West Yorkshire Combined Authority

Statement of Accounts

For the year ending 31 March 2018

CONTENTS

West Yorkshire Combined Authority

Narrative Report to the Annual Accounts 2017/18

Introduction

The Narrative Report has been prepared to provide an outline of the activities for the year 2017/18, providing both a guide to West Yorkshire Combined Authority's accounts and to its achievement in delivering growth through transport and economic development and regeneration as well as setting out the economy, efficiency and effectiveness in its use of resources in doing so.

The West Yorkshire Combined Authority came into being on 1 April 2014 by virtue of the West Yorkshire Combined Authority Order 864/2014 (the 2014 Order). At the same time, the West Yorkshire Integrated Transport Authority (WYITA) and the West Yorkshire Passenger Transport Executive (WYPTE) were dissolved. All of the functions, assets, liabilities and powers of WYITA and WYPTE were transferred to the Combined Authority under the provisions of the 2014 Order. The Combined Authority is now the Local Transport Authority for West Yorkshire and also has power to exercise economic development and regeneration functions in conjunction with the District Councils of West Yorkshire. The Combined Authority also includes as members the leader of the City of York Council and the Chair of the Leeds City Region Local Enterprise Partnership (LEP). The Combined Authority has established a Transport Committee, through which it conducts the majority of Local Transport Authority functions, and an Investment Committee which provides strategic guidance in relation to the investment in and funding of transport and economic development schemes. Membership of the Combined Authority committees is drawn from all District Councils within West Yorkshire, together with City of York Council.

These are the fourth set of annual accounts for the Combined Authority, and the third since it took over accountability for the activities of the Leeds City Region LEP.

Responsibilities

The Combined Authority's vision is 'We want Leeds City Region to be recognised globally as a strong, successful economy where everyone can build great businesses, careers and lives.' The Combined Authority is the guiding organisation behind this collective vision, working to ensure it, with local councils and businesses, is delivering economic prosperity with a high quality of life, supported by world-class connectivity.

With regard to transport the Combined Authority fulfils the functions of the local transport authority and is responsible for determining public transport policies in West Yorkshire, operating the concessionary travel scheme and producing the statutory local transport plan.

With regard to the economy the Combined Authority is the accountable body for the Leeds City Region Local Enterprise Partnership (LEP). The LEP determines the policies and strategies to drive the economic growth and regeneration agenda with the Combined Authority ensuring funding is properly managed to ensure delivery of the interventions required to achieve the growth targets.

The Combined Authority has an important role to play in providing the vehicle for closer partnership working between the local authorities of West Yorkshire and York and the LEP in order to ensure improved economic outcomes for local people. It focuses on the areas that make the most sense to deliver at the city region level.

Review of the year

2017/18 is the fourth year of business for the Combined Authority and the third which fully includes the activities and funding of the Leeds City Region LEP. The Combined Authority and LEP Boards have agreed the vision for the City Region which is set out in the Strategic Economic Plan (SEP) that reflects the current economic case and takes account of the local and national situation.

The SEP is endorsed by both the Combined Authority and the LEP, sets out an agenda of economic growth for West Yorkshire that would improve the quality of life for its residents. This will only be achieved through working closely together with the constituent local councils and other public bodies. Work is underway to produce a Local Inclusive Industrial Strategy that further develops the SEP ambitions.

The statutory Local Transport Plan, covering the period 2011-2026, has been substantially redrafted and following full public consultation was approved in August 2017 as the West Yorkshire Transport Strategy.

During 2017/18 the focus for the Combined Authority has been on three key themes. Firstly, work has progressed on a ‘One Organisation’ transformation programme that focuses on bringing together the right skills and organisational structures to achieve the Combined Authority priorities. Secondly, there has been a focus on delivering at pace the projects and services that support the Combined Authority priorities. Thirdly there has been a focus on ensuring that all the Combined Authority activities are contributing towards good or inclusive growth that sees benefits for everyone in the City Region.

Key achievements are set out below.

Made our economy stronger by helping businesses grow and attracting new investment:

- **2,200** businesses supported to grow and become more productive through our LEP Growth Service in partnership with our partner councils.
- **£6.5 million** worth of grants provided to help over 200 small and medium-sized enterprises (SMEs) grow and create jobs
- **#1** location in the North for overseas investment, supported by the role our Trade and Investment team has played in attracting new companies such as Burberry to the region
- **430** enquiries from potential investors received as a result of Leeds City Region’s presence at the MIPIM global property conference in recent years – supported by us and majority funded by the private sector.
- **#4sparks –** our campaign to persuade Channel 4 to come to Leeds City Region has cemented the region’s reputation as a leading centre for digital and screen industries
- **2** new incubation and innovation centres started on site to help businesses innovate and grow – the Nexus innovation centre at the University of Leeds and the Huddersfield Innovation and Incubation Project

- **Powering future growth in Wakefield:** OE Electrics, a manufacturer and distributor of electrical equipment, has doubled the size of its operations in Wakefield thanks to support from the LEP and Combined Authority, leading to the creation of 144 local jobs.

Invested in our future workforce:

- **4** new, state-of-the-art college facilities opened thanks to our Growth Deal funding: the Northern Dental Education Centre (NORDEC) in Bradford, the Advanced Skills and Innovation Centre at Wakefield College, a new apprenticeship training centre at Selby and the new Printworks campus at Leeds City College.
- **3** additional college developments started on site, including the Dewsbury Learning Quarter in Kirklees, Leeds College of Building and Leeds City College's Quarry Hill campus
- **16,800** interactions between employers and young people in school organised this year as a result of our **Enterprise Adviser programme**
- **4,000** apprenticeship opportunities across the city region created for 16-24 year olds from our apprenticeship grant for employers over the past two years
- **Training the next generation of dentists:** NORDEC, the Northern Dental Education Centre, opened at Bradford College last September thanks to Growth Deal investment. It is set to train 1,000 dental health professionals in the next four years.

Connected people to jobs, education and opportunity:

- **£18 million** investment in providing vital bus links for communities across West Yorkshire that wouldn't otherwise have had a bus services
- **640** people have benefitted from funded cycling training for commuters, employers, jobseekers and apprentices
- **£56 million** invested in providing affordable bus travel for young people and people over retirement age
- **200,000** people now travel around the region using our MCard smartcard every week, and this year we've made it even easier to use with a new android app and self-service ticket machines in bus and train stations
- **£1 million** invested in measures to speed up buses at congestion hotspots across West Yorkshire thanks to our Bus18 partnership with bus operators. Following feedback from young people, we have also removed the need for school pupils to show a half fare pass if they're wearing their school uniform
- **100,000** people used our Metro-branded bus stations daily
- **33** access buses operated across West Yorkshire to help older and disabled people live more independent lives
- **Connecting communities:** Our tendered bus services have continued to provide a lifeline for communities over the past year. A minibus service introduced by the Combined Authority has helped communities in Knottingley to access local shops and services in Pontefract.

Improved our transport network:

- **2,500** new homes are set to be built in Wakefield thanks to our Transport Fund investment in the Wakefield Eastern Relief Road which opened last June
- **£10.9 million** invested in building Low Moor station in Bradford – the third new train station we've opened in West Yorkshire in 16 months, improving links between Bradford, Halifax, Leeds, York and Manchester
- **#1** in the Northern Transport awards for three of our transport projects: **Kirkstall Forge** train station in Leeds, the Beacons **ticketless bus travel scheme** which won the "excellence in technology" award and, with Leeds and Bradford Councils - the **CityConnect Cycle Superhighway** – the longest segregated cycleway in the country, linking these two major Yorkshire cities
- **£173.5 million** secured from the Department of Transport in partnership with Leeds City Council for the #ConnectingLeeds programme which will transform the city's bus service, expand Park and Ride provision and develop proposals for three new train stations
- **20,000** new jobs set to be created in Leeds City Region as a result of HS2. We've continued to lobby for increased investment in our region's transport network over the past year through our participation in Transport for the North, ensuring stops in Bradford, Leeds and York were included in plans for the new high-speed Northern Powerhouse Rail line when they were published in February
- **2** new strategies adopted setting out how we will work with partners to improve our overall transport network and our bus system. This is alongside a new masterplan for Leeds station in preparation for HS2 arriving, and an overall HS2 Growth Strategy setting out how we and our partners will maximise the benefits of high-speed rail for local people and communities.
- **The route to new homes and employment in Wakefield:** the Wakefield Eastern Relief Road was the first project funded by our £1bn Transport Fund to be completed in June 2017. It provides a new link between key housing and employment sites, and has opened up access for 2,500 new homes in the city.

Improved air quality and protected our environment:

- **10,000** car journeys per week taken out of Leeds city centre following the opening of the new Temple Green Park and Ride last summer – our second park and ride delivered in partnership with Leeds City Council
- **£23.5 million** investment made in new, low-emission buses by bus operators, Arriva and First West Yorkshire, thanks to our Bus18 partnership
- **£3 million** Growth Deal investment made in new flood defences in Leeds city centre
- **500,000** cups of tea = the equivalent energy saved by businesses benefitting from reduced energy bills thanks to the LEP's Resource Efficiency Fund
- **£2.9 million** Growth Deal funding invested in tackling fuel poverty across Leeds City Region
- **600** households benefitted from reduced energy bills thanks to improvements made through the Better Homes Yorkshire programme
- **Manufacturer halves energy bills:** As a result of resource efficiency funding from the Combined Authority and LEP, specialist manufacturer Leeds

Galvanising and Powder Coating Ltd has halved its energy costs for compressed air, saving £10,000 a year. The company has also reduced its CO_2 emissions by 60 tonnes per year.

Secured extra funding and powers for our region

- **£320,000** secured for a sixth phase of our One Public Estate programme to develop housing and social care projects in Dewsbury, Halifax and Harrogate
- **£660,000** secured from the Government's Land Release Fund to bring forward new housing on smaller, council-owned sites
- **£1 million** secured as a result of a successful submission to Government ahead of the Budget, enabling us to continue supporting businesses through the LEP Growth Service until 2020
- **£4.2 million** secured to retrofit buses in West Yorkshire to reduce emissions and improve air quality.

Transforming the organisation

Over the past two years we have been transforming our organisation to ensure it is in the best possible place to deliver the investment for which we are now responsible and be "mayor ready" ahead of any devolution deal to the region.

This organisational transformation will continue to be a priority for us during the coming year and beyond.

The changes we have made already include:

- Bringing three former separate bodies – the passenger transport body, Metro, the LEP team and the region's inward investment and marketing teams – into a **single, completely restructured and streamlined organisation** supporting both the LEP Board and the Combined Authority
- **Strengthening governance and accountability** so that all of our committees now meet in public – including webcasting our Combined Authority meetings, taking measures to make the LEP the most transparent local enterprise partnership in the country and taking proactive measures to respond to Government's review of local enterprise partnerships nationally
- **Introducing new values and behaviours** with our employees to ensure we are even more focused on results, accountability, being easy to do business with and working together in partnership
- **Learning lessons from the past** – and continually striving to improve
- Ensuring all projects and decisions are supported by a **robust business case**.
- Creating our portfolio management office (PMO) to put in place a robust approach to ensuring the **right projects are delivered on time and on budget**, and support our partners to bring forward good quality schemes for funding
- **Improving our processes and systems** to help us take informed decisions in the most efficient way, and tackling historic underinvestment
- **Strengthening our relationships with our partners**, including meeting face to face with all local council groups in West Yorkshire and York and launching a monthly eNews for partners, so that we can do more together more effectively on behalf of the region

- Introducing a **new brand identity** for our organisation to save money and make it easier for our partners and the public to understand what we do.

The general economic outlook continues to be difficult with the public sector continuing to face funding challenges. The revenue funding for many of the Combined Authority's activities comes from the West Yorkshire local authorities, with further contributions from them and the other LEP authorities for some of the economic activities. All areas of the budget are reviewed as part of the One Organisation Programme to ensure that resources are focussed on the organisational priorities. Recognising the pressure on local authority budgets the Combined Authority has agreed a further cut in the transport levy for 2018/19 and plans are progressing on the detail of how the agreed savings and cuts can be delivered. The Combined Authority still has significant capital funding through the Growth Deal, the Local Transport Plan funding and the Leeds Public Transport Infrastructure Programme amongst others and further work will be undertaken during 2018/19 to ensure the most effective use is being made of all the capital and revenue income streams available to the Combined Authority, with the focus being the delivery of the objectives and outcomes as set out in the SEP.

Meeting the challenges and opportunities ahead…

An important focus of our work over the next year and beyond will be to ensure we are prioritising the right issues to enable our region to meet the opportunities and challenges of the coming years head-on.

- **Boosting productivity:** closing the gap between Leeds City Region's productivity rate and the UK average could add £10 billion to our economy, creating thousands more skilled jobs. We will focus on boosting business productivity, innovation and growth – particularly in fast-growing sectors such as tech – to drive up economic growth and living standards.
- **Enabling inclusive growth:** as economies globally look to tackle inequality, we aim to be a leader in promoting inclusive economic growth that benefits everyone. Alongside this, we will continue our efforts to improve air quality and minimise the impact of climate change on communities and businesses.
- **Delivering 21st Century transport:** we will ensure that major transport schemes such as HS2, Northern Powerhouse Rail and improvements to the Trans-Pennine and East Coast main lines are delivered and benefit all parts of our region. We will transform how we deliver publicly supported transport for people in the city region.
- **Devolution:** we will continue to support local politicians' efforts to secure a devolution deal that ensures our region can continue investing in those issues that make people's lives better. We will also continue our efforts to attract government and business investment to the region, including a significant share of the UK Prosperity Fund to replace European funding.
- **Delivery** – we will continue to deliver our £1bn Growth Deal and £1bn Transport Fund, ensuring the right projects are delivered on time and on budget. We will also continue to modernise our organisation, ensuring we're in

the best possible place to respond to the opportunity of devolution and saving money through innovative new approaches to delivering services.

The accounts

The accounts have been prepared in accordance with The Code of Practice on Local Authority Accounting UK 2017/18 which is based on approved International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board. The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. The accounts consist of the following:-

The Accounting Policies which explain the basis for the recognition, measurement and disclosure of transactions and other events in the accounts. This includes the basis of charges to revenue and the calculation of balance sheet items.

The Statement of Responsibilities for the Statement of Accounts.

The Comprehensive Income and Expenditure Statement which shows the net cost for the current year of all the services for which the Authority is responsible and demonstrates how that cost has been financed.

The Movement in Reserves Statement reconciles the outturn on the income and expenditure account to the balance on the General Fund that is established by complying with the relevant statutory provisions. It facilitates a full presentation of the financial performance of the Authority for the year.

The Balance Sheet shows the Combined Authority's assets and liabilities.

The Cash Flow Statement summarises the inflows and outflows of cash arising from transactions with other parties for revenue and capital purposes.

The Annual Governance Statement is not part of the Statement of Accounts but is required to be provided with them. It provides information regarding the system of internal control during the financial year and covers the effectiveness of this for the Combined Authority.

Following the IFRS Based Code requirements means that the Combined Authority has a significant liability arising from the requirements of IAS19 Accounting for Pension Costs. This requires the Combined Authority to show in their accounts any deficit arising on their proportion of the West Yorkshire Pension Fund obligations as measured by the Actuary. Whilst this is in accordance with the requirements of the Accounts and Audit Regulations 2015 it is offset by a negative Pensions Reserve. However, the impact of the deficit is long term and action is being taken to address it in accordance with the Actuary's projections.

Review of Revenue Expenditure for the West Yorkshire Combined Authority

	2017/18 Approved Budget	2017/18 Actual
	£m	£m
Funding		
Special Rail Grant	0.9	0.9
LEP General Funding	1.2	1.2
Growing Places Fund Interest	0.2	0.2
Enterprise Zone Receipts	0.7	0.7
Transport levy applied	95.2	95.2
Transfer from reserves	3.5	1.9
	101.7	100.1
Revenue Expenditure		
Transport Services:		
Concessionary Fares	56.0	55.7
Subsidised Bus Services	18.2	19.1
Passenger Services	7.4	7.0
Rail SRG spend	0.9	0.9
Economic Services	1.3	1.4
Policy, Strategy and Communications	3.5	4.0
Resources		
Pension&Financing Charges	7.9	7.8
Corporate inc one organisation	6.6	4.1
	101.7	100.1

The presentation above reflects the format in which the original budget was approved by the Combined Authority and provides a useful analysis of expenditure for the users of the accounts. The transfer to reserves figure is the same irrespective of the presentation adopted. This figure is lower than budgeted due to a number of savings being realised across the operational areas and increased capitalisation.

Revenue funding

The Combined Authority's expenditure was met by a levy on the five constituent District Councils (Bradford, Calderdale, Kirklees, Leeds and Wakefield) and contributions from them and the LEP authorities for the economic activities. Funding is also received from government in support of LEP core costs and to fund business and skills activities, such as grants to businesses for apprentices. In 2017/18 grant income of £918k was received from Central Government to cover the administrative costs of managing the rail franchises. Since 1 April 2016 rail franchise payments have been paid via Rail North and not via the Combined Authority. Grants formerly received directly from central Government towards the costs of the English National Concessionary Travel Scheme and rural bus services are now paid to the District Councils as part of the revenue support grant. Income from the LEP Enterprise Zones accrues to the Combined Authority and a sum of £0.7m has been accounted for in 2017/18, with this set to rise as more businesses locate to the Enterprise Zones.

In 2006/07 the government introduced free local bus travel for senior citizens and disabled passengers and funded this through increases to the revenue support grant provided to the constituent District Councils. There was an uneven distribution between Districts and the levy was issued to adjust for this with any excess being returned to the Districts. This agreement has subsequently been continued and the transport levy shown in the accounts for 2017/18 is the net amount.

Revenue expenditure

The net Levy available for normal transport purposes was reduced by £1m as that paid to the Combined Authority in 2017/18. The amount set aside for the West Yorkshire plus Transport Fund (WY+TF) remained at the same level of £5m. This is in addition to the amounts set aside in previous years for this purpose, demonstrating the local commitment to establishing the WY+TF.

The reduction in the levy for normal transport purposes has only been possible as a result of the approach taken by the Combined Authority to ongoing cost reductions. This includes the continued and successful reduction in costs of tendered bus services, along with the changes to the reimbursement of discretionary concessionary fares. As well as these other efficiency savings have continued to be pursued.

Funding awarded for economic services is managed through the LEP Growth Service and focuses on helping local businesses to grow, and to address skills shortages at all levels.

In common with local government across England, the Combined Authority expects to face challenging financial constraints over the coming years. Previous years have seen significant amounts taken out of the concessions and tendered services budgets through a managed process which has seen much of the cost picked up by the operators but further opportunities for savings on this scale are not achievable without considering the policies driving these areas. Work is underway on a challenging programme of review to these services to enable a balanced medium term financial strategy to be achieved. Concessionary reimbursement remains the largest single element of the budget and from 1 April 2017 operators were reimbursed on the basis of smartcard data rather than survey information which will give earlier visibility of costs but may introduce an element of volatility to payment profiles.

Capital expenditure

Total capital expenditure in the year was £145m (please see note 20), funded through a combination of income streams but primarily grants from the Department for Transport and the Ministry of Housing, Communities and Local Government (in relation to the Growth Deal). These included the LTP Integrated Transport block funding and highways maintenance grant totalling £52m which is then utilised by the Combined Authority and the constituent District Councils. The Combined Authority also applied capital grants for the Cycle City Ambition scheme of £13.9m. Funding will be carried forward to 2018/19 enabling committed schemes and projects to be delivered despite changes in the timing of delivery.

The Growth Deal funding of £72m received for 2017/18 has been applied to £85m of projects within the programme. An overspend in year on the Growth Deal has been accounted from capital grants unapplied in previous years.

The significant capital schemes delivered in the year are set out in the above narrative and as well as these there have also been investments in ICT, new bus shelters, contributions to highways schemes and contributions to rail schemes and carparks and further investment in smartcard technology.

Treasury management

The Combined Authority has continued to follow its approved treasury management policy. Changes to this policy have been made during the year to enable the Combined Authority to better manage its increasing cash balances. There has been significantly more income received in the year with the trend set to continue, as a result of the Combined Authority taking on the responsibility of accountable body for funding awarded to the LEP. This has resulted in fixed deposits of £132m being invested as at 31 March 2018.

The Combined Authority's long term borrowing remains at £75m at the end of 2017/18. The Combined Authority's borrowing requirement is increasing over coming years, reflecting the capital programme approved on 1st February 2018. This will be periodically reviewed as the West Yorkshire plus Transport Fund and other activities of the Combined Authority are further developed.

Statement on the economy, efficiency and effectiveness of Combined Authority in its use of resources

The Combined Authority in line with other public sector bodies, has always been mindful of the requirement to demonstrate value for money in its activities. This value for money can be described in terms of the 'three Es' of economy i.e. careful use of resources to save expense, time or effort, efficiency i.e. delivering the same level of service for less cost, time or effort and effectiveness i.e. delivering a better service or getting a better return for the same amount of expense, time or effort.

Previous sections of this narrative statement have set out the work that has been undertaken to understand the revenue budgets and levy and contributions funding these activities. For 2017/18 a cut to the transport levy was agreed with the Combined Authority agreeing to seek to reduce expenditure on bus services and other operational transport services. This will involve considering the policies that drive the supported bus network and whether these are still fully aligned with the objectives and policies of the SEP.

Investment in infrastructure projects is driven by the SEP which sets out the outcomes required to create good growth in the region. All projects are subject to the Single Appraisal Framework (SAF) which tests the robustness of each scheme in the pipeline to ensure it performs best against the Combined Authority objectives than other comparable schemes. An assurance framework, reviewed annually by the Combined Authority and by the Department for Business, Energy and Industrial Strategy, supports the Growth Deal investments; this has been substantially updated during the year and is utilised as part of the project approval pathways in place. These pathways assist in ensuring a robust evaluation of any project against strategic fit along with a financial and economic appraisal.

The appointment of a Managing Director to the Combined Authority in February 2016 set in process a review of the structure and processes at the Combined Authority. The corporate plan for 2017/18 was closely linked to the aims of the SEP and a clear vision, mission, objectives and outcomes for the Combined Authority have been developed. Clear and measurable targets and outcomes for key priorities were identified and included in the corporate plan with key performance targets being measured regularly. Organisational changes will complement this enhanced focus.

Further Information

The Combined Authority's accounts can also be supplied in large print, Braille or audiotape. Anyone wanting these options should contact the Combined Authority on 0113 251 7227.

Further information on the Combined Authority is available on its website www.westyorks-ca.gov.uk

Address: Wellington House, 40/50 Wellington Street, Leeds LS1 2DE

Telephone for general enquiries: 0113 251 7272

Metroline for travel enquiries etc: 0113 245 7676

Business Growth Team : 0113 348 1818

Statement of Responsibilities for the West Yorkshire Combined Authority

1. The Combined Authority's Responsibilities

The Combined Authority is required:

- To 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. In the Combined Authority, that officer was the Director, Resources who is designated as Chief Financial Officer;

- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

- To approve the Statement of Accounts.

2. The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice'), is required to present a true and fair view of the financial position of the Combined Authority at the accounting date and its income and expenditure for the year ended 31 March 2018.

In preparing this Statement of Accounts, I have selected suitable accounting policies and then applied them consistently, made judgements and estimates that were reasonable and prudent and complied with the Code of Practice.

I have also kept proper accounting records which were up to date and taken reasonable steps for the prevention and detection of fraud and other irregularities.

3. Certification of the Accounts

I certify that the Statement of Accounts present a true and fair view of the financial position of the West Yorkshire Combined Authority at 31 March 2018 and its income and expenditure for the year ended 31 March 2018.

A Taylor

A Taylor
Chief Financial Officer

West Yorkshire Combined Authority Annual Governance Statement 2017/18

1. Scope of Responsibility

West Yorkshire Combined Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Combined Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Combined Authority is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions including arrangements for the management of risk. The Combined Authority annually approves a Code of Corporate governance consistent with the principles of CIPFA Solace framework "Delivering good governance in Local Government". This framework was updated in 2016 and a revised Corporate Governance Code and Framework approved in 2017 that reflected the new format and content.

In accordance with the Accounts and Audit Regulations 2015 this Annual Governance Statement (AGS) considers compliance with the Corporate Governance Code and Framework, and sets out how the Combined Authority 'ensures that the financial management is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk.'

2. The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the Combined Authority is directed and controlled and its activities through which it accounts to and engages with the community. It enables the Combined Authority to monitor the achievement of strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services for its customers.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Combined Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and their impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Combined Authority throughout the year ended 31 March 2018 and up to the date of approval of the financial statements.

3. The governance framework

There are a number of key elements of the systems and processes that comprise the Combined Authority's governance arrangements. These are set out in the revised Corporate Governance Code and Framework which has been approved by the Combined Authority and which is available on its website. The Combined Authority took on accountable body status for funding awarded to the Leeds City Region Enterprise Partnership (LEP) from 1 April 2015 and governance arrangements reflect this responsibility and continue to develop to further enhance this. During 2017/18 a review of these arrangements has resulted in formalising the LEP advisory panels that provide policy direction and guidance to the LEP Board and ultimately financial approvals are provided by the Combined Authority.

a) Corporate policies and objectives are set and communicated by the Combined Authority. The Combined Authority has clearly defined its ambitions to work with its partners across the region to effect economic growth in the Leeds City Region; these ambitions are set out in the Strategic Economic Plan (SEP), which was revised during 2015/16. The SEP presents investment priorities across the four pillars of supporting business, developing a skilled workforce, building a resource smart City Region and delivering the infrastructure for growth. The SEP has been endorsed by both the LEP and Combined Authority Boards and will be kept under review to ensure it continues to align with the region's needs and recognises relationships with new and emerging strategies such as the Industrial Strategy for example.

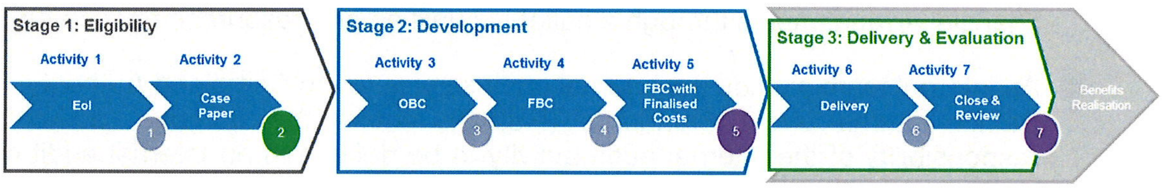
b) Over the last year the LEP panels (with their public and private sector representation) have been integrated into the Combined Authority's decision making process as advisory committees, thus providing a consistent, accountable and transparent framework across both the LEP and the Combined Authority, so far as possible. This change in status to advisory committees brought the panels under the statutory provisions relating to local authority meetings and the Combined Authority's Members' Code of Conduct.

c) A review of LEP governance and transparency was also carried out which considered local arrangements and recommendations from the DCLG Review of Local Enterprise Partnership Governance and Transparency (reported by Mary Ney in October 2017). This review led to the adoption of a LEP constitution and associated procedures. All governance documents comply with the best practice guidance published by Government. The outcome of the Annual Conversation carried out by the Cities and Local Growth Unit confirmed that the LEP's governance is generally considered to be good. This reflected the combined structures implemented during 2017 and the continuous improvement approach to assurance and governance as demonstrated by the review of LEP transparency.

d) The statutory Local Transport Plan (LTP) was comprehensively revised, and, following public consultation in 2016, the West Yorkshire Transport Strategy was adopted by the Combined Authority on 3 August 2017. This replaces the current LTP adopted in 2011 and sets out a step change in the quality and performance of the transport system within West Yorkshire and its connections with the rest of the country. It sit within the emerging policy framework of the Combined Authority, with the development of a Leeds City Region Inclusive Industrial Strategy at its heart, targeted at placing the City Region on the front-foot with an ambitious policy platform that improves competitiveness and drives inclusive growth outcomes.

e) A suite of supporting plans and strategies set out further detail on a range of priority areas, including housing and regeneration, digital infrastructure, green infrastructure, skills and trade and investment. The work underway on the Local Inclusive Industrial Strategy will bring these together to enable a clearer focus on driving economic growth.

f) The Leeds City Region Growth Deal Assurance Framework is in line with national best practice and is peer reviewed and updated on an annual basis building on existing good practice and reflecting any changes in both government guidance and improvements to the Combined Authority's procedures. Changes were considered and endorsed by a working group of the Overview and Scrutiny Committee and further considered by the Investment Committee, LEP and Combined Authority Boards. It supports decision making on projects and guides investment decisions across the full portfolio of capital interventions. It sets out the appropriate safeguards and processes to be put in place to ensure the proper use of public funds and that value for money is secured and outcomes are clearly agreed when investing in schemes. This includes the prioritisation process for identifying the schemes that are included for funding with a three stage approval process now in place to enable the prioritisation of schemes. As a minimum all projects will formally need to pass decision points 2 and 5 as set out below, highlighted in green below, with the requirement to meet the intervening activities deemed on a project by project basis. The Investment Committee will consider all projects at these points with the Combined Authority making the decisions.



g) The Combined Authority's scrutiny arrangements are fulfilled through an Overview and Scrutiny Committee. This meets regularly and consists of 18 members co-opted from the five West Yorkshire Councils and City of York Council and reflecting political balance. The Committee has continued to engage positively in the development and understanding of policy and projects across the region. Task and finish groups have been established and have met regularly to consider progress on devolution, achievement of organisational priorities and the lessons to be learnt from the loan to Oxford GB2 (Leeds Hilton).

   In addition Scrutiny committees within the West Yorkshire Districts and City of York Council will also often challenge the work being undertaken by the Combined Authority and during the year we worked with extensive scrutiny enquiries in Bradford and Calderdale in such areas as accessibility and local bus services. The District Consultation Sub-Committees in each District give a level of local involvement and allow the public the opportunity to scrutinise any new policy initiatives.

h) The Combined Authority's Governance and Audit Committee is responsible for overseeing the effective operation of the systems of governance, risk management, internal control (including internal audit) and treasury management. It has responsibility for the approval of the annual accounts. In accordance with changes in legislation an independent member was appointed to the Committee by the

Combined Authority at its meeting on 29 June 2017. An officer Audit and Risk Management Committee chaired by the Director, Resources, provides an operational level of management and review of internal control, risk and governance arrangements in place.

i) Roles are defined and documented through role profiles. These set out clear competencies and accountabilities for each role and are key to making successful recruitment decisions. Appointments have been made to all the posts required by statute, including Head of Paid Service (which forms part of the Managing Director's role), s73 Officer (Director, Resources), and the Monitoring Officer (Head of Legal and Governance Services).

j) Staff behaviours are guided by Combined Authority's values and its Code of Conduct and a similar Code exists for elected Members; both employees and Members are required to maintain a register of interests. A code of conduct for LEP Board members was approved in the year and all Board members completed registers of interest which are available for inspection on the Combined Authority website. The values and behaviours expected of all employees were redefined during 2016/17 with input from a wide range of internal and external stakeholders.

k) The Combined Authority conforms to the requirements of the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government (2015).* The Chief Financial Officer is the Director, Resources who is a key member of the leadership team and is responsible for the proper administration of the Combined Authority's financial arrangements through a suitably qualified and resourced finance function.

l) An internal team provide the internal audit service to the Combined Authority. Public Sector Internal Audit Standards (PSIAS) require the purpose, authority and responsibility of the internal audit activity to be defined in an internal audit charter, consistent with the definition of Internal Auditing, the Code of Ethics and the Standards. The Internal Audit Charter establishes internal audit's position within the organisation, including the mandatory nature of the Chief Audit Executive's role; functional reporting relationship with the management team; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

m) Compliance with established procedures, laws and regulations is ensured by a system that requires all decisions to set out all legal and financial implications. Schemes of officer delegation ensure that decisions are made at the appropriate level within the Combined Authority. Procedures and policies are in place to ensure compliance with the Freedom of Information Act, Data Protection Act and Health and Safety requirements. A whistleblowing policy and guidance notes are available on the website.

n) Risk management is embedded in the activities of the Combined Authority with regular reviews of the risk registers and exception reporting through the officer Audit and Risk Management Group and through the Member Governance and Audit Committee. A Risk Manual, endorsed by the Governance and Audit Committee, sets out the risk management strategy in place and the way in which risks are identified, recorded and monitored. A review of the risk management arrangements in place commenced during 2017/18 with oversight provided by the Governance and Audit Committee and findings of that review are covered in Section 4 – Review of

Effectiveness. The risk appetite and a revised corporate/strategic risk register has been considered by the Governance and Audit Committee and the Combined Authority members.

o) Communication on transport operational matters has taken place with stakeholders through the District Consultation Sub-Committees and Operator Groups. Consultation events have taken place during the year on the Strategic Economic Plan, the Single Transport Plan, major schemes and the bus area network reviews which have successfully sought to contain costs but retain accessibility for bus users. In addition we are building in youth engagement as we develop our bus and transport strategy.

p) A system of Procedure and Contracts Standing Orders and Financial Regulations protect the organisation. These are reviewed annually. In February 2017 the Combined Authority approved a revised procurement strategy that seeks to ensure increased transparency in decision making and a focus on encouraging inclusive growth. A new set of contract standing orders was approved alongside the strategy. Procedural manuals and notes underpin these and ensure the reporting of financial transactions is properly managed. Officer schemes of delegation are also considered on an annual basis.

q) External reviews carried out by auditors and other agencies to achieve Customer Service Excellence and other accreditations with any recommendations identified creating a work plan for future improvements.

r) With regard to the transport ticketing systems the Combined Authority has in place arrangements whereby an enhanced assurance statement is sought from Northern stating that their systems have operated adequately with no material errors or weaknesses. Sales through the Payzone network are reconciled to the back office system ensuring that the proceeds from such card sales are fully reimbursed to the Combined Authority.

4. Review of Effectiveness

The Combined Authority has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. This review is informed by the work of the Internal Audit section and that of management within the Combined Authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by external auditors.

The Combined Authority has in place a system based on a framework of standing orders, financial regulations and administrative controls including codes of conduct and administrative policies and procedures. All key administrative controls and financial instructions are reviewed on a regular basis by the Combined Authority's management with internal audit undertaking reviews based on risk. Standing orders and financial regulations are updated as required and re-approved annually by the Combined Authority at its Annual Meeting. In terms of financial accounting the Combined Authority utilises a core financial system which is tested and evaluated annually by internal and external audit. During the last year the Chief Financial Officer has provided to the Governance and Audit Committee a regular confirmation that key controls have been operating in the period. Regular reports are also provided to the Audit and Risk Management Group that key controls have been operating in the period.

One of the key responsibilities within the Combined Authority is to determine, agree and monitor the annual budget. This responsibility involves setting an appropriate budget to fulfil the resource requirements of the Combined Authority in undertaking its transport, economic development and regeneration activities. This budget is an integrated one for the full breadth of the activities of the Combined Authority, including the bringing together of transport and economic policy funding. The organisational redesign and restructuring work largely completed during 2017/18, ensures that the most effective arrangements are in place to enable delivery of the Combined Authority's objectives and the budget has been redefined to follow these new arrangements.

The budget setting process requires a comprehensive budget report to be presented to the full Combined Authority which gives a detailed forecast outturn for the current financial year and the proposed budget for the forthcoming financial year. The budget process is overseen and scrutinised by Members through Overview and Scrutiny Committee, Governance and Audit Committee and the Combined Authority and shared with the LEP Board.

Regular review of revenue and capital budgets is undertaken through Organisational Management Team and Leadership Team with regular updates to the Combined Authority presented through the year.

Within the Combined Authority budgetary responsibility is devolved to Budget Holders and Controllers who are responsible for monitoring and controlling their assigned budget. Regular budget performance reports are prepared by Finance for those charged with governance to ensure ongoing budgetary control is achieved.

The Treasury Management function for the Combined Authority is undertaken in conjunction with Leeds City Council. Their internal audit section provide an annual certification confirming the work they have undertaken during the year and their conclusions reached.

An internal team provides the internal audit resource for the Combined Authority. The work of Internal Audit is informed by an assessment of risk and a strategic audit plan is devised based on these assessments. This plan and the audit reviews are submitted to the Combined Authority's Governance and Audit Committee for consideration and approval. Regular update reports are provided to the Governance and Audit Committee by the Internal Audit Manager, including progress made on the implementation of audit recommendations. Within the Combined Authority the Pentana system is used to monitor progress in implementing audit recommendations and is regularly reviewed by the directorate management teams and the Audit and Risk Management Group.

From the work undertaken during the financial year 2017/18 and taking into account other sources of assurance, Internal Audit have reached the opinion that, overall, the Combined Authority's framework of control and governance is operating adequately. However, risk management arrangements continued to be under development during 2017/18, therefore only partial assurance can be provided in respect of these matters.

The Combined Authority continues to develop and refine its project management framework to ensure that there is greater accountability and improved governance with regard to the management and delivery of projects. As part of the Delivery Directorate, a Portfolio Management Office is established along with a three stage pipeline approval process, designed to support the Leeds City Region Assurance Framework. All partner authorities delivering schemes funded by the Combined Authority follow this assurance and approval framework and closer working with partner authorities will be key to successful delivery of the portfolio.

Regular reports are provided to the Investment Committee and the Combined Authority on progress with Local Growth Deal schemes, including the projects within the West Yorkshire plus Transport Fund.

The Combined Authority has in place risk management arrangements that are continually reviewed and improved. Reviews of risk take place at directorate management team level, supported by the Risk Manual which provides guidance on the identification, assessment and reporting of risk. The risk appetite statement has been reviewed during the year and changes approved. An officer Audit and Risk Management Group meets on a periodic basis to ensure consistency in the assessment and management of risk and to provide an overview of the process. The Combined Authority's strategic risk register has been updated during the year is considered regularly by the Governance and Audit Committee and reported to the Combined Authority meeting as part of the corporate performance management report.

During the period a review of the Combined Authority's risk management framework was undertaken. This review recognised that the corporate risk management framework is currently being developed and that much has been achieved. However, there are now opportunities to further develop risk management within the Combined Authority so that it becomes an effective component of organisational governance. The principal issues concerned the consolidation of all risk registers throughout the organisation, the structure of reporting and escalation of risk be clearly provided within the corporate risk management strategy, the development of a risk aware culture and introduction of training and workshop initiatives to support this process. It was also highlighted that additional guidance was required to support the Risk Management Strategy particularly in relation to the identification, assessment and treatment of risk.

In response to an article published by the Yorkshire Post during 2017/18, the Combined Authority was able to demonstrate the significant progress made in improving transparency, governance and corporate processes.

Internal Audit's Quality Assurance and Improvement Program ensures that activity is assessed against the requirements of professional standards, the definition of Internal Audit and the Code of Ethics as specified by the Institute of Internal Auditors. The Combined Authority has reviewed its systems of internal control, including the internal audit function and concluded that it complies with the requirements of PSIAS and the Local Government Application Note.

5. Programme of Improvement

During 2017/18 the Combined Authority continued to progress its 'One Organisation' Programme aimed at ensuring the Combined Authority has the right structures, processes and people to enable the successful delivery of its objectives and priorities. Over the last twelve months significant progress was made with regard to recruiting to new structures and subsequent alignment of budgets, corporate plans and the embedding of the new set of values and behaviours. This has been accompanied by an increased focus on transparency in decision making across both the Combined Authority and the LEP Board.

Significant work has been undertaken to ensure compliance with the requirements of the General Data Protection Regulation which came into force on 25 May 2018. Work will continue throughout 2018/19 to ensure information security arrangements remain up to date and are regularly monitored and reported.

Work is underway to review the internal governance arrangements to ensure they align to best effect with the revised committee and advisory panel arrangements and that delegations are exercised to best effect to enable transparent, accountable and effective decision making.

We have appointed a dedicated Scrutiny Officer post to support the Overview and Scrutiny Committee. Further improvements with regard to the transparency of project delivery are planned for the summer as part of upgrades to the website. Further development of the risk management arrangements are taking place and reporting on risk and wider corporate performance is to be reported to each meeting of the Combined Authority during 2018/19.

6. Significant Governance Issues

This section considers any significant issues that have arisen during the year. This is by exception only.

No such significant issues have arisen in the year.

We are satisfied that an effective system of internal control has been in place throughout the financial year and is ongoing.

Throughout 2017/18 the Combined Authority has demonstrated an ongoing commitment to best practice and good corporate governance consistent with the principles of the CIPFA/SOLACE Framework in Local Government and this is clearly demonstrated by the adoption of an updated Corporate Governance Code and Framework which captures and summarises these updated principles. We are also satisfied with the improvements that are continuing under the guidance of the Governance and Audit Committee.

Councillor Hinchcliffe

Chair

30 July 2018

B Still

Managing Director

Movement in Reserves Statement

The Movement in Reserves Statement shows the movement in the year on the different reserves held by the Combined Authority, analysed into ‘usable reserves’ (i.e. those that can b applied to fund expenditure) and ‘unusable reserves'. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve, where amounts would only become available to provide services if the assets are sold); and reserves that hold timing differences (for example the Capital Adjustment Account). The net surplus on provision of service shows the economic cost of providing the Combined Authority’s services and the provision of grants to fund the introduction of capital assets, more details of which are shown in the Comprehensive Income and Expenditure Statement.

2017-18	Note	General Fund Balance £000's	Capital Grants Unapplied £000's	Useable Capital Receipt Reserve £000's	Rail Reserve £000's	WY Transport Fund £000's	NGT Reserve £000's	Total Usable reserves £000's	Capital Adjustment Account £000's	Financial Instruments Adj A/C £000's	Revaluation Reserve £000's	Donated Asset A/C £000's	Pension Reserve £000's	Unusable reserves £000's	Total £000's
Balance at 1st April 2017		**7,102**	**73,608**	**-**	**2,075**	**21,933**	**971**	**105,688**	**13,023**	**(1,623)**	**12,927**	**668**	**(72,384)**	**(47,389)**	**58,299**
Transfer of balances 1 April 2017															
Movement in reserves during 2017/18															
Surplus on Provision of Service		18,883	-	-	-	-	-	18,883	-	-	-	-	-	-	18,883
Remeasurement of the net defined benefit liability	7	-	-	-	-	-	-	0	-	-	-	-	(935)	(935)	(935)
Net increase in liability on disposal/aquistn		-	-	-	-	-	-	0	-	-	-	-		-	-
Revaluation of non-current assets	11,22	-	-	-	-	-	-	0	-	-	862	-	-	862	862
Total Comprehensive Income and Expenditure		**18,883**	**-**	**-**	**-**	**-**	**-**	**18,883**	**-**	**-**	**862**	**-**	**(935)**	**(73)**	**18,810**
Adjustments between accounting basis and funding basis under regs															
Minimum Revenue Provision (MRP)	3	(3,254)	-		-	-	-	(3,254)	3,254	-	-	-	-	3,254	-
Finance costs early settlement discounts	6	76	-		-	-	-	76	-	(76)	-	-	-	(76)	-
Revenue Expenditure Funded from Capital under Statute (Re	22	141,208	-		-	-	-	141,208	(141,208)	-	-	-	-	(141,208)	-
Capital grants applied	22	(143,888)	-	(967)	-			(144,855)	144,855	-	-	-	-	144,855	-
Capital Grants unapplied	22	(14,658)	14,658		-	-	-	-		-	-	-	-	-	-
Depreciation	11	4,675	-		-	-	-	4,675	(4,675)	-	-	-	-	(4,675)	-
Transfer W/down of Soft Loans		(126)	-		-	-	-	(126)		126	-	-	-	126	-
Transfer to pension reserve	7	1,427	-		-	-	-	1,427		-	-	-	(1,427)	(1,427)	-
GPF loan repayments				1,557				1,557	(1,557)					(1,557)	-
Transfer contribution of completed capital projects to UCR		(59)		59				-						-	-
Asset disposal profir/(loss)		7	-	593	-	-	-	600	(600)	-	-	-	-	(600)	-
Total adjustments between accounting basis and funding basis under regs		**(14,592)**	**14,658**	**1,242**	**-**	**-**	**-**	**1,308**	**69**	**50**	**-**	**-**	**(1,427)**	**(1,308)**	**-**
Increase/ (decrease) in year before Transfer to ear-marked reserve		**4,291**	**14,658**	**1,242**	**0**	**0**	**0**	**20,191**	**69**	**50**	**862**	**0**	**(2,362)**	**(1,381)**	**18,810**
Transfer to ear-marked reserve		(6,176)	-	-	-	6,176		-	-	-	-	-	-	-	-
Increase/ (decrease) in year		**(1,885)**	**14,658**	**1,242**	**0**	**6,176**	**0**	**20,191**	**69**	**50**	**862**	**0**	**(2,362)**	**(1,381)**	**18,810**
Balance at 31st March 2018		**5,217**	**88,266**	**1,242**	**2,075**	**28,109**	**971**	**125,880**	**13,092**	**(1,573)**	**13,789**	**668**	**(74,746)**	**(48,770)**	**77,110**

2016-17	Note	General Fund Balance £000's	Capital Grants Unapplied £000's	Useable Capital Receipt Reserve £000's	Rail Reserve £000's	WY Transport Fund £000's	NGT Reserve £000's	Total Usable reserves £000's	Capital Adjustment Account £000's	Financial Instruments Adj A/C £000's	Revaluation Reserve £000's	Donated Asset A/C £000's	Pension Reserve £000's	Total Unusable reserves £000's	Total £000's
Balance at 1st April 2016		**9,831**	**37,577**	**-**	**2,075**	**16,230**	**989**	**66,702**	**8,631**	**(1,036)**	**12,329**	**668**	**(61,162)**	**(40,570)**	**26,132**
Transfer of balances 1 April 2016															
Movement in reserves during 2016/17															
Surplus on Provision of Service		41,969						41,969						-	41,969
Remeasurement of the net defined benefit liability	7							-					(10,401)	(10,401)	(10,401)
Net increase in liability on disposal/aquistn								-					-	-	-
Revaluation of non-current assets	11,22							-			596			596	596
Total Comprehensive Income and Expenditure		**41,969**	**-**	**-**	**-**	**-**	**-**	**41,969**	**-**	**-**	**596**	**-**	**(10,401)**	**(9,805)**	**32,164**
Adjustments between accounting basis and funding basis under regs															
Minimum Revenue Provision (MRP)	3	(3,389)						(3,389)	3,389					3,389	-
Finance costs early settlement discounts	6	76						76		(76)				(76)	-
Revenue Expenditure Funded from Capital under Statute (Re	22	139,336						139,336	(139,336)					(139,336)	-
Capital grants applied	3,22	(146,986)					(18)	(147,004)	147,004					147,004	-
Capital Grants unapplied	22	(36,031)	36,031					-						-	-
Depreciation	11	4,917						4,917	(4,917)					(4,917)	-
Transfer W/down of Soft Loans		512						512		(512)				(512)	-
Transfer to pension reserve	7	821						821					(821)	(821)	-
Asset Held For Sale Revaluation loss		50						50	(50)					(50)	
Impairment GPF Loans		1,698						1,698	(1,698)					(1,698)	-
Total adjustments between accounting basis and funding basis under regs		**(38,996)**	**36,031**	**-**	**-**	**-**	**(18)**	**(2,983)**	**4,392**	**(588)**	**-**	**-**	**(821)**	**2,983**	**-**
Increase/ (decrease) in year before Transfer to ear-marked reserve		**2,973**	**36,031**	**-**	**-**	**-**	**(18)**	**38,986**	**4,392**	**(588)**	**596**	**-**	**(11,222)**	**(6,822)**	**32,164**
Transfer to ear-marked reserve		(5,702)	-	-	-	5,703		**-**	-	-	-	-	-	-	-
Increase/ (decrease) in year		**(2,729)**	**36,031**	**-**	**-**	**5,703**	**(18)**	**38,986**	**4,392**	**(588)**	**596**	**-**	**(11,222)**	**(6,822)**	**32,164**
Balance at 31st March 2017		**7,102**	**73,608**	**-**	**2,075**	**21,933**	**971**	**105,688**	**13,023**	**(1,623)**	**12,927**	**668**	**(72,384)**	**(47,392)**	**58,296**

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure statement shows the accounting cost in the year of providing services in accordance with International Financial Reporting Standards ("IFRS") adopted by the Code of Practice on Local Authority Accounting 2017/18 and the Accounts and Audit Regulations 2015.

2016/17					2017/18		
Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's		Notes	Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's
224,628	(57,569)	167,059	Transport Services		220,390	(47,794)	172,596
72,327	(9,211)	63,116	Economic Services		61,547	(6,186)	55,361
280	-	280	Policy, Strategy & Communications		4,353	(314)	4,039
-	-	-	Delivery		2,907	(2,883)	24
8,683	(2)	8,681	Resources		7,826	(3,089)	4,737
305,918	**(66,782)**	**239,136**	**Net cost of services**		**297,023**	**(60,266)**	**236,757**
3,241	-	3,241	Interest Payable	**6**	3,222	-	3,222
-	(1,384)	(1,384)	Interest and Investment income	**6**	-	(1,138)	(1,138)
1,954	-	1,954	Net interest on the pension defined benefit liability	**7**	1,716	-	1,716
			(Gain) or loss on disposal of assets		7	-	7
311,113	**(68,166)**	**242,947**	**Net Expenditure after financing and investment**		**301,968**	**(61,404)**	**240,564**
			Non-Specific Grant Income				
-	(101,900)	(101,900)	District Council Levies	**12**	-	(100,900)	(100,900)
-	(183,016)	(183,016)	Government and Other Grants (Capital)	**9**	-	(158,547)	(158,547)
311,113	**(353,082)**	**(41,969)**	**(Surplus) on Provision of Services**		**301,968**	**(320,851)**	**(18,883)**
-	10,401	10,401	Remeasurement of the net defined benefit liability	**7**	-	935	935
-	-	-	Deficit/(Surplus) on Revaluation		-	-	-
-	-	-	Net increase in pension liability from disposal/ acquisitions		-	-	-
-	(596)	(596)	Surplus on revaluation of non -current assets	**11,22**	-	(862)	(862)
-	9,805	9,805	**Other Comprehensive Income and Expenditure**		-	73	73
		(32,164)	**Total Comprehensive Income and Expenditure**				**(18,810)**

** Delivery Directorate was set up from 1st April 2017, as part of the CA's One Organisational Programme.*

Balance Sheet

The balance sheet is the key statement of the Combined Authority's financial position at the year-end. It shows its balances and reserves, and the values of its long term and current assets and liabilities.

31 March 2017	£000s	*31 March 2018*		*notes*
	Non-current assets			
81,885	Property, plant and equipment	79,792		11(d)
23,654	Long-term debtors	23,633		17
105,539			103,425	
	Current assets			
600	Assets held for sale	-		11(b)
98,274	Short term investment	133,088		21
26,310	Short term debtors	26,230		15
42,475	Cash and cash equivalents	42,891		16
167,659			202,209	
	Current liabilities			
(1,553)	Short term borrowing	(1,048)		19
(51,565)	Trade and Other payables	(51,881)		18
(14,207)	Accruals and deferred income	(25,653)		18
(189)	Provisions for current liabilities	(196)		23
(67,514)			(78,778)	
205,684	Total assets less current liabilities		226,856	
	Long-term liabilities			
(75,000)	Long-term borrowing	(75,000)		19,21
(72,384)	Net pensions liability	(74,746)		7
(147,384)			(149,746)	
58,300	Total assets less liabilities		77,110	
	Financed by			
7,102	General Fund Reserve	5,217		
-	Usable Capital Receipts Reserve	1,242		
73,608	Capital grants unapplied	88,266		22
2,075	Rail Reserve	2,075		22
971	NGT Reserve	971		22
21,933	WY Transport fund Reserve	28,109		22
105,689	*Usable reserves*		125,880	
13,023	Capital Adjustment Account	13,092		22
(1,623)	Financial Instruments Adjustment Account	(1,573)		22
(72,384)	Pensions Reserve	(74,746)		22
12,927	Revaluation Reserve	13,789		22
668	Donated Asset Account	668		11(c)
(47,389)	*Unusable reserves*		(48,770)	
58,300	Total reserves and balances		77,110	

Cash Flow Statement

The cashflow statement is a financial statement that shows changes in balance sheet account and income after cash and cash equivalents,and breaks the analysis down to operating, investing and financing activities. Essentially, the cashflow statement is concerned with the flow of cash in and cash out of the business.

2016/17	£000s		*2017/18*
	Operating activities :		
41,969	Surplus on the Provision of Service		18,883
4,917	Depreciation	11d	4,675
2,287	Write down of loans		(126)
28,769	Increase in creditors	17,18	12,135
(8,815)	(Increase)/decrease in debtors	15,21	426
821	Transfer to the Pension Reserve	22	1,427
15	Provisions	23	6
50	Asset Held For Sale revaluation loss	11b	-
-	(Profit)/Loss from disposal of assets	11b	7
858	Fixed assets charged to revenue	11d	1,016
70,871	**Net cash generated from operating activities**		38,449
	Cash flows from investing activities		
(4,094)	Purchase of property, plant & equipment,	11d	(2,736)
(6,830)	New long term debtor loans advanced	17	(1,928)
(28,000)	Short term investment	21	(34,750)
-	Proceeds from the sale of property, plant & equipment	11b	600
(38,923)	**Net cash flows from investing activities**		(38,814)
	Cash flows from financing activities		
-	Receipt of new loans		-
(4,019)	Repayment of loans	19	(505)
2,145	Receipt of Debtor Loan repayments	17	1,286
(1,873)	**Net cash used from financing activities**		781
30,075	Increase/(Decrease) in cash and cash equivalents		416
12,400	Cash and cash equivalents at the beginning of the reporting period		42,475
42,475	Cash and cash equivalents at end of reporting period	16	42,891

Cash and cash equivalents comprises operational cash balances, cash at bank and short-term bank deposits. Bank overdrafts that are repayable on demand also form an integral part of the Combined Authority's cash management arrangements. Included in cash and cash equivalents is cash at bank held on behalf of third parties where the liability to repay these amounts is recognised under creditors.

Explanatory Notes to the Accounts

1. Accounting Policies for the West Yorkshire Combined Authority

I. BASIS OF PREPARATION

The Statement of Accounts summarises the Combined Authority's transactions for the 2017/18 financial year and its position for the year end of 31 March 2018. The Combined Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, in accordance with proper accounting practices. These practices primarily comprise the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, supported by International Financial Reporting Standards (IFRS).

Statement of Compliance with IFRS

The following accounting standards have been issued but not yet adopted by the Code:

IFRS 9 Financial Instruments (Issued November 2017, Adoption 1 April 2018)
IFRS15 Revenue from Contracts with Customers (Issued May 2017, Adoption 1 Jan 2017)
IFRS16 Leases (Issued Jan 16, Adoption 1 Jan 2019)

Impact of these standards are considered not to be significant upon the organisation.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The statements are prepared on a going concern basis with the accounts being prepared on the assumption that the functions of the West Yorkshire Combined Authority will continue in operational existence for the foreseeable future.

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 Combined 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 Combined Authority.
- Revenue from the provision of services is recognised when the Combined 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 Combined Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are 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 and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Critical Accounting Estimates and Judgements

The preparation of financial statements in accordance with IFRS requires management to make certain assumptions, estimates and judgements that may affect the reported amounts of assets, liabilities, income and expenses. These are based on historical experience and any other factors, including expectations of future events, that are considered appropriate, and these are continually reviewed. Subsequent actual results may however differ from these estimates and judgements. Areas where assumptions, estimates and judgements may give rise to adjustments to the carrying values of assets and liabilities in the financial year are as follows:

- Property revaluation: the Combined Authority carries its non- infrastructure land and buildings at current value. Periodically, external surveyors are used, and the last full independent survey was carried out as at 31 March 2015. Between independent surveys, reviews are carried out by internal but qualified staff. Such valuations and any attached estimates are subject to some judgement. A revaluation update of Non-Infrastructure Land and Buildings was undertaken by Lambert Smith Hampton as at 31 March 2018.
- Leases: The Combined Authority has classified leases as either finance or operating leases based on the extent to which the risks and rewards incidental to ownership lie with the lessee or lessor. The Combined Authority has classified certain contracts as operating leases although the legal form of the arrangement is not a lease.
- Retirement benefit obligations: the cost of defined benefit pension plans is determined using an independent actuarial valuation, involving the use of assumptions about discount rates, returns on assets, future salary increases, mortality rates, inflation and future pension increases. Such assumptions are reviewed at each period end, and determined jointly between the pension fund management and the actuaries

II. PROPERTY PLANT AND EQUIPMENT

- Infrastructure Assets and Plant and Equipment are stated at depreciated historical cost, net of accumulated impairment losses. Non-Infrastructure Land and buildings are measured at current value which is Existing Use Value (EUV) where there is an active market or Depreciated Replacement Cost (DRC) where it relates to a specialised asset. Full valuations are performed at intervals of no more than five years to ensure that the value of a revalued asset does not differ materially from its carrying amount. A full revaluation of the Combined Authority’s Non-Infrastructure Land and Buildings and the office building (Wellington House) was carried out by an MRICS qualified valuer of Lambert Smith Hampton, a firm of external Chartered Surveyors. The revaluation was carried out as at 31 March 2015 on an Existing Use Value (EUV) and Depreciated

Replacement Cost (DRC) in accordance with IAS 16. A revaluation of the Authority's on-street furniture was carried out as at 31 March 2008, however under IFRS these are infrastructure assets and are valued at historical cost.

- Infrastructure Assets and Plant and Equipment are recorded at original cost less accumulated depreciation and any recognised impairment loss. Cost includes professional fees and for assets constructed by the Combined Authority, any related works to the extent that these are directly attributable to the acquisition or construction of the asset. The gain or loss arising on disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement. Subsequent costs are included in the carrying value of an asset when it is probable that additional future economic benefits will flow to the Combined Authority and the cost of the item can be measured reliably. All other repairs and renewals are charged to the income statement as incurred.

- Depreciation or amortisation is provided so as to write off, on a straight-line basis, the cost of property, plant and equipment and intangible fixed assets including those held under finance leases. These charges are commenced from the dates the assets are available for their intended use and are spread over their estimated useful economic lives. The estimated useful lives of assets are reviewed regularly and, when necessary, revised. Accelerated depreciation or amortisation is provided where an asset is expected to become obsolete before the end of its normal useful life or if events or changes in circumstances indicate that an impairment loss needs to be recognised, as discussed below. No further charges are provided in respect of assets that are fully written down but are still in use. The estimated useful lives for the main categories of property, plant and equipment and intangible assets are:

  Freehold and Long Leasehold Buildings between 5 and 50 years

  On-street Furniture and Infrastructure 20 years

  Vehicles Between 4 and 16 years

  Plant and Equipment Between 4 and 10 years

  Office Furniture and Equipment Between 4 and 10 years

- Freehold land, either at cost or valuation, is not depreciated. Management regularly considers whether there are any indications of impairment to carrying values of property, plant and equipment. Impairment reviews are based on risk adjusted discounted cash flow projections. Significant judgement is applied to the assumptions underlying these projections which include estimated discount rates, growth rates, future selling prices and direct costs. Changes to these assumptions could have a material impact on the financial position of the Combined Authority and on the result for the year.

a) **Progress payments for capital assets**

Progress payments for capital assets or schemes not yet completed are held in Work In Progress. The assets are transferred to the appropriate heading and are subject to depreciation when they become available for use. The Combined

Authority writes out directly attributable costs on capital schemes where no tangible asset exists to reflect a true and fair view of the asset base.

b) **Non-current Assets Held for Sale**

Non-current assets held for sale are measured at the lower of carrying amount and fair value less costs to sell. Assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This is the case, when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and the sale is considered to be highly probable. A sale is considered to be highly probable if the appropriate level of management is committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan has been initiated.

c) **Donated Assets**

Donated assets are assets that have been transferred to the Combined Authority at nil value or acquired at less than fair value. Donated assets are initially recognised at fair value at the date of acquisition. After initial recognition the donated assets will be revalued and depreciated in accordance with the Authority's revaluation and depreciation policy. A Donated Assets account recognises the benefit received from these assets where conditions apply to the assets use.

III. DISCONTINUED OPERATIONS

Discounted operations are measured at the lower of carrying amount and fair value less costs to sell. .Discontinued operations are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This is the case, when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and the sale is considered to be highly probable. A sale is considered to be highly probable if the appropriate level of management is committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan has been initiated.

IV. CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than 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.

V. CAPITAL RECEIPTS

Capital receipts from the disposal of assets are treated in accordance with the provisions of the Local Government Act 2003. Capital receipts must be used to fund capital expenditure, to repay debt, or to fund credit arrangements, subject to the de minimis level set out in the relevant regulations (currently £10k). Capital receipts realised from the sale of land and buildings are fully usable.

VI. REVENUE EXPENDITURE FINANCED FROM CAPITAL UNDER STATUTE

Expenditure incurred by the Combined Authority that may be capitalised under statutory provisions but does not result in the creation of a non-current asset (i.e. rail infrastructure) is charged to the Comprehensive Income and Expenditure account. The Combined Authority meets this expenditure from existing capital resources with capital grants reversed against the expenditure charged to revenue so there is no impact on the revenue grant requirement.

VII. CHARGES TO REVENUE

For the Combined Authority depreciation has been shown as part of the service expenditure. The Combined Authority has considered the impairment of fixed assets in accordance with IAS 36 and no charges for impairment have been made. Such depreciation or impairment is then required by the Code to be credited in the Movement in Reserves Statement on the General Fund Balance to avoid it being a net charge to the accounts. Amounts set aside from revenue for the repayment of external loans are also shown separately through the Movement in Reserves Statement on the General Fund Balance.

VIII. GOVERNMENT GRANTS AND CONTRIBUTIONS

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

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

Amounts recognised as due to the Combined Authority are not credited to the Comprehensive Income and Expenditure Statement (CI&ES) until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using 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. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the CI&ES.

Capital Grants

Grants to fund capital expenditure from government and other bodies are credited to the CI&ES where the grant conditions have been met. In order to recognise that the capital grants are provided to finance capital expenditure the grants are subsequently transferred from the General Fund to the Capital Adjustment Account. If expenditure has not been incurred at the balance sheet date the grant is transferred to the Capital Grants Unapplied Account.

The CI&ES will recognise capital grants to the extent that they offset capital expenditure charged directly to revenue (see policy V. above).

IX. INVESTMENTS

Investments are shown on the Balance Sheet at amortised cost less provision, where appropriate, for loss in value. Investment income is credited to the revenue account when it falls due.

X. RESERVES

The General Fund Balance is a revenue reserve and transfers to and from the reserve are recognised through the Movement in Reserves Statement. Expenditure is charged to revenue and not directly to the reserve. Other reserves (Capital Adjustment, Financial Instruments Adjustment, Revaluation, and Pension Reserves) are not available for revenue purposes and can only be used for specific statutory purposes.

XI. PENSION COSTS

The requirements of IAS19 "Retirement Benefits" have been fully adopted in the financial statements of the Authority.

The Combined Authority is an employing authority within the West Yorkshire Pension Fund which is a funded deferred benefit pension scheme. Most employees participate in this scheme which provides defined benefits payable to members on and after their retirement. Contributions made to the Pension Fund for both current and past services are charged to the revenue account as they are paid. Contribution levels are determined by the Pension Fund. The Pension Fund is a statutorily established pension fund and the benefits are paid under the provisions of the Local Government Pension Scheme Regulations 2014.

The Combined Authority has a continuing responsibility for any payments to the Pension Fund in respect of all staff who were transferred to Yorkshire Rider Limited (now First West Yorkshire) as a consequence of the Transport Act 1985. The annual cost of this responsibility is to be charged to the revenue account.

The liabilities of the Pension Fund attributable to the Combined Authority are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employees turnover rates, etc., and projections of projected earnings for current employees.

The assets of the pension fund attributable to the Combined Authority are included in the Balance Sheet at their fair value:

- Quoted securities at current bid price
- Unquoted securities based on professional estimate
- Unitised securities at current bid price
- Property at market value

<u>The change in the net pension's liability is analysed into seven components:</u>

Current service costs - the increase in liabilities as a result of years of service earned this year - allocated in the CI&ES to the services for which the employee worked;

Past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the CI&ES as part of the service costs;

Interest expense on the defined benefit obligation - the interest on the present value of liabilities and interest on the net changes in those liabilities during the year calculated using the discount rate at the start of the period debited to the Pensions interest expense/income on the net liability in the CI&ES;

Interest income on assets - the interest income applied to the asset and net changes in the asset during the year - credited to the pensions interest expense/income on the net liability in the CI&ES;

Gains or losses on settlements and curtailments - the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited or credited to the Surplus or Deficit on the Provision of Services in the CI&ES;

Actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - debited to the Pensions Reserve; and

Contributions paid to the pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to the retirement benefits, statutory provision requires the General Fund balance to be charged with the amount payable by the Combined Authority to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable that are unpaid at the year-end. The balance that arises on the Pensions Reserve thereby measures the adverse impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

XII. PROVISIONS

A provision is recognised in the balance sheet when the Combined Authority has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. A provision for restructuring is recognised when management has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. In accordance with the Combined Authority’s environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land is recognised when the land is contaminated. Provisions for environmental issues are judgemental by their nature and more difficult to estimate when they relate to sites no longer directly controlled by the Combined Authority. The Combined Authority has taken a consistent approach to estimating environmental provisions.

XIII. EXCEPTIONAL ITEMS

The Combined Authority presents certain items separately as ‘exceptional’. These are items, which in management’s judgement, need to be disclosed by virtue of their size and incidence in order for the user to obtain a proper understanding of the financial information. The determination of which items are separately disclosed as exceptional items requires a significant degree of judgement.

XIV. TAXATION

Corporation, Income and Capital Gains Tax

The West Yorkshire 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)

Revenues, expenses and assets are recognised net of the amount of VAT except:

- Irrecoverable VAT on the purchase of assets or services is recognised as an expense in the income statement.

- Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to the taxation authority is included as part of receivables or payables in the statement of financial position.

XV. DEBTORS

Debtors are adjusted for doubtful debts which are provided for with known uncollectable debts being written off.

XVI. LEASED ASSETS

Assets acquired under finance leases, where substantially all the risks and rewards of ownership of the assets have passed to the Combined Authority, are capitalised in the balance sheet and depreciated over their useful lives. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to the income statement over the period of the lease and is calculated so that it represents a constant proportion of the lease liability.

Rentals payable under operating leases (where the risks and rewards incidental to ownership remain with the lessor), are charged to the income statement on a straight line basis over the lease term. When the lease becomes onerous full provision is made of the expected discounted future cost of the lease.

XVII. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The term 'financial instrument' covers both financial assets and financial liabilities.

Financial Assets

Financial assets can be classified as cash and cash equivalents (short term deposits) trade receivables and loans receivable. The Combined Authority does not hold instruments designated as available-for-sale assets. Financial assets are initially recognised at fair value and subsequent measurement depends on their classification as follows:-

Cash and cash equivalents: consist of funds placed with banks and other institutions with deposit terms of 3 months or less. For the purpose of the cash flow statement, cash and cash equivalents are as defined above, net of outstanding bank overdrafts.

Loans and receivables: Consist of non-derivative financial assets with fixed or determinable payments not quoted in an active market. Such assets are carried at amortised cost using the effective interest rate method. This means for most of the loans advanced by the Combined Authority the amount presented in the balance sheet is the principal plus accrued interest, with the exception of soft loans where a present value calculation of future cashflows discounted at the higher effective interest rate is undertaken. Gains and losses are recognised in the Income and Expenditure Statement when the assets are amortised, derecognised or impaired.

Trade and other receivables: recognised and carried at invoice or contract value less an allowance for any amounts which may not be collectable. Should an amount become uncollectable, it is written off to the income statement in the period in which it is recognised.

Impairment of financial assets: the Combined Authority assesses at each period end whether there is any evidence that a financial asset, or group of assets, is impaired. Financial assets are impaired if, and only if, there is objective evidence of one or more events that will negatively impact future expected cash flows, and the impact can be reliably estimated. Objective evidence may be that a debtor is experiencing financial difficulty to the extent that cash flows are, or are likely to be, negatively impacted. If such objective evidence exists, then the financial asset is impaired to the extent of the present value of estimated cash flow shortfall. The amount of the allowance for impairment is recorded separately to the asset, and written off against income. Financial assets are derecognised when the appropriate cash flows have been received, or when the rights to receive cash flows from the asset have expired.

Financial Liabilities

Financial liabilities can be classified as loans and borrowings and trade and other payables and are initially recognised at fair value. Subsequent measurement of liabilities depends on their classification as follows:

Loans and borrowings: non-derivative financial liabilities with fixed or determinable payments not quoted in an active market. Such interest-bearing liabilities are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in the Income and Expenditure Statement when the liabilities are amortised, derecognised or impaired.

Trade and other payables: recognised and carried at invoice or contract value. Should an amount become non-payable, it is written back to the Statement of Income and Expenditure in the period in which it is recognised.

Financial liabilities are derecognised when the appropriate cash flow obligations have been discharged, expired or otherwise cancelled.

Offsetting of Financial Assets and Liabilities

Financial assets and liabilities are offset, and the net amount reported in the Balance Sheet, if and only if there is an enforceable legal right to offset, and there is an intention to settle on a net basis in order to realise the assets and discharge the liabilities simultaneously.

XVIII. FOREIGN CURRENCY TRANSLATION

All foreign currency income and expenses are translated at the rate ruling on the day of the transaction with the resultant profit or loss recognised immediately in the revenue account. All foreign currency assets and liabilities in the balance sheet are translated at the Balance Sheet date.

XIX. CONTINGENT LIABILITY

Contingent Liabilities: A contingent liability arises where an event has taken place that gives the Combined 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 Combined Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

XX. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts are to be authorised for issue by the Chief Financial Officer by 31 July 2018. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2018, the figures in the financial statements and notes will be adjusted in all material respects to reflect the impact of the information (adjusting events). Events indicative of conditions that arose after the reporting period are not adjusted (non-adjusting events). Where these events have a material effect disclosure is made in the notes of the nature of the events and their estimated financial effect.

XXI. **PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES , ESTIMATES AND ERRORS**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in estimation techniques are accounted for prospectively and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practice or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Combined Authority's financial position or performance. Changes are made retrospectively by adjusting opening balances and comparative amounts for the prior period.

XXII. **CONSOLIDATION OF JOINT VENTURE**

The concept of materiality has been considered in respect of the consolidation of Yorcard Ltd into the Combined Authority's accounts. Materiality is determined as an omission or misstatement that may influence an economic decision of the user of the accounts. On this basis the management have adopted a policy to exclude the Yorcard Ltd Joint Venture from full consolidation but have disclosed in note 24 the financial performance and position in accordance with IAS31 "Interests in Joint ventures".

2. The Account

The CIPFA Code of Practice on Local Authority Accounting based on International Financial Reporting Standards in the United Kingdom 2017/18 (IFRS based code): The IFRS based code requires all authorities who have a group interest in another organisation to produce group accounts based on IFRS 3 business combinations and IAS 27 consolidated and separate financial statements except where interpretations or adaptions for public sector apply. The accounts of the West Yorkshire Combined Authority however have not been prepared as group accounts reflecting that the West Yorkshire Combined Authority is a single entity with a small joint venture which is not consolidated within the financial statements as disclosed at note 24.

3. Capital Expenditure and Financing

The combined Authority has a statutory obligation to make adequate provision to meet its liabilities in respect of capital expenditure financed by external borrowing. The method of calculating the provision is defined by statute. For 2017/18 the amount is £3.254m.

The provision has been charged to service revenue accounts as a depreciation charge for fixed assets related to that service. The balance has been transferred from the Capital Adjustment Account to the General Fund Balance to ensure that the charge to the amount met from Government Grant and Local Taxation equates to the Minimum Revenue Provision (MRP).

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Combined Authority, the expenditure results in an increase in the Capital Financing Requirement, a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.

Capital Financing Requirement	2017/18 £000's	2016/17 £000's
Opening Balance	81,346	84,736
	81,346	84,736
Capital Investment		
Property, Plant and Equipment	2,736	4,095
Housing and Regeneration Investment	1,128	4,430
Growing Places Fund Loans	800	-
Revenue Funded from Capital Under statute	140,191	138,477
Sources of Finance		
Government grants and other capital contributions	(143,888)	(140,772)
Capital Reserve (other) contributions	(967)	(6,231)
Minimum Revenue Provision (MRP)	(3,254)	(3,389)
Movement in year	(3,254)	(3,390)
Closing Capital Financing Requirement	78,092	81,346

The capital financing requirement decreased in 2017/18 by the level of provision for the repayment of debt as there was no increase in the requirement to borrow to fund capital expenditure.

4. Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate how the funding available to the authority for the year has been used in providing services in comparison with those resources consumed in accordance with general accepted accounting practices.

A disclosure on the nature of expenses is presented as recommended by the Code. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

4 (a). Expenditure and Funding Analysis

2016/17				2017/18		
Expenditure Chargeable to GF	Adjustment between funding and accounting	Net Expenditure in the CI&E	£000s	Expenditure Chargeable to GF	Adjustment between funding and accounting	Net Expenditure in the CI&E
83,190	83,869	167,059	Transport Services	80,981	91,614	172,595
3,974	59,142	63,116	Economic Services	1,487	53,874	55,361
280	-	280	Policy, Strategy & Communications	4,099	(60)	4,039
-	-	-	Delivery	68	(44)	24
6,569	2,112	8,681	Resources	3,285	1,452	4,737
						-
94,013	145,123	239,136	Net cost of services	89,920	146,836	236,756
4,914	(1,102)	3,812	Financing and investment income and expenditure	7,164	(3,297)	3,867
(96,198)	(188,719)	(284,917)	General grant income	(95,198)	(164,308)	(259,506)
2,729	(44,698)	(41,969)	(Surplus) / deficit on provision of services	1,886	(20,769)	(18,883)

4 (b). Note to the Expenditure and Funding Analysis

2016/17					2017/18			
Adjustments for Capital Purposes	Net Change for Pensions Adjustments	Other Differences	Total Adjustments	£000s	Adjustments for Capital Purposes	Net Change for Pensions Adjustments	Other Differences	Total Adjustments
(84,375)	506		(83,869)	Transport Services	(91,710)	96	-	(91,614)
(59,520)	378		(59,142)	Economic Services	(53,912)	38	-	(53,874)
-	-		-	Policy, Strategy & Communications	-	60	-	60
-	-		-	Delivery	-	44	-	44
(408)	(1,704)		(2,112)	Resources	213	(1,665)	-	(1,452)
(144,303)	(820)	-	(145,123)	Net cost of services	(145,409)	(1,427)	-	(146,836)
(1,698)	-	2,800	1,102	Financing and investment income and expenditure	-	-	3,297	3,297
183,016	-	5,702	188,718	General grant income	158,606	-	5,702	164,308
			44,697	Difference Between Surplus or Deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit on the provision of Services				20,769

4 (c). Expenditure and Income Analysed by Nature

2016/17	£000s	2017/18	
	Income		
(59,078)	Other service income	(57,138)	
(1,384)	Interest and investment income	(1,138)	
-	Expected return on pension assets	-	
(192,943)	Government Grants	(167,380)	
(101,901)	Transport Levy	(100,900)	
(355,306)	Total Income		(326,556)
	Expenditure		
17,921	Employee expenses	19,503	
285,251	Other service expenses	278,564	
4,917	Depreciation, amortisation and impairment	4,675	
3,241	Interest payments	3,222	
-	Gain or loss on disposal of non-current assets	(7)	
50	Gain or loss on AHF	-	
1,954	Pension interest costs	1,716	
313,335	Total Expenditure		307,673
(41,970)	(Surplus)/ deficit		(18,883)

5. Disposal of Fixed Assets

There was no disposal of fixed assets at the year end 31st March 2018.

6. Financing Income and Costs

	2017/18 £000's	2016/17 £000's
Interest receivable on Loans, deposits and other debts	(1,138)	(1,384)
Interest payable on Loans	3,222	3,241
Effect of early settlement of Loans	(76)	(76)

7. Pension Costs

7.1 Defined Benefit Pension Scheme

The Combined Authority participates in the West Yorkshire Pension Fund, administered by Bradford Metropolitan District Council. This is a funded defined benefit scheme, meaning that the Combined Authority and their employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets. The contribution rate for 2017/18 is 14.6% (14.6% for 2018/19), and the deficit lump sums are £1.215m and £1.254m for 2017/18 and 2018/19 respectively.

7.2 Capital Cost of Discretionary Increase in Pension Payments

The Combined Authority is required to disclose the capital cost of discretionary increases in pension payments, which related to the award of added years on the early retirement of employees. Separate disclosure is required for the in year discretionary awards and the ongoing costs of previous years discretionary payments. The capital costs relating to the awards of discretionary added years are set out below:

	2017/18 £000's	2016/17 £000's
Current Employees	3,290	2,817
Former Employees	1,076	1,112

A large proportion of the pension costs in respect of former employees is in respect of staff transferred to Yorkshire Rider Limited (now First West Yorkshire), as explained in the Authority's accounting policy note on pension costs.

7.3 Pension Disclosures required under ISA19

The Combined Authority's West Yorkshire Pension Fund liabilities have been assessed by AON Hewitt Ltd, an independent firm of actuaries. Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc.

The main assumptions used:

	2017/18		2016/17	
	Unfunded	Funded	Unfunded	Funded
Duration of liabilities	12yrs	14.3yrs	12yrs	14.4yrs
Inflation : RPI	3.2%	3.2%	3.1%	3.1%
CPI	2.1%	2.1%	2.0%	2.0%
Rate of increase in salaries	-	3.4%	-	3.3%
Rate of increase for pensions in payment	2.1%	2.1%	2.0%	2.0%
Pension account revaluation rate	-	2.1%	-	2.0%
Rate used to discount funded scheme liabilities	2.6%	2.6%	2.5%	2.5%

Mortality assumptions

Post retirement mortality (retirement in normal health) :-

2017/18	2016/17
Standard SAPS Normal Health All Amounts	Standard SAPS Normal Health All Amounts
Males : CMI 2012 Long term rate of improvement of 1.5%	Males : CMI 2012 Long term rate of improvement of 1.5%
Females : CMI 2012 Long term rate of improvement of 1.5%	Females : CMI 2012 Long term rate of improvement of 1.5%

Life Expectancy	2017/18	2016/17
- of a male (female) future pensioner aged 65 in 20yrs time	23.1 (27.1) Years	23.0 (27.0) Years
- of a male (female) current pensioner aged 65	22.1 (25.3) Years	22.1 (25.2) Years

As part of the latest 2013 actuarial valuation the mortality experience was analysed across the fund over a 3 year period and assumptions have been amended regarding life expectancy. The mortality allowance for future improvements uses the Continuous Mortality Investigation (CMI) Mortality Projections model with the model updated annually to reflect the latest emerging experience. This means there will continue to be regular changes to the assumptions for future improvements in mortality rates as new data is taken into account.

Assets in the West Yorkshire Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories set out below. The latest valuation of the pension scheme proportion as applied to the Combined Authority is rolled forward for 31 March 2018 (showing the proportion of assets between the classes of investment) and are as follows:-

Pension Assets

	2017/18			Asset	2016/17			Asset
	Quoted %	Unquoted %	Total %	£000's	Quoted %	Unquoted %	Total %	£000's
Equities	75.8	7.2	83.0	121,120	70.3	6.9	77.2	111,041
Government Bonds	7.0	0.0	7.0	10,216	10.1	0.0	10.1	14,528
Other Bonds	2.8	0.0	2.8	4,022	3.9	0.0	3.9	5,610
Property	3.4	0.0	3.4	4,890	4.3	0.0	4.3	6,185
Cash/Liquidity	1.3	0.0	1.3	1,956	1.2	0.0	1.2	1,726
Other	0.7	1.8	2.5	3,586	1.4	1.9	3.3	4,747
Total	91.0	9.0	100.0	145,790	91.2	8.8	100.0	143,837

7.4 Reconciliation of unfunded/funded status to Balance Sheet

2016/17				2017/18		
£000's Unfunded	£000's Funded	£000's All Benefits		£000's Unfunded	£000's Funded	£000's All Benefits
	143,837	143,837	Fair Value of assets		145,790	145,790
11,456	204,765	216,221	Present value of unfunded/ funded defined benefit obligation	10,790	209,746	220,536
(11,456)	(60,928)	(72,384)	Funded status	(10,790)	(63,956)	(74,746)
-	-	-	Impact of minimum funding requirement /asset ceiling	-	-	-
(11,456)	(60,928)	(72,384)	Asset/(liability) recognised on the balance sheet	(10,790)	(63,956)	(74,746)

7.5 Reconciliation of present value of scheme liabilities

2016/17			2017/18	
£000's	£000's		£000's	£000's
Unfunded	All Benefits		Unfunded	All Benefits
12,308	182,792	Opening balance 1 April	11,456	216,221
-	2,764	Current service cost		4,045
388	5,898	Interest cost	273	5,268
-	921	Member Contributions		1,229
-	0	Past service cost		40
735	34,499	Actuarial gain/loss financial assumptn	1	1,085
(302)	(5,409)	Actuarial gain/loss Demographic	-	-
(586)	3,834	Actuarial gain/loss experience	105	1,778
-	0	Curtailments		
-	0	Net increase in liabilities from disposals/acquisitions		
(1,087)	(9,078)	Benefits paid	(1,045)	(9,130)
11,456	216,221	Closing balance 31 March	10,790	220,536

7.6 Reconciliation of fair value of scheme assets

2016/17			2017/18	
£000's	£000's		£000's	£000's
Unfunded	All Benefits		Unfunded	All Benefits
-	121,630	Opening balance 1 April	-	143,837
-	3,944	Interest income on scheme assets	-	3,552
-	22,523	Remeasurement of (losses)/gains	-	1,928
1,087	3,897	Contributions paid by employer	1,045	4,374
-	921	Member Contributions	-	1,229
-	-	Net increase in liabilities from disposals/acquisitions	-	-
(1,087)	(9,078)	Benefits paid	(1,045)	(9,130)
-	143,837	Closing balance 31 March	-	145,790

2016/17	Actual return on assets	2017/18
£000's		£000's
3,944	Interest income on assets	3,552
22,523	Remeasurement gain/(loss) on assets	1,928
26,467	Actual return on assets	5,480

7.7 The amounts recognised in the Comprehensive Income and Expenditure Statement

2016/17 £'000	Cost of Service	2017/18 £'000
2,764	Current Service Cost	4,045
-	Past Service Cost	40
-	Curtailments or settlements	-
	Financing Investment Income and Expenditure	
1,954	Interest on net defined benefit liability	1,716
4,718	Total pension cost recognised	5,801
	Remeasurements in Other Comprehensive Income and Expenditure	
(22,523)	Return on plan assets (in excess)/below that recognised in net interest	(1,928)
34,499	Actuarial (gains)/losses due to change in Financial assumption	1,085
(5,409)	Actuarial (gains)/losses due to change in Demographic assumption	-
3,834	Actuarial (gains) due to liability experience	1,778
10,401	Total amount recognised in Other Comprehensive income	935
-	Net increase in liabilities from disposals/acquisitions	-
15,119	Total amount recognised	6,736

7.8 Estimated pension expense in future periods

This is an estimate of the charges to the surplus or deficit on the income and expenditure account in future periods, based on the assumptions as at 31 March 2018.

Funded LGPS benefits - Expected amounts charged to Surplus or Deficit on the Provision of Services

	31/03/2019 £'000	31/03/2020 £'000
Projected service cost	4,185	4,335
Past Service cost	-	-
Interest on the net defined benefit liability/(asset)	1,549	1,208
	5,734	5,543

Unfunded LGPS benefits - Expected amounts charged to Surplus or Deficit on the Provision of Services

	31/03/2019 £'000	31/03/2020 £'000
Interest on the net defined benefit liability/(asset)	266	245
	266	245

7.9 Sensitivity Analysis

The sensitivity analysis showing the impact of changing key actuarial assumptions on the present value of the funded defined benefit obligation as at 31 March 2018 and the projected service cost for the year ending 31 March 2019 is set out below. Only the assumptions mentioned are altered all other assumptions remain the same. There is no sensitivity for unfunded benefits on materiality grounds.

Funded LGPS benefits (Combined Authority)

Adjustment to discount rate	+0.1%pa	Base Figure	-0.1%pa
Present value of total obligation £000's	152,755	154,954	157,185
% change in present value of total obligation	-1.4%		1.4%
Projected service cost £000's	4,072	4,185	4,300
Approximate % change in projected service cost	-2.7%		2.8%
Adjustment to rate of increase in salaries	+0.1%pa	Base Figure	-0.1%pa
Present value of total obligation £000's	155,420	154,954	154,492
% change in present value of total obligation	0.3%		-0.3%
Projected service cost £000's	4,185	4,185	4,185
Approximate % change in projected service cost	0.0%		0.0%
Adjustment to pension increase rate and the rate of revaluation of pension accounts	+0.1%pa	Base Figure	-0.1%pa
Present value of total obligation £000's	156,715	154,954	153,214
% change in present value of total obligation	1.1%		-1.1%
Projected service cost £000's	4,300	4,185	4,072
Approximate % change in projected service cost	2.8%		-2.7%
Adjustment to mortality age rating assumption	-1 year	Base Figure	+1 year
Present value of total obligation £000's	159,648	154,954	150,286
% change in present value of total obligation	3.0%		-3.0%
Projected service cost £000's	4,350	4,185	4,021
Approximate % change in projected service cost	4.0%		-3.9%

Funded LGPS benefits (First Pension Recharge)

Adjustment to discount rate	+0.1%pa	Base Figure	-0.1%pa
Present value of total obligation £000's	54,047	54,792	55,547
% change in present value of total obligation	-1.4%		1.4%
Adjustment to pension increase rate and the rate of revaluation of pension accounts	+0.1%pa	Base Figure	-0.1%pa
Present value of total obligation £000's	56,589	554,792	53,018
% change in present value of total obligation	3.3%		-3.2%
Adjustment to mortality age rating assumption	-1 year	Base Figure	+1 year
Present value of total obligation £000's	56,452	54,792	53,141
% change in present value of total obligation	3.0%		-3.0%

8 Government and Other Grant Income

The Combined Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement against the appropriate provision of services:

	2017/18	2016/17
Revenue credited to cost of Service	£000's	£000's
Transport Services		
Special Rail Grant (SRG) - Department for Transport	919	919
Section 31 LSTF - Department for Transport	-	16
Bus Service Operator Grant - Department for Transport	2,063	2,063
ERDF Care North Plus/Challenge	-	1
	2,982	2,999
Economic Services & Strategy, Policy and Communications		
Apprentice Grant for Employers - Dept Business Innovation & Skills	3,255	2,893
Enterprise Advisor - Careers & Enterprise Company	206	140
Strategic Heat Network - Dept Energy and Climate Change	304	75
Employer Ownership Partnership - Dept Bus Innovation & Skills	1001	2,828
Business Growth Hub - Dept Business Innovation & Skills	512	510
Growing Places Fund - DCLG	-	175
Headstart - Skills Funding Agency	-	166
Housing Stock Condition - Local Authority Partners	-	46
Better Homes Management - Keepmoat	-	104
Access&Innovation and Resource Efficiency Fund - ERDF	215	-
Strategic Growth Funding - ERDF	162	-
Planning Delivery Fund -CLG	20	-
Energy Stategy Programme - DECC	49	-
	5,724	6,937

9 Non-Specific Grant Income

The Combined Authority credited the following grants to the Comprehensive Income and Expenditure Statement under non-specific grant income.

	2017/18 £000's	2016/17 £000's
Capital grants and other Contributions		
Local Growth Fund Allocation -DCLG	72,228	127,658
Leeds Public Transport Package - Department for Transport	21,000	-
One Public Estate - DCLG	285	-
ULEV Taxi Scheme - Department for Transport	29	1,719
Integrated Transport Block/Maintenance - DfT	52,269	41,523
BEACONS - DCMS	125	218
Section 31 Cycle City Ambition Grant - Department for Transport	4,176	6,751
Cleaner Bus Technology Grant - Department for Transport	348	20
Flood Resillience Fund - Department for Transport	2,311	-
HS2 Strategy Tranche 2	921	171
Other Capital Contributions	4,855	4,956
	158,547	183,016
District Council Levies	100,900	101,900

The funding for the provision of rail services under the franchising arrangements was no longer paid directly to the Authority from April 2017. The Combined Authority received the contribution to its administration costs. The amounts received as follows:

	2017/18 £000's	2016/17 £000's
Contribution to the Combined Authority's administration costs	919	919
	919	919

10 Officers' Remuneration and Members Allowances

a) Employee costs

	2017/18 £000's	2016/17 £000's
Wages and Salaries	13,707	13,242
National Insurance Contribution	1,360	1,305
Other Pension Costs	3,176	2,817
	18,243	17,364

Members' Allowances and expenses: the total members' allowances paid in the year to 31March 2018 was £146,112 (£146,240 at 31 March 2017)

(b) Average number of employees

	2017/18 Number	2016/17 Number
Manual	37	37
Management and Administration	466	440
	503	477

(c) Unused holiday entitlement

	2017/18 £'000s	2016/17 £'000s
Unused holiday entitlement:	192	200

The Combined Authority's policy on flexi-leave carried over is that it does not give rise to a financial entitlement.

(d) The Accounts and Audit Regulations 2015 requires local authorities to disclose Information on their employees' remuneration in three sections. Full details are required for senior employees who have a role in the overall management of the council or who occupy certain statutory posts, and whose annual salary is above £50,000. Those senior officers whose salary is above £150,000 are required to be named.

In addition two summary disclosures are required, covering the numbers of other staff whose total remuneration (i.e. salary plus pension etc.) is above £50,000, and the number and value of all exit packages agreed during the year.

Senior Employees

The following table gives details of the remuneration for senior officers (as defined above) with an annual salary of above £50,000:

		Salary Fees Allowances	Bonuses	Expenses Allowances	Pension Contributions	Total
Managing Director - Ben Still	2016/17	151,000		137	20,452	171,589
Service (Appointed 1/2/16)	2017/18	153,015	-	140	22,340	175,495
Director of Passenge Services (left March 2017, 50%)	2016/17	32,355	-	60	4,368	36,783
Director, Transport Services (appointed 01/10/2016)	2016/17	45,610			6157	51,767
Director, Transport Services	2017/18	92,132	-	30	13451	105,613
Director of Programme Delivery (left 30/06/16)	2016/17	41,853			4,084	45,937
Director of Delivery (appoited 14/11/2016)	2016/17	38,368	-	-	5,179	43,547
Director of Delivery	2017/18	101,831	-	42	14,867	116,740
Director of Resources-S73 Officer	2016/17	104,686	-	-	14,133	118,819
	2017/18	101,831	-	-	14,867	116,698
Director of Policy, Strategy and Communications	2016/17	99,403	-	59	13,419	112,881
(left Dec 2017)	2017/18	76,373	-	0	11,150	87,523
Interim Director (appointed January 2018)	2017/18	20,035	-	0	2,925	22,960
Executive Head of Economic Services (appointed Sep 2016)	2016/17	67,150			9,065	76,215
Executive Head of Economic Services	2017/18	80,141	-	57	11,701	91,899
Assistant Director, Legal (left 17/04/2016)	2016/17	3,009			406	3,415
Head of Democratic Services (appointed 04/07/16)	2016/17	49,958	-	131	6,744	56,833
Head of Legal & Governance Services	2017/18	71,588	-	10	10,452	82,050

The Chair of Leeds City Region Enterprise Partnership (LEP) is an independent member, an annual fee of £60k was paid to the Chair on IR35 basis.

Other employees

The following table gives the numbers of employees whose total remuneration is above £50,000 but who are not included in the detailed disclosure for senior employees given above.

Band	Senior Officers 2017/18	Senior Officers 2016/17
£50,001 - £55,000	11	12
£55,001 - £60,000	5	4
£60,001 - £65,000	2	4
£65,001 - £70,001	5	4
£70,001 - £75,000	1	-
£75,001 - £80,000	-	1
£80,001 - £85,000	-	-
£90,001 - £95,000	-	-
£95,001 - £100,001	-	-
£100,001 - £105,000	-	1
£115,001 - £120,000	-	-
	24	26

Costs of redundancies and other leavers

Termination benefits were paid by the Combined Authority arising from the termination of employment incurring liabilities of £239,041 in 2017/18 (£68,483 2016/17). The exit package payable included voluntary redundancy payments and enhanced pension benefits payable arising from the re-structuring and rationalisation of specific business areas.

Costs of leavers

Exit Package cost band (inc. special payments)	Number of compulsory redundancies		Number of other departures		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17 £	2017/18 £
£0-£20,000	-	5	2	-	2	5	22,817	51,164
£20,001-£40,000	-	1	2	1	2	2	45,666	58,041
£40,001-£60,000	-	1	-	1	-	2	-	97,762
£60,001-£80,000	-	-	-	1	-	1	-	71,514
£80,001-£100,00	-	-	-	-	-	-	-	-
Total	-	7	4	3	4	10	68,483	278,481

11 Property, Plant & Equipment

(a) Previously a revaluation of the Authority's On-Street Furniture was carried out by the Infrastructure Manager as an internal expert at 31 March 2008. All On-Street Furniture was included in the revaluation. The basis of the valuation was depreciated replacement cost as these assets are deemed to be specialised.

The On-street furniture assets under IFRS code are re-classified as infrastructure assets and valued at historical cost deemed to be the value at 1 April 2007 adjusted for subsequent depreciation or impairment. As the valuation method used at 31 March 2008 was on a depreciated replacement cost basis this acts as a suitable proxy for historical cost.

A revaluation of the Combined Authority's non-infrastructure land and buildings was carried out by an MRICS qualified valuer of Lambert Smith Hampton, a firm of external Chartered Surveyors. The full revaluation was carried out as at 31 March 2015 on an Existing Use Value (EUV) basis in accordance with IAS16.

The Combined Authority have considered the impairment of fixed assets in accordance with IAS 36 and after taking into account factors since external surveyors reviewed the property portfolio can identify no circumstances or events that would affect the carrying values of the assets. A desktop revaluation by the external surveyors as at 31 March 2018 confirmed this position.

(b) Assets Held for Sale

The Combined Authority has identified Crow Nest Lane office and warehouse facility as an asset to be classified as held for sale as the property is being actively marketed for sale in its current state and a sale is highly probable. The asset was held in non-infrastructure land and buildings and revalued at 31 March 2017, and it was sold in April 2017.

Asset Held for Sale

	2017/18 £000's	2016/17 £000's
Balance at start of the year	600	650
Assets newly classified held for sale :-	-	-
Disposal	(600)	-
Asset Held for Sale Revaluation Gain/(Loss)	-	(50)
Balance at end of the year	-	600

(c) Donated Assets Account

The CIPFA code introduces the concept of Donated Assets where assets have been acquired for less than their fair value. The code stipulates that the difference between the fair value of the asset and the consideration paid shall be recognised immediately in the Comprehensive Income and Expenditure Statement as income, or in the event that the transfer has conditions, recognised in the Donated Assets Account until such time as the conditions have been met. The Combined Authority's leased bus stations and land at Apperley Bridge (finance leases on-balance sheet) meet the criteria of Donated Assets with conditions attached, as failure to fulfil the conditions on an on-going basis would result in the assets being returned to the relevant councils. These assets were received at little or no cost but are recognised on the balance sheet at fair value to reflect the true benefit of these assets with a corresponding reserve created in the form of a Donated Assets Account. The Donated Assets Account also recognises revaluation gains arising before conversion to historical cost basis as at 1 April 2007. After initial recognition Donated Assets are categorised as either Infrastructure Assets and are valued at historical cost or for Non-Infrastructure Assets are valued at current value.

Donated Assets Account

	2017/18 £000's	2016/17 £000's
Balance at start of the year	668	668
Movement in year	-	-
Balance at end of the year	668	668

(d) The Movements of Fixed Assets

2017/18

		LAND AND BUILDINGS	INFRA-STRUCTURE ASSETS	DONATED ASSETS	VEHICLES OWNED	VEHICLES LEASED	PLANT & EQUIPMENT OWNED	PLANT & EQUIPMENT LEASED	PAYMENTS ON ACCOUNT AND ASSETS IN THE COURSE OF CONSTRUCTION
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
COST VALUATION									
Opening Balance	151,096	9,423	79,666	763	22,637	8	22,844	54	15,701
Additions	2,736		341		348		25	-	2,022
Transfer from payments on	-								
assets in course of construction	-						48	-	(48)
Disposals	-							-	
Revaluation Adjustments	255	255						-	
Reclassification Adjustments	-							-	
Write off to Revenue	(1,017)							-	(1,017)
Transfer Assets held for sale	-							-	
At 31 March 2018	153,070	9,678	80,007	763	22,985	8	22,917	54	16,658
ACCUMULATED DEPRECIATION									
Opening Balance	69,211	327	29,037	408	17,190	8	22,187	54	-
Charge for the year	4,674	280	2,575	10	1,559		250		-
Disposals	-								-
Reclassification adjustments	-	-		-		-		-	-
Revaluation Adjustments	(607)	(607)			-	-	-	-	-
Transfer Assets held for Sale	-	-	-	-	-	-	-	-	-
At 31 March 2018	73,278	-	31,612	418	18,749	8	22,437	54	-
NET BOOK VALUES									
31 March 2018	79,792	9,678	48,395	345	4,236	-	480	-	16,658
Opening Balance	-	-	-	-	-	-	-	-	-
31 March 2017	81,885	9,096	50,629	355	5,447	0	657	0	15,701

2016/17

		LAND AND BUILDINGS	INFRA-STRUCTURE ASSETS	DONATED ASSETS	VEHICLES OWNED	VEHICLES LEASED	PLANT & EQUIPMENT OWNED	PLANT & EQUIPMENT LEASED	PAYMENTS ON ACCOUNT AND ASSETS IN THE COURSE OF CONSTRUCTION
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
COST VALUATION									
Opening Balance	147,263	8,783	77,649	763	22,607	8	22,387	54	15,012
Additions	4,095	44	2,017	-	30	-	152	-	1,852
Transfer from payments on	-								
assets in course of construction	-	-	-	-	-	-	305	-	(305)
Disposals	-	-	-	-	-	-	-	-	-
Revaluation Adjustments	596	596	-	-	-	-	-	-	-
Reclassification Adjustments	-	-	-	-	-	-	-	-	-
Write off to Revenue	(858)	-	-	-	-	-	-	-	(858)
Transfer Assets held for sale	-	-	-	-	-	-	-	-	-
At 31 March 2017	151,096	9,423	79,666	763	22,637	8	22,844	54	15,701
ACCUMULATED DEPRECIATION									
Opening Balance	64,294	39	26,582	398	15,505	8	21,708	54	-
Charge for the year	4,917	288	2,455	10	1,685	-	479	-	-
Disposals	-	-	-	-	-	-	-	-	-
Reclassification adjustments	-	-	-	-	-	-	-	-	-
Revaluation Adjustments	-	-	-	-	-	-	-	-	-
Transfer Assets held for Sale	-	-	-	-	-	-	-	-	-
At 31 March 2017	69,211	327	29,037	408	17,190	8	22,187	54	-
NET BOOK VALUES									
31 March 2017	81,885	9,096	50,629	355	5,447	-	657	-	15,701
Opening Balance									
31 March 2016	82,969	8,744	51,067	365	7,102	-	679	-	15,012

12 Related Party Transactions

The Combined Authority is required to disclose material transactions with related parties in accordance with IAS 24 "Related party transactions”. Related parties are bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which it 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 Combined Authority.

Members

The Combined Authority requires Members to complete a declaration of members’ disclosable pecuniary interests. This information is used to prepare this note. All members have at least two roles under the Local Government Act 1985 in that they are members of one of the five constituent levying Metropolitan District Councils or City of York Council and are appointed to the Combined Authority or co-opted to one of its committees.

The Combined Authority has a number of financial transactions with related parties. The significant revenue transactions, not separately disclosed elsewhere or covering basic areas of expenditure such as rates and other service charges are:

The UK Government exerts significant influence through legislation and the grant funding it provides to the Combined Authority. Government grant funding received is disclosed in Note 8 and 9.

- The Combined Authority receives financing through its Levy and contributions to the economic activities of the City Region from the District Councils.

- The Combined Authority provides agency services for Education transport for which they are paid fees.

- The Combined Authority received Local Transport Block Funding of which an allocation was paid to the District Councils.

The figures for 2017/18 are set out below

Amounts received by the Combined Authority

	Education transport		Transport Levy		LCR LEP Funding	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
	£m	£m	£m	£m	£m	£m
Bradford MDC	1.7	1.7	23.7	24.0	0.10	0.12
Calderdale MDC	1.0	1.0	9.1	9.2	0.05	0.05
Kirklees MDC	0.4	0.4	18.6	18.8	0.10	0.10
Leeds City Council	1.5	1.8	34.1	34.3	0.19	0.19
Wakefield MDC	2.1	1.9	15.4	15.6	0.08	0.08
	6.7	6.8	100.9	101.9	0.52	0.54

Amounts paid by the Combined Authority

	LTP Block Funding		Transport Fund		Local Growth Fund Loans	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
	£m	£m	£m	£m	£m	£m
Bradford MDC	8.8	7.1	0.36	1.10	-	-
Calderdale MDC	5.2	4.7	0.12	0.57	-	-
Kirklees MDC	8.4	7.9	0.53	0.50	-	0.1
Leeds City Council	12.5	12.2	2.04	1.09	-	3.1
Wakefield MDC	5.7	5.5	5.54	8.86	-	-
	40.6	37.4	8.59	12.12	-	3.2

Officers

As in the case of members, there is a code of conduct governing the disclosure of interests held by officers. Under s117 of the Local Government Act 1972, senior officers are required to disclose any pecuniary interests they hold.

Yorcard Ltd is a Joint Venture trading company operated in conjunction with South Yorkshire Passenger Transport Executive (SYPTE), and is fully disclosed in note 24. The Director of Transport Services of the Combined Authority is a board director of Yorcard Ltd.

West Yorkshire Ticketing (TICCO) Ltd administers and develops a range of multi-operator, multi-modal tickets.

The Director of Transport Services of the Combined Authority is a Director of TICCO Ltd. During the year ended 31 March 2018.

ITSO Services Ltd is a trading company established to promote the development of interoperable smart card applications to public transport. The Director of Transport Services of the Combined Authority is a Director of ITSO Services Ltd.

During the year ended 31 March 2018, there was no transaction between TICCO, ITSO and the Combined Authority.

Payments to Operators

The Combined Authority makes significant payments to operators funded from the transport levy. These payments to operators fall into the three main categories of concessionary fares, subsidised bus services and franchised local rail services.

Payments for concessionary fares are made in accordance with the Combined Authority's concessionary fares scheme which is based on the reimbursement guidance issued by the Department for Transport. The Combined Authority has entered into three year agreements with the major bus operators within the framework of this guidance which removes an element of financial risk for all parties.

Subsidised bus services are secured by the Combined Authority, within the overall framework of the Authority's policies, where they are considered to be socially necessary and no commercial service or adequate commercial service exists. All licensed operators are eligible to submit tenders for services required.

Payments are no longer made to one franchised rail operator for the provision of local rail services.

In accordance with its overall policies the Combined Authority administers a prepaid ticket scheme. The Combined Authority receives revenues from prepaid ticket sales which are then pooled and distributed to operators based on passenger journey and usage data collected by the Authority. This prepaid ticket income is included in the Authority's revenue account together with an equivalent amount shown as payment to operators

Payments to Operators

	2017/18 £000's	2016/17 £000's
Payments to Bus Operators	31,804	30,006
	31,804	30,006

13 Exceptional Item

There were no exceptional items in 2017/18 or in 2016/17.

14 Taxation

The West Yorkshire Combined Authority is deemed to be a body with the power to issue a levy by virtue of regulations under section 74 of the Local Government Finance Act 1988 and is therefore exempt from paying Corporation tax, income tax and capital gains tax.

15 Short Term Debtors

Trade and other receivables are non-interest bearing financial instruments. There is no material difference between the carrying value and the fair value of trade and other receivables.

	2017/18 £000's	2016/17 £000's
Central government bodies	4,615	4,971
Other Local Authorities	6,859	9,302
Bodies external to government	14,790	12,048
Bad debt provision	(34)	(11)
	26,230	26,310

Trade and other receivables are non-interest bearing financial instruments. There is no material difference between the carrying value and the fair value of trade and other receivables.

16 Cash & Cash Equivalents

	2017/18 £000's	2016/17 £000's
Bank Current Accounts	42,891	42,475
	42,891	42,475

Cash balances include £5.6m held on behalf of third parties. The liability to repay these amounts is included under Trade and Other Payables.

Cash at bank and short term deposits earn interest at floating rates based on bank deposit rates. There is no material difference between the carrying value and fair value of cash and cash equivalents.

17 Long Term Debtors – Loans

	2017/18 £000's	2016/17 £000's
Soft Loans		
Balance at 1 April	8,228	3,911
Nominal Value of Loans advanced during year	-	4,830
Fair Value Adjustment on Initial recognition	-	(584)
Effective interest to write back to carrying value	126	71
Balance at 31 March	8,354	8,228
Other Loans Advanced		
Balance at 1 April	18,788	18,912
Loans transferred	-	1,481
Loans repaid	(1,286)	(2,145)
Impairment of Loan	-	(1,460)
Loans advanced during the year	1,928	2,000
Balance at 31 March < 1year	(4,151)	(3,363)
Balance at 31 March > 1 year	15,279	15,425
Total Long Term Debtor - Loans	23,633	23,654

The majority of loans were made under the Governments Growing Places Fund initiative which was set up to support key infrastructure projects designed to unlock wider economic growth, create jobs and build houses in England. The fund is an important boost for local economies and provides a major opportunity for local enterprise partnerships and local authorities to identify and prioritise the infrastructure they need for growth. The range of projects being supported include site access/site clearance, transport infrastructure, utilities and refurbishment of buildings.

18 a). Trade and Other Payables

	2017/18 £000's	2016/17 £000's
Central government bodies	426	3,002
Other Local Authorities	20,511	15,737
Bodies external to government	30,944	32,826
	51,881	51,565

b). Accrued and Deferred Income

	2017/18 £000's	2016/17 £000's
Central government	22,573	13,233
Other local authorities	2,888	774
Bodies external to government	192	200
	25,653	14,207

Notes

(a) Central government deferred income relates to Grants received in advance where conditions have not been met at the year end.

(b) Other Local Authorities deferred income relates to capital contributions to small infrastructure projects that have not yet been complete and conditions remain outstanding.

Trade and other payables are non-interest bearing financial instruments. There is no material difference between the carrying value and the fair value of trade and other payables.

19 Loans Outstanding

	2017/18 £000's	2016/17 £000's
Lender:-		
Public Works Loans Board	50,728	51,233
Other Market Loans	25,320	25,320
Short Term Loans		-
	76,048	76,553
Maturity:-		
Loans repayable within 12 months	1,048	1,553
1-2 years	-	-
2-5 years	-	-
5-10 years	-	-
More than 10 years	75,000	75,000
	76,048	76,553

20 Capital Expenditure and Financing

	2017/18 £000's	2016/17 £000's
Capital Expenditure		
Fixed Assets	2,736	4,095
Revenue expenditure funded from capital under statute	140,191	138,478
Long-term investments and capital loans	1,928	4,431
	144,855	147,004
Capital Financing		
Borrowing (credit approvals)	-	-
Capital receipts	-	-
Government grants and other contributions	140,071	141,145
Other revenue contributions	4,784	5,859
	144,855	147,004

21 Financial Instruments

Financial liabilities, financial assets represented by loans, creditors and trade receivables and short-term debtors are carried in the balance sheet at amortised cost. Their fair value is assessed as the amount at which the instrument could be exchanged in a current transaction between willing parties.

Trade and other receivables are non-interest bearing financial instruments. The short term nature of these instruments means there is no material difference between the carrying value and fair value.

	2017/18		2016/17	
	£000's Carrying Amount	£000's Fair value	£000's Carrying Amount	£000's Fair value
Financial Assets				
Short term debtors	26,230	26,289	26,310	26,425
Cash and cash equivalents	42,891	42,891	42,475	42,475
Short term investment	133,088	132,772	98,274	98,331
Long term Debtors- Soft Loans Advanced	8,354	8,359	8,229	8,656
Long term Debtors- Commercial Loans Advar	15,279	18,268	13,944	16,892
	225,842	228,579	189,232	192,779
Financial Liabilities				
Short-term Payables	77,534	77,534	65,773	65,773
Floating rate borrowing - due within 1yr	-	-	-	-
Fixed Rate borrowing - due within 1 yr	-	-	505	507
Floating rate borrowing - due after 1yr	-	-	-	-
Fixed Rate borrowing - due after 1 yr	76,048	113,657	76,048	114,414
	153,582	191,191	142,326	180,694

The Combined Authority has considered the balance sheet carrying values i.e. amortised costs of financial instruments of the Combined Authority. It is required to disclose the fair value and carrying value for those financial instruments whose carrying value is not a reasonable approximation for fair value. In the Combined Authority's books it is only the Combined Authority's loan portfolio and short term investment which fall into this category.

21.1 Fair Value hierarchy for financial assets and financial liabilities that are not measured at fair value

	2017/18			
	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Total £000
Financial Liabilities				
financial liabilities held at amortised cost:				
Loans/borrowings	-	113,657	-	113,657
(PWLB and other market loans)				
Trade payables	-	-	77,284	77,284
Total	-	113,657	77,284	190,941
Financial assets				
Loans and receivables:				
Soft loans to third parties	-	8,359		8,359
Other loans and receivables	-	18,268	26,289	44,557
Short term Investments	-	132,772		132,772
Total	-	159,399	26,289	185,688

	2016/17			
	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Total £000
Financial Liabilities				
financial liabilities held at amortised cost:				
Loans/borrowings	-	114,921	-	114,921
(PWLB and other market loans)				0
Trade payables	-	-	65,773	65,773
Total	-	114,921	65,773	180,694
Financial assets				
Loans and receivables:				
Soft loans to third parties	-	8,656	-	8,656
Other loans and receivables	-	16,892	26,425	43,317
Short term Investments	-	98,331	-	98,331
Total		123,879	26,425	150,304

21.2 Loans Advanced and Borrowings

Fair value is determined by calculating the Net Present Value of future cash flows, thus estimating the value of future payments in today's terms. This is a widely accepted and commonly used valuation technique. The discount rate used should be equal to the current rate for a similar loan from a comparable lender. This will be the market rate applicable on the date of valuation for a loan with the same outstanding period to maturity.

However, it may be unlikely that the future cash flows of a loan will fall in equal time periods from the date of valuation, so adjustments are made to each discount factor in order to account for the timing inequality.

The purpose of the fair value disclosure is primarily to provide a comparison with the carrying value, which includes accrued interest as at the balance sheet date, therefore we have included accrued interest in the fair value calculation.

The discount rates used for the evaluation were obtained by West Yorkshire Combined Authority from Capita. Capita is a leading and independent provider of capital financing, treasury advisory and strategic advisory consulting services to the public sector.

Assumptions used, which do not have a material effect on the fair value evaluation are: interest is calculated using a 365 day basis; interest is paid on the maturity date; no adjustment is made to the interest value and date where a relevant date occurs on a non-working day.

The fair value of financial liabilities and financial assets included in level 2 in the table above have been arrived at using discounted cashflow analysis as described above, the key input being the discount rate (the discount rate used by Capita for the GPF loans advanced has been modified using a risk adjusted EC reference rate as opposed to the PWLB new loan rate).

21.3 Financial instruments not measured at fair value

Financial assets		Financial liabilities	
Type	**Valuation Technique**	**Type**	**Valuation Technique**
Loans Advanced (Long term Debtor)	Discounted cashflows:The valuation model considers the present value of the cashflows expected over the remaining life of each loan discounted using a risk adjusted representative rate for new loans indicative of economic conditions and security at the measurement date 31 March 2018.	Loans and Borrowings	Discounted cashflows:The valuation model considers the present value of the cashflows expected over the remaining life of each loan discounted using lending rates for new loans based on PWLB rates at the measurement date 31 March 2018.
Soft Loans	Discounted cashflows : The valuation model considers the present value of the cashflows expected over the remaining life of each loan discounted using the PWLB new loan rates at the measurement date 31 March 2018.	Trade Payables	The fair value of trade payables is deemed to be the invoiced or billed amount.
Trade and other receivables	The fair value of trade and other receivables is taken to be the invoiced or billed amount.		
Short term	The valuation of the fixed term deposits which have no secondary market would be based on an investment with a similar lende for the remaining period of deposit at rates available at the measurement date. The accrued interest added on this basis would provide a fair value for the short term investments.		

	Effective interest rate	Maturity	2017/18 £000's	2016/17 £000's
Current			**0**	**0**
Non- Current				
Public Works Loan Board	3.70%	Jan 2056	5,000	5,000
Public Works Loan Board	4.40%	Jan 2052	5,000	5,000
Public Works Loan Board	4.40%	Jul 2054	8,000	8,000
Public Works Loan Board	4.40%	Jun 2053	8,000	8,000
Public Works Loan Board	4.55%	Jun 2052	4,000	4,000
Public Works Loan Board	4.55%	Apr 2055	6,000	6,000
Public Works Loan Board	4.55%	Apr 2056	6,000	6,000
Public Works Loan Board	4.55%	Apr 2057	8,000	8,000
PWLB - EIP	2.81%	Jun 2017	0	500
Barclays - Fixed Rate Loan's (previously LOBO's)	3.97%	May 2065	5,000	5,000
Barclays - Fixed Rate Loan's (previously LOBO's)	3.80%	Aug 2065	5,000	5,000
Barclays - Fixed Rate Loan's (previously LOBO's)	3.99%	Oct 2066	5,000	5,000
Barclays - Fixed Rate Loan's (previously LOBO's)	4.30%	Dec 2076	5,000	5,000
Barclays - Fixed Rate Loan's (previously LOBO's)	4.32%	May 2077	5,000	5,000
			75,000	**75,500**
Total			**75,000**	**75,500**

21.4 Management of risks arising from financial instruments

There are a number of risks associated with financial instruments to which the Authority is necessarily exposed. However the Combined Authority monitors and seeks to manage these risks in order to minimise the potential for losses to occur.

Credit risk is the risk that amounts due to the Combined Authority may not be received. Almost all of the Combined Authority's loans and investments are made for treasury management purposes, to generate income from available balances. The parameters within which these investments are made are set out within the approved Treasury Management Policy. The effect of this policy is to restrict as far as is practicable the Combined Authority's exposure to risk from the failure of a financial institution. It ensures that deposits are placed only with limited numbers of financial institutions whose credit rating is independently assessed as being sufficiently secure. The term and maximum deposit is also restricted to reduce risk exposure. The Combined Authority has exposure to credit risk on the Debtor Loans advanced to third parties. The Growing Places Fund Loans are riskier commercial loans with the interest rate reflective of the borrower's credit status and security provided. The financial status and credit score of the companies are regularly reviewed and monitored in order to minimise the instances of loss. The Local Growth Fund loans are to District Authorities who are deemed to be low risk on the basis they are backed by government and required by law to make provision for loan repayments.

Liquidity risk is the risk that the Combined Authority may not have sufficient cash available to meet its day to day obligations to meet payments. The Combined Authority has access to borrowings from the Public Works Loans Board and commercial lenders to meet long term spending and shorter term cashflow requirements and these arrangements provide the appropriate level of finance to support the Combined Authority's current and future requirements. Also measures exposure to adverse rates.

Interest rate risk is the risk that future cashflows of a financial instrument will fluctuate because of changes in market interest rates. The majority of the Combined Authority's long term lending is at fixed interest rates but it also borrows some of its money in the form of lender option borrower option loans (LOBOs). This mix of lending assists the Authority in taking advantage of changes to interest rates and it constantly reviews the potential for refinancing debt at more favourable rates.

The Combined Authority is also affected by fluctuations in shorter term interest rates as this impacts on the interest that can be earned in the year on deposits. This is carefully monitored and opportunities to secure advantageous interest rates are considered.

The Combined Authority is required to disclose the impact that a hypothetical change in market interest rates during the year would have had on its recognised gains and losses. It should be noted that had interest rates been different then in practice different decisions would have been taken in relation to rescheduling of debt and new borrowing and investment undertaken. It is not possible to quantify the likely impact of such different decisions. The Authority's interest payable and receivable would have varied by a net £1,454k if interest rates varied by 1% in the year.

The Authority is not exposed to any material currency risk.

22. Reserves

	2017/18 £000's	2016/17 £000's
Usable Reserves	125,880	105,689
Unusable Reserves	(48,770)	(47,390)
Total Reserves	77,110	58,300

22.1 Useable Reserve

The General Fund balance is a non-earmarked usable reserve and can be applied to fund any form of general revenue expenditure that aligns with the policies and objectives of the West Yorkshire Combined Authority. The General Fund Balance has a surplus of £5.2m at 31 March 2018 (£7.1m 31 March 2017).

The Total Reserves balance for the Combined Authority includes a Rail Reserve under Usable Reserves which recognises the disposal of Rail Rolling stock and Yorkshire 6 funding surpluses with the reserve totalling £2.075m at 31 March 2018. The Rail Reserve is ear-marked for rail infrastructure investment and is to be held pending future investment into the rail projects.

The Total Reserves balance for the Combined Authority includes a New Generation Transport (NGT) Reserve of £0.97m under Usable Reserves at 31 March 2018 (£0.97m 31 March 2017). Earmarked for the purpose of delivering the Leeds NGT scheme. In May 2016 the Secretary of State announced that the NGT scheme would not be approved to progress although the £173.5m allocated to it would be made available for public transport in Leeds. Plans to spend this money will be progressed during 2018 along with the future utilisation of the NGT reserve.

In addition the Reserves include the West Yorkshire Transport Fund Reserve to reflect additional levy contributions from the Districts to develop strategic transport schemes in West Yorkshire. The reserve has a balance of £28.1m at 31 March 2018 (£21.9m 31 March 17).

Capital Grants Unapplied

	2017/18 £000's	2016/17 £000's
Opening Balance	73,608	36,096
Capital receipts unapplied	14,658	37,512
Balance carried Forward	88,266	73,608

The Capital Grants Unapplied Account recognises capital grants received where conditions have been met but the application of the capital grants to expenditure on the acquisition, construction and enhancement of non-current assets has yet to be incurred.

Useable Capital Receipt Reserve

	2017/18 £000's	2016/17 £000's
Opening Balance	-	-
Capital receipts unapplied	1,242	-
Balance carried Forward	1,242	-

Income from the disposal of fixed assets is credited to the usable capital receipts reserve. The usable element can be applied to the financing of new capital expenditure or remain in this account. The following table shows the transactions on the reserve during 2017/18.

22.2 Unusable Reserve

Capital Adjustment Account

	2017/18 £000's	2016/17 £000's
Opening Balance	13,023	8,631
	13,023	8,631
Revenue Funded from Capital Under statute	(141,208)	(139,336)
Depreciation	(4,675)	(4,917)
Revaluation loss on Asset Held For Sale	-	(50)
Statutory provision for the financing of Capital Investment (MRP)	3,254	3,389
Capital receipts applied	144,855	147,004
Impairment of Growing Places Fund (GPF) Loans	-	(1,698)
GPF Loans replayments	(1,557)	0
Disposal of Asset Held for Sale	(600)	0
Balance at the end of the Year	13,092	13,023

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 capital investment, the depreciation charge and impairment losses, and credited with capital grants and contributions receivable and amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

Financial Instruments Adjustment Account

	2017/18	2016/17
	£000's	£000's
Balance at 1 April	(1,623)	(1,034)
Premiums incurred in the year	(82)	(81)
Discounts received in year	7	6
Effective Interest rate adjustment- Soft Loans	126	(514)
Balance at 31 March	(1,572)	(1,623)

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Combined Authority uses the Account to manage premiums paid and discounts received on the early redemption of loans. Premiums/discounts are debited/credited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. The Financial Instruments Adjustment Account also recognises the impact of writing down soft loans using the effective interest rate method based on PWLB rates to discount soft loans.

Pensions Reserve

	2017/18	2016/17
	£000's	£000's
Balance at 1 April	(72,384)	(61,162)
Actuarial gains and (losses) on pension assets and Liabilities	(935)	(10,401)
Reversal of items relating to retirement benefits debited or credited to the Surplus or (Deficit) on the Provision of Services in the Comprehensive Income and Expenditure Statement	(5,801)	(4,718)
Net increase in liability on disposal/acquisition		
Employers pension contributions	4,374	3,897
Balance at 31 March	(74,746)	(72,384)

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for employment benefits as per IAS19 and for funding such benefits in accordance with statutory requirements. The debit balance on the pension reserve recognises the shortfall in resources set aside to meet the benefits earned by past and current employees. The statutory arrangements will ensure that sufficient funding will be set aside to meet these benefits by the time they are due to be paid.

Revaluation Reserve

	2017/18	2016/17
	£000's	£000's
Balance at 1 April	12,925	12,329
Surplus on revaluation	864	596
Balance at 31 March	13,789	12,925

The revaluation reserve contains gains made on the increases in the value of Property Plant and Equipment. The balance on the reserve is only available for use when assets with accumulated gains are, revalued downwards or impaired, disposed of and when gains are used in the provision of services and gains are consumed through depreciation.

Donated Assets Account

Donated assets are those that were received at little or no cost to the Combined Authority but are recognised on the balance sheet at fair value to reflect the true benefit of these assets. The Donated Asset account is a corresponding reserve that recognises the true value of the asset (see note 11c).

23. Provisions

Provisions are established to meet liabilities or losses which are likely or certain to be incurred, but the amounts or timings are uncertain. Provisions during the year are analysed as follows:-

	2017/18	2016/17
	£000's	£000's
At 1 April	189	174
Arising during year	7	15
Utilised in year	-	-
At 31 March	196	189

The Combined Authority as at 31 March 2017 has provided for liabilities relating to the now insolvent company Mutual Municipal Insurance Ltd representing the potential clawback of claims made by the former West Yorkshire Passenger Transport Executive in previous years. There were no further provisions for organisational restructure at 31 March 2018 as specified in IAS37.

24. Joint Venture

At 31 March 2018 the Combined Authority had the following Joint Venture:

Yorcard Ltd

The joint venture is a trading company which was incorporated in England on the 2 March 2007. It is limited by guarantee with two subscribers, West Yorkshire Combined Authority and South Yorkshire Passenger Transport Executive with control shared equally under a contractual arrangement.

Yorcard Ltd performs transaction processing services for smartcard ticketing in West and South Yorkshire.

After considering the materiality of the Joint Venture management have agreed not to consolidate Yorcard Ltd into the Combined Authority's accounts. The performance and financial position of the Combined Authority's share of Yorcard Ltd is disclosed below in accordance with IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities :-

Yorcard	2017/18 £000's	2016/17 £000's
Turnover and other income	953	1,474
Expenses	(953)	(1,474)
Profit before Tax	-	-
Taxation	-	-
Profit after Tax	-	-
Fixed Assets		-
Current Assets	522	649
Liabilities due within 1yr	(512)	(639)
Liabilities due after 1yr or more		0
Net Assets	10	10

25. Audit Fees

The Code requires a summary of the fees payable to the council’s appointed auditors in relation to the financial year:

	2017/18 £000's	2016/17 £000's
Audit Services	33	33
Other Services	-	2
	33	35

26. Financial Commitments

(a) Capital Commitments

	2017/18 £000's	2016/17 £000's
Contracted For but not Provided in the Accounts	174,904	192,814
Authorised but not Contracted For	9,273	20,641
	184,177	213,455

Capital Commitments Contracted For but not Provided in the Accounts reflect capital projects where contracts have been signed but work not yet commenced.

Capital Commitments Authorised but not contracted for reflects the approval of large scale capital schemes such as the Leeds District Heat Network project £7m, Housing& Regeneration projects £7.5m and West Yorkshire Transport Fund schemes of £2.6m which have not yet been contracted out in the year ended 31st March 2018.

(b) Revenue Commitments - Operating Leases

The Combined Authority has a number of bus contracts that incorporate a lease under IFRIC4. The Combined Authority has a number of contracts with operators that convey the right to use specific assets in return for a series of payments to deliver services under the Combined Authority's tendered service obligations. The minimum lease payments are substantially for service provision with a small proportion for the rental of the assets. The fact that the life of the contracts are substantially shorter than the asset's economic useful life means these contracts are deemed to be operating leases.

	2017/18 £000's	2016/17 £000's
Minimum lease payments under operating leases recognised in the year :	2,338	1,826
Within 1 year	2,085	1,359
Within 2-5 years	1,422	2,166
Beyond 5 years	-	-
	3,507	3,525

The Combined Authority has a number of contracts for the operation of Mybus school services that are operated as service concession arrangements under IFRIC12. The Authority awards the contract to operators to provide a service for the public regulating the level of service, price and infrastructure provided. The school buses that form the infrastructure to deliver the service are initially recognised on the balance sheet at fair value. The service element of the arrangement is expensed through the Comprehensive Income and Expenditure Statement and the minimum lease payments are scheduled below:

	2017/18 £000's	2016/17 £000's
Minimum lease payments under IFRIC 12 recognised in the year :	5,230	5,487
Within 1 year	5,197	5,575
Within 2-5 years	21,848	23,133
Beyond 5 years	2,377	-
	29,422	28,708

27 Contingent Liabilities

The Combined Authority had a contingent liability at 1 April 2017 arising from possible claims relating land and property acquisitions under the New Generation Transport scheme that was rejected in 2016. The liability continues at 31 March 2018 but it is not possible or practical to disclose an estimate of the financial effect, amount and timing due to the ongoing uncertainty.

28 Going Concern

The accounts of the Combined Authority have been prepared on a going concern basis. The medium term finance strategy and budget approved by the Combined Authority in February sets out the proposed funding of the Combined Authority for the next 3 years and formally approved the budget for the forthcoming year 2018/19. The budget and strategy ensure that the Combined Authority set the level of levy that allows services and functions to continue to operate at a level that is aligned to the policies and objectives of the organisation and ensures the reserves are maintained so as to mitigate risks to the organisation. The budget and strategy make suitable provision to address the pension deficit. As an Authority we work with the West Yorkshire Pension Fund and Actuary to ensure contributions are realistic and sustainable. Additionally a 3 year capital programme complete with capital funding/finance is agreed as part of this process.

29 Events after the Balance Sheet Date

There have been no other adjustments to the financial statements for events after the balance sheet date.

30 New accounting standards not yet implemented

The Code requires local authorities to disclose the likely impact of any new accounting standards which have been issued as at the balance sheet date but which will not apply to local authorities' accounts until subsequent financial years. The 2018/19 Code is not expected to introduce any changes to accounting policies which would have any significant impact on the authority's 2018/19 figures.

Independent auditor's report to the Members of West Yorkshire Combined Authority

Opinion on the financial statements

We have audited the financial statements of West Yorkshire Combined Authority ('the Authority') for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including the 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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of West Yorkshire Combined Authority as at 31 March 2018 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

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 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 Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial 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 Chief Financial Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, 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 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.

Responsibilities of the Chief Financial Officer for the financial statements

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view. The Chief Financial Officer is also responsible for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and prepare the financial statements on a going concern basis, unless the Authority is informed of the intention for dissolution without transfer of services or function to another entity. The Chief Financial Officer is responsible for assessing each year whether or not it is appropriate for the Authority to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

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.

Conclusion on West Yorkshire Combined Authority's arrangements for securing economy, efficiency and effectiveness in the 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, in all significant respects, West Yorkshire Combined Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether 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 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 2018.

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 form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements to secure 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 in relation to review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Comptroller and Auditor General requires us to report to you our conclusion relating to proper arrangements. 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.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Use of the audit report

This report is made solely to the members of West Yorkshire Combined 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 members of the Authority 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 members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Certificate

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

MS Kirkham

Mark Kirkham
For and on behalf of Mazars LLP

Salvus House
Aykley Heads
Durham
DH1 5TS

31 July 2018