



West Yorkshire Combined Authority

## ***Statement of Accounts***

**For the year ending 31 March 2017**

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# **West Yorkshire Combined Authority**

## **Narrative Report to the Annual Accounts 2016/17**

### **Introduction**

The Narrative Report has been prepared to provide an outline of the activities for the year 2016/17, 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 (WYCA) 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 WYCA under the provisions of the 2014 Order. WYCA 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. WYCA also includes as members the leader of the City of York Council and the Chair of the Leeds City Region Local Enterprise Partnership (LEP). WYCA 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 WYCA committees is drawn from all District Councils within West Yorkshire, together with City of York Council.

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

### **Responsibilities**

The West Yorkshire 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 WYCA 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 WYCA 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 WYCA ensuring funding is properly managed to ensure delivery of the interventions required to achieve the growth targets.

WYCA 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**

2016/17 is the third year of business for West Yorkshire Combined Authority and only the second which fully includes the activities and funding of the LEP. The WYCA and LEP Boards have agreed the vision for the City Region which is set out in a revised and refreshed Strategic Economic Plan (SEP) that has been updated to reflect the current economic case and to take account of the local and national changes that have taken place over the last year.

The revised SEP, endorsed by both the WYCA 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.

The statutory Local Transport Plan, covering the period 2011-2026, has been reviewed in the light of the aspirations in the SEP. It has been substantially redrafted with a working title of the Single Transport Plan (STP) and has been subject to a full public consultation during 2016/17. In parallel consultation has also taken place on the bus strategy and work on these policies will be concluded in 2017/18.

During 2016/17 the focus for WYCA 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 WYCA priorities. Secondly, there has been a focus on delivering at pace the projects and services that support WYCA priorities. Thirdly there has been a focus on ensuring that all WYCA activities are contributing towards good or inclusive growth that sees benefits for everyone in the City Region.

Key achievements by each of the newly established Directorates are set out below.

### **Policy, strategy and communications**

- Secured an additional £67.5m devolved investment from the Government's Growth Deal funding programme.
- Secured a successful bid for £173.5m from the Department for Transport to invest in Leeds's bus, rail and road network, following the cancellation of the NGT project by the Secretary of State in May 2016.
- Published the first Leeds City Region flood review, setting out 20 measures to minimise the risk of future flooding in the region.
- Reached an estimated 24.5 million people in target regional, national and international markets.

### **Delivery**

- Opened two new rail stations in the region – Low Moor in Bradford and Kirkstall Forge in Leeds.
- Opened 8.7 miles of cycle superhighway across Leeds and Bradford.
- Helped 732 households in the City Region to reduce their heating bills by installing energy saving measures.
- Put in place an improved more robust and transparent project and programme management system, supported by a revised assurance framework that meets government requirements.

- Provided a further 10,483 homes with access to superfast broadband.
- Invested £30.4m in new world class learning facilities at FE colleges in Bradford, Shipley, Halifax, Huddersfield, Leeds and Wakefield.
- Completion of the Wakefield Eastern Relief Road, one of the early win projects within the West Yorkshire plus Transport Fund and providing an environment where business can grow, up to 3,700 jobs can be created and 2,500 new homes built.

### **Transport Services**

- Maintained and operated 14 bus stations across West Yorkshire.
- Established the Bus 18 project to bring together the bus operators to work with WYCA in improving bus services and encouraging more people to use them.
- Served over 1.9m customers at the Metro branded travel centres across West Yorkshire.
- Provided 2.5m people every month with travel information to help them plan their bus or train journey.
- Increased the products available via the MCard smartcard offer.

### **Economic Services**

- Supported over 2,000 small and medium sized businesses in the region to grow through the LEP Growth Service
- Provided £10m grant investment that will create 1,340 jobs for local people
- Recruited 106 local business people to act as 'Enterprise Advisors' providing advice and inspiration to young people in schools across the City Region
- Brought 21 inward investment projects into the region, creating almost 700 jobs.

### **Resources**

- Oversaw the One Organisation transformation programme and supported the organisation wide restructure
- Shaped new values and behaviours for the organisation that guide how employees work within the business and with partners
- Supported the other directorates with the necessary finance, legal, HR and ICT input.

The general economic outlook continues to be difficult with the public sector continuing to face funding challenges. The revenue funding for many of WYCA's activities comes from the West Yorkshire local authorities, with further contributions from them and the other City Region authorities for some of the economic activities. All areas of the budget are being 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 WYCA has agreed a cut in the transport levy for 2017/18 and work is progressing on the detail of how the agreed savings and cuts can be delivered. WYCA 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 2017/18 to ensure the most effective use is

being made of all the capital and revenue income streams available to WYCA, with the focus being the delivery of the objectives and outcomes as set out in the SEP.

### **The accounts**

The accounts have been prepared in accordance with The Code of Practice on Local Authority Accounting UK 2016/17 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 Summary of 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 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 WYCA.

Following the IFRS Based Code requirements means that WYCA has a significant liability arising from the requirements of IAS19 Accounting for Pension Costs. This requires WYCA 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

	2016/17 Approved Budget	2016/17 Actual
	£m	£m
<b>Funding</b>		
Special Rail Grant	0.9	0.9
LEP General Funding	1.4	1.3
Growing Places Fund Interest	0.3	0.4
Enterprise Zone Receipts	0.5	0.6
Transport levy applied	96.2	96.2
Transfer to reserves	4.1	2.7
	103.4	102.1
<b>Revenue Expenditure</b>		
<b><u>Transport Services:</u></b>		
Concessionary Fares	57.0	56.0
Subsidised Bus Services	19.0	19.7
Passenger Services	8.2	6.9
Rail SRG spend	0.9	0.9
<b><u>Economic Services</u></b>	1.8	5.5
<b><u>Policy, Strategy and Communications</u></b>	2.6	0.3
<b><u>Resources</u></b>		
Pension&Financing Charges	7.6	6.7
Corporate inc one organisation	6.3	6.1
	103.4	102.1

The presentation above reflects the agreed format in which the budget is approved by the Authority and therefore provides a more meaningful 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, of which the most significant is the £1m saving on concessionary travel reimbursement.

### Revenue funding

In 2016/17 grant income 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 WYCA. Grants formerly received directly from central Government towards the costs of the English National Concessions Scheme and rural bus services are now paid to the District councils as part of the revenue support grant. The remainder of the 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 City Region 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. Income from the City Region Enterprise Zones accrues to WYCA and a sum of £0.6m has been accounted for in 2016/17, with this set to rise as more businesses locate to the EZ.

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 2016/17 is the net amount.

### **Revenue expenditure**

Overall the net Levy available for normal transport purposes has stayed the same as that paid to the WYCA in 2015/16. The levy was actually increased by 0.41% with the full value of the increase being set aside for the West Yorkshire plus Transport Fund (WY+TF). 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 continuing levy freeze for normal transport purposes has only been possible as a result of the approach taken by WYCA to ongoing cost reductions. The approach agreed by the former WYITA in 2012 to reduce the costs of tendered bus services has been successful, 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.

WYCA expects to face challenging financial constraints over the coming years as local government funding is being severely reduced at a time when the activities of the Combined Authority are increasing. 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. Concessionary reimbursement remains the largest single element of the budget and from 1 April 2017 operators will be 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 £147m, funded through a combination of income streams but primarily grants from the Department for Transport and the Department of Communities and Local Government (in relation to the Growth Deal). These included the LTP Integrated Transport block funding and highways maintenance grant totalling £41m which is then utilised by the Combined Authority and the constituent District Councils. WYCA also applied capital grants for the Cycle City Ambition scheme of £6.7m. Some funding was carried forward from 2015/16, reflecting the change by the DfT in paying multi-year grants in advance and also reflecting some reprofiling of LTP funded projects. Similarly funding will be carried forward to 2017/18 enabling committed schemes and projects to be delivered despite changes in the timing of delivery.

The Growth Deal funding of £127m received for 2016/17 has been applied to some £85m of projects originally identified within the programme submitted to government. Recognising the need to reprofile some of the projects within that programme the flexibility awarded with the Growth Deal has been applied resulting in Growth Deal funding being utilised for some projects in WYCA's capital portfolio with their original funding stream being carried forward to use in 2017/18. An underspend on the Growth Deal has been accounted for in capital grants unapplied and will be utilised on projects that have been reprofiled to 2017/18.



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**

WYCA has continued to follow its approved treasury management policy and full details are set out in the accounts. Changes to this policy have been made during the year to enable WYCA 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 WYCA taking on the responsibility of accountable body for funding awarded to the LEP. This has resulted in fixed deposits of £98m being invested as at 31 March 2017.

WYCA's short term borrowing at the year end was £500k with long term borrowing at £75m, a £4m reduction on the balance at the end of 2015/16 due to the repayment of two temporary fixed rate loans, £3m other local authority loan and £1m PWLB loan. During the year the difficult financial situation has meant there have been no opportunities to undertake any refinancing of loans. The Authority's borrowing requirement is reducing over coming years, reflecting the increase in cash grants rather than borrowing approvals for capital expenditure, and thus no further loans have been required. This will be reviewed as the West Yorkshire plus Transport Fund and other activities of the West Yorkshire Combined Authority are further developed and it is expected that borrowing will be required to support the capital programme.

### **Statement on the economy, efficiency and effectiveness of WYCA in its use of resources**

WYCA, 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. The transport levy has long been lower per head than those received in other metropolitan areas yet customer expectations have been met. For 2016/17 a cut to the transport levy has been agreed with WYCA 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 WYCA objectives than other comparable schemes. An assurance framework, reviewed annually by WYCA and by BEIS, supports the Growth Deal investments; this has been substantially updated during the year and is being utilised as part of the new project approval pathways introduced during the year. The new 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 WYCA in February 2016 set in process a review of the structure and processes at WYCA. The corporate plan for 2016/17 was closely linked to the aims of the SEP and a clear vision, mission, objectives and outcomes for WYCA have been developed. Clear and measurable targets and outcomes for key priorities were identified and included in the corporate plan with KPIs being measured regularly. Organisational changes will complement this enhanced focus.

**Further Information**

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

Further information on the Authority is available on its website [www.westyorks-ca.gov.uk](http://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

## STATEMENT OF RESPONSIBILITIES FOR THE COMBINED AUTHORITY

### 1. The Authority's Responsibilities

The 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 this 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

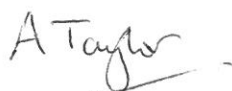
The Chief Financial Officer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice'), is required to present a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2017.

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 2017 and its income and expenditure for the year ended 31 March 2017.



A Taylor  
Chief Financial Officer

### 4. Approval of the Accounts

I certify that the Statement of Accounts was authorised for issue and approved by a resolution of the West Yorkshire Combined Authority Governance and Audit Committee meeting on 3 August 2017 in accordance with the Accounts and Audit Regulations 2015. There are no material events after the balance sheet date that require reflecting in the Statement of Accounts.



Councillor Hinchcliffe  
Chair of the Authority  
3 August 2017



## **WYCA Annual Governance Statement 2016/17**

### **1. Scope of Responsibility**

West Yorkshire Combined Authority ('the CA') 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 CA 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 CA 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 CA has previously approved a Code of Corporate governance that was consistent with the principles of CIPFA Solace framework "Delivering good governance in Local Government" issued in 2007. This framework was updated in 2016 and a revised Corporate Governance Code and Framework has been produced ensuring all relevant governance elements have been properly reflected.

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 CA '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 CA is directed and controlled and its activities through which it accounts to and engages with the community. It enables the CA 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 CA'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 CA throughout the year ended 31 March 2017 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 CA's governance arrangements. They are also encapsulated in the revised Corporate Governance Code and Framework which has been approved by the CA and which is available on its website. The CA 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. The LEP Board and its panels provide the policy direction and guidance with the CA providing the financial approvals.

- a) Corporate policies and objectives are set and communicated by the CA. The CA 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). Originally produced in 2014 by the LEP and 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 CA 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) The statutory Local Transport Plan (LTP) is also undergoing a refresh and will be relaunched later in 2017 as the Single Transport Plan. This will provide close links to the SEP and include new projects and initiatives that have emerged since the LTP was published in 2011. The CA will continue to work closely with its partner authorities in the delivery of projects under the LTP3 heading. Whilst the CA has responsibility for expenditure officers and Members from across all the partner authorities are engaged in establishing the types of interventions to be put forward for funding through the LTP.

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.

- c) The Leeds City Region Growth Deal Assurance Framework was produced in 2015, building on existing good practice and drawing on government guidance. This has been updated and refreshed in 2016/17 with a detailed review by Overview and Scrutiny Committee and endorsement from the Investment Committee, LEP and CA 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 CA making the decisions.



- d) The CA'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. During its second year of operation the Committee has not exercised its call-in function but 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 and on achieving organisational priorities.

In addition Scrutiny committees within the West Yorkshire Districts and City of York Council will also often challenge the work being undertaken by the CA 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.

- e) The CA's Governance and Audit Committee is responsible for overseeing the effective operation of the systems of governance, risk management and internal control. It oversees the work programme of the Internal Audit team and scrutinises the annual accounts including the Annual Governance Statement. During the year changes in legislation enabled the Committee to take responsibility for the approval of financial matters, including the annual accounts, rather than having to refer these on the CA Board. An officer Audit and Risk Management Committee chaired by the Director, Resources, provides an operational level of management and review of arrangements in place.
- f) Roles are defined and documented through new style role profiles which have started to be introduced during 2016/17. 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).
- g) Staff behaviours are guided by CA's values and its Code of Conduct and a similar Code exists for Members; both employees and Members are required to maintain a register of interests. The values and behaviours expected of all employees were redefined during 2016/17 with input from a wide range of internal and external stakeholders.
- h) The 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 CA's financial arrangements through a suitably qualified and resourced Finance function.

- i) An internal team provide the internal audit service to the CA. 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.
- j) 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 CA. 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.
- k) Risk management is embedded in the activities of the CA 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. Covalent, the CA's performance management system, is available for the recording of operational risk registers and can provide reports based on a traffic light system, highlighting 'red' risks that may require action. Comments provided from an internal audit review of the CA's risk management framework have been considered and a plan agreed to develop these arrangements.
- l) 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.
- m) A system of Procedure and Contracts Standing Orders and Financial Regulations protect the organisation. These are reviewed annually. 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.
- n) External reviews carried out by auditors and other agencies to achieve Customer Service Excellence and other accreditations with any recommendations identified creating a workplan for future improvements.
- o) With regard to the transport ticketing systems the CA 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. Payzone sales have replaced the Post Office network and are reconciled to the back office system ensuring that card sales through payzone are fully reimbursed to the CA.



#### **4. Review of Effectiveness**

The CA 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 CA who have responsibility for the development and maintenance of the internal control environment, and also by comments made by External Auditors.

The CA 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 CA's management and Internal Audit. Standing orders and financial regulations are updated as required and re-approved annually by the CA at its Annual Meeting. In terms of financial accounting the CA 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 CA is to determine, agree and monitor the annual budget. This responsibility involves setting an appropriate budget to fulfil the resource requirements of the CA in undertaking its transport, economic development and regeneration activities. For 2016/17 this budget was an integrated one for the full breadth of the activities of the CA and work was undertaken during 2015/16 with the Members to understand the changes and opportunities introduced by the bringing together of transport and economic policy funding. During 2016/17 organisational redesign and restructuring has been taking place to ensure the most effective arrangements are in place to enable delivery of the CA'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 CA 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.

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

Within the CA 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 CA 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 CA. 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 CA'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 CA the Covalent 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.

The CA 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. During 2016/17 a new Delivery Directorate was defined and senior appointments made to the team. A Portfolio Management Office was 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 CA 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 CA on progress with Local Growth Deal schemes, including the projects within the West Yorkshire plus Transport Fund.

The CA has in place comprehensive risk management arrangements. 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. A risk appetite statement has been developed and 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 CA's strategic risk register is considered regularly by the Governance and Audit Committee. These arrangements will evolve and be further developed to meet the changing needs of the CA. Work is also underway to better align risks to corporate objectives and priorities which are in the process of being further developed following the review of the SEP and the organisational restructuring which is underway.

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 CA 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 2016/17 the CA embarked on its 'One Organisation' Programme aimed at ensuring the CA has the right structures, processes and people to enable the successful delivery of its objectives and priorities. Over the last twelve months significant progress has been made with regard to new directorate structures and subsequent alignment of budgets and a new set of values.

Improvements planned for the coming year include embedding the values and behaviours throughout the organisation, and further recruitment to posts particularly in the Delivery directorate to maintain the focus on project delivery. Discussions have taken place with the LEP and CA Members on how to enhance current decision making processes and proposals to bring together LEP Panels with CA Committees will be considered during 2017/18. The focus on transparency continues with the timely publication of LEP agendas and minutes during the year.

In 2017/18 new ICT systems to be introduced will facilitate and streamline the production of all meeting papers and all CA and LEP papers will be readily available to the public; enhanced information on Members, declarations of interest and attendance at meetings will also be available.

Other developments with regard to transparency and scrutiny include the appointment in 2017/18 of an independent person to be part of the Governance and Audit Committee, the designation of a Scrutiny Officer and the extension of call in arrangements to significant officer decisions as well as Member decisions. From May 2017 a forward plan of decisions will be made available on the CA website.

## 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 2016/17 the CA 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 a revised 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



B Still  
Managing Director

August 2017



# Movement in Reserves Statement

The Movement in Reserves Statement shows the movement in the year on the different reserves held by the Combined Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure) and 'unusable reserves'. 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 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.

2015-16		General Fund	Capital Grants	Rail Reserve	WY Transport Fund	NGT Reserve	Total Usable reserves	Capital Adjustment Account	Financial Instruments	Revaluation Reserve	Donated Asset A/C	Pension Reserve	Total Unusable reserves	Total
Note	Balance	Unapplied	Reserve	Fund	Reserve	Reserve	reserves	Account	Adj A/C	Reserve	Asset A/C	Reserve	reserves	£000's
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
	<b>Balance at 1st April 2015</b>	<b>7,945</b>	<b>25,297</b>	<b>2,075</b>	<b>1,933</b>	<b>1,066</b>	<b>38,316</b>	<b>(15,283)</b>	<b>(40)</b>	<b>11,861</b>	<b>668</b>	<b>(68,850)</b>	<b>(71,644)</b>	<b>(33,328)</b>
	Transfer of balances 1 April 2015													
	<b>Movement in reserves during 2015/16</b>													
	Surplus on Provision of Service	48,732	-	-	-	-	48,732	-	-	-	-	-	-	48,732
7	Remeasurement of the net defined benefit liability	-	-	-	-	-	-	-	-	-	-	8,874	8,874	8,874
11,22	Net increase in liability on disposal/aquistn	-	-	-	-	-	-	-	-	-	-	(95)	(95)	(95)
	Revaluation of non-current assets	-	-	-	-	-	-	-	-	468	-	-	468	468
	<b>Total Comprehensive Income and Expenditure</b>	<b>48,732</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>48,732</b>	<b>-</b>	<b>-</b>	<b>468</b>	<b>-</b>	<b>8,779</b>	<b>9,247</b>	<b>57,979</b>
	<b>Adjustments between accounting basis and funding basis under regs</b>													
3	Minimum Revenue Provision (MRP)	(3,531)	-	-	-	-	(3,531)	3,531	-	-	-	-	3,531	-
6	Finance costs early settlement discounts	76	-	-	-	-	76	-	(76)	-	-	-	(76)	-
22	Revenue Expenditure Funded from Capital under Statute (Refcus)	112,243	-	-	-	-	112,243	(112,243)	-	-	-	-	(112,243)	-
22	Capital grants applied	(151,777)	-	-	9,014	(77)	(142,840)	142,840	-	-	-	-	142,840	-
22	Capital Grants unapplied	(10,799)	10,799	-	-	-	-	-	-	-	-	-	-	-
11	Depreciation	5,414	-	-	-	-	5,414	(5,414)	-	-	-	-	(5,414)	-
	Transfer W/down of Soft Loans	920	-	-	-	-	920	-	(920)	-	-	-	(920)	-
	Transfer to pension reserve	1,091	-	-	-	-	1,091	-	-	-	(1,091)	-	(1,091)	-
	Impairment GPF Loans	4,800	-	-	-	-	4,800	(4,800)	-	-	-	-	(4,800)	-
	<b>Total adjustments between accounting basis and funding basis under regs</b>	<b>(41,563)</b>	<b>10,799</b>	<b>-</b>	<b>9,014</b>	<b>(77)</b>	<b>(21,827)</b>	<b>23,914</b>	<b>(996)</b>	<b>-</b>	<b>-</b>	<b>(1,091)</b>	<b>21,827</b>	<b>-</b>
	<b>Increase/ (decrease) in year before</b>	<b>7,169</b>	<b>10,799</b>	<b>-</b>	<b>9,014</b>	<b>(77)</b>	<b>26,905</b>	<b>23,914</b>	<b>(996)</b>	<b>468</b>	<b>-</b>	<b>7,688</b>	<b>31,074</b>	<b>57,979</b>
	Transfer to ear-marked reserve	(5,283)	-	-	5,283	-	-	-	-	-	-	-	-	-
	<b>Increase/ (decrease) in year</b>	<b>1,886</b>	<b>10,799</b>	<b>-</b>	<b>14,297</b>	<b>(77)</b>	<b>26,905</b>	<b>23,914</b>	<b>(996)</b>	<b>468</b>	<b>-</b>	<b>7,688</b>	<b>31,074</b>	<b>57,979</b>
	<b>Balance at 31st March 2016</b>	<b>9,831</b>	<b>36,096</b>	<b>2,075</b>	<b>16,230</b>	<b>989</b>	<b>65,221</b>	<b>8,631</b>	<b>(1,036)</b>	<b>12,329</b>	<b>668</b>	<b>(61,162)</b>	<b>(40,570)</b>	<b>24,651</b>
2016-17		General Fund	Capital Grants	Rail Reserve	WY Transport Fund	NGT Reserve	Total Usable reserves	Capital Adjustment Account	Financial Instruments	Revaluation Reserve	Donated Asset A/C	Pension Reserve	Total Unusable reserves	Total
Note	Balance	Unapplied	Reserve	Fund	Reserve	Reserve	reserves	Account	Adj A/C	Reserve	Asset A/C	Reserve	reserves	£000's
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
	<b>Balance at 1st April 2016</b>	<b>9,831</b>	<b>36,096</b>	<b>2,075</b>	<b>16,230</b>	<b>989</b>	<b>65,221</b>	<b>8,631</b>	<b>(1,036)</b>	<b>12,329</b>	<b>668</b>	<b>(61,162)</b>	<b>(40,570)</b>	<b>24,651</b>
	Transfer of balances 1 April 2016													
	<b>Movement in reserves during 2016/17</b>													
	Surplus on Provision of Service	41,969	-	-	-	-	41,969	-	-	-	-	-	-	41,969
7	Remeasurement of the net defined benefit liability	-	-	-	-	-	-	-	-	-	-	(10,401)	(10,401)	(10,401)
11,22	Net increase in liability on disposal/aquistn	-	-	-	-	-	-	-	-	-	-	-	-	-
	Revaluation of non-current assets	-	-	-	-	-	-	-	-	596	-	-	596	596
	<b>Total Comprehensive Income and Expenditure</b>	<b>41,969</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>41,969</b>	<b>-</b>	<b>-</b>	<b>596</b>	<b>-</b>	<b>(10,401)</b>	<b>(9,805)</b>	<b>32,164</b>
	<b>Adjustments between accounting basis and funding basis under regs</b>													
3	Minimum Revenue Provision (MRP)	(3,389)	-	-	-	-	(3,389)	3,389	-	-	-	-	3,389	-
6	Finance costs early settlement discounts	76	-	-	-	-	76	-	(76)	-	-	-	(76)	-
22	Revenue Expenditure Funded from Capital under Statute (Refcus)	139,336	-	-	-	-	139,336	(139,336)	-	-	-	-	(139,336)	-
3,22	Capital grants applied	(146,986)	-	-	-	(18)	(147,004)	147,004	-	-	-	-	147,004	-
22	Capital Grants unapplied	(36,031)	36,031	-	-	-	-	-	-	-	-	-	-	-
11	Depreciation	4,917	-	-	-	-	4,917	(4,917)	-	-	-	-	(4,917)	-
	Transfer W/down of Soft Loans	512	-	-	-	-	512	-	(512)	-	-	-	(512)	-
7	Transfer to pension reserve	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)	-
	<b>Total adjustments between accounting basis and funding basis under regs</b>	<b>(38,996)</b>	<b>36,031</b>	<b>-</b>	<b>-</b>	<b>(18)</b>	<b>(2,983)</b>	<b>4,392</b>	<b>(588)</b>	<b>-</b>	<b>-</b>	<b>(821)</b>	<b>2,983</b>	<b>-</b>
	<b>Increase/ (decrease) in year before</b>	<b>2,973</b>	<b>36,031</b>	<b>-</b>	<b>-</b>	<b>(18)</b>	<b>38,986</b>	<b>4,392</b>	<b>(588)</b>	<b>596</b>	<b>-</b>	<b>(11,222)</b>	<b>(6,822)</b>	<b>32,164</b>
	Transfer to ear-marked reserve	(5,702)	-	-	5,703	-	-	-	-	-	-	-	-	-
	<b>Increase/ (decrease) in year</b>	<b>(2,729)</b>	<b>36,031</b>	<b>-</b>	<b>5,703</b>	<b>(18)</b>	<b>38,986</b>	<b>4,392</b>	<b>(588)</b>	<b>596</b>	<b>-</b>	<b>(11,222)</b>	<b>(6,822)</b>	<b>32,164</b>
	<b>Balance at 31st March 2017</b>	<b>7,102</b>	<b>72,127</b>	<b>2,075</b>	<b>21,933</b>	<b>971</b>	<b>104,207</b>	<b>13,023</b>	<b>(1,624)</b>	<b>12,925</b>	<b>668</b>	<b>(72,384)</b>	<b>(47,392)</b>	<b>56,815</b>

# 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 2016/17 and the Accounts and Audit Regulations 2015.

2015/16 Restated			2016/17			
Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's		Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's
282,216	(99,215)	183,001	Transport Services	224,628	(57,569)	167,059
28,332	(8,957)	19,375	Economic Services	72,327	(9,211)	63,116
-	-	-	Policy, Strategy & Communications	280	-	280
9,294	-	9,294	Resources	8,683	(2)	8,681
<b>319,842</b>	<b>(108,172)</b>	<b>211,670</b>	<b>Net cost of services</b>	<b>305,918</b>	<b>(66,782)</b>	<b>239,136</b>
3,289	-	3,289	Interest Payable	6	3,241	-
-	(1,712)	(1,712)	Interest and Investment income	6	-	(1,384)
2,078	-	2,078	Net interest on the pension defined benefit liability	7	1,954	-
<b>325,209</b>	<b>(109,884)</b>	<b>215,325</b>	<b>Net Expenditure after financing and investment</b>	<b>311,113</b>	<b>(68,166)</b>	<b>242,947</b>
			<b>Non-Specific Grant Income</b>			
-	(101,481)	(101,481)	District Council Levies	12	-	(101,900)
-	(162,576)	(162,576)	Government and Other Grants (Capital)	9	-	(183,016)
<b>325,209</b>	<b>(373,941)</b>	<b>(48,732)</b>	<b>(Surplus) on Provision of Services</b>	<b>311,113</b>	<b>(353,082)</b>	<b>(41,969)</b>
-	(8,874)	(8,874)	Remeasurement of the net defined benefit liability	7	-	10,401
-	-	-	Deficit/(Surplus) on Revaluation	-	-	-
95	-	95	Net increase in pension liability from disposal/ acquisitions	-	-	-
-	(468)	(468)	Surplus on revaluation of non-current assets	11,22	-	(596)
<b>95</b>	<b>(9,342)</b>	<b>(9,247)</b>	<b>Other Comprehensive Income and Expenditure</b>	<b>-</b>	<b>9,805</b>	<b>9,805</b>
			<b>(57,979)</b>			<b>(32,164)</b>

\* CI&E 2015/16 has been restated in line with the CIPFA Code 2016/17 where net cost of services is based on the organisational structure (segmental basis). There is no change in the Surplus of Provision of Services.

# Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Combined Authority. The net assets (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories being usable and unusable. Usable reserves are those reserves that may be utilised to provide services, subject to the requirement to maintain a prudent level of reserves and any statutory limitations on their use. Unusable reserves are those that the Authority is not able to use for the provision of services. This category of reserves includes reserves that hold unrealised gains and losses such as the revaluation reserve and those that support the timing differences in capital investment (the Capital Adjustment Account).

<u>31 March 2016</u>	£000s	<u>31 March 2017</u>	<i>notes</i>
	<i>Non-current assets</i>		
82,969	Property, plant and equipment	81,885	11( e)
22,823	Long-term debtors	23,654	17
105,792		105,539	
	<i>Current assets</i>		
650	Assets held for sale	600	11( e)
70,314	Short term investment	98,274	21
14,406	Short term debtors	26,310	15
12,400	Cash and cash equivalents	42,475	16
97,770		167,659	
	<i>Current liabilities</i>		
(5,072)	Short term borrowing	(1,553)	19
(31,688)	Trade and Other payables	(51,565)	18
(5,315)	Accruals and deferred income	(14,207)	18
(174)	Provisions for current liabilities	(189)	23
(42,249)		(67,514)	
161,313	Total assets less current liabilities	205,684	
	<i>Long-term liabilities</i>		
(75,500)	Long-term borrowing	(75,000)	19,21
(61,162)	Net pensions liability	(72,384)	7
(136,662)		(147,384)	
24,651	Total assets less liabilities	58,300	
	Financed by		
9,831	General Fund Reserve	7,102	
	Usable Capital Receipts Reserve		
36,096	Capital grants unapplied	73,608	22
2,075	Rail Reserve	2,075	22
989	NGT Reserve	971	22
16,230	WY Transport fund Reserve	21,933	22
65,221	<i>Usable reserves</i>	105,689	
8,631	Capital Adjustment Account	13,023	22
(1,036)	Financial Instruments Adjustment Account	(1,623)	22
(61,162)	Pensions Reserve	(72,384)	22
12,329	Revaluation Reserve	12,927	22
668	Donated Asset Account	668	11( c)
(40,570)	<i>Unusable reserves</i>	(47,389)	
24,651	Total reserves and balances	58,300	

# 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.

2015/16	£000s		2016/17
		<b>Operating activities :</b>	
48,732	Surplus on the Provision of Service		41,969
5,414	Depreciation	11e	4,917
5,721	Write down of loans		2,287
1,110	Increase in creditors	18	28,769
6,710	(Increase)/decrease in debtors	15	(8,815)
1,091	Transfer to the Pension Reserve	22	821
20	Provisions	23	15
(129)	Profit from the sale of property, plant & equipment		-
-	Asset Held For Sale revaluation loss	11e	50
290	Fixed assets charged to revenue	11e	858
68,959	<b>Net cash generated from operating activities</b>		70,871
	<b>Cash flows from investing activities</b>		
(1,819)	Purchase of property, plant & equipment,	11e	(4,094)
(28,669)	New long term debtor loans advanced	17	(6,830)
(35,000)	Short term investment	21	(28,000)
129	Proceeds from the sale of property, plant & equipment		-
(65,359)	<b>Net cash flows from investing activities</b>		(38,923)
	<b>Cash flows from financing activities</b>		
500	Receipt of new loans		-
(1,000)	Repayment of loans	19	(4,019)
125	Receipt of Debtor Loan repayments	17	2,145
(375)	<b>Net cash used from financing activities</b>		(1,873)
3,225	Increase in cash and cash equivalents		30,075
9,175	Cash and cash equivalents at the beginning of the reporting period		12,400
12,400	Cash and cash equivalents at end of reporting period	16	42,475

The surplus on the provision of service includes the following items:

2015/16			2016/17
£000's			£000's
3,289	Interest paid	6	3,241
(1,712)	Interest received	6	(1,384)

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 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 position for the year end of 31 March 2017. 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 2016/17 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 14 Regulatory Deferral Accounts ( Issued Jan 14, Adoption 1 Jan 16)
- IFRS 15 Revenue from Contracts with Customers ( Issued May 14, Adoption 1 Jan 18)
- IFRS 16 Leases (Issued Jan 16, Adoption 1 Jan 19)

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 Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are 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 (note 11): the 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. Such valuations and any attached estimates are subject to some professional judgement.
- Leases (note 26): The 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 Authority has classified certain contracts as operating leases although the legal form of the arrangement is not a lease.
- Retirement benefit obligations (note 7): 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. REVENUE EXPENDITURE FINANCED FROM CAPITAL UNDER STATUTE**

Expenditure incurred by the 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 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.

### III. a) **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 current value of a revalued asset does not differ materially from its carrying amount. A full revaluation of the 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) basis in accordance with IAS 16. A revaluation update of Non-Infrastructure Land and Buildings was undertaken by Lambert Smith Hampton as at 31 March 2017. 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, Plant and Equipment and Vehicles are recorded at original cost less accumulated depreciation and any recognised impairment loss. Cost includes professional fees and for assets constructed by the 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 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 Authority and on the result for the year.

b) **Progress payments for capital assets**

Progress payments for capital assets or schemes not yet completed are held in Payment on Account and Assets In the course of Construction. The assets are transferred to the appropriate heading and are subject to depreciation when they become available for use. The 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.

c) **Discontinued Operations and Non-current Assets Held for Sale**

Discontinued operations and Non-current assets held for sale are measured at the lower of carrying amount and fair value less costs to sell. Discontinued operations and current 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.

d) **Donated Assets**

Donated assets are assets that have been transferred to the 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.

IV. **RAIL INFRASTRUCTURE**

Expenditure now incurred by the Authority on any rail infrastructure projects is not capitalised. The Authority has no ownership/legal rights in respect of the infrastructure and as a consequence the costs are charged directly to revenue.

V. **CHARGES TO REVENUE**

For the Authority depreciation has been shown as part of the service expenditure. The 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.

VI. **GOVERNMENT GRANTS**

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

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

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or 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 deferred income. 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 Comprehensive Income and Expenditure Statement.

### **Capital Grants**

Grants to fund capital expenditure from government and other bodies are credited to the Comprehensive Income and Expenditure Statement (CIES) 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 CIES 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 Comprehensive Income and Expenditure Statement will recognise capital grants to the extent that they offset capital expenditure charged directly to revenue (see policy V. above). Details of capital grants receivable and released are set out in Note 9 to the Authority Accounts.

## **VII. 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.

## **VIII. 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.

## **IX. PENSION COSTS**

The requirements of IAS 19 "Retirement Benefits" have been fully adopted in the financial statements of the Authority. Detailed disclosures can be found in note 7 to the Accounts.

The Combined Authority is an employing authority within the West Yorkshire Pension Fund which is a funded pension scheme. Most employees participate in this scheme which provides defined benefits payable to members on and after their retirement. Contributions made to the fund for both current and past services are charged to the revenue account as they are paid. Contribution levels are determined by the Fund. The 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 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 charged to the revenue account under Transport Services and Resources.

The liabilities of the pension fund attributable to the 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 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

The change in the net pensions liability is analysed into seven components:

**Current service costs** - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement;

**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 Comprehensive Income and Expenditure Statement;

**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 Comprehensive Income and Expenditure Statement as part of the service costs;

**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 provisions require the General Fund balance to be charged with the amount payable by the 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.

## X. PROVISIONS

A provision is recognised in the balance sheet when the 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 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 Authority. The Authority has taken a consistent approach to estimating environmental provisions.

## XI. EXCEPTIONAL ITEMS

The 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.

## XII. 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.

### XIII. **DEBTORS**

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

### XIV. **LEASED ASSETS**

Assets acquired under finance leases, where substantially all the risks and rewards of ownership of the assets have passed to the 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.

### XV. **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 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 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 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.

## **XVI. 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.

## **XVII. CONTINGENT LIABILITY**

Contingent Liabilities (note 28): A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

## **XVIII. EVENTS AFTER THE BALANCE SHEET DATE**

The Statement of Accounts are authorised for issue by the Chief Financial Officer as at 3 August 2017. 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 2017, the figures in the financial statements and notes have been 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).

**XIX. 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 Authority's financial position or performance. Changes are made retrospectively by adjusting opening balances and comparative amounts for the prior period.

**XX. CONSOLIDATION OF JOINT VENTURE**

The concept of materiality has been considered in respect of the consolidation of Yorcard Ltd into the 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 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 2016/17 (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 adaptations 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 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 2016/17 the amount is £3.389m.

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 Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.

<b>Capital Financing Requirement</b>	<b>2016/17</b>	<b>2015/16</b>
	£000's	£000's
Opening Balance	84,736	88,267
	84,736	88,267
<b>Capital Investment</b>		
Property, Plant and Equipment	4,095	1,819
Housing and Regeneration Investment	4,430	5,232
Growing Places Fund Loans		23,837
Revenue Funded from Capital		
Under statute	138,477	111,953
<b>Sources of Finance</b>		
Government grants and other capital contributions	(140,772)	(151,777)
Capital Reserve contributions	(6,231)	8,936
Minimum Revenue Provision (MRP)	(3,389)	(3,531)
Movement in year	(3,390)	0 (3,531)
<b>Closing Capital Financing Requirement</b>	<b>81,346</b>	<b>0 84,736</b>

The capital financing requirement decreased in 2016/17 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

### EXPENDITURE AND FUNDING ANALYSIS 2016/17

2015/16			2016/17			
Expenditure Chargeable to GF	Adjustment between funding and accounting	Net Expenditure in the CI&E		Expenditure Chargeable to GF	Adjustment between funding and accounting	Net Expenditure in the CI&E
			£000s			
79,503	103,498	183,001	Transport Services	83,190	83,869	167,059
5,981	13,394	19,375	Economic Services	3,974	59,142	63,116
-	-	-	Policy, Strategy & Communications	280	-	280
7,438	1,856	9,294	Resources	6,569	2,112	8,681
						-
92,922	118,748	211,670	<b>Net cost of services</b>	94,013	145,123	239,136
1,390	2,265	3,655	Financing and investment income and expenditure	4,914	(1,102)	3,812
(96,198)	(167,859)	(264,057)	General grant income	(96,198)	(188,719)	(284,917)
(1,886)	(46,846)	(48,732)	<b>(Surplus) / deficit on provision of services</b>	2,729	(44,698)	(41,969)
<b>General Fund</b>						
(7,945)			Reserve Balance brought forward	(9,831)		
(1,886)			(Increase) / decrease for the year	2,729		
(9,831)			Reserve Balance carried forward	(7,102)		

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

2015/16				2016/17				
Adjustments for Capital Purposes	Net Change for Pensions Adjustments	Other Differences	Total Adjustments		Adjustments for Capital Purposes	Net Change for Pensions Adjustments	Other Differences	Total Adjustments
				£000s				
(103,710)	502	(290)	(103,498)	Transport Services	(84,375)	506	-	(83,869)
(13,657)	263	0	(13,394)	Economic Services	(59,520)	378	-	(59,142)
-	-	-	-	Policy, Strategy & Communications	-	-	-	-
-	(1,856)	0	(1,856)	Resources	(408)	(1,704)	-	(2,112)
(117,367)	(1,091)	(290)	(118,748)	<b>Net cost of services</b>	(144,303)	(820)	-	(145,123)
(4,800)	-	2,535	(2,265)	Financing and investment income and expenditure	(1,698)	-	2,800	1,102
162,576	-	5,283	167,859	General grant income	183,016	-	5,702	188,718
<b>Difference Between Surplus or Deficit and the Comprehensive Income and Expenditure Statement</b>								
			<b>46,846</b>	<b>Surplus or Deficit on the provision of Services</b>				<b>44,697</b>

#### 4 (C). Expenditure and Income Analysed by Nature

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

<u>2015/16</u>	£000s	<u>2016/17</u>
	<i>Income</i>	
(55,652)	Other service income	(59,078)
(1,712)	Interest and investment income	(1,384)
-	Expected return on pension assets	-
(215,095)	Government Grants	(192,943)
(101,481)	Transport Levy	(101,901)
<u>(373,941)</u>	Total Income	<u>(355,306)</u>
	<i>Expenditure</i>	
16,629	Employee expenses	17,921
297,926	Other service expenses	285,251
5,414	Depreciation, amortisation and impairment	4,917
3,290	Interest payments	3,241
(129)	Gain or loss on disposal of non-current assets	-
-	Gain or loss on AHF	50
2,078	Pension interest costs	1,954
<u>325,209</u>	Total Expenditure	<u>313,335</u>
<u>(48,732)</u>	(Surplus)/ deficit	<u>(41,970)</u>

## 5 Disposal of Fixed Assets

	2016/17 £000's	2015/16 £000's
Net Book Value of Assets	-	-
Proceeds from sale	0	(129)
(Profit) on disposal of fixed assets by the Authority	<u>0</u>	<u>(129)</u>

	2016/17 £000's	2015/16 £000's
<b>6 Financing Income and Costs</b>		
Interest receivable on Loans, deposits and other debts	<u>(1,384)</u>	<u>(1,712)</u>
Interest payable on Loans	<u>3,241</u>	<u>3,289</u>
Effect of early settlement of Loans	<u>(76)</u>	<u>(76)</u>

## 7 Pension Costs

### 7.1 Defined Benefit Pension Scheme

The Authority participates in the West Yorkshire Pension Fund, administered by Bradford Metropolitan District Council. This is a funded defined benefit scheme, meaning that the Authority and their employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The pension assets and liabilities transferred to the Combined Authority were subject to the actuarial valuation carried out at 31 March 2013 which determined the employer contributions for the next three years. In recognising that the WYPTE and WYITA have been dissolved and its pension assets and liabilities transferred to the West Yorkshire Combined Authority at 1 April 2014 a rate has been determined for the new entity of 13.5% plus a lump sum of £0.96m in 2014/15. The contribution rate for 2016/17 is 13.5% (14.6% for 2017/18), and the deficit lump sums are £1.09m and £1.215m for 2016/17 and 2017/18 respectively.

### 7.2 Capital Cost of Discretionary Increases in Pension Payments.

The 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:-

	31 March 2017 £000's	31 March 2016 £000's
i) Current Employees	2,817	2,632
ii) Former Employees	1,112	1,167

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

### 7.3 Pension disclosures required under IAS 19

The 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 in their calculations have been:

	31/03/2017		31/03/2016	
	Unfunded 12yrs	Funded 14.3yrs	Unfunded 12yrs	Funded 14.4yrs
Duration of liabilities				
Inflation : RPI	3.1%	3.1%	2.8%	2.8%
CPI	2.0%	2.0%	1.7%	1.7%
Rate of increase in salaries	3.3%	3.3%	3.2%	3.2%
Rate of increase for pensions in payment	2.0%	2.0%	1.7%	1.7%
Pension account revaluation rate	2.0%	2.0%	1.7%	1.7%
Rate used to discount funded scheme liabilities	2.5%	2.5%	3.3%	3.3%

### 7.3 Pension disclosures required under IAS 19 (continued)

#### Mortality assumptions

Post retirement mortality (retirement in normal health) :-

<b>31/03/2017</b>		<b>31/03/2016</b>	
Standard SAPS Normal Health All Amounts		Standard SAPS Normal Health All Amounts	
<b>Males :</b>	CMI 2012 Long term rate of improvement of 1.5%	<b>Males :</b>	CMI 2012 Long term rate of improvement of 1.5%
<b>Females :</b>	CMI 2012 Long term rate of improvement of 1.5%	<b>Females :</b>	CMI 2012 Long term rate of improvement of 1.5%

#### Life Expectancy

- of a male (female) future pensioner aged 65 in 20yrs time	23.0 (27.0) Years	24.9 (28.0) Years
- of a male (female) current pensioner aged 65	22.1 (25.2) Years	22.7 (25.6) Years

As part of the 2013 actuarial valuation the mortality experience was analysed across the fund over a 3 year period to 31 March 2013 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 valuation as at 31 March 2013 of the pension scheme proportion as applied to the Authority is rolled forward for 31 March 2017 (showing the proportion of assets between the classes of investment) and are as follows:-

The assets of the scheme were:

	<b>31 March 2017</b>				<b>31 March 2016</b>			
	Quoted %	Unquoted %	Total %	Asset £000's	Quoted %	Unquoted %	Total %	Asset £000's
Equities	70.3	6.9	77.2	111,041	69.4	6.2	75.6	91,953
Government Bonds	10.1	0.0	10.1	14,528	10.3	0.0	10.3	12,528
Other Bonds	3.9	0.0	3.9	5,610	4.6	0.0	4.6	5,595
Property	4.3	0.0	4.3	6,185	4.9	0.0	4.9	5,960
Cash/Liquidity	1.2	0.0	1.2	1,726	1.3	0.0	1.3	1,581
Other	1.4	1.9	3.3	4,747	1.2	2.1	3.3	4,013
<b>Total</b>	<b>91.2</b>	<b>8.8</b>	<b>100.0</b>	<b>143,837</b>	<b>91.7</b>	<b>8.3</b>	<b>100.0</b>	<b>121,630</b>

#### Reconciliation of unfunded/funded status to Balance Sheet

	<b>31 March 2017</b>			<b>31 March 2016</b>		
	£000's Unfunded	£000's Funded	£000's All Benefits	£000's Unfunded	£000's Funded	£000's All Benefits
Fair Value of assets		143,837	143,837		121,630	121,630
Present value of unfunded/ funded defined benefit obligation	11,456	204,765	216,221	12,308	170,484	182,792
Funded status	<u>(11,456)</u>	<u>(60,928)</u>	<u>(72,384)</u>	<u>(12,308)</u>	<u>(48,854)</u>	<u>(61,162)</u>
Impact of minimum funding requirement /asset ceiling	-	-	-	-	-	-
Asset/(liability) recognised on the balance sheet	<u>(11,456)</u>	<u>(60,928)</u>	<u>(72,384)</u>	<u>(12,308)</u>	<u>(48,854)</u>	<u>(61,162)</u>

#### Reconciliation of present value of scheme liabilities

	<b>£000's</b>		<b>£000's</b>	
	<b>31/03/2017</b>	<b>31/03/2017</b>	<b>31/03/2016</b>	<b>31/03/2016</b>
	Unfunded	All Benefits	Unfunded	All Benefits
Opening balance 1 April	12,308	182,792	13,608	194,405
Balance transferred in at 1 April 2014	-	-	-	-
Current service cost	-	2,764	-	2,805
Interest cost	388	5,898	403	5,901
Member Contributions	-	921	-	837
Past service cost	-	0	-	50
Actuarial gain/loss financial assumptn	735	34,499	(276)	(9,370)
Actuarial gain/loss Demographic	(302)	(5,409)	0	0
Actuarial gain/loss experience	(586)	3,834	(227)	(2,586)
Curtailments	-	0	-	-
Net increase in liabilities from disposals/acquisitions	-	0	-	280
Benefits paid	<u>(1,087)</u>	<u>(9,078)</u>	<u>(1,200)</u>	<u>(9,530)</u>
Closing balance 31 March	11,456	216,221	12,308	182,792



### 7.3 Pension disclosures required under IAS 19 (continued)

Reconciliation of fair value of scheme assets	£000's		£000's	
	31/03/2017	31/03/2017	31/03/2016	31/03/2016
	Unfunded	All Benefits	Unfunded	All Benefits
Opening balance 1 April	-	121,630	-	125,555
Interest income on scheme assets	-	3,944	-	3,823
Remeasurement of (losses)/gains	-	22,523	-	(3,082)
Contributions paid by employer	1,087	3,897	1,200	3,842
Member Contributions	-	921	-	837
Net increase in liabilities from disposals/aquisitions	-	-	-	185
Benefits paid	(1,087)	(9,078)	(1,200)	(9,530)
Closing balance 31 March	-	143,837	-	121,630

	31/03/2017	31/03/2016
	£000's	£000's
Actual return on assets		
Interest income on assets	3,944	3,823
Remeasurement gain/(loss) on assets	22,523	(3,082)
Actual return on assets	26,467	741

#### The amounts recognised in the Comprehensive Income and Expenditure Statement

	31/03/2017	31/03/2016
	£'000	£'000
<b>Cost of Service</b>		
Current Service Cost	2,764	2,805
Past Service Cost	-	50
Curtailements or settlements	-	-
<b>Financing Investment Income and Expenditure</b>		
Interest on net defined benefit liability	1,954	2,078
Total pension cost recognised	4,718	4,933
<b>Remeasurements in Other Comprehensive Income and Expenditure</b>		
Return on plan assets (in excess)/below that recognised in net interest	(22,523)	3,082
Actuarial (gains)/losses due to change in Financial assumption	34,499	(9,370)
Actuarial (gains)/losses due to change in Demographic assumption	(5,409)	-
Actuarial (gains) due to liability experience	3,834	(2,586)
Total amount recognised in Other Comprehensive income	10,401	(8,874)
Net increase in liabilities from disposals/acquisitions	-	95
<b>Total amount recognised</b>	15,119	(3,846)

#### 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 2017.

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

	31/03/2018	31/03/2019
	£'000	£'000
Projected service cost	3,771	3,894
Past Service cost	-	-
Interest on the net defined benefit liability/(asset)	1,484	1,536
	5,255	5,430

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

	31/03/2018	31/03/2019
	£'000	£'000
Interest on the net defined benefit liability/(asset)	273	261
	273	261

## 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 2017 and the projected service cost for the year ending 31 March 2018 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

Adjustment to discount rate	+0.1%pa	Base Figure	-0.1%pa
Present value of total obligation £000's	201,859	204,765	207,713
% change in present value of total obligation	-1.4%		1.4%
Projected service cost £000's	3,663	3,771	3,882
Approximate % change in projected service cost	-2.9%		2.9%

Adjustment to rate of increase in salaries	+0.1%pa	Base Figure	-0.1%pa
Present value of total obligation £000's	205,269	204,765	204,266
% change in present value of total obligation	0.2%		-0.2%
Projected service cost £000's	3,771	3,771	3,771
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	208,246	204,765	201,284
% change in present value of total obligation	1.7%		-1.7%
Projected service cost £000's	3,882	3,771	3,663
Approximate % change in projected service cost	2.9%		-2.9%

Adjustment to mortality age rating assumption	-1 year	Base Figure	+1 year
Present value of total obligation £000's	210,980	204,765	198,592
% change in present value of total obligation	3.0%		-3.0%
Projected service cost £000's	3,915	3,771	3,628
Approximate % change in projected service cost	3.8%		-3.8%

## 8 Government and Other Grant Income

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

	2016/17 £000's	2015/16 £000's
<b>Revenue credited to cost of Service</b>		
<b>Transport Services</b>		
Special Rail Grant (SRG) - Department for Transport	919	44,372
Section 31 LSTF - Department for Transport	16	2,825
Smart Grant -Department for Transport	-	56
Community Transport Support Grant - Department for Transport	-	24
Bus Service Operator Grant - Department for Transport	2,063	2,063
Congestion Performance Fund - Department for Transport	-	4
Section 31 Huddersfield Rail Station Gates Grant -DfT	-	31
ERDF Care North Plus/Challenge	1	42
	<u>2,999</u>	<u>49,417</u>
<b>Economic Development Services</b>		
Apprentice Grant for Employers Ph2 - Dept. Business Innovation & Skills	1,634	751
Apprentice Grant for Employers - Dept. Business Innovation & Skills	1,259	-
Enterprise Advisor - Careers & Enterprise Company	140	43
Strategic Heat Network - Dept. Energy and Climate Change	75	59
Employer Ownership Partnership - Dept. Bus Innovation & Skills	2,828	1,700
Business Growth Hub - Dept. Business Innovation & Skills	510	625
Growing Places Fund - DCLG	175	132
Headstart - Skills Funding Agency	166	2,532
Housing Stock Condition - Local Authority Partners	46	93
Better Homes Management - Keepmoat	104	99
Access to Finance - Partnership Investment Fund	-	50
LEP Strategic Growth Funding - Dept. Business Innovation & Skills	-	500
	<u>6,937</u>	<u>6,584</u>

**9 Non-Specific Grant Income**

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

	<b>2016/17</b>	<b>2015/16</b>
	<b>£000's</b>	<b>£000's</b>
<b>Capital grants and other Contributions</b>		
Local Growth Fund Allocation -DCLG	127,658	68,266
Growing Places Fund - DCLG	-	35,894
Green Deal -Dept. Energy and Climate Change	-	897
Central Heating Fund - Dept. Energy and Climate Change	1,719	45
Integrated Transport Block/Maintenance - DfT	41,523	42,317
BEACONS - DCMS	218	-
Section 31 Cycle City Ambition Grant - Department for Transport	6,751	11,696
Cleaner Bus Technology Grant - Department for Transport	20	-
Section 31 Kirkstall Forge App Bridge - Department for Transport	-	198
HS2 Strategy Tranche 2	171	-
Other Capital Contributions	4,956	3,263
	<b><u>183,016</u></b>	<b><u>162,576</u></b>
 <b>District Council Levies</b>	 <b><u>101,900</u></b>	 <b><u>101,481</u></b>

The funding for the provision of rail services under the franchising arrangements was no longer paid directly to the the Authority from April 2016. The Authority received the contribution to its administration costs. The amounts received as follows:-

	<b>2016/17</b>	<b>2015/16</b>
	<b>£000's</b>	<b>£000's</b>
Payments to Operators	-	43,467
Contribution to the Authority administration costs	919	905
	<b><u>919</u></b>	<b><u>44,372</u></b>

**10 Officers' Remuneration and Members Allowances**

	<b>2016/17</b>	<b>2015/16</b>
	<b>£000's</b>	<b>£000's</b>
(a) Employees Costs Amounted to:		
Wages and Salaries	13,242	11,740
Social Security Costs	1,305	854
Other Pension Costs	2,817	2,571
	<b><u>17,364</u></b>	<b><u>15,165</u></b>

Members' Allowances and Expenses: -

The total members' allowances paid in the year to 31 March 2017 was £146,240.47 (£155,823 31 March 2016) .

(b) The average number of persons employed was:

	<b><u>Number</u></b>	<b><u>Number</u></b>
Manual	37	43
Management and Administration	440	411
	<b><u>477</u></b>	<b><u>454</u></b>

c) At 31 March 17 the unused holiday entitlement across the Authority totalled:-

	<b>31/03/17</b>	<b>31/03/16</b>
	<b>£'000s</b>	<b>£'000s</b>
	<b><u>200</u></b>	<b><u>242</u></b>

The 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 the disclosure of the number of senior officers whose remuneration in the year was £50,000 or more, grouped in rising bands of £5,000. The following table therefore shows all senior employees of the Authority in their appropriate band.

Band	Senior Officers 2016/17	Senior Officers 2015/16
£50,001 - £55,000	12	8
£55,001 - £60,000	4	3
£60,001 - £65,000	4	6
£65,001 - £70,001	4	-
£70,001 - £75,000	-	2
£75,001 - £80,001	1	-
£90,001 - £95,000	-	2
£95,001 - £100,001	-	-
£100,001 - £105,000	1	2
£115,001 - £120,000	-	1
	<u>26</u>	<u>24</u>

Termination benefits were paid by the Authority arising from the termination of employment incurring liabilities of £68,483 in 2016/17 (£193,691 2015/16). The exit package payable included voluntary redundancy payments and enhanced pension benefits payable arising from the re-structuring and rationalisation of specific business areas.

#### Senior Employees

		Salary Fees Allowances	Bonuses	Expenses Allowances	Compensation for loss of office	Pension Contribution	Total
Managing Director - Ben Still	2015/16	25,000			19	3,375	28,394
Service (Appointed 1/2/16)	2016/17	151,000			137	20,452	171,589
Director of Passenger Services	2015/16	116,589			88	15,740	132,417
Director of Passenger Services (50% 01/07/16-31/03/17)	2016/17	32,355			60	4,368	36,783
Director, Transport Services (01/10/2016)	2016/17	45,610				6,157	51,767
Director of Development (Resigned 31/10/15)	2015/16	60,699				8,194	68,893
Director of Programme Delivery	2015/16	90,750				12,251	103,001
Director of Programme Delivery (to 30/06/2016)	2016/17	41,853			20,885	4,084	66,822
Director of Delivery (from 14/11/2016)	2016/17	38,368				5,179	43,547
Director of Resources - S73 Officer	2015/16	104,055				14,047	118,102
	2016/17	104,686				14,133	118,819
Director of Policy, Strategy and Communications	2015/16	91,702			167	12,380	104,249
	2016/17	99,403			59	13,419	112,881
Director of Economic Services (from 09/16/2016)	2016/17	67,150				9,065	76,215
Assistant Director, Legal	2015/16	62,214				8,398	70,612
Assistant Director, Legal (to 17/04/2016)	2016/17	3,009				406	3,415
Head of Democratic Services (from 04/07/2016)	2016/17	49,958			131	6,744	56,833

#### Exit Packages

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	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16 £	2016/17 £
£0-£20,000	0	0	10	2	10	2	65,459	22,817
£20,001-£40,000	0	0	5	2	5	2	128,232	45,666
£80,001-£100,000	0	0	0	0	0	0	-	-
Total	0	0	15	4	15	4	193,691	68,483

## 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. The revaluation was carried out as 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 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 revaluation was carried out as at 31 March 2015 on an Existing Use Value (EUV) basis in accordance with IAS 16. This resulted in an overall valuation of £9,198,000 which gave a gain on revaluation of £1,246,000. A revaluation gain of £190,000 was recognised on Apperley Bridge land held as a Donated Asset.

The 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 revaluation update by the external surveyors as at 31 March 2017 confirmed this position and provided a revaluation gain on two pieces of land at Low Moor station and the Bungalow at Hencorner lane of £596k.

- b) Assets Held for Sale

The 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 this value has been used to measure the asset's value for classification as an asset held for sale.

	2016/17 £000's	2015/16 £000's
<b>Balance Outstanding at start of the year</b>	650	650
Assets newly classified held for sale :-	-	-
Property plant and Equipment	-	-
Asset Held for Sale Revaluation Gain/(Loss)	(50)	-
<b>Balance Outstanding at end of the year</b>	<u>600</u>	<u>650</u>

- 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 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.

<b>Donated Assets Account</b>	2016/17 £000's	2015/16 £000's
Transfer of balances 1 April 2014		
Movement in year	-	-
Balance C/fwd 31 March 2017	<u>668</u>	<u>668</u>

## 11. PROPERTY, PLANT AND EQUIPMENT

### d) The movements

in the year  
1 April 2015 to  
31 March 2016 are :

	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	TOTAL
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b><u>COST VALUATION</u></b>									
Opening Balance	-	-	-	-	-	-	-	-	-
Transferred in at 1 April 2015	146,226	8,548	77,309	763	23,067	8	22,215	54	14,262
Additions	1,819	-	292	-	137	-	6	-	1,384
Transfer from payments on assets in course of construction	0	-	178	-	-	-	166	-	(344)
Disposals	(727)	-	(130)	-	(597)	-	-	-	-
Revaluation Adjustments	235	235	-	0	-	-	-	-	-
Reclassification Adjustments	0	-	0	0	-	-	-	-	-
Write off to Revenue	(290)	-	-	-	-	-	-	-	(290)
Transfer Assets held for sale	-	-	-	-	-	-	-	-	-
At 31 March 2016	147,263	8,783	77,649	763	22,607	8	22,387	54	15,012

### ACCUMULATED DEPRECIATION

Opening Balance	59,840	0	24,124	366	14,337	8	20,951	54	0
Charge for the year	5,414	272	2,588	32	1,765	0	757	0	-
Disposals	(727)	0	(130)	0	(597)	-	0	-	-
Reclassification adjustments	0	-	-	-	-	-	-	-	-
Revaluation Adjustments	(233)	(233)	-	-	-	-	-	-	-
Transfer Assets held for Sale	0	0	-	-	-	-	-	-	-
At 31 March 2016	64,294	39	26,582	398	15,505	8	21,708	54	0

### NET BOOK VALUES

31 March 2016	82,969	8,744	51,067	365	7,102	-	679	-	15,012
Opening Balance	-	-	-	-	-	-	-	-	-
31 March 2015	86,386	8,548	53,185	397	8,730	0	1,264	0	14,262

## 11. PROPERTY, PLANT AND EQUIPMENT

### e) The movements

in the year  
1 April 2016 to  
31 March 2017 are :

	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	TOTAL
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>COST VALUATION</b>									
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
<b>ACCUMULATED DEPRECIATION</b>									
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	-
<b>NET BOOK VALUES</b>									
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 Authority.

### MEMBERS

The Combined Authority requires Members to complete a declaration of Related Party Transactions and 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. Other than this no Member has declared any such transaction with the Authority.

The 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 Authority. Government grant funding

- The Authority receives financing through its Levy and contributions to the economic activities of the City Region from the District Councils.
- The Authority provides agency services for Education transport for which they are paid fees.
- The Authority received Local Transport Block Funding of which an allocation was paid to the District Councils.

The figures for 2016/17 are set out below:

Amounts received by WYCA	Education transport		Transport Levy		LCR LEP Funding	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
	£m	£m	£m	£m	£m	£m
Bradford MDC	1.7	1.9	24.0	23.9	0.1	0.2
Calderdale MDC	1.0	0.8	9.2	9.2	0.1	0.1
Kirklees MDC	0.4	0.5	18.8	18.7	0.1	0.1
Leeds City Council	1.8	1.3	34.3	34.2	0.2	0.1
Wakefield MDC	1.9	1.8	15.6	15.5	0.1	0.1
	<b>6.8</b>	<b>6.2</b>	<b>101.9</b>	<b>101.5</b>	<b>0.5</b>	<b>0.5</b>

Amounts paid by WYCA	LTP Block Funding		Transport Fund		Local Growth Fund Loans	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
	£m	£m	£m	£m	£m	£m
Bradford MDC	7.1	7.7	1.1	0.2	-	-
Calderdale MDC	4.7	4.9	0.6	0.0	-	0.3
Kirklees MDC	7.9	8.7	0.5	0.1	0.1	0.2
Leeds City Council	12.2	12.3	1.1	0.2	3.1	2.6
Wakefield MDC	5.5	5.7	8.9	15.4	-	-
	<b>37.4</b>	<b>39.2</b>	<b>12.1</b>	<b>16.0</b>	<b>3.2</b>	<b>3.1</b>

### Officers

Yorcard Ltd is a Joint Venture trading company operated in conjunction with SYPTE and is fully disclosed in note 24. Mr John Henkel is a Director of West Yorkshire Combined Authority and of Yorcard Ltd.

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

Mr John Henkel is a Director of the West Yorkshire Combined Authority and of TICCO Ltd. During the year ended 31 March 2017 charges totalling £54,951 (£40,000 to 31 March 2016) were invoiced by TICCO Ltd to the Authority.

ITSO Services Ltd is a trading company established to promote the development of interoperable smart card applications to public transport. Mr John Henkel is a Director of West Yorkshire Combined Authority and of ITSO Services Ltd. During the year ended 31 March 2017 fees totalling £0 (£0 to 31 March 2016) were invoiced by ITSO Services Ltd to the 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 Authority's concessionary fares scheme which is based on the reimbursement guidance issued by the Department for Transport. The 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 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 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.

All these payments to operators are summarised in the Comprehensive Income and Expenditure Statement on page 20.

### 13 Exceptional Item

There were no exceptional items in 2016/17 or in 2015/16.

### 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

	31 March 17 £000's	31 March 16 £000's
Central government bodies	4,971	4,159
Other Local Authorities	9,302	6,006
Bodies external to general government	12,048	4,261
Bad debt provision	(11)	(20)
	<u>26,310</u>	<u>14,406</u>

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

	31 March 17 £000's	31 March 16 £000's
Bank Current Accounts	42,475	12,400
	<u>42,475</u>	<u>12,400</u>

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

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 Debtor - Loans

	31 March 17 £000's	31 March 16 £000's
Soft Loans		
Balance at 1 April 2016	3,911	-
Nominal Value of Loans advanced during year	4,830	4,832
Fair Value Adjustment on Initial recognition	(584)	(926)
Effective interest to write back to carrying value	71	5
Balance at 31 March 2017	<u>8,228</u>	<u>3,911</u>
Other Loans Advanced		
Balance at 1 April 2016	18,912	-
Loans transferred	1,481	23,837
Loans repaid	(2,145)	(125)
Impairment of Loan	(1,460)	(4,800)
Loans advanced during the year	2,000	-
Balance at 31 March 2017 < 1 year	<u>(3,363)</u>	
Balance at 31 March 2017 > 1 year	<u>15,425</u>	<u>18,912</u>
<b>Total Long Term Debtor - Loans</b>	<u><b>23,654</b></u>	<u><b>22,823</b></u>

The loan of £1.46m plus £237k interest to LEP loan 102 was impaired in full at 31 March 2017 on the basis that the company entered into financial difficulties with little prospect of the loan being repaid.

18

**(a) Trade and Other Payables**

	31 March 17 £000's	31 March 16 £000's
Central government bodies	3,002	319
Other Local Authorities	15,737	10,498
Bodies external to general government	32,826	20,871
	<b>51,565</b>	<b>31,688</b>

**(b) Accrued and Deferred Income**

	31 March 17 £000's	31 March 16 £000's
Central government	13,233	5,073
Other local authorities	774	-
Bodies external to general government	200	242
	<b>14,207</b>	<b>5,315</b>

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**

	31 March 17 £000's	31 March 16 £000's
<b>Lender:-</b>		
Public Works Loans Board	51,233	52,249
Other Market Loans	25,320	25,323
Short Term Loans	-	3,000
	<b>76,553</b>	<b>80,572</b>
<b>Maturity:-</b>		
Loans repayable within 12 months	1,553	5,072
1-2 years	-	500
2-5 years	-	-
5-10 years	-	-
in more than 10 years	75,000	75,000
	<b>76,553</b>	<b>80,572</b>

**20 Capital Expenditure and Financing**

	2016/17 £000's	2015/16 £000's
<b>Capital investment</b>		
Operational assets acquired in year	147,004	119,003
<b>Sources of finance</b>		
Borrowing (credit approvals)	-	-
Capital receipts	-	-
Government grants and other contributions	147,004	119,003
Revenue contributions	-	-
	<b>147,004</b>	<b>119,003</b>

**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.



**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 WYCA 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 affect 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).

**Financial instruments not measured at fair value**

## Financial assets

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 2017.
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 2017.
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 lender 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

## Financial liabilities

Type	Valuation Technique
Loans/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 2017.
Trade Payables	The fair value of trade payables is deemed to be the invoiced or billed amount.

## 21 Financial Instruments Continued

	Effective		31 March 17	31 March 16
Current	interest rate	Maturity	£000's	£000's
Durham County Council	0.50%	Apr 2016	-	2,000
Rhondda Cynon Taff Borough Council	0.55%	Apr 2016	-	1,000
PWLB - EIP	2.81%	Jun 2016	-	500
PWLB - EIP	2.81%	Dec 2016	-	500
			<b>0</b>	<b>4,000</b>
<b>Non- Current</b>				
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	500	500
Barclays - LOBO's	3.97%	May 2065	5,000	5,000
Barclays - LOBO's	3.80%	Aug 2065	5,000	5,000
Barclays - LOBO's	3.99%	Oct 2066	5,000	5,000
Barclays - LOBO's	4.30%	Dec 2076	5,000	5,000
Barclays - LOBO's	4.32%	May 2077	5,000	5,000
			<b>75,500</b>	<b>75,500</b>
<b>Total</b>			<b>75,500</b>	<b>79,500</b>

### 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 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 Authority may not be received. Almost all of the 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 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 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 borrowers 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 Authority may not have sufficient cash available to meet its day to day obligations to meet payments. The 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 Authority's current and future requirements. Also measures are in place to actively manage the loan portfolio to ensure refinancing, if required, can be done in a way to minimise the risk of

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 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 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 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 £1,556k if interest rates varied by 1% in the year.

The Authority is not exposed to any material currency risk.

**22 Reserves**

	31 March 17 £000's	31 March 16 £000's
Usable Reserves	105,689	65,221
Unusable Reserves	(47,390)	(40,570)
<b>Total Reserves</b>	<b><u>58,300</u></b>	<b><u>24,651</u></b>

**Usable Reserves**

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 WYCA. The General Fund Balance has a surplus of £7.1m at 31 March 2017 (£9.83m 31 March 2016).

The Total Reserves balance for the 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 2017. The Rail Reserve is ear-marked for rail infrastructure investment and is to be held pending future investment into identified rail projects.

The Total Reserves balance for the Authority includes an NGT Reserve of £0.97m under Usable Reserves at 31 March 2017 (£0.99m 31 March 2016). 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 2017 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 £21.93m at 31 March 2017 (£16.23m 31 March 16).

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.

	2016/17 £000's	2015/16 £000's
Opening Balance	36,096	25,297
Capital receipts unapplied	37,512	10,799
Balance carried Forward	<u>73,608</u>	<u>36,096</u>

**Unusable Reserves****Capital Adjustment Account**

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

	2016/17 £000's	2015/16 £000's
<b>Capital Adjustment Account</b>		
Opening Balance	8,631	(15,283)
	<u>8,631</u>	<u>(15,283)</u>
Revenue Funded from Capital Under statute	(139,336)	(112,243)
Depreciation	(4,917)	(5,414)
Revaluation loss on Asset Held For Sale	(50)	-
Statutory provision for the financing of Capital Investment (MRP)	3,389	3,531
Capital receipts applied	147,004	142,840
Impairment of GPF Loans	(1,698)	(4,800)
Balance at the end of the Year	<u>13,022</u>	<u>8,631</u>

**Financial Instruments Adjustment Account**

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 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.

## 22 Reserves Continued

	2016/17 £000's	2015/16 £000's
Balance at 1 April	(1,034)	(38)
Premiums incurred in the year	(81)	(82)
Discounts received in year	6	6
Effective Interest rate adjustment- Soft Loans	(514)	(920)
Balance at 31 March	<u>(1,623)</u>	<u>(1,034)</u>

### Pensions Reserve

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.

	2016/17 £000's	2015/16 £000's
Balance at 1 April	(61,162)	(68,850)
Actuarial gains and (losses) on pension assets and liabilities	(10,401)	8,874
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	(4,718)	(4,933)
Net increase in liability on disposal/acquisition	0	(95)
Employers pension contributions	3,897	3,842
Balance at 31 March	<u>(72,384)</u>	<u>(61,162)</u>

### Revaluation Reserve

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.

	2016/17 £000's	2015/16 £000's
Balance at 1 April	12,329	11,861
Surplus on revaluation	596	468
Balance at 31 March	<u>12,927</u>	<u>12,329</u>

### Donated Assets Account

Donated assets are those that were received at little or no cost to the 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 12c.

## 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:-

	2016/17 £000's	2015/16 £000's
At 1 April	174	154
Arising during year	15	20
Utilised in year	-	-
At 31 March	<u>189</u>	<u>174</u>

The Combined Authority as at 31 March 2016 has provided for liabilities relating to the now insolvent company Mutual Municipal Insurance (MMI) 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 2017 as specified in IAS37. There were no environmental provisions at 31 March 2017.

## 24 Joint Venture

At 31 March 2017 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 PTE 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 Authority's accounts . The performance and financial position of the 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 :-

	2016/17 £000's	2015/16 £000's
Turnover and other income	1,474	1,576
Expenses	(1,474)	(1,576)
Profit before Tax	0	0
Taxation	-	-
Profit after Tax	-	-
Fixed Assets	-	8
Current Assets	649	499
Liabilities due within 1yr	(639)	(489)
Liabilities due after 1yr or more	0	(8)
Net Assets	10	10

## 25 Auditors Remuneration

	2016/17 £000's	2015/16 £000's
Audit Services	33	33
Other Services	2	4
	35	37

## 26 Financial Commitments

	31 March 17 £000's	31 March 16 £000's
(a) <u>Capital Commitments</u>		
Contracted For but not Provided in the Accounts	192,814	121,973
Authorised but not Contracted For	20,641	16,441
	213,455	138,414

Capital Commitments Contracted For but not Provided in the Accounts reflect approvals for the Growth Deal projects. Capital Commitments Authorised but not contracted for reflects the approval of large scale capital schemes last year such as the Leeds District Heat Network project £7m, Housing & Regeneration projects £9.7m and West Yorkshire Transport Fund schemes of £2.2m which have not yet been approved for the forthcoming year.

### (b) Revenue Commitments - Operating Leases

The Authority has a number of bus contracts that incorporate a lease under IFRIC4 . The 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 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.

### Bus Operator Payments - IFRIC 4

	2016/17 £000's	2015/16 £000's
Minimum lease payments under operating leases recognised in the year :	1,826	2,338
Within 1 year	1,359	1,340
Within 2-5 years	2,166	3,244
Beyond 5 years	-	-
	3,525	4,584



## 26 Financial Commitments continued

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:

<u>Bus Operator Payments - IFRIC 12</u>	<b>2016/17</b> <b>£000's</b>	<b>2015/16</b> <b>£000's</b>
Minimum lease payments under IFRIC 12 recognised in the year :	<u>5,487</u>	<u>5,273</u>
Within 1 year	5,575	5,261
Within 2-5 years	23,133	12,429
Beyond 5 years	-	-
	<u>28,708</u>	<u>17,690</u>

## 27 Contingent Liabilities

The Combined Authority had a contingent liability at 1 April 2016 arising from possible claims relating to NGT acquisitions. The liability continues at 31 March 2017 but it is not practical to disclose an estimate of the financial effect, amount and timing due to the uncertainty.

## 28 Going Concern

The accounts of the Combined Authority have been prepared on a going concern basis. The West Yorkshire Combined Authority Order 2014 created the Combined Authority at 1st April 2014 and provided that all the assets, liabilities and functions of the Integrated Transport Authority and Passenger Transport Executive were transferred across. This was deemed to be a transfer of services under combinations of public sector bodies and therefore the presumption of going concern continues in accordance with the code. The pension liability does not undermine the presumption of going concern as the Combined Authority is making additional pension contributions to address the deficit.

## 29 Events After the Balance Sheet Date

Asset held for sale was disposed on 28th April 2017 at its book value as at 31st March 2017. There have been no other adjustments to the financial statements for events after the balance sheet date.

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEST YORKSHIRE COMBINED AUTHORITY**

## **Opinion on the Combined Authority financial statements**

We have audited the financial statements of West Yorkshire Combined Authority for the year ended 31 March 2017 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 the related notes. 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 2016/17.

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 as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members of the West Yorkshire Combined Authority, as a body, for our audit work, for this report or for the opinions we have formed.

## **Respective responsibilities of the Chief Financial Officer and auditor**

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 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Combined Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Opinion on financial statements**

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 2017 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 2016/17.

## **Opinion on other matters**

In our opinion, the information given in the Narrative Report for the financial year for which the financial statements are prepared, is consistent with the financial statements.

## **Matters on which we report by exception**

We report to you if:

- in our opinion the Annual Governance Statement does not comply with Delivering Good Governance in Local Government: Framework (2016);

- 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 the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

## **Conclusion on the Combined Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources**

### ***Respective responsibilities of the Combined Authority and the auditor***

The Combined 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.

We are required under section 20 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. 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.

### ***Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources***

We are required to conclude whether the Authority has put in place arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We have planned and undertaken our work in accordance with the Code of Audit Practice as issued by the Comptroller and Auditor General, and had regard to relevant guidance. 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.

### ***Conclusion***

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

## **Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.



Mark Kirkham

For and on behalf of Mazars LLP  
Mazars House  
Gelder Road  
Leeds  
LS27 7JN

Date 29 August 2017

## **West Yorkshire Combined Authority**

### **Certificate on the 2016/17 audit**

In our report dated 29 August 2017 on the 2016/17 statement of accounts, we explained that we could not formally conclude the audit and issue an audit certificate until we had completed the work necessary to issue our assurance statement in respect of the Combined Authority's Whole of Government Accounts consolidation pack. We have completed that work. No other matters have come to our attention since our report that would have a material impact on the financial statements on which we gave an unqualified opinion or on our value for money conclusion.

We certify that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the Comptroller and Auditor General.



Mark Kirkham

For and on behalf of Mazars LLP  
Mazars House,  
Gelderd Road  
Leeds  
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28 September 2017