

West of England Combined Authority (WECA)

Statement of Accounts

For the year ended 31st March 2019

West of England Combined Authority (WECA)

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West of England Combined Authority (WECA)

Narrative Report

These financial statements provide the reader with a view of West of England Combined Authority's (WECA) financial performance and its effectiveness in its use of resources during 2018/19. They are a key element in demonstrating how the Authority has delivered economy, efficiency and effectiveness in its use of resources, as well as ensuring that key stakeholders understand the financial position of the Authority.

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

Organisational overview and external environment

The West of England Combined Authority was formed in 2017, to champion the region and drive clean and inclusive economic growth. Our ambitious councils – Bath and North East Somerset, Bristol and South Gloucestershire – came together to push for devolution because they could see the value in this new way of doing things, looking beyond council boundaries to benefit all of us who live and work in the region.

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, our region competes on a global scale. Our business plan for 2019-2020 clearly sets out our aspirations for the West of England region with the activities within the business plan aiming to ensure that people benefit from more job opportunities, a stronger economy and a high quality of life.

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 also provides support to the activities of the West of England Local Enterprise Partnership (LEP), (including North Somerset Council), and also employs the Invest in Bristol and Bath (IBB) Inward Investment team. The LEP is the business and university voice into WECA and works with us to deliver our ambitions; it also secures significant funding from government.

The WECA employed 84 (2018: 41) people including LEP and IBB staff as at 31 March 2019, as well as several staff being seconded from the constituent councils.

As a result of devolution, significant powers and funding have been transferred to our region through WECA and the West of England Mayor. These new powers mean we can take positive action here in the region to address our challenges. We are making decisions about those important things that affect our residents every day – transport, homes, jobs and skills, decisions previously made by central Government.

We have ambitious plans and there are many opportunities in our region, ranging from local to global in scale. To ensure success, we have to work at a regional level. By working together, we can achieve so much more. Our long-term Investment Strategy proposes to invest £580 million over the next 20 years to support clean and inclusive economic growth across the region.

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

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Aims, Objectives and Achievements

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, ICT, property and procurement.

Its objectives are centred around the following three core themes:

1. Infrastructure

We need joined-up and reliable transport, to reduce congestion and help people move around the region. This includes suburban rail services, road schemes and improved public transport, as well as better connections for motorbikes, cyclists and pedestrians. This will support the delivery of new homes. Better, more affordable and resilient transport will also support inclusive growth by improving access to jobs and linking new homes and communities with employment areas.

Activities are aligned with five objectives:

1. Better links to reduce congestion and connect people
2. Improve national and international connections
3. Enabling the required housing growth in the region promoting affordability and an appropriate housing mix
4. Employment spaces to meet the needs of all businesses
5. World-leading digital connections across the region

2. Business Growth

We are an economically successful region and one where businesses start, grow and thrive in high numbers. We have a good business support system in place – but there is more we can do to support and promote an innovative and inclusive economy. We want to find better ways to work with existing businesses to achieve their potential as well as attracting more businesses to our region. We need to build on our strengths, supporting our key sectors including aerospace, creative and digital, and professional services. We also need to build on the diversity and collaboration between sectors and communities that makes us unique. Increasing productivity and exports are key areas of focus, along with continuing to find new ways to support innovation and promote inclusivity, 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, nurturing inclusive growth
- 2 Supporting businesses to make the most of export opportunities
- 3 Supporting an innovative economy
- 4 Protecting and promoting our region's culture

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3. Skills

We have high employment and a skilled workforce in the region, but there is more to be done to address regional inequalities and generate prosperity for all. 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 must also take advantage of the opportunities that joint working presents, through better planning of the education, employment and skills system – for example, ensuring greater access to a range of skills development opportunities to support an inclusive economy. 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. This will help address core employment and skills per annum required for a productive workforce, enabling us to direct resources in a way that best meet the needs of all 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

These key objectives, and the activities that will be performed to achieve them, are set out in detail in the Authority's Annual Report, which is published on the WECA's website.

Performance Management

The Combined Authority has published an Operating Framework, as part of its Business Planning process, which summarises the high-level vision and objectives demonstrating what we are setting out to achieve through structured long term interventions:



West of England Combined Authority (WECA)

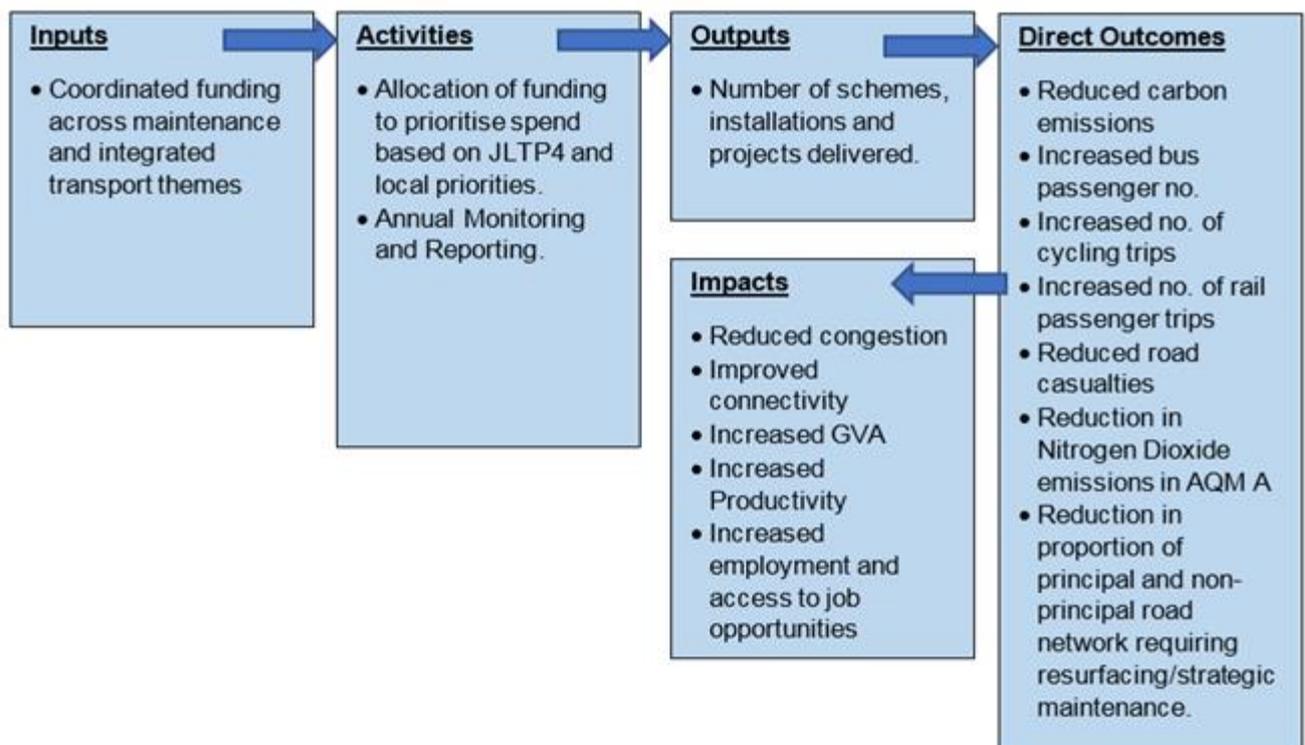
Narrative Report

Supporting this framework we have developed, and published, clear criteria to determine how individual projects will be prioritised for investment. Whereas GVA and growth feature strongly within this criteria, there are a number of other scoring elements that reflect and align to the core strategic documents of:

- Joint Spatial Plan;
- Joint Local Transport Plan;
- Local Industrial Strategy;
- Skills Plan;
- Energy Strategy

We have a published Monitoring and Evaluation Framework, within which we have applied a 'logic model' approach for determining what we are aiming to achieve, under each objective, alongside desired outcomes and impacts. A couple of examples with regard to core areas of transport and housing are as follows:

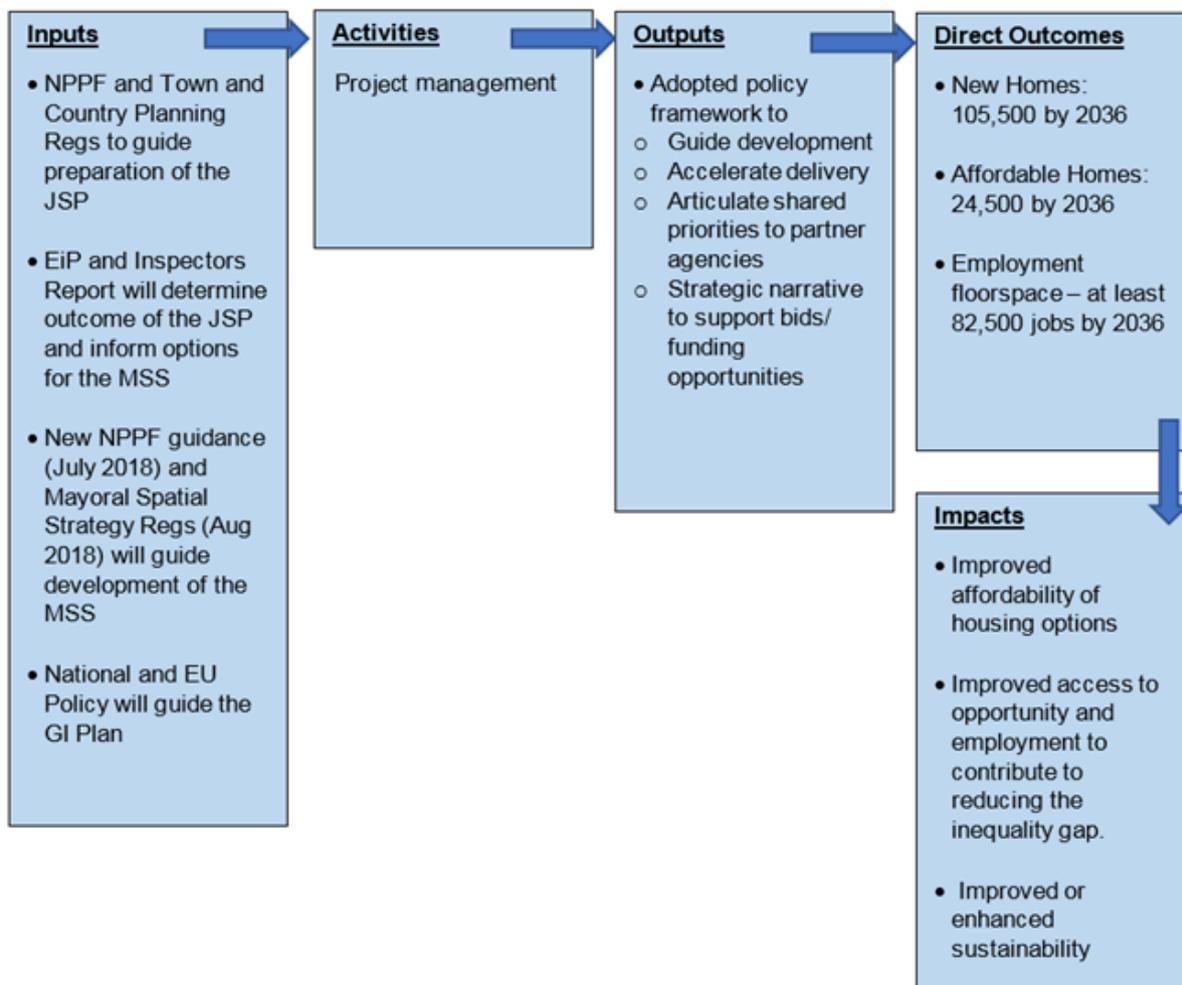
Logic model example - Transport:



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Logic model example - Housing



Having set a framework for a 20 year financial investment plan within our Capital Strategy, (approved in February 2019), we are now in the process of determining a prioritised four year investment programme up to March 2023. A range of intervention projects have been collated under each strategic theme which will help deliver progress against our long-term ambitions for the region. The authority is developing a performance management framework underpinned by targets and performance measures which are currently at various stages across the different core work streams.

To date, much of the Combined Authority's effort and spend has focused on determining relevant strategy with corresponding feasibility studies. Detailed performance management arrangements, with supporting metrics, will evolve from this work over the coming months.

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Financial Performance

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

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

- **Mayoral Fund**

After requested carry forwards for Joint Spatial Plan Scheme development (£193k) and Transport and Skills Feasibility Studies (£1.363m), which will be completed in 2019/20, the Mayoral Fund's outturn revenue position for the 2018/19 financial year returned a balanced budget (2017/18: £131k underspent).

Mayoral Fund April to March 2018/19				
	£000s			
	Original Budget	Revised Budget	Outturn	Variance
EXPENDITURE				
Staff	155	155	159	-4
Supplies & Services				
Expenses	15	15	17	-2
Election costs	388	388	388	0
Support Services	19	19	17	2
Property costs	20	20	17	3
Joint Spatial Plan Scheme Development	400	892	699	193
Transport Feasibility Studies	2,375	2,927	1,564	1,363
Capital RCCOs				
Transport Grants	5,183	5,183	5,183	0
Highways Maintenance Grants	10,254	10,254	10,254	0
Highways Incentive Grants	2,135	2,135	2,135	0
Total Supplies & Services	20,789	21,833	20,274	1,559
Total Expenditure	20,944	21,988	20,433	1,555
INCOME				
Business Rates Retention Income	17,572	17,572	17,572	0
Funding from WECA	3,372	4,416	2,861	1,555
Total Income	20,944	21,988	20,433	1,555
NET TOTAL - Under /(Over) Spent	0	0	0	0

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WECA Fund Revenue Budget

A net outturn of a £976k (2017/18: £1.733m) surplus was achieved at out-turn. This was primarily due to:

- A significant increase of £610k in the investment returns on the Authority's cash and longer-term investment holdings;
- The performance of Business Rates income was better than forecast, mainly due to higher Section 31 Grant compensation than predicted at the start of the year by the Billing Authorities. As a result, no drawdown of funds from the Business Rate Retention reserve was required in 2018/19. The holding of the Business Rates Reserve was revised based on in-year performance as it was considered unnecessary to retain the reserve at such a high level;
- A one-off Section 31 Grant of £429k was confirmed by MHCLG in March 2019 to compensate the Authority for irrecoverable VAT costs that it incurred for transactions prior to 15 March 2018. As £203k related to irrecoverable costs that were incurred and already absorbed in 2017/18, this additional funding contributed £429k to the surplus in 2018/19;
- A net underspend of £135k occurred on the Integrated Transport functions that are funded by a Levy on the Constituent Councils. This outturn is entirely attributable to B&NES after BCC and SGC agreed to settle their respective deficit positions, for services within their areas, in-year for 2018/19. The surplus position for B&NES will be offset by a reduction to their 2019/20 Levy.

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WECA Fund April to March 2018/19				
	£000s			
	Original Budget	Revised Budget	Outturn	Variance
EXPENDITURE				
Staff	1,395	1,395	1,455	-60
Supplies & Services				
Expenses*	55	55	454	-399
Support Services	128	128	98	30
Property costs	136	136	95	41
Project spend	235	1,664	991	673
Implementation & set up costs	90	90	149	-59
Concessionary fares	12,378	12,378	12,795	-417
Community transport	1,690	1,690	1,691	-1
RTI costs	602	602	376	226
Mayoral Capacity Fund	1,000	1,000	449	551
Housing Delivery Capacity Fund	900	900	226	674
Futurebright	2,333	2,333	1,105	1,228
WECA contribution to Mayoral Fund	3,372	3,372	2,861	511
Transfers to Reserves	0	0	2,591	-2,591
Total Supplies & Services	22,919	24,348	23,881	467
Total Expenditure	24,314	25,743	25,336	407
INCOME				
Levy from CA's for WECA Transport functions	14,670	14,670	13,006	-1,664
Net Business Rates Retention Income	1,105	1,105	1,050	-55
Investment Fund - Revenue Contribution	3,447	3,447	2,861	-586
Interest on Balances	520	520	1,130	610
Grant Income	4,233	4,233	7,038	2,805
WECA Reserves	310	310	710	400
Other Income	29	29	517	488
Total Income	24,314	24,314	26,312	1,998
NET TOTAL - Under /(Over) Spent	0	-1,429	976	2,405

* The total figure covers a wide range of organisational costs including; staff travel, business mileage, staff expenses conferences, room hire / venue hire, legal costs, software licences, professional subscriptions and memberships, training and non-recoverable VAT.

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Financial Reserves

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

A Business Rate Retention Reserve of £715k was created as part of the 2017/18 closure of accounts alongside a General Fund Reserve of £312k. At that time, it was envisaged that volatility in the delivery of business rates growth was a material risk. However, actual growth delivery, as at the end of 2018/19 was stronger than anticipated resulting in a reduction in this reserve to £500k following the end of year review.

The £976k surplus achieved in 2018/19 was transferred to the following reserves;

	£000
Integrated Transport Authority earmarked reserve	135
Adult Education Budget (AEB) Implementation	80
ICT development reserve	200
Future Mobility Zones	100
General Fund	461

- The ITA earmarked reserve to be set aside to hold the £135k B&NES concessionary fares underspend, pending the adjustment of the subsequent financial year's Levy calculations;
- AEB Implementation reserve is to provide funding in line with the phasing of expenditure on the AEB programme team prior to the service commencing in August 2019;
- ICT development reserve reflects the transitional costs of moving to a new ICT provider in 2018/19;
- Transforming Cities Fund: £100k has been set aside as development costs to submit a bid for government funding in relation to Future Mobility Zones;
- The remaining surplus available has been transferred to General Fund Reserves to mitigate the volatility on expenditure/income streams and potential future impacts of IFRS9 on Pooled Investments.

In addition, £215k has been transferred from the Business Rate Retention reserve to the General Fund Reserve at year end bringing the balance of this reserve up to £989k.

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WECA Fund April to March 2018/19

Capital

Underspends on the Scheme Prioritisation, (Monitoring and Evaluation Framework), Real Time Information capital expenditure and Transport Scheme Business Case development will be carried forward to the new Financial Year, when the programmes are due to be completed.

In 2018/19, the region hosted an £8.2m 5G Smart Tourism project to provide valuable insights into how new technology could revolutionise the way we all live, work and move around the region.

Led by the West of England Combined Authority and part-funded by the Department for Digital, Culture, Media & Sport, it brought together 19 organisations and oversaw the creation of a testbed to demonstrate 5G capability, establishing the West of England as a world-leader in the development of advanced fixed and mobile communication systems.

Officers are in discussion with DCMS regarding the continuation of the 5G Smart Tourism programme into 2019/20, to fully capture and maximise the benefits of the project to date.

The Highways and Transport Grants and Pothole Action Fund were fully distributed to constituent authorities in line with budgets.

WECA and Mayoral Capital Programme 2018/19

	Budget	Outturn	Variance
	£'000	£'000	£'000
WECA Capital			
Scheme Prioritisation (Monitoring and Evaluation Framework)	285	0	285
Transport Scheme Business Case Development (WECA Oct 17)	2,280	1,774	506
Real Time Information (WECA Oct 2018)	504	465	39
	3,069	2,239	830
WECA Capital – other			
5G Smart Tourism	5,000	4,125	875
IT and Building Alterations	50	105	(55)
	5,050	4,230	820
Mayoral Capital			
Highways and Transport Grants	17,572	17,572	0
Pothole Action Fund Grant	1,241	1,241	0
	18,813	18,813	0
Grand total	26,932	25,282	1,650

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Risk Management

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

- a Capital Strategy – including a 4-year capital programme, Treasury Management and Investment Strategies, prioritising bids for capital investment and funding and setting out investment policy, risks and expected returns;
- an annual Revenue Budget (incorporating medium term forecasts and proposed mitigations).

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

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

Further improvements have been made to governance arrangements in 2018/19 with the development of a Fraud and Corruption Strategy and Anti-Money Laundering Strategy.

Risk management is embedded both at strategic and operational levels with a Corporate Risk Register and Directorate Risk Registers reviewed and updated on a regular basis.

Medium Term Financial Outlook

There are a number of significant issues which could materially affect WECA finances over the short to medium term including:

Income volatility and risk

- The 100% Business Rates Retention Pilot began in 2017/18 and 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 is allocated to 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 WECA. For 2019/20 this is estimated at £1.212m for 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;
- The Government announced the provision of £2m of funding (over two years to 2019/20) for each Mayoral Combined Authority, to provide further programme management and delivery capacity specifically within the Combined Authority. The short-term nature, and uncertainty, of this funding is a risk for WECA in terms of revenue funding for core capacity;
- £3m of Housing capacity funding (over three years to 2020/21) has been allocated to fund the creation of a WoE Strategic Housing delivery unit. A further £500k drawdown against the Investment Fund has been approved to continue momentum on the strategic planning and design in support of the region's Housing Infrastructure Fund (HIF) bid which could amount to further investment into the region of circa £250m;

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- Without any separately identified revenue funding source, WECA is wholly reliant upon the above three income streams – two of which have no certainty beyond 2019/20, with the other expiring in 2020/21. Medium term sustainability of funding is crucial to enable WECA to deliver on its medium to long term aspirations for the region.

New Responsibilities

- WECA will take on responsibility for the 19+ Adult Education Budget, which will be devolved from academic year 2019/20 (with effect from 1 August 2019). As such, WECA will then be responsible for allocations to providers and the outcomes to be achieved, consistent with statutory entitlements. This will enable us to target funding in the right way for our region, helping residents reach their potential and ensuring our businesses can find employees with the right skills. This is a new area of responsibility and appropriate transitional and preparatory work has been undertaken. The amount of grant allocated from August 2019 to 31 March 2020 is £9.2m and from 1 April 2020 to 31 July 2020 £5.5m.

Investment Opportunities

- In November 2018, the West of England Combined Authority agreed to establish a Love our High Streets fund of up to £10m via a drawdown against the Investment Fund to support high streets across the region. Pilot schemes in Midsomer Norton, Bath city centre, Twerton, Bedminster and Kingswood will explore new ways of making high streets fit for the future, including increasing footfall, attracting new uses and improving local facilities. Government has announced criteria, and an outline process, to bid against a national High Streets funding pot of circa £675m. WECA approved projects will align to emerging government criteria in order to maximise our opportunity to attract significant match funding;
- A provisional allocation of £4.5m (£1m in 2019/20 and £3.5m in 2020/21) was agreed by the WECA committee in September 2018 to support a bid to the European Social Fund (ESF) to establish a Skills innovation Fund. This fund will support small and medium sized businesses to improve their skills and workforce planning processes, and to enable quality engagement between businesses and skills providers. The funding from the Investment Fund (revenue) is subject to full business case approval should the ESF bid be successful;
- In December 2018, the Department for Digital, Culture, Media and Sport announced that the West of England would receive £1.35m as part of its Creative Scale-Up Programme. The two-year programme will enable creative businesses in the region to grow by improving access to expert knowledge and experience as well as supporting businesses through training and advice on securing investment;

The Government have awarded £103m to the WoE city region over five years to 2022/23 from the Transforming Cities Fund, to invest in public sustainable transport, helping to reduce congestion and improve air quality.

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Statement of Accounts 2018/19

The Statement of Accounts which follows set out the Authority's income and expenditure for the year and its financial position as at 31 March 2019. It is prepared on a single entity basis in accordance with the requirements of the Accounts and Audit Regulations 2015. The format and content of the statements is prescribed by the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code). This is based on International Financial Reporting Standards (IFRSs) adapted for use in a local government sector context.

The Statement of Accounts comprises:

- **Comprehensive Income and Expenditure Statement:**

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

- **Movement in Reserves Statement:**

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

- **Balance Sheet:**

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

- **Cash Flow Statement:**

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

- **Statement of Accounting Policies:**

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

- **Disclosure Notes:**

These provide more detail about individual transactions and balances.

Governance

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 17 to 30; 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.

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Auditors

Grant Thornton (UK) LLP are the auditors of the WECA for 2018/19. Their appointment was made under the Local Audit and Accountability Act 2014 through Public Sector Audit Appointments.

On behalf of the Combined Authority

Malcolm Coe

Malcolm Coe
Director of Investment & Corporate Services
Date: 16 October 2019

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 2018/19 was Tim Richens until October 2018 and Malcolm Coe since October 2018, both in the role of Director of Investment and Corporate Services
- (ii) Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- (iii) Approve the Statement of Accounts.

2. The CFO's Responsibilities

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

In preparing this Statement of Accounts, the CFO has:

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

The CFO has also:

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

3. Certification of the financial statements

I certify that this Statement of Accounts gives a true and fair view of the financial position of the West of England Combined Authority at the reporting date and of its income and expenditure for the period ended 31 March 2019.

Malcolm Coe

Malcolm Coe

Director of Investment and Corporate Services and Chief Finance Officer

Date: 16 October 2019

West of England Combined Authority (WECA)

Statement of Responsibilities

4. Approval of the financial statements

I certify that this Statement of Accounts for the period ended 31 March 2019 was approved by a resolution of the WECA Audit Committee at its meeting on 16 October 2019.

Councillor G Gollop

Councillor Geoff Gollop

Chair, West of England Combined Authority Audit Committee

Date: 16 October 2019

West of England Combined Authority (WECA)

Annual Governance Statement

WEST OF ENGLAND COMBINED AUTHORITY

2018/19

Annual Governance Statement

West of England Combined Authority (WECA)

Annual Governance Statement

1. Scope of Responsibility

- 1.1 The West of England Combined Authority (WECA) commenced operations in February 2017. During its first year it successfully established appropriate arrangements and governance mechanisms to ensure that 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 2019 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 WECA's inception in February 2017 up to the year ended 31 March 2019, covering 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. The following diagram illustrates how good governance is integral to supporting the delivery of the organisation's 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 optimise 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 will be updating its Local Code of Corporate Governance during 2019 and will ensure it comprises of relevant policies, procedures, behaviours and values to continue to promote, and embed, strong governance.

2.5 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 Annual Governance Statement is a continuous process with the Mayor of the West of England, Senior officers and Members from the constituent authorities considering emerging issues throughout the course of the year. This means that controls, issues and risks can be addressed in a timely and effective manner.

Publication of this Annual Governance Statement is the culmination of range of policy and procedure development with the WECA Chief Executive and Mayor of West of England signing the Statement as a summary of the effectiveness of the council's governance framework.

3.2 OTHER CONTRIBUTORY REVIEW / ASSURANCE MECHANISMS

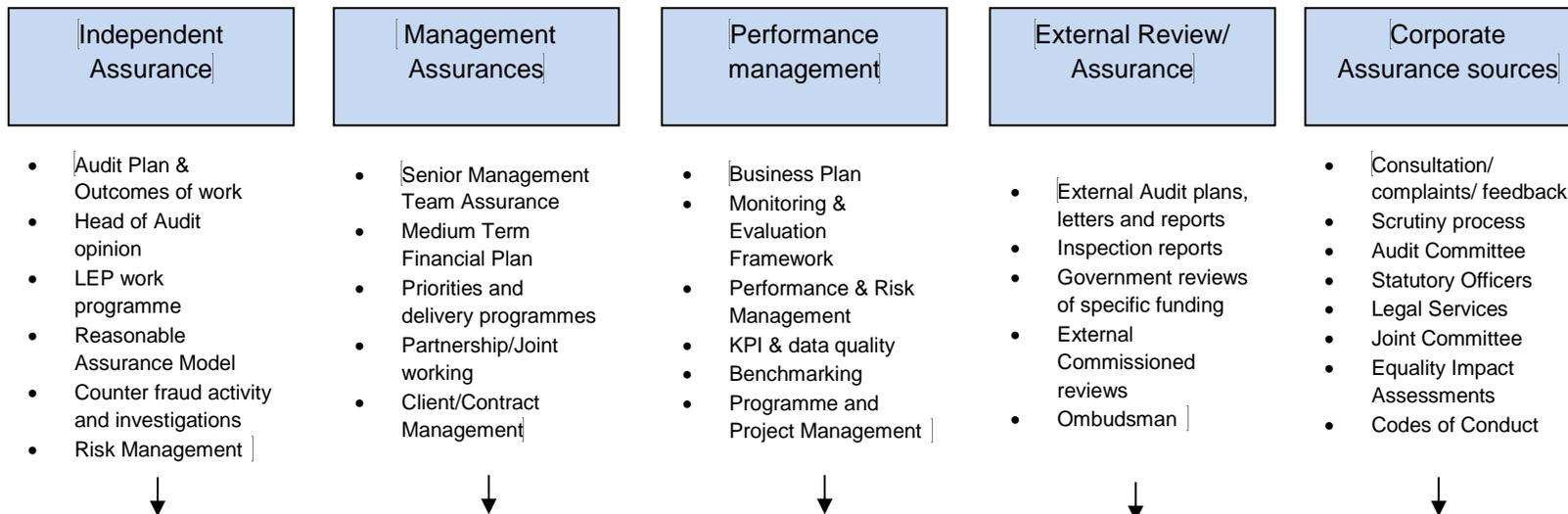
In evaluating the effectiveness of the council's governance, information is available from a range of sources including Internal and External Auditors, relevant government inspectorates and senior management and officers within the Combined Authority.

The Internal Audit service reviews the effectiveness of the governance framework during the year along with the draft Annual Governance Statement. The Statement formally reviewed by the Audit Committee as part of the authority's Statement of Accounts.

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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 2019

Consideration of draft findings and any potentially significant issues from Annual Governance Review

Senior Management Team / Statutory Officers

Continuous up to 31 May 2019

Certification and formal Approval of Annual Governance Statement

Chief Executive, Mayor and Audit Committee

by 31st July 2019

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5. Context for the Annual Governance Statement

- 5.1 In 2016, 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 Mayor of West of England.
- 5.2 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.
- 5.3 The aim of the Combined Authority is to be a driving force for clean and inclusive economic growth in the region, for local people to benefit from more job opportunities, a stronger economy and a high quality of life.
- 5.4 WECA was formed 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 with the West of England Mayor being elected on 4 May 2017.
- 5.5 WECA is the Local Transport Authority for the Devolution area with transport functions of Concessionary Fares, Bus Information and Community Transport, and also has powers to exercise economic development and regeneration functions in conjunction with its three constituent local authorities. Progress has been made during 2018/19 to take forward plans to delegate further central government budgets for transport, adult education and economic regeneration by 2019.
- 5.6 Political leadership of the WECA comes from the Mayor of the West of England and Mayor and 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.
- 5.7 WECA also provides organisational support to the activities of West of England Local Enterprise Partnership (LEP), which includes North Somerset Council. 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 an Overview and Scrutiny Committee [there is a separate order for Scrutiny – (The Combined Authorities Overview and Scrutiny Committees, Access to Information and Audit Committees Order 2017)]
- 5.8 The WECA has appointed three Statutory Officers; The Head of Paid Service, Chief Financial Officer and Monitoring Officer.
- 5.9 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.
- 5.10 The Authority's has published an Operating Framework and business plan and is now starting to deliver on 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 – 2020 period. It includes plans to bring further investment into transport, infrastructure to enable more homes, businesses and skills to ensure the West of England is at the forefront of growth and innovation.

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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 as follows:-

PRINCIPLES	SUB-PRINCIPLES	FRAMEWORK OF ACTIONS & BEHAVIOURS	FRAMEWORK EVIDENCE
Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of the law	Behaving with integrity	<ul style="list-style-type: none"> WECA Officers and Members behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated 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. Leading by example and using standard operating principles or values as a framework for decision making 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 	Constitution WECA Committee Joint Committee Overview and Scrutiny Committee Operating Framework and Business Plan Senior Management Structure
	Demonstrating strong commitment to ethical values	<ul style="list-style-type: none"> Seeking to establish, monitor and maintain the organisation's ethical standards and performance Underpinning personal behaviour with ethical values and ensuring they permeate the organisation's culture Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values Ensuring that external providers of services are required to act with integrity and in compliance with ethical standards 	Constitution Local Code of Corporate Governance Policy Framework Staff Handbook
	Respecting the rule of law	<ul style="list-style-type: none"> Ensuring Members and Staff demonstrate a strong commitment to the rule of the law and regulations Ensure that the statutory officers, other key post holders, and members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements 	Constitution Senior Management Structure Statutory Officers

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		<ul style="list-style-type: none"> • Optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders • Dealing with breaches of legal and regulatory provisions • Ensuring corruption and misuse of power is dealt with 	Whistleblowing Policy
Ensuring Openness and comprehensive stakeholder engagement	Openness	<ul style="list-style-type: none"> • Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness • Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. • Providing clear reasoning and evidence for decisions and explanations to stakeholders that are explicit about the criteria, rationale and considerations used. • Using consultation and engagement to determine the most appropriate and effective courses of action 	Constitution Operating Framework Business Plan Decision Making process WECA Committee Joint Committee Scrutiny Committee
	Engaging comprehensively with institutional stakeholders	<ul style="list-style-type: none"> • 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 • Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively 	Joint Meetings of Leaders and Chief Executives of Constituent Authorities and officer sub-groups Roundtables with private sector
	Engaging with individual citizens and service users effectively	<ul style="list-style-type: none"> • 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 • Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement 	Communication and consultation strategy on each proposal and issues

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		<ul style="list-style-type: none"> • Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds • Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account • Balancing feedback from more active stakeholder groups with other groups to ensure inclusivity • Taking account of the impact of decisions on future generations of tax payers and service users 	
Defining Outcomes in terms of sustainable economic, social and environmental benefits	Defining Outcomes	<ul style="list-style-type: none"> • 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 • Specifying the intended impact on, or changes for, stakeholders including citizens and service users. • Delivering defined outcomes on a sustainable basis within the resources that will be available • Identifying & managing risks to achievement of outcomes • Managing service users expectations effectively with regard to determining priorities and best use of the resources 	Operational Framework Business Plan Monitoring and Evaluation Framework Local Growth Assurance Framework
	Sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> • Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision • 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 • Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits • Ensuring fair access to services 	Operational Framework Business Plan Local Growth Assurance Framework WECA Committee Overview and Scrutiny Committee Developing an Energy Strategy

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Determining the interventions necessary to optimise the achievement of intended outcomes	Determining interventions	<ul style="list-style-type: none"> Ensuring decision makers receive objective analysis of options indicating how outcomes would be achieved 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 	Decision Making process Local Growth Assurance Framework PID Process Overview and Scrutiny Committee
	Planning interventions	<ul style="list-style-type: none"> Establishing robust planning and control cycles that cover strategic and operational plans, priorities and targets Engaging with all stakeholders in determining how services should be planned and delivered Considering and monitoring risks facing each partner when working collaboratively, including shared risks Ensuring arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances Establishing appropriate KPIs as part of the planning process in order to identify how the performance of services and projects is to be measured Ensuring capacity exists to generate the information required to review service quality regularly Preparing budgets in accordance with objectives, strategies and the medium term financial plan Informing medium term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy 	Business Plan Performance Management Framework Contract Management Framework Workforce Development Strategy (currently in draft format) Capital Investment Strategy Budget setting and MTFP process
	Optimising achievement of intended outcomes	<ul style="list-style-type: none"> Ensuring the medium term financial strategy integrates and balances priorities, affordability and resource constraints Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium term 	Budgeting Process Medium Term Financial Plan Capital Investment Strategy

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		<ul style="list-style-type: none"> 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 Ensuring the achievement of 'social value' through service planning and commissioning 	<p>Financial Regulations</p> <p>Contract Standing Orders</p>
<p>Developing the entity's capacity, including the capability of its leadership and the individuals within it</p>	<p>Developing the entity's capacity</p>	<ul style="list-style-type: none"> Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness. Improving resource use through application of techniques such as benchmarking and other options in order to determine how resources are allocated. Recognising the benefits of partnership working where added value can be achieved Developing & maintaining an effective workforce plan to enhance the strategic allocation of resources 	<p>Business Plan</p> <p>Combined Authority networks for CEOs, Finance Directors, Monitoring Officers and Heads of Human Resources</p> <p>Training Plan</p>
	<p>Developing the capability of the entity's leadership and other individuals</p>	<ul style="list-style-type: none"> 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 Publishing decisions that are delegated and those reserved for the collective decision making of the governing body 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. 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. 	<p>Constitution</p> <p>Senior Management Structure</p> <p>Learning and Development Strategy</p> <p>Leadership Development Strategy</p> <p>Training Plan</p> <p>Operating Framework Business Plan</p>

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Managing risks and performance through robust internal control and strong public financial management	Managing risk	<ul style="list-style-type: none"> Recognising that risk management is an integral part of all activities and must be considered in all decision making Implementing robust and integrated risk management arrangements and ensuring that they are working effectively Ensuring that responsibilities for managing individual risks are clearly allocated 	Risk Management Framework Risk Management regularly considered and updated at Directorate and Senior Management Team meetings Counter Fraud Strategy Effective Audit Committee
	Managing performance	<ul style="list-style-type: none"> Monitoring service delivery effectively including planning, specification, execution and post implementation review Making decisions based on relevant, objective analysis and advice and risks inherent in the organisation's outlook 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 Providing members and senior management with regular reports on service delivery plans and on progress Ensuring there is consistency between specification stages and post implementation reporting 	Performance Management Framework WECA Committee West of England Joint Committee Overview and Scrutiny Committee
	Robust Internal Control	<ul style="list-style-type: none"> Aligning the risk management strategy and policies on internal control with achieving objectives Evaluating and monitoring risk management and internal controls along with ensuring effective counter fraud and anti-corruption arrangements are in place Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor 	Risk Management Framework Financial Regulations Contract Standing Orders Internal Audit – risk assessed plan Effective Audit Committee

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	Managing Data	<ul style="list-style-type: none"> • Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data • Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies • Reviewing and auditing the quality and accuracy of data used in decision making and performance monitoring 	<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"> • Ensuring financial management supports achievement of outcomes and financial and operational performance • Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and control 	<p>Financial Management</p> <p>Budget setting process and MTFP</p> <p>Capital Investment strategy</p> <p>Effective Audit Committee</p>
Implementing good practices in transparency, reporting, and audit to deliver effective accountability	Implementing good practice in transparency	<ul style="list-style-type: none"> • Preparing reports for the public and other stakeholders in a fair, balanced and understandable style • Provide the right amount of information to satisfy transparency demands and enhance public scrutiny 	<p>Website & Social Media</p> <p>Decision Making process</p> <p>Overview and Scrutiny</p> <p>Revised public report template</p>
	Implementing good practice in reporting	<ul style="list-style-type: none"> • Reporting at least annually on performance, value for money and stewardship of resources to stakeholders • Ensuring members & management own results reported • Ensuring robust arrangements for assessing whether the principles contained in this framework have been applied • Ensuring that this framework is applied to jointly managed or shared service organisations as appropriate • Ensuring the performance information that accompanies the financial statements is prepared on a consistent basis 	<p>Performance Management Framework</p> <p>Performance reporting and business plan updates to Overview and Scrutiny</p>

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	Assurance and effective accountability	<ul style="list-style-type: none">• Ensuring that recommendations for corrective action made by external audit are acted upon• Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance & recommendations are acted upon• Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations• Gaining assurance on risks associated with delivering services through third parties• Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met.	External Audit Internal Audit – risk assessed plan and effective follow up of recommendations Audit Committee Effective engagement from the Local Enterprise Partnership
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7. Internal Audit Opinion

Audit West has reviewed the risk, governance and control environment of the Combined Authority 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 Combined Authority 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 Combined Authority and was designed to ensure sufficient depth and breadth of audit coverage to meet the requirements of those charged with governance. In forming an opinion on the governance, risk and control environment, 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.

WECA will continue to focus on improving its governance arrangements and systems to manage risk and has revised and updated its Operating Framework and Business Plan to support delivery of its objectives.

On behalf of the West of England Combined Authority

Signed:

Tim Bowles

Tim Bowles
WECA Mayor

Signed:

Patricia Greer

Patricia Greer
Chief Executive Officer

Date: 16 October 2019

West of England Combined Authority (WECA)

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of West of England Combined Authority (the 'Authority') for the year ended 31 March 2019 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

West of England Combined Authority (WECA)

Independent Auditor's Report

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

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

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

West of England Combined Authority (WECA)

Independent Auditor's Report

Responsibilities of the Authority

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

Report on other legal and regulatory requirements - Certificate

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

Use of our report

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

Barrie Morris

Barrie Morris, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

25 October 2019

West of England Combined Authority (WECA)

Comprehensive Income and Expenditure Statement For the year ended 31 March 2019

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	2017/18 Net Expenditure £'000		Notes	Gross Expenditure £'000	Gross Income £'000	2018/19 Net Expenditure or (Income) £'000
18,534	(2,418)	16,116	Combined Authority Services	6	24,603	(7,112)	17,491
24,476	(2,454)	22,022	Mayoral fund	7	23,060	(2,861)	20,199
43,010	(4,872)	38,138	Cost of services		47,663	(9,973)	37,690
38	(372)	(334)	Financing and investment income and expenditure	8	42	(1,278)	(1,236)
1,919	(41,286)	(39,367)	Taxation and non-specific grant income and expenditure	9	2,505	(42,438)	(39,933)
44,967	(46,530)	(1,563)	(Surplus) or deficit on provision of services		50,210	(53,689)	(3,479)
		483	Fair value movement on financial assets	28			-
		1,399	Remeasurement of the net defined benefit liability	26			380
		1,882	Other comprehensive (income) and expenditure				380
		319	Total comprehensive (income) and expenditure				(3,099)

West of England Combined Authority (WECA)

Movement in Reserves Statement For the year ended 31 March 2019

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

	Usable reserves			Unusable reserves						Total reserves £'000
	General fund balance £'000	Ear-marked reserves (note 23) £'000	Total usable reserves £'000	Pooled Investment Fund Adjustment Account £'000	Accumulated Absences Account £000	Collection Fund Adjustment Account £000	Capital adjustment account £'000	Pensions reserve £'000	Total unusable reserves £'000	
Balance at 1 April 2017	3	-	3	-	-	-	-	-	-	3
Movements in reserves										
Total comprehensive income and expenditure	1,563	-	1,563	(483)	-	-	-	(1,399)	(1,882)	(319)
Adjustments between accounting basis under regulations	171	-	171	-	(4)	(315)	460	(312)	(171)	-
Increase before transfer to earmarked reserves	1,734	-	1,734	(483)	(4)	(315)	460	(1,711)	(2,053)	(319)
Transfers (from)/to reserves	(1,425)	1,425	-	-	-	-	-	-	-	-
Movement in reserves in the year	309	1,425	1,734	(483)	(4)	(315)	460	(1,711)	(2,053)	(319)
Balance at 31 March 2018	312	1,425	1,737	(483)	(4)	(315)	460	(1,711)	(2,053)	(316)
Movements in reserves										
Total comprehensive income and expenditure	3,479	-	3,479	-	-	-	-	(380)	(380)	3,099
Adjustments between accounting basis under regulations	(234)	-	(234)	141	(24)	273	468	(624)	234	-
Increase before transfer to earmarked reserves	3,245	-	3,245	141	(24)	273	468	(1,004)	(146)	3,099
Transfers (from)/to reserves	(2,568)	2,568	-	-	-	-	-	-	-	-
Movement in reserves in the year	677	2,568	3,245	141	(24)	273	468	(1,004)	(146)	3,099
Balance at 31 March 2019	989	3,993	4,982	(342)	(28)	(42)	928	(2,715)	(2,199)	2,783

West of England Combined Authority (WECA)

Balance Sheet

As at 31 March 2019

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	2019 £'000	2018 £'000
Intangible assets	14	592	134
Property, plant and equipment	15	336	325
Long-term investments	16	25,181	-
Long term assets		26,109	459
Short-term investments	17	91,373	89,285
Trade and other debtors	18	6,676	4,100
Financial assets at fair value through other comprehensive income	28	-	9,474
Financial assets at fair value through income and expenditure	28	9,621	-
Cash and cash equivalents	19	43,863	28,824
Current assets		151,533	131,683
Trade and other creditors	20	(6,238)	(5,186)
Grant receipts in advance - revenue	10	(37,489)	(27,903)
Current liabilities		(43,727)	(33,089)
Net current assets		107,806	98,594
Grant receipts in advance - capital	10	(48,852)	(30,352)
Net pensions liability	26	(2,715)	(1,711)
Provisions	22	(2,860)	(2,655)
Agency creditor	21	(76,705)	(64,651)
Non-current liabilities		(131,132)	(99,369)
Net assets/(liabilities)		2,783	(316)
General fund balance	23	989	312
Earmarked reserves	23	3,993	1,425
Usable reserves		4,982	1,737
Pooled Investment Fund Adjustment Account	24	(342)	(483)
Accumulated Absences Account		(28)	(4)
Collection Fund Adjustment Account	24	(42)	(315)
Capital adjustment account	24	928	460
Pensions reserve	24	(2,715)	(1,711)
Unusable reserves		(2,199)	(2,053)
Total reserves		2,783	(316)

West of England Combined Authority (WECA)

Balance Sheet

As at 31 March 2019

The financial statements were approved and authorised for issue by:

Malcolm Coe

Malcolm Coe

Director of Investment and Corporate Services and Chief Finance Officer

Date: 16 October 2019

West of England Combined Authority (WECA)

Cash Flow Statement

For the year ended 31 March 2019

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

	Note	2019 £'000	2018 £'000
Net surplus on the provision of services		3,479	1,563
Adjustments to net surplus or deficit on the provision of services for non-cash movements			
Depreciation of property, plant and machinery	15	95	46
Amortisation of intangible assets	14	145	28
Release of impairment on investments		(6)	-
Change in pensions reserves	24	624	312
Increase in trade and other debtors	18	(2,576)	(4,097)
Increase in trade and other creditors	20	1,052	5,186
Increase in provisions	22	205	2,655
Increase in agency creditor	21	12,054	64,330
Net interest receivable	8	(1,278)	(372)
Interest received		868	408
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities			
Capital grants received	10	(7,604)	(4,984)
Net cash flows from operating activities		7,058	65,075
Investing activities			
Purchase of property, plant and machinery	15	(106)	(371)
Purchase of intangible assets	14	(603)	(162)
Capital grants received for the purchase of property, plant and equipment	10	7,604	4,984
Increase in long and short-term investments	16,17	(27,000)	(69,000)
Increase in financial assets at fair value through other comprehensive income		-	(9,957)
Net cash flows from investing activities		(20,105)	(74,506)
Financing activities			
Increase in capital grants receipts in advance	10	18,500	15,352
Increase in revenue grants receipts in advance	10	9,586	12,903
Net cash flows from financing activities		28,086	28,255

West of England Combined Authority (WECA)

Cash Flow Statement

For the year ended 31 March 2019

Net increase or decrease in cash and cash equivalents	19	15,039	18,824
Cash and cash equivalents at 1 April	19	28,824	10,000
Cash and cash equivalents at 31 March	19	43,863	28,824

West of England Combined Authority (WECA)

Notes to the Financial Statements

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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 2018/19 and its position as at 31 March 2019. The Authority is required to prepare an Annual Statement of Accounts in accordance with the Accounts and Audit Regulations 2015 which require the financial statements to be completed in accordance with proper accounting practices. These practices primarily comprise the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (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) Changes in accounting policies and disclosures

The WECA has applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2018:

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 has adopted 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.

In the prior year, the WECA had concluded that the reclassification changes do not have a material impact upon the financial statements because the majority of its financial assets have retained the same measurement. On 1 April 2018 the Council elected to present changes in the fair value of the CCLA – LAMIT Property Fund in other comprehensive income. This election has since been determined to be invalid and in the current year the change in fair value of this fund has been recognised in 'Financing and Investment Income and Expenditure' in the Comprehensive Income and Expenditure Statement. No prior year restatement is determined to be necessary as it is considered to be immaterial.

The WECA has concluded that the impairment charges do not have a material impact upon the financial statements because the impairment charge is immaterial for its treasury management assets and it already makes a provision for doubtful debts on its trade debtors that would not be materially affected by the requirements of IFRS 9.

West of England Combined Authority (WECA)

Notes to the Financial Statements

The WECA has adopted IFRS 15 (which replaces IAS 18 Revenue and IAS 11 Construction Contracts) with effect from 1 April 2018 and has concluded that it does not 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.

e) Accounting Standards issued but not yet adopted

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

The Code requires local authorities to disclose information relating to the impact of an accounting change that will be required by a new standard under the International Financial Reporting Standard (IFRS) that has been issued but not yet adopted by the Code. For the 2018/19 financial year, the applicable date will be 1 January 2019. The relevant standard is:

1. IFRS 16 Leases issued in January 2016, effective 1 January 2019

The WECA will adopt IFRS 16 with effect from 1 April 2019. The main changes include the recognition of almost all leases on the Balance Sheet by lessees due to the distinction between operating and finance leases being removed.

The WECA has begun to review all of the Authority's leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16.

The standard will affect primarily the accounting for the Authority's operating leases. The effect of these changes is still being assessed.

The Authority's activities as a lessor are not material and hence the WECA does not expect any significant impact on the financial statements.

The WECA intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

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.

West of England Combined Authority (WECA)

Notes to the Financial Statements

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.
- The Authority has determined that transactions occurring in respect of the collection of Non-Domestic Rates arise from non-exchange transactions and IPSAS 23 may be applied in accounting for these.

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

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

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 from the general fund to the capital grants unapplied reserve via the Movement in Reserves Statement. When the expenditure is incurred, the grant is transferred from the general fund to the Capital Adjustment Account via the Movement in Reserves Statement.

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

West of England Combined Authority (WECA)

Notes to the Financial Statements

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.

West of England Combined Authority (WECA)

Notes to the Financial Statements

f) Financial assets

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

Classification

From 1 April 2018, the Combined Authority classifies its financial assets in the following measurement categories:

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

The classification depends on the Combined Authority's business model for managing the financial assets and the contractual terms of the cash flows.

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

For investments in equity instruments that are not held for trading, this will depend on whether the Combined Authority has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). On 1 April 2018 the Council elected to present changes in the fair value of the CCLA – LAMIT Property Fund in other comprehensive income. This election has since been determined to be invalid and in the current year the change in fair value of this fund has been recognised in 'Financing and Investment Income and Expenditure' in the Comprehensive Income and Expenditure Statement. No prior year restatement is determined to be necessary as it is considered to be immaterial.

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

Recognition and derecognition

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

Subsequent measurement

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

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

Cash and cash equivalents

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

West of England Combined Authority (WECA)

Notes to the Financial Statements

g) Financial liabilities

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

Classification

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

Recognition and derecognition

All financial liabilities are recognised initially at fair value.

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

Subsequent measurement

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

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

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. Each capital project is reviewed on an individual basis and the costs considered for capitalisation. Non-enhancing expenditure is written off to the Comprehensive Income and Expenditure Statement.

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

West of England Combined Authority (WECA)

Notes to the Financial Statements

Depreciation

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

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

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

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

i) Intangible assets

Intellectual property – The 5G Smart Tourism Project

Acquired intellectual property is capitalised on the basis of the costs incurred to acquire and bring to use the specific assets. These costs are amortised over their estimated useful lives of three years.

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

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

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

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

Economic Model

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

West of England Combined Authority (WECA)

Notes to the Financial Statements

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 debtors)

Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment. From 1 April 2018, the Authority assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and fair value through profit or loss. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

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 financial statements.

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, assumptions and major sources of estimation uncertainty

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

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

Judgements

In applying the accounting policies set out in note 2, the 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 financial statements will reflect its own contribution towards expenditure.
- Where the LEP has received grant funding directly, this is on behalf of all authorities, but the share for any individual authority is not considered material to show.

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

This agency accounting approach has been taken because;

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

West of England Combined Authority (WECA)

Notes to the Financial Statements

3. Critical accounting judgements, assumptions and major sources of estimation uncertainty (continued)

A separate Disclosure for all the above functions, where the Authority acts as Agent, is shown at Note 21. This provides a reconciliation between expenditure and income for agency functions and the cash balances held at 31 March 2019, where these are held on behalf of other organisations, and treated as a creditor liability in the Balance Sheet.

Estimates and assumptions

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

The items in the Balance Sheet at 31 March 2019 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Pension benefits

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

- A 0.1% p.a. increase in the discount rate will reduce the pension fund liability by £0.157m.
- An increase of life expectancy at retirement by 1 year will increase the pension fund liability by £0.10m.
- 0.1% p.a. increase in inflation will increase the pension fund liability by £0.163m.
- 0.1% p.a. increase in pay growth will increase the pension fund liability by £0.043m.

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 2019. The estimate has been estimated using Valuation Office Agency data and analysis of successful appeals to date.

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 2018/19. February and March's activity has to be estimated pending receipt from Bus Operators of the full patronage data.

West of England Combined Authority (WECA)

Notes to the Financial Statements

3. Critical accounting judgements, assumptions and major sources of estimation uncertainty (continued)

Investment Fund Grant Income

WECA, as per 2017/18, has treated the Investment Fund Grant in the accounts as 'conditional'. This is due to the uncertainty surrounding the forthcoming 5 year government gateway review on how the fund has been deployed and subsequent outcomes delivered. During 2019/20 we will develop an approved 4 year investment programme that will allocate all Investment and Transforming Cities Funding against regional strategic priorities. We will also work with the government's commissioned contractors, SQW, to better understand the specifics of the review, (which will be conducted during 2019/20), and corresponding evidence required. However, for 2018/19, there was still a material risk that an element of unspent grant funding might need to be repaid to government which is reflected in our accounting treatment for the year.

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.

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

West of England Combined Authority (WECA)

Notes to the Financial Statements

4. Expenditure and Funding Analysis (continued)

2017/18	Net expenditure/ (income) as reported per Management Outturn £'000	Adjustment to arrive at the net amount chargeable to the General Fund Balance (b i) £'000	Net expenditure chargeable to the general fund £'000	Adjustments between funding and accounting basis £'000	2017/18 Net expenditure in the comprehensive income and expenditure statement £'000
Combined Authority	(1,734)	17,498	15,764	352	16,116
Mayoral fund	-	17,572	17,572	4,450	22,022
Cost of services	(1,734)	35,070	33,336	4,802	38,138
Other income chargeable to the General Fund	-	(35,070)	(35,070)	(4,631)	(39,701)
Surplus or deficit on provision of services	(1,734)	-	(1,734)	171	(1,563)
Opening General Fund balance			(3)		
Transfers to earmarked reserves			1,425		
Closing General Fund balance			(312)		

(b i) Note to the Expenditure and Funding Analysis

Adjustments for 2018/19

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

West of England Combined Authority (WECA)

Notes to the Financial Statements

4. Expenditure and Funding Analysis (continued)

Adjustments for 2017/18

	Combined Authority Services			Mayoral Fund	Total Adjustments
	Interest Income	Transport Levy Income	Net Business Rates Retention Income	Business Rates Retention Income	
Combined Authority	372	15,281	1,844	-	17,497
Mayoral fund	-	-	-	17,572	17,572
Net cost of services	372	15,281	1,844	17,572	35,069
Other income chargeable to the General Fund	(372)	(15,281)	1,844	(17,572)	(35,069)
(Surplus) or deficit on provision of services	-	-	-	-	-

(b ii) Note to the Expenditure and Funding Analysis

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

Adjustments for 2018/19

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

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

West of England Combined Authority (WECA)

Notes to the Financial Statements

4. Expenditure and Funding Analysis (continued)

Adjustments for 2017/18

	Adjustments for capital purposes			Grants/ contribu- tions	Collec- tion Fund Adjust- ment Account	Pensions adjust- ments	Accumu- lated Absences Account	Total adjust- ments
	Deprecia- tion/loss on disposal	REFCUS	RCCO					
Combined Authority	74	-	-	-	-	274	4	352
Mayoral fund	-	22,022	(17,572)	-	-	-	-	4,450
Net cost of services	74	22,022	(17,572)	-	-	274	4	4,802
Other income chargeable to the General Fund	-	-	-	(4,984)	315	38	-	(4,631)
(Surplus) or deficit on provision of services	74	22,022	(17,572)	(4,984)	315	312	4	171

Depreciation

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

REFCUS - Revenue expenditure funded from capital under statute

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

RCCO - Revenue Contribution to Capital Outlay

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

Grants/contributions

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

Collection Fund Adjustment Account

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

West of England Combined Authority (WECA)

Notes to the Financial Statements

4. Expenditure and Funding Analysis (continued)

Pension 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.

Available for Sale Reserve

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

West of England Combined Authority (WECA)

Notes to the Financial Statements

5. Expenditure and income analysed by nature

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

	2019 £'000	2018 £'000
Expenditure		
Employee benefits expenses including pension	2,958	1,540
Other service expenses	19,933	19,412
Depreciation, amortisation and impairment	240	74
Revenue expenditure funded from capital under statute	24,574	22,022
Business Rates Retention Tariff	2,505	1,919
Total Expenditure	50,210	44,967
Income		
Local Authority business rates growth and contributions	(21,440)	(21,021)
Levies	(13,394)	(15,281)
Government revenue grants and contributions	(9,843)	(4,528)
Capital grants and contributions	(7,604)	(4,984)
Interest and investment income	(1,278)	(372)
Other service income	(130)	(344)
Total Income	(53,689)	(46,530)
Surplus on provision of services	(3,479)	(1,563)

West of England Combined Authority (WECA)

Notes to the Financial Statements

6. Combined Authority's services

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

West of England Combined Authority (WECA)

Notes to the Financial Statements

6. Combined Authority's Services (continued)

2017/18	Gross Expenditure £000	Grants Received £000	Other Income £000	Net Expenditure £000
Implementation & set up costs	1,527	-	-	1,527
Combined Authority Services	1,685	-	-	1,685
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	-	-	(170)	(170)
Net expenditure chargeable to the General Fund	18,182	(2,248)	(170)	15,764
Adjustments between funding and accounting basis (note 4)	352	-	-	352
Per Comprehensive Income and Expenditure Statement	18,534	(2,248)	(170)	16,116

West of England Combined Authority (WECA)

Notes to the Financial Statements

7. Mayoral funds

	2019 £'000	2018 £'000
Expenditure		
Mayoral office running costs	210	145
Joint Spatial Plan Scheme Development	699	708
Transport Feasibility Studies	1,564	67
Election costs	-	1,534
Revenue expenditure funded from capital under statute:		
- <i>Highways Maintenance Grants</i>	10,254	11,328
- <i>Transport Grants</i>	5,183	5,183
- <i>Highways Incentive Grants</i>	2,135	1,061
- <i>Productivity Fund</i>	-	2,903
- <i>Pothole Action Fund</i>	1,241	1,510
- <i>Transport Scheme Business Case Grants</i>	1,774	37
Gross Expenditure	23,060	24,476
Income		
Gainshare - Revenue Contribution	(2,861)	(2,454)
Gross Income	(2,861)	(2,454)
Net Expenditure	20,199	22,022

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

West of England Combined Authority (WECA)

Notes to the Financial Statements

8. Financing and investment income and expenditure

	2019 £'000	2018 £'000
Net interest on the net defined benefit liability (note 26)	42	38
Fair value movement on financial assets	(141)	-
Interest receivable and similar income	(1,137)	(372)
Net financing and investment income and expenditure	(1,236)	(334)

9. Taxation and non-specific grant income and expenditure

	2019 £'000	2018 £'000
National Non-Domestic Rates	(20,297)	(19,737)
Section 31 National Non-Domestic Rates Grant - MHCLG	(1,142)	(1,284)
Business Rates Retention Tariff	2,505	1,919
Transport levy from the Constituent Authorities	(13,394)	(15,281)
Productivity Investment Fund - DfT	-	(2,903)
Pothole Action Fund Grant - DfT	(1,241)	(1,510)
Gainshare Capital Grant - MHCLG	(2,239)	(571)
5G Smart Tourism - DCMS	(4,125)	-
	(39,933)	(39,367)

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 year:

	2019 £'000	2018 £'000
Revenue grants credited to cost of services		
Gainshare Revenue Grant - MHCLG	4,743	4,528
Housing Capacity Fund	1,950	-
Mayoral Capacity Fund	1,000	-
Futurebright	1,106	77
Irrecoverable VAT S31 Grant	429	-
Apprenticeship Grant for Employers	239	-
Adult Education Budget Implementation Grant - SFA	195	47
Other grants	181	50
Total	9,843	4,702
<i>Analysed between the following segments:</i>		
Combined Authority services	6,982	2,454
Mayoral	2,861	2,248
	9,843	4,702
	2019 £'000	2018 £'000
Capital grants and contributions credited to taxation and non-specific grant income		
Gainshare Capital Grant - MHCLG	2,239	571
Productivity Investment Fund - DfT	-	2,903
Pothole Action Fund Grant - DfT	1,241	1,510
5G Smart Tourism - DCMS	4,124	-
	7,604	4,984

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:

	2019	2018
	£'000	£'000
Grants received in advance - capital		
Pothole Action Fund Grant - DfT	662	923
Gainshare Capital - MHCLG	42,190	29,429
Transforming Cities Fund - DfT	6,000	-
	48,852	30,352
Grants received in advance - revenue		
Gainshare Revenue Grant - MHCLG	35,729	25,472
Future Bright - DWP	1,740	1,323
Adult Education Budget Implementation Grant - SFA	-	28
Housing Capacity Fund	-	900
Planning Delivery Fund - MHCLG	-	175
Third Party Contributions	-	5
	37,469	27,903

West of England Combined Authority (WECA)

Notes to the Financial Statements

11. Officers' remuneration

The remuneration paid to senior employees during 2017/18 and 2018/19 was as follows:

Annualised salary of £150,000 or more for the year ending 31 March 2018 and year ending 31 March 2019

	Salary £	Expenses £	Pension Contributions £	Total Remuneration £
For the period 01/04/2018 - 31/03/2019				
Chief Executive	150,000	103	19,500	169,603
For the period 01/05/2017 - 31/03/2018				
Chief Executive	137,500	377	17,875	155,752

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

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

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

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

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 at a cost of:

Director of Investment and Corporate Services	£113,054
Monitoring Officer	£60,265
Director of Business and Skills	£137,559

West of England Combined Authority (WECA)

Notes to the Financial Statements

11. Officers' remuneration (continued)

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

	2019 £'000	2018 £'000
£50,000 - £54,999	5	2
£55,000 - £59,999	5	1
£60,000 - £64,999	1	1
£65,000 - £69,999	1	-
£70,000 - £74,999	3	-
£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	1	-
£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
£150,000 - £154,999	1	-

Secondment costs are not included in the above table.

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	
	2019 No.	2018 No.	2019 No.	2018 No.	2019 £'000	2018 £'000.
£0 - £40,000	-	2	-	2	-	53
£40,000+	-	-	-	-	-	-
	-	2	-	2	-	53

12. Members' allowances

Mayor's allowances

	2019 £'000	2018 £'000
Allowances	70	56
Expenses	1	1
	71	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:

	2019 £'000	2018 £'000
Fees payable to Grant Thornton (UK) LLP with regard to external audit services carried out by the appointed auditor for the year	19	27
Fees payable in respect of other services provided by Grant Thornton (UK) LLP during the year	-	-
	19	27

Fees of (£27,000) are recorded as occurring in 2017/18 but relate to both the period to 31 March 2017 (£3,000) and 2017/18 (£24,200) Statement of Accounts as they were produced and audited at the same time and only a small number of transactions took place in the period to 31 March 2017.

West of England Combined Authority (WECA)

Notes to the Financial Statements

14. Intangible assets

	Economic Model £'000	Computer software £'000	Intellectual property £'000	Total £'000
Cost				
At 1 April 2017	-	-	-	-
Additions	115	47	-	162
At 1 April 2018	115	47	-	162
Additions	-	-	603	603
At 31 March 2019	115	47	603	765
Accumulated amortisation				
At 1 April 2017	-	-	-	-
Charge for the year	19	9	-	28
At 1 April 2018	19	9	-	28
Charge for the year	29	16	100	145
At 31 March 2019	48	25	100	173
Net book value				
At 31 March 2019	67	22	503	592
At 31 March 2018	96	38	-	134
At 31 March 2017	-	-	-	-

15. Property, plant and equipment

	Fixtures and fittings £'000	Computer equipment £'000	Total £'000
Cost			
At 1 April 2017	-	-	-
Additions	306	65	371
At 1 April 2018	306	65	371
Additions	44	62	106
At 31 March 2019	350	127	477
Accumulated depreciation			
At 1 April 2017	-	-	-
Charge for the year	33	13	46
At 1 April 2018	33	13	46
Charge for the year	63	32	95
At 31 March 2019	96	45	141
Net book value			
At 31 March 2019	254	82	336
At 31 March 2018	273	52	325
At 31 March 2017	-	-	-

West of England Combined Authority (WECA)

Notes to the Financial Statements

16. Long-term investments

	Loans to local authorities £'000
At 1 April 2018	-
Additions	25,000
Interest accrued	181
At 31 March 2019	25,181

The new, in year, long-term investments reflect the approved treasury strategy and are all investments with other local authorities for a maximum of two years.

17. Short-term investments

	Loans to local authorities £'000
At 1 April 2018	89,285
Additions	1,715
Interest accrued	373
At 31 March 2019	91,373

18. Trade and other debtors

	2019 £'000	2018 £'000
Trade debtors	27	8
Other debtors	6,649	3,630
Prepayments and accrued income	-	462
	6,676	4,100
Analysed between the following classes of debtors:		
Central government bodies	3,219	456
Other local authorities	3,429	489
Other entities and individuals	28	3,155
	6,676	4,100

As at 31 March 2019 there were £Nil (2018: £Nil) trade debtors past due but not impaired.

As at 31 March 2019 other debtors of £110,000 (2018: £167,000) were impaired in relation to NNDR income and the amount of the impairment provision was £110,000 (2018: £167,000). The movement in the year on the provision for impairment was a reduction of £57,000 (2018: £167,000).

West of England Combined Authority (WECA)

Notes to the Financial Statements

19. Cash and Cash Equivalents

	2019 £'000	2018 £'000
Cash at bank and in hand	48	4
Short-term deposits	43,815	28,820
	43,863	28,824

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

20. Trade and other creditors

	2019 £'000	2018 £'000
Trade creditors	1,844	2,798
Taxes and social security	170	106
Accruals and deferred income	4,224	2,282
	6,238	5,186

Analysed between the following classes of creditors:

Central government bodies	170	286
Other local authorities	3,745	4,128
Other entities and individuals	2,323	772
	6,238	5,186

21. 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 and 2018/19:

West of England Combined Authority (WECA)

Notes to the Financial Statements

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

West of England LEP Revenue Expenditure 2017/18 and 2018/19

	2019 £'000	2018 £'000
Expenditure		
LEP Management & Co-ordination	1,063	388
LEP Infrastructure	248	451
LEP Skills & Economy	222	292
Growth Hub	310	328
LEADER	67	75
Energy Strategy	10	32
RIF Administration	212	248
SW Energy Hub	93	-
Local Industrial Strategy	148	-
5G Urban Bid	147	-
ERDF Administration	67	39
Enterprise Advisor	70	-
Skills Advisory Panel	19	-
LEP Strategy	125	-
Infrastructure & Investment Delivery Plan	425	-
Other expenditure	15	-
	3,241	1,853
	2019 £'000	2018 £'000
Income		
Local Authority contributions	507	342
Investment Interest	554	204
Higher/Further Education contributions	151	18
Government Grant - Core & Strategic Economic Plan	500	500
Government Grant - RIF administration	212	248
Government Grant - Growth Hub	309	328
Government Grant - Infrastructure & Investment Delivery Plan	425	-
Government Grant - Other	246	213
Movement from Reserves	337	-
	3,241	1,853

West of England Combined Authority (WECA)

Notes to the Financial Statements

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

	2019 £'000	2018 £'000
Expenditure/Income yet to be defrayed/received		
Growth Hub Net Creditor	26	77
LEADER Net Debtor	(18)	(55)
LEP Net Creditor	1,871	87
LEP Reserves	989	894
Cash Balance held	2,868	1,003

Invest in Bristol and Bath Revenue Expenditure 2017/18 and 2018/19

	2019 £'000	2018 £'000
Expenditure		
Inward Investment Team	1,050	1,013
	1,050	1,013
Income		
Economic Development Fund Grant	899	849
Other Grants	-	35
Sponsorship Income	86	86
Contributions	65	43
	1,050	1,013

	2019 £'000	2018 £'000
Expenditure/Income yet to be defrayed/received		
Net Debtor	(1,767)	(856)
Cash Balance Held	(1,767)	(856)

West of England Combined Authority (WECA)

Notes to the Financial Statements

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

MetroBus/Metrowest Communications Team Revenue Expenditure

	2019 £'000	2018 £'000
Expenditure		
Communications Team	74	261
	74	261
Income		
MetroBus contribution	-	187
MetroWest contribution	74	69
Other contribution	-	5
	74	261
	2019 £'000	2018 £'000
Expenditure/Income yet to be defrayed/received		
Net Debtor	(150)	(279)
Cash Balance Held	(150)	(279)

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 financial statements. The balance of funds not distributed is therefore treated as a creditor in the WECA's financial statements; these sums will either be paid to future grant recipients or returned to government if not used or where they are recovered:

West of England Combined Authority (WECA)

Notes to the Financial Statements

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

West of England LEP Central Government Grants 2017/18 and 2018/19

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

2018/19

Grant funding yet to be distributed / (returned)

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

West of England Combined Authority (WECA)

Notes to the Financial Statements

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

2017/18	Funds transferred £'000	Grant received /returned £'000	Interest applied £'000	Grant distributed /recovered £'000	Funds c/fwd £'000
Grants Awarded					
MHCLG - Growing Places Revolving Infrastructure Fund	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
	32,672	52,553	140	(29,081)	56,284

2017/18

Grant funding yet to be distributed / (returned)

	Funds c/fwd (as above) £000	Net Creditor/ (Debtor) £'000	Impairment of Trade Debtors (RGF3) £'000	Total Cash Balance held £'000
MHCLG - Growing Places Revolving Infrastructure Fund	5,534	26	-	5,560
BEIS - Regional Growth Fund 2 Revolving Infrastructure Fund	8,276	2,615	-	10,891
RIF - Returned Funds from completed schemes	5,897	(1,402)	-	4,495
BEIS - Regional Growth Fund 3	-	4	10	14
MHCLG - Local Growth Fund	36,577	7,245	-	43,822
Total	56,284	8,488	10	64,782

West of England Combined Authority (WECA)

Notes to the Financial Statements

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

	2019	2018
Reconciliation of the Agency Creditor	£000	£'000
LEP	2,868	1,004
IBB	(1,767)	(856)
MetroBus/MetroWest Communications	(150)	(279)
Grant Balances	75,754	64,782
Total Agency Creditor / (Asset)	76,705	64,651

Under the agency accounting approach, none of the above transactions are recognised in the Combined Authority's Comprehensive Income and Expenditure Statement. The net cash balances, totalling £76.705m at 31 March 2019 (2018: £64.651m), held by the Authority where it is acting as agent, are treated as a creditor balance within the WECA's Balance Sheet, as they are held on behalf of the West of England LEP Unitary Authorities, would be paid to future grant recipients or returned to government.

22. Provisions, Contingent Liabilities and Guarantees

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

Provision for Appeals - NNDR Income	2019	2018
	£'000	£'000
At 1 April	2,655	-
Charged to income and expenditure	205	2,655
At 31 March	2,860	2,655

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

The Authority has not entered into any Guarantees.

West of England Combined Authority (WECA)

Notes to the Financial Statements

23. Usable reserves

The purpose of the individual reserves are as follows:

General Fund Balance

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

Earmarked Reserves

Current year movements	Carry forward reserve £'000	Integrated Transport Authority reserve £'000	BRR Reserve £'000	Mayoral elections £'000	Mayoral Capacity funding £'000	Housing Capacity funding £'000	Other £'000	Total £'000
Balance at 1 April 2018	310	400	715	-	-	-	-	1,425
Transfers in year from/(to) general reserves	(310)	(265)	(215)	388	551	1,724	695	2,568
Net transfer from/(to) general reserves	(310)	(265)	(215)	388	551	1,724	695	2,568
Balance at 31 March 2019	-	135	500	388	551	1,724	695	3,993

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.

Mayoral Elections Reserve

A contribution of £388k was made to this earmarked reserve to meet the estimated costs of the next mayoral election in 2021.

Mayoral and Housing Capacity Funding

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

West of England Combined Authority (WECA)

Notes to the Financial Statements

24. Unusable reserves

The purpose of the individual reserves are as follows:

Pooled Investment Fund Adjustment Account

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

Capital Adjustment Account

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

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

	2019 £'000	2018 £'000
Opening balance at 1 April	460	-
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
Charges for depreciation and amortisation of non-current assets	(240)	(74)
Revenue expenditure funded from capital under statute	(24,574)	(22,022)
Transfer of revenue contributions on capital outlay (RCCO)	17,678	17,572
Capital financing applied in the year		
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	7,604	4,984
Closing balance at 31 March	928	460

West of England Combined Authority (WECA)

Notes to the Financial Statements

24. 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.

	2019	2018
	£'000	£'000
Opening balance at 1 April	(1,711)	-
Remeasurements (liabilities and assets)	(380)	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	(923)	(491)
Effect of business combinations*	-	(1,692)
Employers pension contributions payable in the year; Current year	299	179
Closing balance at 31 March	(2,715)	(1,711)

* Net liability arising on transfer of employees to the WECA on 1 May 2017.

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 and 2018/19

	2019	2018
	£'000	£'000
Balance at 1 April	(315)	-
Bath & North East Somerset Council	76	(36)
Bristol City Council	(128)	(11)
South Gloucestershire Council	325	(268)
Balance at 31 March	(42)	(315)

West of England Combined Authority (WECA)

Notes to the Financial Statements

25. Capital expenditure and capital financing

The Authority spent £25.3m (2017/18: £22.6m) on capital during 2018/19. This expenditure is summarised below:

	31 March 2019 £'000	31 March 2018 £'000
Economic Model Software	-	115
Office Fit out and ICT Set-up Costs	106	418
Transport Scheme Business Case Development	1,774	37
Highways Maintenance & Infrastructure	18,813	21,985
Real Time Information	465	-
5G Smart Tourism	4,125	-
Total expenditure	25,283	22,555
Analysed between the following:		
Intangible Asset (note 14)	603	162
Property, plant and equipment (note 15)	106	371
Total capital expenditure	709	533
Written off to cost of services - transport capital grants and 5G grants	24,574	22,022
	25,283	22,555

The table below details the funding of the capital programme:

	31 March 2019 £'000	31 March 2018 £'000
Funded by:		
Central government grants	5,366	4,412
Gainshare Contributions	2,239	571
Mayoral Fund RCCO	17,572	17,572
WECA RCCO	106	-
	25,283	22,555

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 £Nil (2018: £Nil) borrowing during the year ended 31 March 2019.

West of England Combined Authority (WECA)

Notes to the Financial Statements

26. 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 2019 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 2019. This valuation was carried out by Mercer.

Net liability and pension reserve

The net amount recognised on the Balance Sheet at 31 March 2019 is a deficit of £2,715,000 (2018: £1,711,000).

Movement in net pension fund liability during the year

	2019	2018
	£'000	£'000
Opening balance at 1 April	1,711	-
Employer's pension contributions payable in the year	(299)	(179)
Current service cost	769	446
Past service cost	99	-
Administrative expenses	13	7
Net interest cost	42	38
Remeasurements (liabilities and assets)	380	(293)
Business combination*	-	1,692
Closing balance at 31 March	2,715	1,711

* Net liability arising on transfer of employees to the WECA on 1 May 2017.

Employer's pension contributions expected to be paid in 2019/20 are estimated at £365,000.

West of England Combined Authority (WECA)

Notes to the Financial Statements

26. 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:

	2019 £'000	2018 £'000
Comprehensive Income and Expenditure Statement		
Cost of services		
Current service cost	769	446
Past service cost	99	-
Administration expenses	13	7
Financing and investment income and expenditure		
Net interest cost	42	38
Total post-employment benefit charged to the surplus or deficit on provision of services	923	491
Remeasurements (liabilities and assets)	380	1,399
Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement	1, 303	1,890
Movement in reserves statement		
Reversal of net charges made to the surplus or deficit on provision of services for post-employment benefits in accordance with the Code	(923)	(491)
Actual amount charged against the General Fund Balance for pensions in the year	299	179
	(624)	(312)
Assets and liabilities in relation to post-employment benefits		
	2019 £'000	2018 £'000
Present value of scheme liabilities	(6,140)	(4,523)
Present value of scheme assets	3,425	2,812
Amounts recognised as liabilities	(2,715)	(1,711)

West of England Combined Authority (WECA)

Notes to the Financial Statements

26. Defined benefit pension scheme (continued)

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

	2019 £'000	2018 £'000
Opening balance at 1 April	4,523	-
Current service cost	769	446
Past service cost	99	-
Interest on pension liabilities	124	101
Member contributions	188	110
Actuarial losses/(gains)	456	(303)
Benefits paid	(19)	(59)
Business combination*	-	4,228
Closing balance at 31 March	6,140	4,523

*Gross liability arising on transfer of employees to the WECA on 1 May 2017.

Reconciliation of fair value of the scheme assets

	2019 £'000	2018 £'000
Opening balance at 1 April	2,812	-
Employer's pension contributions payable in the year	299	179
Interest on plan assets	82	63
Member contributions	188	110
Actuarial gains/(losses)	76	(10)
Administrative expenses	(13)	(7)
Benefits paid	(19)	(59)
Business combination*	-	2,536
Closing balance at 31 March	3,425	2,812

*Gross asset arising on transfer of employees to the WECA on 1 May 2017.

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

	2019 %	2019 £'000	2018 %	2018 £'000
Asset				
Equities	40	1,383	41	1,151
Gilts	12	414	11	304
Other bonds	12	401	12	343
Property	10	333	9	250
Cash/liquidity	2	58	4	101
Other	24	836	23	663
	100	3,425	100	2,812

West of England Combined Authority (WECA)

Notes to the Financial Statements

26. 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 year, for investments returns over the entire life of the related obligation.

	2019	2018
Valuation assumptions		
Discount rate	2.5%	2.7%
Rate of salary increase	3.7%	3.6%
Rate of pension increase	2.3%	2.2%
Inflation assumption	2.2%	2.1%
Future life expectancies from age 65		
Retiring today:		
Males	23.7	23.6
Females	26.2	26.1
Retiring in 20 years:		
Males	26.3	26.2
Females	29.0	28.8

In December 2018 the Court of Appeal upheld a ruling that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members.

In June 2019 the Government applied to the Supreme Court for permission to appeal this ruling, but this permission to appeal was unsuccessful. The case will now be remitted back to employment tribunal for remedy.

The legal ruling around age discrimination (McCloud – Court of Appeal) has implications not just for pension funds, but also for other pension schemes where they have implemented transitional arrangements on changing benefits.

As a result a revised IAS19 report was issued in July 2019 with a revised estimate of the pension liabilities which also included actual rather than estimated returns on investment value resulting in an overall increase of the net pension liabilities of £134,000.

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

West of England Combined Authority (WECA)

Notes to the Financial Statements

26. Defined benefit pension scheme (continued)

Sensitivity analysis

	Per financial statements £'000	+ 0.1% p.a. discount rate £'000	+ 0.1% p.a. inflation £'000	+ 0.1% p.a. pay growth £'000	1 year increase in life expectancy £'000
Liabilities	6,140	5,980	6,305	6,184	6,245
Assets	(3,425)	(3,425)	(3,425)	(3,425)	(3,425)
Deficit/(Surplus)	2,715	2,555	2,880	2,759	2,820
Projected Service Cost for next year	873	844	902	873	891
Projected Net Interest Cost for next year	64	62	68	65	66

27. Financial risk management

The Authority has existed as an entity since February 2017. During the year to 31 March 2019, the focus has been on continuing to develop appropriate governance structures and ensure that sufficient resources are in place to support the delivery of the organisation's objectives.

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

The Authority's principal financial liabilities comprise trade and other creditors. The main purpose of these financial liabilities is to fund the WECA's operations. The Authority has trade and other debtors, and cash, long-term investments and short-term deposits that derive directly from its operations. 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.

Credit risk

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

West of England Combined Authority (WECA)

Notes to the Financial Statements

27. Financial risk management (continued)

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:

	31 March 2019	31 March 2018
	£'000	£'000
Long-term Investments	25,181	-
Short-term Investments	91,373	89,285
Trade and other debtors	6,676	4,095
Cash and short-term deposits	43,863	28,824
	167,093	122,204

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 creditors are due to be paid in less than one year.

Market risk

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

Price Risk

The Authority invests in one pooled property fund and is therefore exposed to losses arising from movements in the prices of property. Price risk is not considered to be significant on Money Market Funds as the funds are considered to be sufficiently diverse to mitigate this risk.

EU Referendum

Following the triggering of Article 50 on 29 March 2017, 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.

West of England Combined Authority (WECA)

Notes to the Financial Statements

28. Financial Instruments

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

	Long term		Current		Total	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
<i>Financial assets at fair value through other income or expenditure:</i>						
Pooled fund (Property)	-	-	-	9,474	-	9,474
<i>Financial assets at fair value through income or expenditure:</i>						
Pooled fund (Property)	-	-	9,621	-	9,621	-
<i>Financial assets at amortised cost:</i>						
Investment assets:						
- Principal	25,000	-	91,000	89,000	116,000	89,000
- Accrued interest	181	-	373	285	554	285
Total investments	25,181	-	100,994	98,759	126,175	98,759
<i>Financial assets at fair value through income or expenditure:</i>						
- Short-term deposits	-	-	23,620	-	23,620	-
<i>Financial assets at amortised cost:</i>						
- Cash at bank and in hand	-	-	48	4	48	4
- Short-term deposits	-	-	19,993	28,820	19,993	28,820
- Accrued interest	-	-	202	-	202	-
Total Cash and cash equivalents	-	-	43,863	28,824	43,863	28,824
- Trade debtors	-	-	27	8	27	8
- Other debtors	-	-	6,759	3,797	6,759	3,797
- Accrued income	-	-	-	457	-	457
- Loss allowance	-	-	(110)	(167)	(110)	(167)
Included in Trade and other debtors *	-	-	6,676	4,095	6,676	4,095
Total financial assets	25,181	-	151,533	131,678	176,714	131,678

West of England Combined Authority (WECA)

Notes to the Financial Statements

28. Financial Instruments (continued)

* The trade and other debtors line on the Balance Sheet include £Nil (2018: £5,000) short-term debtors that do not meet the definition of a financial asset as they relate to non-exchange transactions.

	Long term		Current		Total	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Financial liabilities at amortised cost						
- Trade creditors	-	-	(1,844)	(2,798)	(1,844)	(2,798)
- Accruals			(1)	(2,282)	(1)	(2,282)
Included in trade and other creditors **	-	-	(1,845)	(5,080)	(1,845)	(5,080)
Total financial liabilities	-	-	(1,845)	(5,080)	(1,845)	(5,080)

** The trade and other creditors line on the Balance Sheet include no (2018: £106,000) short-term creditors that do not meet the definition of a financial liability as they relate to non-exchange transactions.

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

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

West of England Combined Authority (WECA)

Notes to the Financial Statements

28. Financial Instruments (continued)

	For the period ending 31 March 2018		
	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income £000	Total £000
Interest income	(372)	-	(372)
Interest expense	-	-	-
Net impact on surplus/deficit on provision of services	(372)	-	(372)
Loss on assets at fair value through other comprehensive income	-	483	483
Net loss/(gain) for the year	(372)	483	111

Fair value of financial assets and liabilities

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

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

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

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

West of England Combined Authority (WECA)

Notes to the Financial Statements

28. Financial Instruments (continued)

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

	2019		2018	
	Balance Sheet £'000	Fair value £'000	Balance Sheet £000	Fair value £000
Financial assets at fair value through other income and expenditure				
Pooled fund (Property)	-	-	9,474	9,474
Financial assets at fair value through income and expenditure				
Pooled fund (Property)	9,621	9,621	-	-
Financial assets at amortised cost				
Investment assets:				
- Fixed-term investments	116,000	116,635	89,000	89,177
- Accrued interest	554	554	285	285
- Trade and other debtors	6,676	6,676	4,095	4,095
Total investment assets	132,851	133,486	102,854	103,031
<i>Cash and cash equivalents:</i>				
<i>Financial assets at fair value through income or expenditure:</i>				
- Short-term deposits	23,620	23,620	-	-
<i>Financial assets at amortised cost:</i>				
- Cash at bank and in hand	48	48	4	4
- Short-term deposits	19,993	20,009	28,820	28,820
- Accrued interest	202	202	-	-
Total cash and cash equivalents	43,863	43,879	28,824	28,824
Total financial assets	176,714	177,365	131,678	131,855
Financial liabilities at amortised cost				
Trade and other creditors	(1,845)	(1,845)	(5,080)	(5,080)
Total financial liabilities	(1,845)	(1,845)	(5,080)	(5,080)

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

West of England Combined Authority (WECA)

Notes to the Financial Statements

28. Financial Instruments (continued)

Sensitivity analysis

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

	Impact on fair value			Impact on income or expenditure
	5% property price fall £'000	1% interest rate rise £'000	5% equity price fall £'000	1% interest rate rise £'000
Pooled fund (Property)	(481)	-	-	-
Fixed-term investments	-	(768)	-	490
Short-term deposits	-	(75)	-	361

29. 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:

	31 March 2019 £'000	31 March 2018 £'000
Land and buildings		
Less than one year	173	173
Between two and five years	472	645
	645	818
	31 March 2019 £'000	31 March 2018 £'000
Office equipment		
Less than one year	1	4
Between two and five years	-	5
	1	9

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

West of England Combined Authority (WECA)

Notes to the Financial Statements

30. Capital commitments

As at 31 March 2019, 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:

	2019/20	2020/21	2021/22
	£'000	£'000	£'000
WECA Capital			
Business Case Development Grants	2,472	-	-
Real Time Information	94	-	-
Mayoral Capital			
Highways and Transport Grants	17,572	-	-
Pothole Action Fund grants	662	-	-
	20,800	-	-

31. 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 2019. 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 2018-19 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

31. 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 with (for either themselves or their partner). These transactions are included in the expenditure and income disclosures below. There were no transactions with companies in which officers had an interest.

Constituent authorities

The Leaders of Bath and North East Somerset and South Gloucestershire Councils, and the Mayor of Bristol City Council, alongside the Mayor of the West of England, have direct control over the Authority's financial and operating policies through decision-making at the 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

2018/19

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

West of England Combined Authority (WECA)

Notes to the Financial Statements

31. Related party disclosures (continued)

2017/18

	ITA Levy £'000	100% BRR Pilot £'000	Grants £'000	Other Contributions £'000
Government	-	1,284	4,528	-
Constituent Authorities				
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

The Authority made the following payments to Related Parties:

Expenditure incurred by the WECA to Related Parties

2018/19

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

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Notes to the Financial Statements

31. Related party disclosures (continued)

2017/18

	ITA Functions £'000	Second -ments £'000	Support Services £'000	Distribu- tion of Grants £'000	Reimburse- ment of Election Costs £'000	Other Contribu- tions £'000
Government	-	202	-	-	-	-
Constituent Authorities						
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.

32. Events after the Balance Sheet date

The Statement of Accounts were authorised for issue by the West of England's Responsible Financial Officer on 31st May 2019.

In December 2018 the Court of Appeal upheld a ruling that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members.

In June 2019 the Government applied to the Supreme Court for permission to appeal this ruling, but this permission to appeal was unsuccessful. The case will now be remitted back to employment tribunal for remedy.

The legal ruling around age discrimination (McCloud – Court of Appeal) has implications not just for pension funds, but also for other pension schemes where they have implemented transitional arrangements on changing benefits.

As a result a revised IAS19 report was issued in July 2019 with a revised estimate of the pension liabilities which also included actual rather than estimated returns on investment value resulting in an overall increase of the net pension liabilities of £134,000.

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

West of England Combined Authority (WECA)

Notes to the Financial Statements

33. 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.