

Report to: Governance and Audit Committee

Date: 13 October 2022

Subject: **Draft Annual Accounts 2021-22**

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Is this a key decision?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information or appendices?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1:	
Are there implications for equality and diversity?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

1. Purpose of this Report

- 1.1 To present to the Committee for their comments the draft annual accounts (financial statements) for 2021/22 for the Combined Authority.

2. Information

- 2.1 The government has extended the statutory deadline for audit completion to 30 November 2022 for 2021/22 accounts. All effort was made by Finance to ensure the draft accounts were prepared and published at the end of July 2022 for statutory public inspection. The public inspection period has now ended, and there was no question or objection being raised. The timing of the last meeting of the Governance and Audit Committee in July was such that the draft accounts had only just been completed and it was requested that they be brought back for further consideration ahead of the audit work commencing. The Committee has already received reports explaining that the external audit of the accounts will not take place until late 2022/early 2023.
- 2.2 Members are reminded that the transfer of the Police and Crime functions to the Combined Authority from 10 May 2021 introduces the first set of group accounts and consolidation, including West Yorkshire Police. The Mayor is required to keep a fund known as the Police Fund, separate from those of the CA general fund reserve. The Combined Authority is the legal entity which is responsible for administering the Police Fund including assets and liabilities

associated with it, and executing the Mayor's decisions in her role as Police and Crime Commissioner. The Police Fund balances for the year 2021/22 cover 10 months and 22 days (10 May 2021 to 31 March 2022). The comparator year 2020/21 cover 12 months (1 April 2020 to 9 May 2021) including only the continued CA balances. Subsequent financial years will be 12 months 1 April to 31 March.

- 2.3 Members should note that further work is required on the Value for Money opinion before the final audit certificate can be issued. This work is due to commence shortly and will conclude no later than the end of December 2022.
- 2.4 The accounts have been prepared on an International Financial Reporting Standards (IFRS) basis in accordance with the CIPFA Code of Practice on Local Authority Accounting UK.
- 2.5 There are a number of accounting / other matters in the accounts which are drawn to the Committee's attention below.
- 2.6 International Accounting Standard (IAS) 19 Employee Benefits requires a particular accounting treatment of pension costs and liabilities. In effect the accounts provide a snapshot in time of the organisation's element of the West Yorkshire Pension Fund at the balance sheet date, based on information from the actuaries. In common with most local authorities this results in a deficit on the scheme but under the Account and Audit Regulations (England) 2011 this apparent deficit is funded by the creation of a corresponding reserve. The reality is that the deficit in the scheme is being addressed through the annual employer contribution rates set by the actuary and will reduce within the required timescales. The liability will only crystallise should either the West Yorkshire Pension Fund cease to exist, or Combined Authority cease to exist without a successor organisation to take on the liability. The deficit has decreased during the financial year 2021/22 from £91.3 million to £78.8 million as a result mainly of the financial actuarial assumptions changing over the course of the year.
- 2.7. Included in the Group Pension Reserve was the Police Officers' pension liability. In line with the Police Pension Fund Regulations 2007, the police authority is required to maintain a Police pension fund into which officer and employer contributions are paid and out of which pension payments to retired officers are made. If the police pension fund does not have sufficient funds to meet the cost of pensions in year the amount required to meet the deficit is then paid by the Secretary of State to the police authority in the form of a central government top-up grant.
- 2.8. The going concern principle is always required to be considered as part of the year end process. The IFRS Code's underlying assumption is that accounts shall be prepared on a going concern basis where the functions of the 'authority' will continue in operational existence for the foreseeable future.
- 2.9. The going concern assumption is further made because local authorities carry out functions essential to the local community and are themselves revenue-

raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. The Combined Authority relies on funding from its constituent members, all of which are local authorities with revenue raising powers, and it is able to levy on them the funding it requires to deliver many of its services. The Combined Authority's accounts have therefore been prepared on a going concern basis.

- 2.10. Accounting policies – adopted by the CA and its Group determine the accounting treatment that is applied to transactions during the financial year and in the preparation of the Annual Statement of Accounts. During last year, joint work on reviewing and realignment of accounting policies for 2021/22 has been completed between the CA finance team and the WYP finance colleagues. As both the CA and WYP are operating under the local government accounting framework, there is no significant change from those accounting policies used in previous year. The Group Accounting Policies have also been considered by the Police's Joint Independent Audit Committee in January 2022.

Draft Accounts of the Combined Authority (can be accessed online [here](#))

- 2.11. The Combined Authority's accounts comply fully with the required accounting standards.
- 2.12. The CA final revenue budget position for 2021/22 was reported to the Finance, Resources and Corporate Committee meeting in July 2022. The final position was a £2.8 million surplus against the budget. The surplus was mainly due to salary savings in excess of the vacancy target, alongside underspend within the concessions budget, driven by the slow recovery of bus patronage in the region. This is offset by a significant overspend on bus tendered services, also connected to changes in bus behaviours as a continuation of impacts resulting from Covid. Of the 2.8m surplus, £2m arising from the savings on the concessions budget was approved to be set aside for a ringfenced reserve to support bus funding in future years. The remaining £0.8m adds to the general reserves giving a balance of £13.8 million.
- 2.13. In comparison to 2020/21 the Combined Authority's balance sheet shows an increased level in assets. As accountable body for the Leeds City Region Enterprise Partnership, the Combined Authority has been in receipt of Getting Building Fund payments as well as several other upfront grant payments such as Brown Field Housing Fund (BHF), Transforming Cities Fund (TCF), and capital element of the Gainshare funding. There has been an increase in capital grants unapplied of £80 million and in short term investments of £95 million at the end of March 2022. The capital expenditure for 2021/22 has increased by £93 million from £159 million in 2020/21.
- 2.14. The CA balance sheet for 2021/22 also included assets deployed for delivering Policing and Crime services. These were accounted for separately in line with

the Police Fund principle and were also disclosed as a supplementary Police Fund Statement on page 113 of the Draft Accounts.

3. Tackling the Climate Emergency Implications

3.1. There are no climate emergency implications directly arising from this report.

4. Inclusive Growth Implications

4.1. There are no inclusive growth implications directly arising from this report.

5. Equality and Diversity Implications

5.1. There are no equality and diversity implications directly arising from this report.

6. Financial Implications

6.1. There are no financial implications directly arising from this report.

7. Legal Implications

7.1. There are no legal implications directly arising from this report.

8. Staffing Implications

8.1. There are no staffing implications directly arising from this report.

9. External Consultees

9.1. No external consultations have been undertaken.

10. Recommendations

10.1. That the Draft Annual Accounts 2021/22 be considered.

11. Background Documents

There are no background documents referenced in this report.

12. Appendices

None