of financial assets and the earlier recognition of the impairment of financial assets.

The WECA does not expect the reclassification changes to have a material impact upon the financial statements because the majority of its financial assets will retain the same measurement. To this end, on 1 April 2018 the Council irrevocably elected to present changes in the fair value of the following equity investments in other comprehensive income as permitted by the IFRS:

- CCLA – LAMIT Property Fund

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

The WECA does not expect the impairment changes to have a material impact upon the financial statements because the impairment charge will be immaterial for its treasury management assets and it already makes a provision for doubtful debts on its trade receivables.

The WECA will adopt IFRS 15 (which replaces IAS 18 Revenue and IAS 11 Construction Contracts) with effect from 1 April 2018 and does not expect to have a material impact upon the financial statements. The main changes include the new definition of income to depict the transfer of promised goods or services to the service recipient or customer in an amount that reflects the consideration to which the authority expects to be entitled in exchange for those goods or services. Income includes both revenue arising in the course of normal operating activities of an authority and gains such as the revaluation of property, plant and equipment.

### 2. Significant accounting policies

#### a) 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.

#### b) Accruals of Income and Expenditure

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

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

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

### c) Financial assets

The Combined Authority's financial assets include trade debtors, short-term investments and cash and cash equivalents. Such financial assets are recognised initially at cost.

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.

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 CIES in the period in which it is recognised.

### d) Impairment - Financial assets (including receivables)

Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment. 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.

### e) Events after the Reporting Period

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

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

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

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

### 3. Critical accounting judgements, estimates and assumptions

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 period in which the estimates are revised and in any future periods affected.

#### Judgements

In applying the accounting policies set out in note 2, the WECA has had to make certain judgements about complex transactions or those involving uncertainty about future events. The Authority has made no critical judgements in the Statement of Accounts in the period.

#### 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.

There are no items in the Balance Sheet at 31 March 2017 for which there is a risk of material adjustment in the forthcoming financial year.

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# West of England Combined Authority (WECA)

## Notes to the Financial Statements

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

	Net Expenditure chargeable to the general fund £'000	Adjustments between funding and accounting basis £'000	Period to 31 March 2017 Net expenditure in the comprehensive Income and outcome expenditure statement £'000
Combined Authority	-	-	-
Mayoral fund	-	-	-
<b>Cost of services</b>	-	-	-
Financing and investment income and expenditure	(3)	-	(3)
<b>Surplus or deficit on provision of services</b>	<b>(3)</b>	-	<b>(3)</b>
Opening General Fund balance	-		
Transfers to earmarked reserves	-		
<b>Closing General Fund balance</b>	<b>(3)</b>		

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

### 4. Expenditure and Funding Analysis (continued)

#### (b) 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 the period to 31 March 2017

There were no adjustments in the current period.

### 5. Financing and investment income and expenditure

	2017 £'000
Interest receivable and similar income	(3)
<b>Net financing and investment income and expenditure</b>	<b>(3)</b>

### 6. Officers' remuneration

There are no current period figures for officers' remuneration as the Authority did not employ any staff to conduct the organisation's business in the period to 31 March 2017.

### 7. External audit costs

Fees of £27,000 that were recorded as occurring in 2017/18 relate to both the period to 31 March 2017 and 2017/18 Statement of Accounts as they were produced and audited at the same time, due to the small number of transactions that took place in the period to 31 March 2017.

### 8. Trade and other receivables

	2017 £'000
Loans receivable	20,000
Trade receivables	3
	<b>20,003</b>
<b>Analysed between the following classes of debtors:</b>	
Other local authorities	20,000
Other entities and individuals	3
	<b>20,003</b>

As at 31 March 2017 there were no trade receivables past due but not impaired.

As at 31 March 2017 no receivables were impaired.

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

### 9. Cash and Cash Equivalents

	2017 £'000
Cash at bank and in hand	50

### 10. Usable reserves

#### 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.

### 11. Capital expenditure and capital financing

The Authority spent no money on capital during the period to 31 March 2017.

The Authority undertook no borrowing during the period ended 31 March 2017.

UNAUDITED

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

### 12. Financial risk management

The Authority has existed as an entity since February 2017.

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

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

#### Credit risk

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

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

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

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

	<b>2017</b> <b>£'000</b>
Trade receivables and accrued income	<b>3</b>
Cash and short-term deposits	<b>50</b>
	<b>53</b>

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

### 12. Financial risk management (continued)

#### 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 WECA maintains a sufficient level of liquidity through the use of Money Market Funds. If short term funding was required, the Authority has ready access to borrowings from the money markets. There is no significant risk that it will be unable to raise finance to meet its commitments.

#### 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 period 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 CIES.

#### EU Referendum

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

### 13. Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet at amortised cost. Short-term debtors consist of trade debtors and accrued income, short-term creditors consist of trade creditors and accruals.

	Non-current 2017 £'000	Current 2017 £'000	Total 2017 £'000
<b>Financial assets at fair value through other comprehensive income</b>			
Money market funds	-	9,950	9,950
<b>Financial assets – Loans and receivables</b>			
Short-term debtors:			
- <i>Loans</i>	-	20,000	20,000
- <i>Trade and other receivables</i>	-	3	3
Cash and cash equivalents	-	50	50
<b>Total financial assets</b>	-	30,003	30,003

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

### 13. Financial Instruments (continued)

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

				2017
	Financial assets, loans and receivables £'000	Financial liabilities at amortised cost £'000	Financial assets at fair value through other comprehensive income £000	Total £000
Interest income	(3)	-	-	(3)
Interest expense	-	-	-	-
Loss on assets at fair value through other comprehensive income	-	-	-	-
<b>Net gain for the period</b>	<b>(3)</b>	<b>-</b>	<b>-</b>	<b>(3)</b>

#### Fair value of financial assets and liabilities

The table below compares the carrying value of financial assets and liabilities to their fair value. Fair value is 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.

	2017	
	Carrying amount £000	Fair value £000
<b>Financial assets at fair value through income and expenditure</b>		
Money market funds	9,950	9,950
<b>Financial assets – Loans and receivables</b>		
Short-term debtors:		
- Loans	20,000	19,992
- Trade and other receivables	3	3
Cash and cash equivalents	50	50
<b>Total financial assets</b>	<b>30,003</b>	<b>29,995</b>

Trade and other receivables and cash and cash equivalents approximate to their carrying amounts largely due to the short-term nature of these instruments.

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

### 14. Capital commitments

As at 31 March 2017, the Authority had not entered into any capital expenditure commitments.

### 15. 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 WECA or to be controlled or influenced by the WECA. Disclosure of these transactions allows readers to assess the extent to which the WECA might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority. These include:

#### Central Government

Central Government has significant influence over the general operations of the WECA. It is responsible for providing the statutory framework within which the WECA operates and provides funding in the form of grants. Grant receipts not yet recognised due to conditions attached to them at 31 March 2017 are shown in the Balance Sheet. 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 was not elected until 4 May 2017. No members allowances were paid in the period ended 31 March 2017. There were no transactions with related parties during the period.

#### Officers

During the period there were no transactions with companies in which officers had an interest.

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

### 15. Related party disclosures (continued)

#### 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 WECA Committee. Within this capacity, in consultation with their respective councils, they approve the level of Levy raised annually to support the transport functions of the Authority. The Authority operates a number of other committees, details of which are in the Annual Governance Statement.

The Authority received the no levy payments and funding from Related Parties and made no payments to Related Parties in the period ended 31 March 2017.

#### Entities controlled or significantly influenced by the WECA

The WECA owns no subsidiary companies.

### 16. Events after the Balance Sheet date

The Statement of Accounts were authorised for issue by the West of England's Senior Responsible Officer on 31 May 2018. There have been no adjustments to the financial statements after the Balance Sheet date.

In the case of the Statement of Accounts ending 31 March 2017, there is an extended period between the Balance Sheet date and the date when the Statement of Accounts are authorised for issue. Several events have occurred in the intervening period, such as the election of the West of England Mayor in May 2017, however, none of these is deemed to have an adjusting effect on these Statements.

# **WEST OF ENGLAND**

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Combined Authority

**West of England Combined Authority (WECA)**

**Statement of Accounts**

**For the year ended 31st March 2018**

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# West of England Combined Authority (WECA)

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# West of England Combined Authority (WECA)

## Narrative Report

These accounts provide the reader with a view of West of England (WOE) Combined Authority's financial performance and its effectiveness in its use of resources during 2017/18 and are therefore a key element in demonstrating how the Authority has delivered economy, efficiency and effectiveness in its use of resources, as well as ensuring that key stakeholders understand the financial position of the Authority.

The Narrative Report has been prepared to provide an outline of the activities for the year 2017/18, providing both a guide to the WECA's accounts and to its achievements in delivering inclusive economic growth through transport, skills and economic development in its first full year of existence.

### Organisational overview and external environment

In 2016, three councils in the West of England – Bath and North East Somerset, Bristol and South Gloucestershire - signed a devolution deal worth £1 billion. As a result, significant powers and funding have been transferred to the region through the new West of England Combined Authority (WECA) and West of England Mayor.

The West of England is one of the UK's most prosperous regions with an economy worth over £33.2 billion a year. A net contributor to the national purse, with a population of over 1 million and over 43,000 businesses, the region competes on a global scale and is home to globally recognised clusters in Aerospace and Advanced Engineering, Creative and Digital, Low Carbon Technologies and Financial and Professional Business Services.

The aim of the Combined Authority is to be a driving force for clean and inclusive economic growth in the West of England, for local people to benefit from more job opportunities, a stronger economy and a high quality of life.

The WECA came into being on 9 February 2017 by virtue of the West of England Combined Authority Order 2017. The first meeting of the Authority, when it set its constitution and appointed its statutory officers, was on 1 March. Staff transferred from Bath & North East Somerset and Bristol Councils on 1 May and the West of England Mayor was elected on 4 May 2017.

The WECA is now the Local Transport Authority for the Devolution area with transport functions of Concessionary Fares, Bus Information and Community Transport transferring from authorities in the area, and also has powers to exercise economic development and regeneration functions in conjunction with its three constituent local authorities, with progress made during 2017/18 to take forward plans to delegate central government budgets for transport, adult education and economic regeneration by 2019.

Political leadership of the WECA comes from the Mayor and the leaders of the three constituent authorities. Their policies are implemented by the leadership team, comprising the Chief Executive and three Directors, supported by officers. The WECA employed 41 people including the Local Enterprise Partnership (LEP) and Invest in Bristol and Bath (IBB) staff as at 31 March 2018, as well as several staff being seconded from the constituent councils and central government.

The WECA also provides support to the activities of West of England LEP, which also includes North Somerset Council, and also employs the IBB Inward Investment team.

### Aims, Objectives and Achievements

During the past year, the Authority's first full year of operation, it has worked towards positioning itself as the enabling body, bringing together the political leadership in the West of England region, to deliver its ambitious plans for driving inclusive economic growth in the West of England region. The

# West of England Combined Authority (WECA)

## Narrative Report

Authority's business plan sets out the key activities that the WECA will deliver over the 2018 – 2019 period. It includes plans to bring further investment into transport, homes and skills to ensure the West of England is at the forefront of growth and innovation, where economic, cultural and environmental diversity is celebrated and forms the foundations of prosperity for all.

The WECA is built around the principle of operating as efficiently as possible, maximising opportunities for collaboration with our constituent councils and other partners. A workforce strategy will underpin the business plan, ensuring that the WECA has the skills and resources it needs to deliver now, and into the future.

The WECA is organised under the following Departments:

- Infrastructure – delivering our ambitions around housing, planning and transport.
- Business and skills – attracting inward investment, supporting businesses and developing an ambitious skills agenda.
- Chief executive's office - policy and strategy, legal, democratic services and communications.
- Investment and corporate services – finance, human resources, investment and procurement.

Its objectives are centred around the following three core themes;

### **1. Infrastructure fit for the future**

The region needs joined-up and reliable transport, to reduce congestion and help people move around the region. This includes suburban rail services, road schemes, improved public transport, as well as better connections for motorbikes, cyclists and pedestrians. This will support the delivery of new homes, as set out in the Joint Spatial Plan. Improved transport will also improve access to jobs, by linking new homes with employment areas.

The Authority will continue to work closely with Government to develop an ambitious Housing Deal, to secure extra investment to accelerate the delivery of new homes, including affordable homes, particularly over the early years of the Joint Spatial Plan.

Activities are aligned with five objectives:

1. Better links to reduce congestion and connect people
2. Improve national and international connections
3. More affordable homes with a range of housing types
4. Employment spaces to meet the needs of all businesses
5. World-leading digital connections across the region

### **2. World class skills**

The West of England has high employment and a skilled workforce in the region, but there is more to be done. We need to continue work to better align workforce skills with the skills that business in our region need, not only now, but for the future. We have to develop an evidence base and plans that will enable us to do this effectively. We must also take advantage of the opportunities that joint working presents, though better planning of the education, employment and skills system - for example, developing a regional approach to the new technical reforms being implemented by Government.

# West of England Combined Authority (WECA)

## Narrative Report

We will also begin to take advantage of the benefits of devolution as we move closer to taking control of the Adult Education Budget for the WECA area, enabling us to direct resources in a way that best meet the needs of learners and our economy.

Activities are aligned with three objectives:

1. Improving skills and knowledge supply to meet existing and future demands
2. A joined-up education, employment and skills system that meets the region's business needs
3. Provide residents with support, information, advice and guidance to unlock their career potential

### **3. *Businesses that succeed***

The West of England is an economically successful region and one where businesses start, grow and thrive in high numbers. We have a good business support system in place - but there is more we can do. We want to find better ways to support existing businesses to achieve their potential as well as attracting more businesses to our region. We need to build on our strengths, supporting our key sectors including aerospace, creative and digital, and professional services. We also need to build on the diversity and collaboration between sectors that makes us unique. Increasing productivity and exports are key areas of focus along with continuing to find new ways to support innovation, which is at the heart of so much of our success.

Activities are aligned with four objectives:

1. Helping businesses to start-up, grow and flourish
2. Supporting businesses to make the most of export opportunities
3. Supporting an innovative economy
4. Protecting and promoting our region's culture

## **Financial Performance**

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

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

- **Mayoral Fund**

After requested carry forwards for Joint Spatial Plan Scheme development (£92k) and Transport Feasibility Studies (£608k), which will be completed in 2018/19, The Mayoral Fund's outturn revenue position for the 2017/18 financial year is £131k underspent, due to salary costs and the costs of the Mayoral election being lower than budgeted.

# West of England Combined Authority (WECA)

## Narrative Report

Mayoral Fund April to March 2017/18

	Budget £'000	Outrun £'000	Variance £'000
<b>Expenditure</b>			
<b>Staff</b>	135	93	42
<b>Supplies and Services</b>			
Expenses	15	27	(12)
Election costs	1,645	1,534	111
Support services	15	25	(10)
Joint Spatial Plan Scheme Development	800	708	92
Transport Feasibility Studies	675	67	608
Capital RCCOs			
Transport Grants	5,183	5,183	-
Highway Maintenance Grants	11,328	11,328	-
Highway Incentive Grants	1,061	1,061	-
<b>Total Supplies and Services</b>	<b>20,722</b>	<b>19,933</b>	<b>789</b>
<b>Total Expenditure</b>	<b>20,857</b>	<b>20,026</b>	<b>831</b>
<b>Income</b>			
Business Rates Retention Income	17,572	17,572	-
Funding from the WECA	3,285	2,454	(831)
<b>Total Income</b>	<b>20,857</b>	<b>20,026</b>	<b>(831)</b>
<b>Net total – Under/(over) spent</b>	<b>-</b>	<b>-</b>	<b>-</b>

- **WECA Fund**

A net outturn of a £1.733m surplus occurred. This was primarily due to;

- A £355k underspend on staff costs
- A £400k surplus on the costs of the Concessionary Fares scheme in the Combined Authority Area due to lower patronage by eligible bus users.
- £123k underspend on some set-up costs of the new Authority.
- An increase in the investment returns on the Authority's cash holdings.
- A £723k in-year surplus of Business Rates income under the 100% retention pilot.

The WECA was not be established with any general or earmarked reserves or balances transferring from the constituent councils. The WECA Committee agreed in April 2018 to establish appropriate risk assessed levels of reserves based on the specific activity and financial risks to the WECA;

# West of England Combined Authority (WECA)

## Narrative Report

- Carry forward requests of £310k were agreed by the WECA Committee to fund continuing set up and work package costs in 2018/19.
- It was also agreed for an earmarked reserve to be set aside to hold the £400k Integrated Transport Authority underspend, pending the adjustment of subsequent Financial Year's Levy calculations.
- A request for a Business Rate Retention Reserve was also approved, to mitigate any future volatility in the income from this revenue stream, impacting on the General Fund.

### WECA Fund April to March 2017/18

	Budget £'000	Outrun £'000	Variance £'000
<b>Expenditure</b>			
<b>Staff</b>	1,279	944	335
<b>Supplies and Services</b>			
Expenses	50	437	(387)
Support services	245	77	168
Property costs	190	73	117
Implementation and set up costs	1,650	1,527	123
Concessionary fares	13,209	12,793	416
Community transport	1,702	1,704	(2)
RTI costs	371	385	(14)
Futurebright	-	89	(89)
WECA contribution to Mayoral Fund	3,285	2,454	831
<b>Total Supplies and Services</b>	<b>20,702</b>	<b>19,539</b>	<b>1,163</b>
<b>Total Expenditure</b>	<b>21,981</b>	<b>20,483</b>	<b>1,498</b>
<b>Income</b>			
Levy from CA's for WECA Transport functions	15,281	15,281	-
Net Business Rates Retention Income	1,121	1,844	723
Gainshare – Revenue Contribution	5,359	4,528	(831)
Interest on Balances	220	372	152
Grant Income – LGA Devo/AEB Imp/Futurebright	-	174	174
Other income	-	17	17
<b>Total Income</b>	<b>21,981</b>	<b>22,216</b>	<b>235</b>
<b>Net total – Under/(over) spent</b>	<b>-</b>	<b>1,733</b>	<b>1,733</b>

# West of England Combined Authority (WECA)

## Narrative Report

	£'000
<b>Carry forward requests</b>	
Transport Work Packages	(160)
HR Advisor Support	(60)
ICT Implementation	(90)
<b>Earmarked Reserve Requests</b>	
Integrated Transport Authority Reserve	(400)
Business Rates Retention (BRR) Reserve	(715)
<b>Available for General Fund Reserve</b>	<b>308</b>

- Capital**

Underspends on the Economic Model development costs and RTI capital expenditure were requested to be carried forward to the new Financial Year, when the programmes are due to be completed. The Highways and Transport Grants had all been fully distributed to constituent authorities in line with budgets.

### WECA and Mayoral Capital Programme 2017/18

	Budget £'000	Outrun £'000	Variance £'000
<b>WECA Capital</b>			
Infrastructure			
Economic Model and Scheme Prioritisation	400	115	285
Business Case Development – (WECA Oct 2017)	515	515	-
Real Time Information (WECA Oct 2017)	600	-	600
	<b>1,515</b>	<b>630</b>	<b>885</b>
<b>WECA Capital – other</b>			
IT and Building Alterations	300	410	(110)
	<b>300</b>	<b>410</b>	<b>(110)</b>
<b>Mayoral Capital</b>			
Highways and Transport Grants	20,475	20,475	-
Pothole Action Grant (WECA Cttee June 2017)	891	891	-
Pothole Action Grant (WECA Cttee Nov 2017)	619	619	-
	<b>21,985</b>	<b>21,985</b>	<b>-</b>
<b>Grand total</b>	<b>23,800</b>	<b>23,025</b>	<b>775</b>

# West of England Combined Authority (WECA)

## Narrative Report

### Risks and Opportunities

The Authority approves four key documents before the start of each financial year:

- a 4-year capital programme – prioritises bids for capital investment and sets out expected funding.
- a treasury management strategy – sets out expected investment income and policy
- a Medium Term Financial Plan
- an annual revenue budget.

These are continually updated, with the annual capital and revenue budgets formally reviewed on a quarterly basis.

The WECA has put in place a system of internal control designed to manage risks to a reasonable level and aims to identify and prioritise the risks to the achievement of our policies, aims and objectives, and evaluate the likelihood of those risks being realised, the impact should they be realised and to manage them efficiently, effectively and economically.

The WECA has started discussions with the Department for Business Energy and Industrial Strategy (BEIS) on developing a Local Industrial Strategy for the West of England. This is an important opportunity for the region, as the intention is that funding and further devolution discussions will follow the priorities identified in this process. The WECA will work closely with BEIS and across Government to develop this Local Industrial Strategy.

Further devolution of powers from central government presents a significant opportunity for the region, building on the progress of the first deal.

### Outlook

Significant matters that may affect future cash-flows are as follows;

- The 100% Business Rates Retention Pilot began in 2017/18 and the WECA continues to participate in 2018/19 which is of financial benefit to the Authority. A proportion of Business Rates (5%) collected by the constituent councils are allocated to the WECA. The majority of this (£17.572m) is allocated to the Mayoral Budget to replace the grant funding which would previously have been payable by the Department for Transport (DfT). A relative proportion of business rates growth (previously paid to central government) is retained by each of the participating WoE councils including the WECA. For 2018/19 this is estimated at £1.105m for the WECA. The sustainability of this funding will need to be reviewed as the government moves to a national 75% business rates retention system from 2020.
- It is anticipated that, subject to ongoing discussions with the Skills Funding Agency, the WECA will take on responsibility for the 19+ Adult Education Budget, which will be devolved from academic year 2019/20. As such the WECA will then be responsible for allocations to providers and the outcomes to be achieved, consistent with statutory entitlements. This is a new area of responsibility and appropriate transitional and preparatory work is being undertaken.
- 5G Smart Tourism Project; £5m of capital grant funding has been secured from Department for Culture, Media and Sport (DCMS) through the 5G Testbed and Trials Programme. The WECA is the Lead Partner for the project, working with 25 other organisations, including the BBC, BT, the University of Bristol and Bristol City and Bath and North East Somerset Councils.

# West of England Combined Authority (WECA)

## Narrative Report

- The Government has announced the provision of £2m of funding (over the next two years) for each Mayoral Combined Authority, to provide further programme management and delivery capacity specifically within the Combined Authority. The primary purpose of the funding will be to facilitate and accelerate delivery of infrastructure and related investment projects funded from the significant investment resources now being directed toward combined authorities.
- £3m of Housing capacity funding (over the next three years) to fund the creation of a WoE Strategic Housing delivery unit.
- The Government have awarded £80m to the WoE city region over the four years to 2021/22 from the Transforming Cities Fund, to invest in public sustainable transport, helping to reduce congestion and improve air quality.
- The Audit Commission recommend that general fund reserves should be between 5 and 7.5% of expenditure. The proposed balance is significantly below this level and consideration should be given over the medium term to increase the level of General Balances to ensure risk can be managed within the WECA and taking into consideration the Constituent Authorities obligations to underwrite the WECA's financial position.

### Statement of Accounts 2017/18

The Statement of Accounts which follow set out the Council's income and expenditure for the year, its financial position at 31 March 2018 and are 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 2017/18 (the Code). This is based on International Financial Reporting Standards (IFRS's) 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 as at the Balance Sheet date of the assets and liabilities of the West of England 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.

# West of England Combined Authority (WECA)

## Narrative Report

- **Statement of Accounting Policies:**

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

- **Disclosure Notes:**

These provide more detail about individual transactions and balances.

### Governance

Since the Mayor was elected in May 2017, he has begun to shape the priorities of the WECA. A new leadership team has also been appointed and work has continued to strengthen and improve governance arrangements.

Further details are set out in the Annual Governance Statement that can be found on pages 12 to 25; a formal statement that covers all significant corporate systems, processes and controls, spanning the whole range of its activities. It is approved by the Audit and Accounts Committee and signed by the Authority's Chief Executive and the Mayor.

### Auditors

Grant Thornton (UK) LLP are the auditors of the West of England Combined Authority for 2017/18. Their appointment was made under part 2 of the Audit Commission Act 1998.

### On behalf of the Combined Authority

**Tim Richens FCCA CPFA**  
**Director of Investment & Corporate Services**  
**Date: 31 May 2018**

# West of England Combined Authority (WECA)

## Statement of Responsibilities

### 1. The Authority's Responsibilities

The Authority is required to:

- (i) Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. These responsibilities are discharged through the role of the Chief Finance Officer (CFO) which during 2017/18 was Tim Richens, Director of Investment and Corporate Services
- (ii) Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- (iii) Approve the Statement of Accounts.

### 2. The CFO's Responsibilities

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

In preparing this Statement of Accounts, the CFO has:

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

The CFO has also:

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

### 3. Certification of the accounts

I certify that this Statement of Accounts gives a true and fair view of the financial position of West of England's Combined Authority at the reporting date and of its income and expenditure for the year ended 31 March 2018.

**Tim Richens**

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

**Date:**

# **West of England Combined Authority (WECA)**

## **Statement of Responsibilities**

### **4. Approval of the Accounts**

The Combined Authority Committee has delegated approval of the Statement of Accounts for the year ended 31 March 2018 to the WECA Audit Committee. The Statement of Accounts will be approved by the Audit Committee at its meeting on 12 July 2018.

UNAUDITED

West of England Combined Authority (WECA)

Annual Governance Statement

# **WEST OF ENGLAND COMBINED AUTHORITY**

## **2016/17 & 2017/18**

### **Annual Governance Statement**

UNAUDITED

# West of England Combined Authority (WECA)

## Annual Governance Statement

### 1. Scope of Responsibility

- 1.1 The West of England Combined Authority (WECA) is a new Authority only coming into inception in February 2017. It has spent its first year establishing appropriate arrangements and governance mechanisms to ensure that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.
- 1.2 In discharging this overall responsibility, WECA is responsible for putting in place proper arrangements for the governance of its affairs, which includes ensuring a sound system of internal control and effective arrangements for the management of risk.
- 1.3 WECA has adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government* within its constitution and is updating this during 2018 to ensure it reflects latest best practice.
- 1.4 This Statement sets out how WECA has complied with the 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.
- 1.5 The governance framework described in this Statement has been developed since its inception in February 2017 up to the year ended 31 March 2018, and up to the date of the approval of the statement of accounts.

### 2. The Purpose of the Governance Framework

- 2.1 Good governance enables WECA to effectively achieve its intended outcomes, whilst acting in the public interest at all times and the following diagram illustrates how good governance is integral to supporting the delivery of the organisations priorities.



# West of England Combined Authority (WECA)

## Annual Governance Statement

2.2 WECA recognises that establishing and maintaining a culture of good governance is as important as putting in place a framework of policies and procedures. WECA expects members and officers to uphold the highest standards of conduct and behaviour and to act with openness, integrity and accountability in carrying out their duties.

2.3 WECA is committed to seven core principles of good governance which are as follows –

- **Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law**
- **Ensuring openness and comprehensive stakeholder engagement**
- **Defining outcomes in terms of sustainable, economic, social and environmental benefits**
- **Determining the interventions necessary to optimize the achievement of the intended outcomes**
- **Developing the entity's capacity, including the capability of its leadership and the individuals within it**
- **Managing risks and performance through robust internal control and strong public financial management**
- **Implementing good practices in transparency, reporting and audit, to deliver accountability**

2.4 WECA has established a Local Code of Corporate Governance comprised of policies, procedures, behaviours and values by which WECA is controlled and governed and recognises that establishing and maintaining a culture of good governance is as important as putting in place a framework of policies and procedures.

2.5 WECA expects members and officers to uphold the highest standards of conduct and behaviour and to act with openness, integrity and accountability in carrying out their duties.

2.6 WECA will monitor its governance arrangements for their effectiveness in practice and will review them on a continuing basis to ensure that they are up to date.

### 3. Review of Effectiveness

#### 3.1 PROCESSES FOR MAINTENANCE AND REVIEW OF THE EFFECTIVENESS OF THE GOVERNANCE FRAMEWORK

The process for the Annual Governance Statement is a continuous process and the Elected Mayor, Senior officers and Members from the constituent authorities consider emerging issues during the course of the year. This means that controls issues and risks can be addressed more quickly.

Publication of this Annual Governance Statement is the culmination of this work. WECA's Chief Executive and Elected Mayor signs the Statement as a summary of the effectiveness of the council's governance framework.

#### 3.2 OTHER CONTRIBUTORY REVIEW / ASSURANCE MECHANISMS

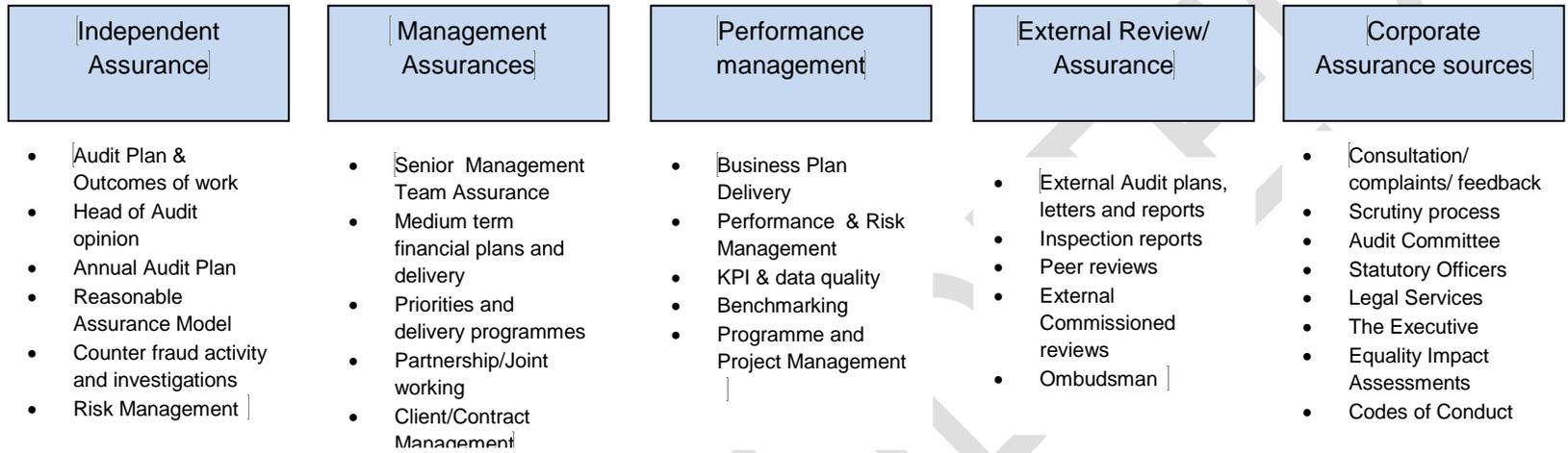
In evaluating the effectiveness of the council's governance, information is available from a range of sources. These include Internal and External Auditors and any relevant government inspectorates and senior management themselves.

The Internal Audit service reviews the effectiveness of the governance framework during the year and the draft Annual Governance Statement. The Statement is signed by the Chief Executive and Elected Mayor and formally reviewed by the Audit Committee as part of the Financial Statements.

# West of England Combined Authority (WECA)

## Annual Governance Statement

### 4. Methodology for preparing the Annual Governance Statement



**Set out the arrangements for compilation and approval of the Annual Governance Statement**  
 Audit Committee by 31 January 2018

**Consideration of draft findings and any potentially significant issues from Annual Governance Review**  
 Senior Management Team Continuous up to 31 May 2018

**Certification and formal Approval of Annual Governance Statement**  
 Chief Executive, Mayor and Audit Committee by 31st July 2018

# West of England Combined Authority (WECA)

## Annual Governance Statement

### 5. Context for the Annual Governance Statement

- 3.1 In 2016, three councils in the West of England – Bath and North East Somerset, Bristol and South Gloucestershire - signed a devolution deal worth £1 billion. As a result, significant powers and funding have been transferred to the region through the new West of England Combined Authority (WECA) and West of England Mayor.
- 3.2 The West of England is one of the UK's most prosperous regions with an economy worth over £33.2 billion a year. A net contributor to the national purse, with a population of over 1 million and over 43,000 businesses, the region competes on a global scale and is home to globally recognised clusters in Aerospace and Advanced Engineering, Creative and Digital, Low Carbon Technologies and Financial and Professional Business Services.
- 3.3 The aim of the Combined Authority is to be a driving force for clean and inclusive economic growth in the West of England, for local people to benefit from more job opportunities, a stronger economy and a high quality of life.
- 3.4 The WECA came into being on 9 February 2017 by virtue of the West of England Combined Authority Order 2017. The first meeting of the Authority, when it set its constitution and appointed its statutory officers, was on 1 March. However, staff didn't transfer from Bath & North East Somerset and Bristol Councils until 1 May 2017. The West of England Mayor was elected on 4 May 2017.
- 3.5 The WECA is now the Local Transport Authority for the Devolution area with transport functions of Concessionary Fares, Bus Information and Community Transport transferring from authorities in the area, and also has powers to exercise economic development and regeneration functions in conjunction with its three constituent local authorities, with progress made during 2017/18 to take forward plans to delegate central government budgets for transport, adult education and economic regeneration by 2019.
- 3.6 Political leadership of the WECA comes from the Mayor and the leaders of the three constituent authorities. Their policies are implemented by the leadership team, comprising the Chief Executive and three Directors, supported by officers. Decisions are made at the WECA Committee, in accordance with the constitution and regulation as set out in the Statutory Order.
- 3.7 WECA also provides support to the activities of West of England Local Enterprise Partnership (LEP), which also includes North Somerset Council, and also employs the Invest in Bristol and Bath Inward Investment team. The organisational arrangements as set out in the proposed Constitution make provision for the establishment of three Advisory Boards (Skills, Infrastructure and Business); and the establishment of a joint committee between the constituent councils of the WECA and North Somerset Council to comprise the Mayor of the WECA, the Mayor of Bristol and the Leaders of Bath and North East Somerset, North Somerset and South Gloucestershire Councils.
- 3.8 The WECA had appointed three Statutory Officers; The Head of Paid Service, Chief Financial Officer and Monitoring Officer.
- 3.9 In accordance with Statutory Orders, the WECA has established two Statutory Committees; an Overview and Scrutiny Committee and Audit Committee. Membership reflects the proportionality of political groups in the Combined Authority area.
- 3.10 During the past year, the Authority's first full year of operation, it has worked towards positioning itself as the enabling body, bringing together the political leadership in the West of England region, to deliver its ambitious plans for driving inclusive economic growth in the West of England region. The Authority's business plan sets out the key activities that WECA will deliver over the 2018 – 2019 period. It includes plans to bring further investment into transport, homes and skills to ensure the West of England is at the forefront of growth and innovation, where economic, cultural and environmental diversity is celebrated and forms the foundations of prosperity for all.

# West of England Combined Authority (WECA)

## Annual Governance Statement

### 6. The Governance Framework

WECA is committed to meeting best practice standards for good governance as set out in its local code of corporate governance and in more detail as follows:-

PRINCIPLES	SUB-PRINCIPLES	FRAMEWORK OF ACTIONS & BEHAVIOURS	FRAMEWORK EVIDENCE
<b>Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of the law</b>	Behaving with integrity	<ul style="list-style-type: none"> <li>WECA Officers and Members behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated</li> <li>Members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood.</li> <li>Leading by example and using standard operating principles or values as a framework for decision making</li> <li>Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively</li> </ul>	Constitution WECA Committee Joint Committee Scrutiny Committee Regional Strategy (to be finalised) Senior Management Structure
	Demonstrating strong commitment to ethical values	<ul style="list-style-type: none"> <li>Seeking to establish, monitor and maintain the organisation's ethical standards and performance</li> <li>Underpinning personal behaviour with ethical values and ensuring they permeate the organisation's culture</li> <li>Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values</li> <li>Ensuring that external providers of services are required to act with integrity and in compliance with ethical standards</li> </ul>	Constitution Local Code of Corporate Governance Policy Framework (to be finalised) Staff Handbook (to be finalised)
	Respecting the rule of law	<ul style="list-style-type: none"> <li>Ensuring Members and Staff demonstrate a strong commitment to the rule of the law and regulations</li> </ul>	Constitution Senior Management Structure Statutory Officers

# West of England Combined Authority (WECA)

## Annual Governance Statement

		<ul style="list-style-type: none"> <li>• Ensure that the statutory officers, other key post holders, and members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements</li> <li>• Optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders</li> <li>• Dealing with breaches of legal and regulatory provisions</li> <li>• Ensuring corruption and misuse of power is dealt with</li> </ul>	Whistleblowing
<b>Ensuring Openness and comprehensive stakeholder engagement</b>	Openness	<ul style="list-style-type: none"> <li>• Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness</li> <li>• Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes.</li> <li>• Providing clear reasoning and evidence for decisions and explanations to stakeholders that are explicit about the criteria, rationale and considerations used.</li> <li>• Using consultation and engagement to determine the most appropriate and effective courses of action</li> </ul>	Constitution Regional Strategy Business Plan Decision Making process WECA Committee Joint Committee Scrutiny Committee
	Engaging comprehensively with institutional stakeholders	<ul style="list-style-type: none"> <li>• Effectively engaging with stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably</li> <li>• Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively</li> </ul>	Joint Meetings of Leaders and Chief Executives of Constituent Authorities and officer sub-groups Role of LEP/WEP
	Engaging with individual citizens and service users effectively	<ul style="list-style-type: none"> <li>• Establishing a clear policy on the type of issues that the organisation will consult with or involve communities, citizens, service users and other stakeholders to ensure that service provision is contributing towards the achievement of intended outcomes</li> <li>• Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement</li> </ul>	Communication and consultation strategy on each proposal and issues Wider process to be devised

# West of England Combined Authority (WECA)

## Annual Governance Statement

		<ul style="list-style-type: none"> <li>• Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds</li> <li>• Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account</li> <li>• Balancing feedback from more active stakeholder groups with other groups to ensure inclusivity</li> <li>• Taking account of the impact of decisions on future generations of tax payers and service users</li> </ul>	
<b>Defining Outcomes in terms of sustainable economic, social and environmental benefits</b>	Defining Outcomes	<ul style="list-style-type: none"> <li>• Having a clear vision of the organisation’s purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation’s overall strategy, planning and other decisions</li> <li>• Specifying the intended impact on, or changes for, stakeholders including citizens and service users.</li> <li>• Delivering defined outcomes on a sustainable basis within the resources that will be available</li> <li>• Identifying &amp; managing risks to achievement of outcomes</li> <li>• Managing service users expectations effectively with regard to determining priorities and best use of the resources</li> </ul>	Regional Strategy Business Plan Performance Management Framework (being developed)
	Sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> <li>• Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision</li> <li>• Taking a long-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation’s intended outcomes and the political cycle or financial constraints</li> <li>• Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits</li> <li>• Ensuring fair access to services</li> </ul>	Regional Strategy Business Plan PID Process WECA Committee Scrutiny

# West of England Combined Authority (WECA)

## Annual Governance Statement

<b>Determining the interventions necessary to optimise the achievement of intended outcomes</b>	Determining interventions	<ul style="list-style-type: none"> <li>Ensuring decision makers receive objective analysis of options indicating how outcomes would be achieved</li> <li>Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available</li> </ul>	Decision Making process PID Process Scrutiny
	Planning interventions	<ul style="list-style-type: none"> <li>Establishing robust planning and control cycles that cover strategic and operational plans, priorities and targets</li> <li>Engaging with all stakeholders in determining how services should be planned and delivered</li> <li>Considering and monitoring risks facing each partner when working collaboratively, including shared risks</li> <li>Ensuring arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances</li> <li>Establishing appropriate KPI's as part of the planning process in order to identify how the performance of services and projects is to be measured</li> <li>Ensuring capacity exists to generate the information required to review service quality regularly</li> <li>Preparing budgets in accordance with objectives, strategies and the medium term financial plan</li> <li>Informing medium term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy</li> </ul>	Business Plan Performance Management Framework Contract Management Framework
	Optimising achievement of intended outcomes	<ul style="list-style-type: none"> <li>Ensuring the medium term financial strategy integrates and balances priorities, affordability and resource constraints</li> <li>Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium term</li> <li>Ensuring the medium term financial strategy sets out the context for decisions on significant delivery issues or changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved</li> </ul>	Budgeting Process Medium Term Financial Plan Financial Regulations Contract Standing Orders

# West of England Combined Authority (WECA)

## Annual Governance Statement

		<ul style="list-style-type: none"> <li>Ensuring the achievement of 'social value' through service planning and commissioning</li> </ul>	
<b>Developing the entity's capacity, including the capability of its leadership and the individuals within it</b>	Developing the entity's capacity	<ul style="list-style-type: none"> <li>Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness.</li> <li>Improving resource use through application of techniques such as benchmarking and other options in order to determine how resources are allocated.</li> <li>Recognising the benefits of partnership working where added value can be achieved</li> <li>Developing &amp; maintaining an effective workforce plan to enhance the strategic allocation of resources</li> </ul>	Business Plan
	Developing the capability of the entity's leadership and other individuals	<ul style="list-style-type: none"> <li>Developing protocols to enable elected and appointed leaders to work with each other regarding their roles so that a shared understanding of role and objectives is maintained</li> <li>Publishing decisions that are delegated and those reserved for the collective decision making of the governing body</li> <li>Ensuring the leader and chief executive have clearly defined and distinctive leadership roles whereby the chief executive leads in implementing strategy and managing the delivery of services set by members and each provides a check and balance for each other's authority.</li> <li>Developing the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by having access to appropriate induction tailored to their role.</li> </ul>	Constitution Senior Management Structure Regional Strategy Business Plan
<b>Managing risks and performance through robust internal control</b>	Managing risk	<ul style="list-style-type: none"> <li>Recognising that risk management is an integral part of all activities and must be considered in all decision making</li> <li>Implementing robust and integrated risk management arrangements and ensuring that they are working effectively</li> </ul>	Risk Management Framework

# West of England Combined Authority (WECA)

## Annual Governance Statement

<b>and strong public financial management</b>		<ul style="list-style-type: none"> <li>Ensuring that responsibilities for managing individual risks are clearly allocated</li> </ul>	
	Managing performance	<ul style="list-style-type: none"> <li>Monitoring service delivery effectively including planning, specification, execution and post implementation review</li> <li>Making decisions based on relevant, objective analysis and advice and risks inherent in the organisation's outlook</li> <li>Ensuring an effective scrutiny function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made</li> <li>Providing members and senior management with regular reports on service delivery plans and on progress</li> <li>Ensuring there is consistency between specification stages and post implementation reporting</li> </ul>	Performance Management Framework  WECA Committee  Joint Committee  Scrutiny
	Robust Internal Control	<ul style="list-style-type: none"> <li>Aligning the risk management strategy and policies on internal control with achieving objectives</li> <li>Evaluating and monitoring risk management and internal controls along with ensuring effective counter fraud and anti-corruption arrangements are in place</li> <li>Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor</li> </ul>	Risk Management Framework  Financial Regulations  Contract Standing Orders  Internal Audit
	Managing Data	<ul style="list-style-type: none"> <li>Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data</li> <li>Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies</li> <li>Reviewing and auditing the quality and accuracy of data used in decision making and performance monitoring</li> </ul>	Secure PSN Compliant network  Information Sharing Agreements  Policy Framework
	Strong Public financial management	<ul style="list-style-type: none"> <li>Ensuring financial management supports achievement of outcomes and financial and operational performance</li> <li>Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and control</li> </ul>	Financial Management

# West of England Combined Authority (WECA)

## Annual Governance Statement

<b>Implementing good practices in transparency, reporting, and audit to deliver effective accountability</b>	Implementing good practice in transparency	<ul style="list-style-type: none"> <li>• Preparing reports for the public and other stakeholders in a fair, balanced and understandable style</li> <li>• Provide the right amount of information to satisfy transparency demands and enhance public scrutiny</li> </ul>	Website & Social Media Decision Making process Scrutiny
	Implementing good practice in reporting	<ul style="list-style-type: none"> <li>• Reporting at least annually on performance, value for money and stewardship of resources to stakeholders</li> <li>• Ensuring members &amp; management own results reported</li> <li>• Ensuring robust arrangements for assessing whether the principles contained in this framework have been applied</li> <li>• Ensuring that this framework is applied to jointly managed or shared service organisations as appropriate</li> <li>• Ensuring the performance information that accompanies the financial statements is prepared on a consistent basis</li> </ul>	Performance Management Framework
	Assurance and effective accountability	<ul style="list-style-type: none"> <li>• Ensuring that recommendations for corrective action made by external audit are acted upon</li> <li>• Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance &amp; recommendations are acted upon</li> <li>• Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations</li> <li>• Gaining assurance on risks associated with delivering services through third parties</li> <li>• Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met.</li> </ul>	External Audit Internal Audit Audit Committee

# West of England Combined Authority (WECA)

## Annual Governance Statement

### 7. Internal Audit Opinion

Audit West has reviewed the risk, governance and control environment of the council and is satisfied it is adequate to ensure delivery of WECA's priorities. Through the work of the Internal Audit Service (Audit West) and delivery of the Annual Audit Plan, some minor control issues have been identified, however none are deemed significant when assessed against the key criteria. Audit West is satisfied that management have accepted responsibility to address its recommendations.

The Annual Audit Plan was developed to give an independent opinion to the Council on reasonable assurance through a systematic detailed risk assessment of the totality of systems, processes, plans and resources which make up the council.

The Plan focused on core financial and other systems and areas presenting the greatest risk to the council 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, in addition to the Audit Plan, Audit West also considered other sources of assurance including reports from external regulators, external audit and commissioned reviews.

### 8. Significant Issues

Our review has not identified any significant issues to record in the Annual Governance Statement and no issues to follow up from previous years as this is a new Authority.

WECA will continue to focus on improving its governance arrangement and systems to manage risk and will set out in 2018 its final version of its Regional Strategy and Business Plan to support delivery of its objectives.

**On behalf of the West of England Combined Authority**

**Signed:**

**Tim Bowles**  
**WECA Mayor**  
**Date:**

# West of England Combined Authority (WECA)

## Annual Governance Statement

Signed:

Patricia Greer  
Chief Executive Officer  
Date:

UNAUDITED

## **West of England Combined Authority (WECA)**

### **Independent Auditor's Report**

These accounts have not yet been audited. The audited accounts will be presented to the WECA Audit Committee on 12<sup>th</sup> July 2018, in accordance with the required statutory timescales.

UNAUDITED

**West of England Combined Authority (WECA)**

**Independent Auditor's Report (continued)**

UNAUDITED

# West of England Combined Authority (WECA)

## Comprehensive Income and Expenditure Statement

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	Period to 31 March 2017 Net Expenditure £'000	Notes	Gross Expenditure £'000	Gross Income £'000	2017/18 Net Expenditure £'000	
-	-	-	Combined Authority Services	6	18,380	(2,264)	16,116
-	-	-	Mayoral fund	7	24,476	(2,454)	22,022
-	-	-	Cost of services		42,856	(4,718)	38,138
-	(3)	(3)	Financing and investment income and expenditure	8	38	(372)	(334)
-	-	-	Taxation and non-specific grant income and expenditure	9	1,919	(41,286)	(39,367)
-	(3)	(3)	<b>(Surplus) or deficit on provision of services</b>		44,813	(46,376)	(1,563)
			Fair value movement on financial assets	26			483
			Remeasurement of the net defined benefit liability	24			(293)
			<b>Other comprehensive (income) and expenditure</b>				190
		(3)	<b>Total comprehensive (income) and expenditure</b>				(1,373)
			Adjustment between funding and accounting basis under regulations	4			(171)
			Transfer to pensions reserve	22			293
			Transfer to Earmarked reserves	21			1,425
			Transfer to Available For Sale reserve	26			(483)
		(3)	<b>(Surplus) or deficit for the year under funding basis</b>				(309)

# West of England Combined Authority (WECA)

## Movement in Reserves Statement

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		Collection Fund Adjustment Account £000	Capital adjustment account £'000	Pensions reserve £'000	Total reserves £'000
	General fund balance £'000	Ear-marked reserves (note 21) £'000	Available for sale reserve £'000	Accumulated Absences Account £000				
<b>Balance at incorporation</b>	-	-	-	-	-	-	-	-
<b>Movements in reserves</b>								
Total comprehensive income and expenditure	3	-	-	-	-	-	-	3
<b>Balance at 31 March 2017</b>	3	-	-	-	-	-	-	3
<b>Movements in reserves</b>								
Total comprehensive income and expenditure	1,373	-	-	-	-	-	-	1,373
Adjustments between accounting basis under regulations	171	-	-	(4)	(315)	460	(312)	-
<b>Increase before transfer to earmarked reserves</b>	1,544	-	-	(4)	(315)	460	(312)	1,373
Effects of business combinations	-	-	-	-	-	-	(1,692)	(1,692)
Transfers (from)/to reserves	(1,235)	1,425	(483)	-	-	-	293	-
<b>Balance at 31 March 2018</b>	312	1,425	(483)	(4)	(315)	460	(1,711)	(316)

# West of England Combined Authority (WECA)

## Balance Sheet

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	2018 £'000	2017 £'000
Intangible assets	14	134	-
Property, plant and equipment	15	325	-
<b>Long term assets</b>		<b>459</b>	<b>-</b>
Trade and other receivables	16	93,385	20,003
Financial assets at fair value through other comprehensive income	26	38,294	9,950
Cash and cash equivalents	17	4	50
<b>Current assets</b>		<b>131,683</b>	<b>30,003</b>
Trade and other payables	18	(5,186)	-
Grant receipts in advance - revenue	10	(27,903)	(15,000)
<b>Current liabilities</b>		<b>(33,096)</b>	<b>(15,000)</b>
<b>Net current assets</b>		<b>98,594</b>	<b>15,003</b>
Grant receipts in advance - capital	10	(30,352)	(15,000)
Net pensions liability	24	(1,711)	-
Provisions	20	(2,655)	-
Agency liability		(64,651)	-
<b>Net (liabilities)/assets</b>		<b>(316)</b>	<b>3</b>
General fund balance	21	312	3
Earmarked reserves	21	1,425	-
<b>Usable reserves</b>		<b>1,737</b>	<b>3</b>
Available for sale reserve	22	(483)	-
Accumulated Absences Account	22	(4)	-
Collection Fund Adjustment Account	22	(315)	-
Capital adjustment account	22	460	-
Pensions reserve	22	(1,711)	-
<b>Unusable reserves</b>		<b>(2,053)</b>	<b>-</b>
<b>Total reserves</b>		<b>(316)</b>	<b>3</b>

The financial statements were approved and authorised for issue by:

Date:

# West of England Combined Authority (WECA)

## Cash Flow Statement

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.

	2018 £'000	2017 £'000
<b>Net surplus on the provision of services</b>	<b>1,563</b>	<b>3</b>
<b>Adjustments to net surplus or deficit on the provision of services for non-cash movements</b>		
Depreciation of property, plant and machinery	46	-
Amortisation of intangible assets	28	-
Change in pensions reserves	312	-
Increase trade and other receivables	(73,097)	(20,003)
Increase in trade and other payables	5,186	-
Increase in provisions	2,655	-
Increase in agency liability	64,651	-
Net interest receivable	(372)	-
Interest received	87	-
<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	(4,984)	-
<b>Net cash flows from operating activities</b>	<b>(3,925)</b>	<b>(20,000)</b>
<b>Investing activities</b>		
Purchase of property, plant and machinery	(371)	-
Purchase of intangible assets	(162)	-
Capital grants received for the purchase of property, plant and equipment	4,984	-
Increase in financial assets at fair value through other comprehensive income	(28,827)	(9,950)
<b>Net cash flows from investing activities</b>	<b>(24,376)</b>	<b>(9,950)</b>
<b>Financing activities</b>		
Increase in capital grants receipts in advance	15,352	15,000
Increase in revenue grants receipts in advance	12,903	15,000
<b>Net cash flows from financing activities</b>	<b>28,255</b>	<b>30,000</b>
<b>Net increase or decrease in cash and cash equivalents</b>	<b>(46)</b>	<b>50</b>
<b>Cash and cash equivalents at 1 April</b>	<b>50</b>	<b>-</b>
<b>Cash and cash equivalents at 31 March (note 17)</b>	<b>4</b>	<b>50</b>

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

### Notes Index

<b>Number</b>	<b>Description</b>
1	Basis of preparation
2	Significant accounting policies
3	Critical accounting judgements, estimates and assumptions
4	Expenditure and Funding Analysis
5	Expenditure and income analysed by nature
6	Combined Authority's services
7	Mayoral funds
8	Financing and investment income and expenditure
9	Taxation and non-specific grant income and expenditure
10	Government and other Grant income
11	Officers' remuneration
12	Members' allowances
13	External audit costs
14	Intangible assets
15	Property, plant and equipment
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19	Agent for West of England LEP and associated grants/functions
20	Provisions, Contingent Liabilities and Guarantees
21	Usable reserves
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23	Capital expenditure and capital financing
24	Defined benefit pension scheme
25	Financial risk management
26	Financial Instruments
27	Operating leases
28	Capital commitments
29	Related party disclosures
30	Events after the Balance Sheet date
31	Transfer of Functions
32	100% Business Rates Retention Pilot

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

### 1. Basis of preparation

#### a) General principles

The Statement of Accounts summarises the West of England Combined Authority's (WECA) transactions for the financial year 2017/18 and its position as at 31 March 2018. The Authority is required to prepare an Annual Statement of Accounts in accordance with the Accounts and Audit Regulations 2015 which require the Accounts 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 2017/18 (the Code), supported by International Financial Reporting Standards (IFRS).

#### b) Basis of preparation

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

#### c) Going concern

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

#### d) 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. For the 2017/18 financial year, the applicable date will be 1 January 2018. The relevant standards are:

1. IFRS 9 Financial Instruments issued in July 2014 effective 1 January 2018
2. IFRS 15 Revenue contracts from customers issued in May 2014 effective 1 January 2018

The WECA will adopt IFRS 9 with effect from 1 April 2018. The main changes include the reclassification of financial assets and the earlier recognition of the impairment of financial assets.

The WECA does not expect the reclassification changes to have a material impact upon the financial statements because the majority of its financial assets will retain the same measurement. To this end, on 1 April 2018 the Council irrevocably elected to present changes in the fair value of the following equity investments in other comprehensive income as permitted by the IFRS:

- CCLA – LAMIT Property Fund

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

The WECA does not expect the impairment changes to have a material impact upon the financial statements because the impairment charge will be immaterial for its treasury management assets and it already makes a provision for doubtful debts on its trade receivables.

The WECA will adopt IFRS 15 (which replaces IAS 18 Revenue and IAS 11 Construction Contracts) with effect from 1 April 2018 and does not expect to have a material impact upon the financial statements. The main changes include the new definition of income to depict the transfer of promised goods or services to the service recipient or customer in an amount that reflects the consideration to which the authority expects to be entitled in exchange for those goods or services. Income includes both revenue arising in the course of normal operating activities of an authority and gains such as the revaluation of property, plant and equipment.

### 2. Significant accounting policies

#### a) 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. Further details regarding the accounting treatment for irrecoverable VAT is provided in note 3.

The net amount of VAT payable to HMRC is included as part of Creditors in the Balance Sheet.

#### b) Accruals of Income and Expenditure

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

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

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

- 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.

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

### c) 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 to the capital grants unapplied reserve via the Movement in Reserves Statement. When the expenditure is incurred, the grant is transferred to the deferred capital grants 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 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.

### d) 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.

### e) 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.

### f) Financial assets

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

The Combined Authority's financial assets include trade debtors, short-term investments and cash and cash equivalents. Such financial assets are recognised initially at cost.

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.

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.

### **g) Financial liabilities**

Financial liabilities include trade creditors.

Financial liabilities are recognised initially at cost. Subsequent to initial recognition trade creditors are recognised and carried at invoice or contract value. 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.

### **h) 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, however in the current year first year fit-out costs have been capitalised as a single asset. 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.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other operating expenditure. When revalued assets are sold, any revaluation reserve relating to the particular asset is transferred to the general fund.

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

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

charged from the date that the asset first comes into use and depreciation is charged in the year up to the date of disposal.

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

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

### **i) Intangible assets**

#### *Computer software*

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three years.

#### *Economic Model*

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

### **j) 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.

### **k) Impairment - Financial assets (including receivables)**

Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment. 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.

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

### **l) 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 Accounts.

### **m) Events after the Reporting Period**

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

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

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

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

### 3. Critical accounting judgements, estimates and assumptions

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 period in which the estimates are revised and in any future periods affected.

#### Judgements

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

#### Agency

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

- WoE LEP expenditure is incurred as an agent, acting as an intermediary on behalf of the four Unitary Authorities. Each Authority's accounts 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 WECA assumed the Accountable Body role for the Invest in Bristol and Bath inward investment function and the MetroBus/MetroWest Communications function in 2017/18, with the teams transferred from Bristol City Council to the Authority's employment on 1 May 2017.

A separate Disclosure for all the above functions, where the Authority acts as Agent, is shown at Note 19.

#### 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 2018 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

### 3. Critical accounting judgements, estimates and assumptions (continued)

#### 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 £0.118m.
- An increase of life expectancy at retirement by 1 year will increase the pension fund liability by £0.077m.
- 0.1% p.a. increase in inflation will increase the pension fund liability by £0.121m.
- 0.1% p.a. increase in pay growth will increase the pension fund liability by £0.037m.

#### Property, Plant and Equipment

For assets held at depreciated historical cost (as a proxy for current value), the carrying value is initial cost less accumulated depreciation. Depreciation is calculated on a straight line basis over the expected useful life. Impairment reviews are conducted annually by management.

#### Leases

The Authority has examined all its lease agreements to establish whether these should be classed as operational or finance leases. Where the application of IAS17 does not provide a definitive solution, judgement is applied in determining whether the lease is operating or financial. Based on this assessment, all the Authority's leases have been assessed to be operational.

#### Provisions for Doubtful Debts

The recoverability of debts are reviewed annually and provision is made for any debts over 12 months old or for which there is evidence of the initial debt being unrecoverable. Impairment Allowances for National Non-Domestic Rates (NNDR) income are made by officers at each of the Billing Authorities participating in the 100% Business Rates Retention (BRR) Pilot.

#### NNDR Appeals

Under the 100% BRR Pilot, the WECA is liable for its proportionate share of successful appeals against Business Rates charged. A provision has been estimated by officers at each of the Billing Authorities for the amount that businesses have been overcharged up to 31 March 2018. The estimate has been estimated using Valuation Office Agency data and analysis of successful appeals to date.

#### Irrecoverable VAT

The Authority has not been able to fully recover VAT on its input costs, until the date of royal assent of the Finance Act in March 2018, which gave the ability for all Combined Authorities to recover VAT on their non-business activities under s33 of the VAT Act 1994. The amount of non-recoverable VAT has been estimated, after mitigations such as application of the Capital Goods Scheme, following the guidance of the Authority's tax advisors.

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

### Concessionary Fares

The WECA relies on estimates of patronage of Bus users eligible for Concessionary Fares, provided by the Constituent Authority administering the Scheme on the Authority's behalf in 2017/18. February and March's activity has to be estimated pending receipt from Bus Operators of the full patronage data.

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

Net Expenditure chargeable to the general fund £'000	Adjustments between funding and accounting basis £'000	2016/17 Net expenditure in the comprehensive Income and outcome expenditure statement £'000	Net expenditure chargeable to the general fund £'000	Adjustments between funding and accounting basis £'000	2017/18 Net expenditure in the comprehensive income and expenditure statement £'000
-	-	- Combined Authority	15,764	352	16,116
-	-	- Mayoral fund	-	22,022	22,022
-	-	- <b>Cost of services</b>	15,764	22,374	38,138
(3)	-	(3) Financing and investment income and expenditure	(372)	38	(334)
-	-	- Taxation & non-specific grant income & expenditure	(17,126)	(22,241)	(39,367)
(3)	-	(3) <b>Surplus or deficit on provision of services</b>	(1,734)	171	(1,563)
-	-	- Opening General Fund balance	(3)	-	-
-	-	- Transfers to earmarked reserves	1,425	-	-
(3)	-	(3) <b>Closing General Fund balance</b>	(312)	-	-

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

### 4. Expenditure and Funding Analysis (continued)

#### (b) 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 2017/18

	Adjustments for capital purposes				Collection Fund Adjustment Account	Pensions adjustments	Accumulated Absences Account	Total adjustments
	Depreciation/loss on disposal	REFCUS	RCCO	Grants/contributions				
Combined Authority	74	-	-	-	-	274	4	352
Mayoral fund	-	22,022	-	-	-	-	-	22,022
<b>Net cost of services</b>	<b>74</b>	<b>22,022</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>274</b>	<b>4</b>	<b>22,374</b>
Financing & investment income & expenditure	-	-	-	-	-	38	-	38
Taxation & non-specific grant income & expenditure	-	-	(17,572)	(4,984)	315	-	-	(22,241)
<b>(Surplus) or deficit on provision of services</b>	<b>74</b>	<b>22,022</b>	<b>(17,572)</b>	<b>(4,984)</b>	<b>315</b>	<b>312</b>	<b>4</b>	<b>171</b>

There were no adjustments in the prior period.

#### 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).

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

### 4. Expenditure and Funding Analysis (continued)

#### 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.

#### Pensions adjustments

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

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

#### Accumulated absences account

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

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

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

### 5. Expenditure and income analysed by nature

The WECA's expenditure and income is analysed as follows:

	2018 £'000	2017 £'000
<b>Expenditure</b>		
Employee benefits expenses including pension	1,419	-
Other service expenses	21,379	-
Depreciation, amortisation and impairment	74	-
Revenue expenditure funded from capital under statute	20,022	-
Business Rates Retention Tariff	1,919	-
<b>Total Expenditure</b>	<b>44,813</b>	-
<b>Income</b>		
Local Authority business rates growth and contributions	(21,021)	-
Levies	(15,281)	-
Government revenue grants and contributions	(4,528)	-
Capital grants and contributions	(4,984)	-
Interest and investment income	(372)	(3)
Other service income	(190)	-
<b>Total Income</b>	<b>(46,376)</b>	(3)
<b>Surplus on provision of services</b>	<b>(1,563)</b>	(3)

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

### 6. Combined Authority's services

	Gross Expenditure £000	Grants Received £000	Other Income £000	Net Expenditure £000
Implementation & set up costs	1,527	-	-	1,527
Combined Authority Services	1,531	-	-	1,531
Concessionary fares	12,792	-	-	12,792
Community transport	1,704	-	-	1,704
RTI costs	385	-	-	385
Futurebright	89	-	-	89
Gainshare - Revenue Contribution	-	(2,074)	-	(2,074)
Grant Income - LGA Devo/AEB Imp/Futurebright	-	-	(174)	(174)
Other Income	-	-	(16)	(16)
<b>Net expenditure chargeable to the General Fund</b>	<b>18,028</b>	<b>(2,074)</b>	<b>(190)</b>	<b>15,764</b>
Adjustments between funding and accounting basis (note 4)	352	-	-	352
<b>Per Comprehensive Income and Expenditure Statement</b>	<b>18,380</b>	<b>(2,074)</b>	<b>(190)</b>	<b>16,116</b>

There are no prior period comparatives.

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

### 7. Mayoral funds

	2018 £'000	2017 £'000
<b>Expenditure</b>		
Mayoral office running costs	145	-
Joint Spatial Plan Scheme Development	708	-
Transport Feasibility Studies	67	-
Revenue expenditure funded from capital under statute:		
- <i>Highways Maintenance Grants</i>	11,328	-
- <i>Transport Grants</i>	5,183	-
- <i>Highways Incentive Grants</i>	1,061	-
- <i>Productivity Fund</i>	2,903	-
- <i>Pothole Action Fund</i>	1,510	-
- <i>Business Case Grants</i>	37	-
Election costs	1,534	-
<b>Gross Expenditure</b>	<b>24,476</b>	-
<b>Income</b>		
Gainshare - Revenue Contribution	(2,454)	-
<b>Gross Income</b>	<b>(2,454)</b>	-
<b>Net Expenditure</b>	<b>22,022</b>	-

This is the first year of the Mayoral Office and therefore there are no prior period comparatives.

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

### 8. Financing and investment income and expenditure

	2018 £'000	2017 £'000
Net interest on the net defined benefit liability (note 24)	38	-
Interest receivable and similar income	(372)	(3)
<b>Net financing and investment income and expenditure</b>	<b>(334)</b>	<b>(3)</b>

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

	2018 £'000	2017 £'000
National Non-Domestic Rates	19,737	-
Section 31 National Non-Domestic Rates Grant - MHCLG	1,284	-
Business Rates Retention Tariff	(1,919)	-
Transport levy from the Constituent Authorities	15,281	-
Productivity Investment Fund - DfT	2,903	-
Pothole Action Fund Grant - DfT	1,510	-
Gainshare Capital Grant - MHCLG	571	-
	<b>39,367</b>	<b>-</b>

### 10. Government and other Grant income

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

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

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

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

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

### 10. Government and other Grant income (continued)

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 period:

	2018 £'000	2017 £'000
<b>Revenue grants credited to cost of services</b>		
Gainshare Revenue Grant - MHCLG	4,528	-
LGA Devolution Support Grant - LGA	50	-
Employment Support Innovation Pilot Programme Grant - DWP	77	-
Adult Education Budget Implementation Grant - SFA	47	-
<b>Total</b>	<b>4,702</b>	<b>-</b>
<i>Analysed between the following segments:</i>		
Combined Authority services	2,454	-
Mayoral	2,248	-
	<b>4,702</b>	<b>-</b>
	2018 £'000	2017 £'000
<b>Capital grants and contributions credited to taxation and non-specific grant income</b>		
Gainshare Capital Grant - MHCLG	571	-
Productivity Investment Fund - DfT	2,903	-
Pothole Action Fund Grant - DfT	1,510	-
	<b>4,984</b>	<b>-</b>

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

### 10. Government and other Grant income (continued)

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:

	2018 £'000	2017 £'000
<b>Grants received in advance - capital</b>		
Pothole Action Fund Grant - DfT	923	-
Gainshare Capital - MHCLG	29,429	-
	<b>30,352</b>	-
<b>Grants received in advance - revenue</b>		
Gainshare Revenue Grant - MHCLG	25,472	-
Employment Support Innovation Pilot Programme Grant - DWP	1,323	-
Adult Education Budget Implementation Grant - SFA	28	-
West of England Housing Deal Capacity Funding - MHCLG	900	-
Planning Delivery Fund - MHCLG	175	-
Third Party Contributions	5	-
	<b>27,903</b>	-

### 11. Officers' remuneration

The remuneration paid to senior employees during 2017/18 was as follows:

#### Annualised salary of £150,000 or more for the year ending 31 March 2018

	Salary £	Expenses £	Employer Pension Contributions £	Total Remuneration £
<b>For the period 01/05/2017 - 31/03/2018</b>				
Chief Executive (Patricia Greer)	137,500	377	17,875	155,752

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

### 11. Officers' remuneration (continued)

#### Annualised salary between £50,000 and £150,000 for the year ending 31 March 2018

In 2017/18, pending permanent appointments to the Authority's Senior Management Team, there were no directly employed Senior Officers in a statutory post or reporting to the Authority's Paid Head of Service.

However, several senior officer posts were covered by staff being seconded from Constituent Authorities or Central Government in 2017/18, including the:

- Director of Investment and Corporate Services
- Monitoring Officer
- Director of Business and Skills

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

	2018 £'000	2017 £'000
£50,000 - £54,999	2	-
£55,000 - £59,999	1	-
£60,000 - £64,999	1	-
£65,000 - £69,999	-	-
£70,000 - £74,999	-	-
£75,000 - £79,999	-	-
£80,000 - £84,999	-	-
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	1	-
£115,000 - £119,999	-	-
£120,000 - £124,999	-	-
£125,000 - £129,999	-	-
£130,000 - £134,999	-	-
£135,000 - £139,999	1	-

Staff transferred from Bath & North East Somerset Council and Bristol City Council and became employees of the Combined Authority on 1 May 2017. Their April salaries were paid by the aforementioned authorities and the costs recovered from the WECA later in 2017/18. There are no prior period comparatives as the Authority did not employ any staff to conduct the organisation's business in the period to 31 March 2017.

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

### 11. Officers' remuneration (continued)

#### 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	
	2018 No.	2017 No.	2018 No.	2017 No.	2018 £'000	2017 £'000.
£0 - £40,000	2	-	2	-	53	-
£40,000+	-	-	-	-	-	-
	2	-	2	-	53	-

### 12. Members' allowances

#### Mayor's allowances

	2018 £'000	2017 £'000
Allowances	56	-
Expenses	1	-
	57	-

### 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:

	2018 £'000	2017 £'000
Fees payable to Grant Thornton LLP with regard to external audit services carried out by the appointed auditor for the year	27	-
Fees payable in respect of other services provided by Grant Thornton LLP during the year	-	-
	27	-

Fees recorded as occurring in 2017/18 relate to both the period to 31 March 2017 and 2017/18 Statement of Accounts as they were produced and audited at the same time, due to the small number of transactions that took place in the period ended 31 March 2017.

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

### 14. Intangible assets

	Economic Model £'000	Computer software £'000	Total £'000
<b>Cost</b>			
Balance on incorporation	-	-	-
At 1 April 2017	-	-	-
Additions	115	47	162
<b>At 31 March 2018</b>	<b>115</b>	<b>47</b>	<b>162</b>
<b>Accumulated depreciation</b>			
Balance on incorporation	-	-	-
At 1 April 2017	-	-	-
Charge for the year	19	9	28
<b>At 31 March 2018</b>	<b>19</b>	<b>9</b>	<b>28</b>
<b>Net book value</b>			
<b>At 31 March 2018</b>	<b>96</b>	<b>38</b>	<b>134</b>
At 31 March 2017	-	-	-
On incorporation	-	-	-

### 15. Property, plant and equipment

	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
<b>Cost</b>			
Balance on incorporation	-	-	-
At 1 April 2017	-	-	-
Additions	306	65	371
<b>At 31 March 2018</b>	<b>306</b>	<b>65</b>	<b>371</b>
<b>Accumulated depreciation</b>			
Balance on incorporation	-	-	-
At 1 April 2017	-	-	-
Charge for the year	33	13	46
<b>At 31 March 2018</b>	<b>34</b>	<b>13</b>	<b>46</b>
<b>Net book value</b>			
<b>At 31 March 2018</b>	<b>273</b>	<b>52</b>	<b>325</b>
At 31 March 2017	-	-	-
On incorporation	-	-	-

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

### 16. Trade and other receivables

	2018 £'000	2017 £'000
Loans receivable	89,000	20,000
Trade receivables	8	3
Other receivables	3,630	-
Prepayments and accrued income	747	-
	<b>93,385</b>	20,003
<b>Analysed between the following classes of debtors:</b>		
Central government bodies	456	-
Other local authorities	89,716	20,000
Other entities and individuals	3,213	3
	<b>93,385</b>	20,003

As at 31 March 2018 there were no trade receivables past due but not impaired.

As at 31 March 2018 other receivables of £167,000 (2017: £Nil) were impaired in relation to NNDR income and the amount of the impairment provision was £167,000 (2017: £Nil). The movement in the year on the provision for impairment was £167,000 (2017: £Nil).

### 17. Cash and Cash Equivalents

	2018 £'000	2017 £'000
Cash at bank and in hand	4	50

### 18. Trade and other payables

	2018 £'000	2017 £'000
Trade payables	2,798	-
Taxes and social security	106	-
Accruals and deferred income	2,282	-
	<b>5,186</b>	-
<b>Analysed between the following classes of debtors:</b>		
Central government bodies	286	-
Other local authorities	4,128	-
Other entities and individuals	772	-
	<b>5,186</b>	-

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

### 19. 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 WECA assumed the Accountable Body role for the Invest in Bristol and Bath inward investment function and the MetroBus/MetroWest Communications function in 2017/18, with the teams transferred from Bristol City Council to the Authority's employment on 1 May 2017. The table below reflects the revenue expenditure incurred by the WECA on behalf of the West of England Authorities in 2017/18:

#### West of England LEP Revenue Expenditure 2017/18

	2018 £'000	2017 £'000
<b>Expenditure</b>		
LEP Management & Co-ordination	388	-
LEP Infrastructure	451	-
LEP Skills & Economy	292	-
Growth Hub	328	-
LEADER	75	-
Energy Strategy	32	-
RIF Administration	248	-
ERDF Administration	39	-
	<b>1,853</b>	-
	2018 £'000	2017 £'000
<b>Income</b>		
Local Authority contributions	546	-
Higher/Further Education contributions	18	-
Government Grant - Core & Strategic Economic Plan	500	-
Government Grant - RIF administration	248	-
Government Grant - Growth Hub	328	-
Government Grant - Other	213	-
	<b>1,853</b>	-

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

### 19. Agent for West of England LEP and associated grants/functions (continued)

	2018 £'000	2017 £'000
<b>Expenditure</b>		
Inward Investment Team	1,013	-
	1,013	-
Income		
Economic Development Fund Grant	849	-
Other Grants	35	-
Sponsorship Income	86	-
Contributions	43	-
	1,013	-
	2018 £'000	2017 £'000
<b>Expenditure</b>		
Communications Team	261	-
	261	-
Income		
MetroBus contribution	187	-
MetroWest contribution	69	-
Other contribution	5	-
	261	-

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

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

### 19. Agent for West of England LEP and associated grants/functions (continued)

#### West of England LEP Central Government Grants 2017/18

	Funds transferred £'000	Grant received /returned £'000	Interest applied £'000	Grant distributed /recovered £'000	Funds c/fwd £'000
<b>Grant Award</b>					
MHCLG - Growing Places Revolving Infrastructure Fund	6,015	-	37	(518)	5,534
BEIS - Regional Growth Fund 2 Revolving Infrastructure Fund	18,855	-	103	(10,682)	8,276
RIF - Returned Funds from completed schemes	3,154	2,743	-	-	5,897
BEIS - Regional Growth Fund 3	-	(22)	-	22	-
MHCLG - Local Growth Fund	4,648	49,832	-	(17,903)	36,577
	<b>32,672</b>	<b>52,553</b>	<b>140</b>	<b>(29,081)</b>	<b>56,284</b>

### 20. 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.

	2018 £'000	2017 £'000
Provision for doubtful debts - NNDR Income	167	-
Provision for Appeals - NNDR Income	2,655	-
	<b>2,822</b>	-

The National Non-Domestic Rates (NNDR) Impairment Allowance is for the estimated amounts of outstanding income that may become uncollectable by the Billing Authorities in future. The 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's Senior Management Team have reviewed potential liabilities arising from the WECA's actions and have not identified any material Contingent Liabilities.

The Authority has not entered into any Guarantees.

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

### 21. Usable reserves

The purpose of the individual reserves are as follows:

#### General Fund Balance

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

#### Earmarked Reserves

Current year movements	Carry forward reserve £'000	Integrated Transport Authority reserve £'000	BRR Reserve £'000	Total £'000
<b>Balance at 1 April 2017</b>	-	-	-	-
Transfers in year from general reserves	310	400	715	1,425
<b>Net transfer from general reserves</b>	<b>310</b>	<b>400</b>	<b>715</b>	<b>1,425</b>
<b>Balance at 31 March 2018</b>	<b>310</b>	<b>400</b>	<b>715</b>	<b>1,425</b>

#### Carry forward reserve

The Carry Forward Reserve exists in order to hold carry forwards at year end for transfer to relevant service areas in the new financial year, as approved by the WECA Committee.

#### Integrated Transport Authority reserve

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

#### BRR Reserve

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

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

### 22. Unusable reserves

The purpose of the individual reserves are as follows:

#### Available for sale reserve

The Available for sale reserve includes all gains and losses recognised on revaluation of financial assets held at fair value through other comprehensive income.

#### Capital Adjustment Account

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

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

	2018 £'000	2017 £'000
Opening balance at 1 April		-
<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	(74)	-
Revenue expenditure funded from capital under statute	(22,022)	-
Transfer of revenue contributions on capital outlay (RCCO)	17,572	
<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	4,984	-
<b>Closing balance at 31 March</b>	<b>460</b>	<b>-</b>

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

### 22. Unusable reserves (continued)

#### 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.

	2018 £'000	2017 £'000
Opening balance at 1 April	-	-
Remeasurements (liabilities and assets)	293	-
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	(491)	-
Effect of business combinations	(1,692)	-
Employers pension contributions payable in the year; Current year	179	-
<b>Closing balance at 31 March</b>	<b>(1,711)</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 2017/18

	2018 £'000	2017 £'000
<b>Balance at 1 April 2017</b>	-	-
Bath & North East Somerset Council	(36)	-
Bristol City Council	(11)	-
South Gloucestershire Council	(268)	-
<b>Balance at 31 March</b>	<b>(315)</b>	-

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

### 23. Capital expenditure and capital financing

The Authority spent £22.6m on capital during 2017/18. This expenditure is summarised below:

	2018 £'000	2017 £'000
Economic Model Software	115	-
Office Fit out and ICT Set-up Costs	418	-
Transport Scheme Business Case Development	37	-
Highways Maintenance & Infrastructure	21,985	-
<b>Total expenditure</b>	<b>22,555</b>	-
<b>Analysed between the following:</b>		
Intangible Asset (note 14)	162	-
Property, plant and equipment (note 15)	371	-
<b>Total capital expenditure</b>	<b>533</b>	-
Written off to cost of services - transport capital grants	22,022	-
	<b>22,555</b>	-

The table below details the funding of the capital programme:

	2018 £'000	2017 £'000
<b>Funded by:</b>		
Central government grants	4,412	-
Gainshare Contributions	571	-
Mayoral Fund RCCO	17,572	-
	<b>22,555</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.

The Authority undertook no borrowing during the year ended 31 March 2018.

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

### 24. 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 in accordance with the Regulations as at 31 March 2016. 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 2017 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 2018 are based on the 31 March 2016 formal valuation of the fund. Membership data as at 31 March 2016 was used to develop current funding requirements. Liabilities are based on benefit payment and contribution information provided by the fund's administrator as at 31 March 2018. This valuation was carried out by Mercer.

#### Net liability and pension reserve

The net amount recognised on the Balance Sheet at 31 March 2018 is a deficit of £1,711,000 (2017: £Nil).

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

	2018 £'000	2017 £'000
Opening balance at 1 April	-	-
Employer's pension contributions payable in the year	(179)	-
Current service cost	446	-
Administrative expenses	7	-
Net interest cost	38	-
Remeasurements (liabilities and assets)	(293)	-
Business combination	1,692	-
<b>Closing balance at 31 March</b>	<b>1,711</b>	-

Employer's pension contributions expected to be paid in 2018/19 are estimated at £196,000.

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

### 24. Defined benefit pension scheme (continued)

#### 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:

	2018 £'000	2017 £'000
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of services</b>		
Current service cost	446	-
Administration expenses	7	-
<b>Financing and investment income and expenditure</b>		
Net interest cost	38	-
<b>Total post-employment benefit charged to the surplus or deficit on provision of services</b>	<b>491</b>	<b>-</b>
Remeasurements (liabilities and assets)	(293)	-
<b>Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>198</b>	<b>-</b>
	<b>2018 £'000</b>	<b>2017 £'000</b>
<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	(491)	-
Actual amount charged against the General Fund Balance for pensions in the year	179	-
	<b>(312)</b>	<b>-</b>
<b>Assets and liabilities in relation to post-employment benefits</b>		
	<b>2018 £'000</b>	<b>2017 £'000</b>
Present value of scheme liabilities	(4,523)	-
Present value of scheme assets	2,812	-
<b>Amounts recognised as liabilities</b>	<b>(1,711)</b>	<b>-</b>

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

### 24. Defined benefit pension scheme (continued)

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

	2018 £'000	2017 £'000
Opening balance at 1 April	-	-
Current service cost	446	-
Interest on pension liabilities	101	-
Member contributions	110	-
Actuarial gains	(303)	-
Benefits paid	(59)	-
Business combination	4,228	-
<b>Closing balance at 31 March</b>	<b>4,523</b>	-

#### Reconciliation of fair value of the scheme assets

	2018 £'000	2017 £'000
Opening balance at 1 April	-	-
Employer's pension contributions payable in the year	179	-
Interest on plan assets	63	-
Member contributions	110	-
Actuarial losses	(10)	-
Administrative expenses	(7)	-
Benefits paid	(59)	-
Business combination	2,536	-
<b>Closing balance at 31 March</b>	<b>2,812</b>	-

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

	2018 %	2018 £'000	2017 %	2017 £'000
<b>Asset</b>				
Equities	41	1,151	-	-
Gilts	11	304	-	-
Other bonds	12	343	-	-
Property	9	250	-	-
Cash/liquidity	4	101	-	-
Other	23	663	-	-
	<b>100</b>	<b>2,812</b>	-	-

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

### 24. Defined benefit pension scheme (continued)

#### 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 period, for investments returns over the entire life of the related obligation.

	2018	2017
<b>Valuation assumptions</b>		
Discount rate	2.7%	N/A
Rate of salary increase	3.6%	N/A
Rate of pension increase	2.2%	N/A
Inflation assumption	2.1%	N/A
<b>Future life expectancies from age 65</b>		
Retiring today:		
Males	23.6	N/A
Females	26.1	N/A
Retiring in 20 years:		
Males	26.2	N/A
Females	28.8	N/A

### 25. Financial risk management

The Authority has existed as an entity since February 2017. During the period to 31 March 2018, the focus has been on developing appropriate governance structures and ensuring 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 payables. The main purpose of these financial liabilities is to fund the WECA's operations. The Authority has trade and other receivables, and cash and short-term deposits that derive directly from its operations. The WECA does not enter into any derivative transactions.

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

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

### 25. Financial risk management (continued)

#### 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 receivables) and from its financing activities, including deposits with banks, other financial institutions and local authorities.

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

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

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

	<b>2018</b>	2017
	<b>£'000</b>	£'000
Trade and other receivables	<b>3,638</b>	3
Cash and short-term deposits	<b>4</b>	50
	<b>3,642</b>	53

#### 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 WECA maintains a sufficient level of liquidity through the use of Money Market Funds. If short term funding was required, the Authority has ready access to borrowings from the money markets. There is no significant risk that it will be unable to raise finance to meet its commitments. All trade and other payables 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.

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

### 25. Financial risk management (continued)

#### Price Risk

The Authority invests in one pooled property fund and is therefore exposed to losses arising from movements in the prices of property.

#### EU Referendum

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

### 26. Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet at amortised cost. Short-term debtors consist of trade debtors and accrued income, short-term creditors consist of trade creditors and accruals.

	Long term		Current		Total	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000
<b>Financial assets at fair value through other comprehensive income</b>						
Money market funds	-	-	28,820	9,950	28,820	9,950
Pooled fund (Property)	-	-	9,474	-	9,474	-
<b>Financial assets – Loans and receivables</b>						
Short-term debtors:						
- Loans	-	-	89,000	20,000	89,000	20,000
- Trade and other receivables	-	-	4,380	3	4,380	3
Cash and cash equivalents	-	-	4	50	4	50
<b>Total financial assets</b>	-	-	131,678	30,003	131,678	30,003
<b>Financial liabilities at amortised cost</b>						
Trade and other payables	-	-	(5,080)	-	(5,080)	-
<b>Total financial liabilities</b>	-	-	(5,080)	-	(5,080)	-

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

### 26. Financial Instruments (continued)

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 2018			
	Financial assets, loans and receivables £'000	Financial liabilities at amortised cost £'000	Financial assets at fair value through other comprehensive income £000	Total £000
Interest income	(372)	-	-	(372)
Interest expense	-	-	-	-
Loss on assets at fair value through other comprehensive income	-	-	483	483
<b>Net loss/(gain) for the year</b>	<b>(372)</b>	<b>-</b>	<b>483</b>	<b>111</b>

	For the period ending 31 March 2017			
	Financial assets, loans and receivables £'000	Financial liabilities at amortised cost £'000	Financial assets at fair value through other comprehensive income £000	Total £000
Interest income	(3)	-	-	(3)
Interest expense	-	-	-	-
Loss on assets at fair value through other comprehensive income	-	-	-	-
<b>Net loss/(gain) for the year</b>	<b>(3)</b>	<b>-</b>	<b>-</b>	<b>(3)</b>

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

### 26. Financial Instruments (continued)

#### Fair value of financial assets and liabilities

The table below compares the carrying value of financial assets and liabilities to their fair value. Fair value is 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.

	2018		2017	
	Carrying amount £'000	Fair value £'000	Carrying amount £000	Fair value £000
<b>Financial assets at fair value through income and expenditure</b>				
Money market funds	28,820	28,820	9,950	9,950
Pooled fund (Property)	9,957	9,474	-	-
<b>Financial assets – Loans and receivables</b>				
Short-term debtors:				
- Loans	89,000	89,177	20,000	19,992
- Trade and other receivables	4,380	4,380	3	3
Cash and cash equivalents	4	4	50	50
<b>Total financial assets</b>	<b>131,678</b>	<b>313,855</b>	<b>30,003</b>	<b>29,995</b>
<b>Financial liabilities at amortised cost</b>				
Trade and other payables	(5,080)	(5,080)	-	-
<b>Total financial liabilities</b>	<b>(5,080)</b>	<b>(5,080)</b>	<b>-</b>	<b>-</b>

Short-term debtors and creditors, cash and cash equivalents and finance lease liabilities approximate to their carrying amounts largely due to the short-term nature of these instruments.

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

### 27. 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 in three instances, for the occupation of its offices at Temple Quay, and for two photocopiers/printers. These are all considered 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:

	2018 £'000	2017 £'000
<b>Land and buildings</b>		
Less than one year	173	-
Between two and five years	645	-
	<b>814</b>	-
	2018 £'000	2017 £'000
<b>Office equipment</b>		
Less than one year	4	-
Between two and five years	5	-
	<b>9</b>	-

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

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

### 28. Capital commitments

As at 31 March 2018, the Authority has issued a number of Grant Offer Letters funding Transport Scheme Business Cases and Highways and Transport Grants. It has also entered into a contract for the installation of Bus Information hardware.

The major commitments are listed in the table below:

	2018/19 £'000	2019/20 £'000	2020/21 £'000
<b>WECA Capital</b>			
Business Case Development Grants	2,093	430	-
Real Time Information	600	-	-
<b>Mayoral Capital</b>			
Highways and Transport Grants	17,572	-	-
Pothole Action Fund grants	1,241	-	-
	21,506	430	-

### 29. 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 WECA or to be controlled or influenced by the WECA. Disclosure of these transactions allows readers to assess the extent to which the WECA might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority. These include:

#### Central Government

Central Government has significant influence over the general operations of the WECA. It is responsible for providing the statutory framework within which the WECA operates and provides funding in the form of grants. Grants received from Government Departments are set out in note 10 together with grant receipts not yet recognised due to conditions attached to them at 31 March 2018. 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 WECA's financial and operating policies. The total of Members allowances paid in 2017-18 is shown in note 12. There were no transactions with related parties during the year.

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

### 29. Related party disclosures (continued)

#### Officers

During the year, there were income and expenditure transactions with local authorities or central government departments which officers had registered an employment interest (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 WECA Committee. Within this capacity, in consultation with their respective councils, they approve the level of Levy raised annually to support the transport functions of the Authority. The Authority operates a number of 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 WECA to assist in the discharge of its functions, i.e. secondments of officers to the WECA including to its Senior Management Team and 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 WECA from Related Parties

	ITA Levy £'000	100% BRR Pilot £'000	Grants £'000	Other Contributions £'000
<b>Government</b>	-	1,284	4,528	-
<b>Constituent Authorities</b>				
Bath & North East Somerset Council	4,211	3,178	-	6
Bristol City Council	8,475	10,223	-	6
South Gloucestershire Council	2,596	6,336	-	6
	15,282	21,021	4,528	18

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

### 29. Related party disclosures (continued)

The Authority made the following payments to Related Parties:

#### Expenditure incurred by the WECA to Related Parties

	ITA Functions £'000	Second -ments £'000	Support Services £'000	Distribu- tion of Grants £'000	Reimburse- ment of Election Costs £'000	Other Contribu- tions £'000
<b>Government</b>	-	202	-	-	-	-
<b>Constituent Authorities</b>						
Bath & North East Somerset Council	480	184	208	750	268	439
Bristol City Council	1,284	108	14	-	865	556
South Gloucestershire Council	13,115	60	-	25	401	265
	14,879	554	222	775	1,534	1,260

#### Entities controlled or significantly influenced by the WECA

The WECA owns no subsidiary companies.

### 30. Events after the Balance Sheet date

The Statement of Accounts were authorised for issue by the West of England's Responsible Financial Officer on 31 May 2018. There have been no adjustments to the financial statements after the Balance Sheet date.

### 31. Transfer of Functions

As part of the West of England devolution deal, Bath & North East Somerset, Bristol and South Gloucestershire Councils agreed to the establishment of the WECA to support economic growth and development across the region. Under the devolution deal, certain functions were transferred from the constituent authorities to the WECA from 1 April 2017. These included concessionary fares, community transport, key route network development and bus service information. The WECA commissioned South Gloucestershire Council to provide concessionary fares and Bristol City Council to provide Bus Real Time Information on its behalf during 2017/18.

The WECA levies the constituent authorities for the cost of the services for which it is now responsible. The value of the levy in 2017/18 was £15.281m. There has been no transfer of assets or liabilities arising from the transfer of functions to the WECA.

# West of England Combined Authority (WECA)

## Notes to the Financial Statements

### 32. 100% Business Rates Retention Pilot

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

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

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

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