

Report to: Governance and Audit Committee

Date: 22 March 2023

Subject: **Approval of Annual Accounts 2021-22**

Director: Angela Taylor, Director, Finance and Commercial Services

Author: Mark Wood, Head of Finance

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 approval the consolidated audited annual accounts (financial statements) for 2021/22 for the Combined Authority.

2. Information

- 2.1 The government extended the statutory deadline for audit completion to 30 November 2022 for 2021/22 accounts. All efforts were made by the Finance teams of both West Yorkshire Combined Authority and West Yorkshire Police 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 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 draft accounts were further presented to Committee in October 2022 where they were approved subject to the final audit of the accounts which would not take place until late 2022/early 2023.
- 2.2 The final audit commenced as scheduled in January 2023 and is nearing completion with some remaining audit queries. The Audit Completion Report is at Appendix 1 and whilst work remains ongoing the external auditor intends to

provide an unqualified audit opinion. While some queries are still outstanding it is not expected they will fundamentally change the accounts presented. Further detail is provided in the Audit Completion Report provided by Mazars as Appendix 1 and they will be available at the meeting to present their report. At the time of publication the auditors are completing their final review and this will necessitate minor final changes to both the completion report and the draft accounts and both the accounts and the completion report will be circulated separately a few days prior to the Committee meeting.

- 2.3 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 with the accounts of the Chief Constable, the separate legal entity which is 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 covers 12 months (1 April 2020 to 9 May 2021) including only the continued Combined Authority balances. Subsequent financial years will be 12 months from 1 April to 31 March for both entities.
- 2.4 The Chief Constable financial statements were considered at the meeting of the Joint Independent Audit Committee on 23 February, along with the external auditor's completion report. Subject to the finalisation of a small number of minor items the accounts were approved to be recommended for signature. The information from these accounts has been used to prepare the consolidated accounts presented today.
- 2.5 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.
- 2.6 There are a number of accounting / other matters in the accounts which are drawn to the Committee's attention below.
- 2.7 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.
- 2.8 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 (appendix 2)

- 2.9 The Combined Authority's accounts comply fully with the required accounting standards.
- 2.10 The Combined Authority's final revenue budget position for 2021/22 was first 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.
- 2.11 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.
- 2.12 The Combined Authority 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 116 of the Draft Accounts.
- 2.13 As part of Mazars routine audit work a number of responses are required from management and those charged with governance with regard to fraud and litigation. This was presented at the October 2022 GAC meeting and remains unchanged.

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 and recommended for approval.

11. Background Documents

There are no background documents referenced in this report.

12. Appendices

Appendix 1 Mazars completion report **TO FOLLOW**

Appendix 2 Final audited accounts 2021/22 **TO FOLLOW**