

# Statement of Accounts

Audited figures

For the year ending 31 March 2020

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## Contents

<b>1.</b>	<b>Narrative Report</b> .....	<b>1</b>
<b>2.</b>	<b>Statement of Responsibilities</b> .....	<b>9</b>
<b>3.</b>	<b>Annual Governance Statement</b> .....	<b>11</b>
<b>4.</b>	<b>Financial Statements</b> .....	<b>20</b>
	<b>Movement in Reserves Statement</b> .....	<b>20</b>
	<b>Comprehensive Income and Expenditure Statement</b> .....	<b>22</b>
	<b>Balance Sheet</b> .....	<b>23</b>
	<b>Cash Flow Statement</b> .....	<b>24</b>
<b>5.</b>	<b>Explanatory Notes to the Accounts</b> .....	<b>25</b>

# **West Yorkshire Combined Authority**

## **Narrative Report to the Annual Accounts 2019/20**

### **Introduction**

This report provides context to the West Yorkshire Combined Authority's accounts for 2019/20, a year which saw continued success delivering growth through transport and economic development and regeneration.

The West Yorkshire Combined Authority has been the Local Transport Authority for West Yorkshire since 2014 and also has power to exercise economic development and regeneration functions in conjunction with the Local authorities of West Yorkshire. The Combined Authority also includes as members the leader of the City of York Council and the Chair of the Leeds City Region Local Enterprise Partnership (LEP). The Combined Authority has established a Transport Committee, through which it conducts the majority of its Local Transport Authority functions, and an Investment Committee which provides strategic guidance in relation to the investment in and funding of transport and economic development schemes. Membership of the Combined Authority committees is drawn from all Local authorities within West Yorkshire, together with City of York Council.

### **Responsibilities**

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

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

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

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

### **Review of the year**

2019/20 is the sixth year of business for the Combined Authority and the fifth which fully includes the activities and funding of the LEP.

During 2019/20, alongside our external facing work, we have made significant progress with our ambitious programme of internal transformation, deepening our level of partnership working, strengthening our monitoring and evaluation capabilities, and continuing to enhance our accountability and transparency. There has been a continued focus on delivering at pace the projects and services that support the Combined Authority priorities and a focus on ensuring that all the Combined Authority activities are contributing towards delivering inclusive growth that benefits all our communities.

Every year the Combined Authority publishes a Corporate Plan setting out its achievements from the previous year, its priorities for the coming year and how it will deliver these. This includes detail on how it will allocate its budget, its governance processes which ensure transparency and accountability for its investment, and how it will measure success through its key performance indicators (KPIs). The Corporate Plan is available at [www.westyorks-ca.gov.uk/corporateplan](http://www.westyorks-ca.gov.uk/corporateplan).

### **Transforming the organisation**

We continue transforming our organisation to ensure it is in the best possible place to deliver the investment for which we are now responsible and be “mayor-ready” ahead of any devolution deal to the region.

This organisational transformation will continue to be a priority for us during the coming year and beyond and further details are available in both our Strategic Economic Plan (SEP) and Corporate Plan (again available on our website).

### **Meeting the challenges and opportunities ahead**

The general economic outlook continues to be difficult with the public sector continuing to face funding challenges. The revenue funding for many of the Combined Authority’s activities comes from the West Yorkshire local authorities, with further contributions from them and the other LEP local authorities for some of the economic activities. All areas of the budget are reviewed as part of the Transformational Programme to ensure that resources are focussed on the organisational priorities. Recognising the pressure on local authority budgets the Combined Authority agreed a further cut in the transport levy for 2019/20 and 2020/21 and plans are progressing on the detail of how the agreed savings and cuts can be delivered. The Combined Authority still has significant capital funding through the Growth Deal, the Local Transport Plan funding and the Leeds Public Transport Infrastructure Programme amongst others and further work will continue to be undertaken during 2020/21 to ensure the most effective use is being made of all the capital and revenue income streams available to the Combined Authority, with the focus being the delivery of the objectives and outcomes as set out in the SEP.

As at the time of drafting this report the national issues relating to Covid 19 created a period of significant business disruption across the country. The Combined Authority (the CA) closed its main offices in the week commencing 16th March 2020 in response to the Government ‘lockdown’ announcements, though all office based staff were equipped and immediately able to work from home with full access to systems and information. The CA business continuity plans were invoked and adjusted internal controls were introduced to key systems and processes.

In order to ensure service continuity during and after the outbreak the CA acted swiftly to ensure contractors and service providers at risk were in a position to resume normal service delivery once the outbreak is over. Following the principle and guidance of the two Government issued Procurement Policy Notes (PPN's), the CA introduced the following arrangements:

- Supplier relief scheme due to COVID-19 – An internal working that reviews and responds consistently and fairly to supplier relief requests.
- Transport bus services retention scheme – From 20 March 2020, bus services were reduced to a minimal Key Worker Bus Service. The sudden reduction in passenger revenues were having a significant impact on the viability of bus services and there were concerns about the capacity of the bus sector in the recovery period. The Department for Transport urged the CA (as Local Transport Authorities (LTA)) to continue to pay bus and coach operators for tendered services, home to school transport, and operators for concessionary fares at levels before any downturn in service provision or patronage, for at least the period of the outbreak. The urban LTAs developed a series of conditions which required the operators agreement prior to continued payments. Additionally, the Department for Transport announced £1.086m of bus services support grant for the CA under its Better Deal For Bus Users. In addition, the Combined Authority will also receive £779k which would offset losses and support marginal services on bus services.
- Debt relief scheme - An internal working that reviews and responds consistently and fairly to customer, tenants and debtors with regard to monies owed.

A detailed assessment has commenced on the impact of Covid-19 on the revenue budget for 2020/21 and beyond. The work is evolving but discussions have commenced with the CA Board and also with government departments on how the financial impact is to be addressed.

As the situation continues to develop and work is underway to revisit the Corporate Plans and budgets that were approved by the Combined Authority in February 2020.

The following paragraphs summarise the plans for the next year and beyond, though these are likely to change once the impact of Covid 19 is understood further. More detail can be found in the published Corporate Plan with the following a summary of the planned activity.

As an organisation, we are working with our partners to secure the extra powers and funding our City Region and residents needs to thrive. Over the year we will:

- Complete our £1 billion plus Growth Deal package of investment by March 2021
- Focus on becoming a Mayoral Combined Authority and having an elected Mayor in May 2021.
- Ensure the LEP meets new government requirements
- Influence the shape and size of future regional funding (including the UK shared prosperity fund)
- Secure funding to deliver against key corporate objectives.
- Maximise delivery against European funds.
- Ensure the successful transition of Transforming Cities Fund bids into delivery

### **Boosting productivity**

- Support business to respond to the challenges and opportunities of Brexit and changes needed following COVID19
- Implement the Local Industrial Strategy and Strategic Economic Framework
- Complete delivery of the Skills Commission, maximising its influence & embedding it in the Leeds City Region
- Provide businesses with intensive support to boost productivity/innovation capacity
- Attract global investors to the region and the creation of new job and training opportunities
- Help businesses to increase overseas trade
- Embed the Regional Digital Framework

### **Enabling inclusive growth**

- Deliver an Inclusive Growth Programme in line with the Strategic Economic Framework
- Enable necessary passenger journeys where possible by public transport
- Develop a safe operating model for demand responsive transport services
- Reach people with targeted careers information
- Engage businesses with skills initiatives
- Continued delivery of [re]boot & Employment Hub
- Connect home & businesses to superfast broadband where there is limited commercial viability
- Embed inclusive growth across our policies

### **Delivering 21<sup>st</sup> century transport**

- Increase bus patronage & satisfaction through the West Yorkshire Bus Alliance
- Transform passenger information and modernise travel centres
- Increase bus use amongst under 25s at no increased cost
- Manage over 1 million MCard sales and launch a mobile app
- Continue work on future bus options and alternative governance models
- Develop a strategic business case for urban transit proposals
- Establish a rail strategy, preparing for HS2 & Northern Powerhouse Rail
- Deliver schemes in WY+ Transport Fund, LTP and Leeds Public Transport Investment Programme & delivery of a Transforming Cities Fund

### **Tackling the climate emergency**

- Mobilise the Climate Coalition, to achieve early years targets to reach zero-carbon by 2038.
- Deliver priority projects in the Energy Strategy
- Provide intensive clean growth support to businesses (through Resource Efficiency Fund and the Travel Plan Network)
- Enable a further schemes to be supported by the Energy Accelerator
- Complete installation of electric vehicle charging points
- Establish a connectivity plan and pipeline, promoting active & decarbonised travel
- Reduce carbon from the Combined Authority's assets

## **The accounts**

The accounts have been prepared in accordance with The Code of Practice on Local Authority Accounting UK 2019/20 which is based on approved International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards (IAS) 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 Statement of Responsibilities** for the Statement of Accounts, which sets out the requirements for the Combined Authority and the chief financial officer's responsibilities.

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

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

**The 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 Combined Authority for the year.

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

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

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

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

	2019/20 Approved Budget	2019/20 Actual
	£m	£m
<b>Funding</b>		
Special Rail Grant	0.9	0.9
LEP General Funding	1.2	1.5
Growing Places Fund Interest	0.3	0.7
Enterprise Zone Receipts	2.0	2.4
Transport levy applied	93.2	93.2
Transfer from / (to) reserves	1.2	(1.3)
	98.8	97.3
<b>Revenue Expenditure</b>		
<b><u>Transport Services:</u></b>		
Concessionary Fares	56.6	55.2
Subsidised Bus Services	16.8	17.0
Passenger Services	6.1	5.6
Rail SRG spend	0.9	0.9
<b><u>Economic Services</u></b>	0.9	0.9
<b><u>Policy, Strategy and Communications</u></b>		
<b><u>Corporate</u></b>	4.7	4.8
Pension&Financing Charges	8.9	7.5
Corporate inc one organisation	4.1	5.3
	98.8	97.3

The presentation above reflects the format in which the original budget was approved by the Combined Authority and provides a useful analysis of expenditure for the users of the accounts. The transfer to reserves figure (£1.325m) is the revenue position for 2019/20. This is lower than the budget set due to a number of savings being realised across the operational areas and increased capitalisation.

## Revenue funding

The Combined Authority's expenditure was met by a levy on the five constituent West Yorkshire local authorities (Bradford, Calderdale, Kirklees, Leeds and Wakefield) and contributions from them and the other LEP local authorities for the economic activities. Funding is also received from government in support of LEP core costs and to fund business and skills activities, such as grants to businesses for apprentices. In 2019/20 grant income of £878k was received from Central Government to cover the administrative costs of managing the rail franchises. Since 1 April 2016 rail franchise payments have been paid via Rail North and not via the Combined Authority. Grants formerly received directly from central Government towards the costs of the English National Concessionary Travel Scheme and rural bus services are now paid to the local authorities as part of the revenue support grant. Income from the LEP Enterprise Zones accrues to the Combined Authority and a sum of £2.3m has been accounted for in 2019/20, with this set to rise as more businesses locate to the Enterprise Zones.

In 2006/07 the government introduced free local bus travel for senior citizens and disabled passengers and funded this through increases to the revenue support grant provided to the constituent local authorities. There was an uneven distribution between local authorities and the levy was issued to adjust for this with any excess being returned to the local authorities. This agreement has subsequently been continued and the transport levy shown in the accounts for 2019/20 is the net amount.



## **Revenue expenditure**

The net levy available for normal transport purposes was reduced by £1m as that paid to the Combined Authority in 2019/20. The annual amount set aside for the West Yorkshire plus Transport Fund (WY+TF) remained at the same level of approximately £5m. This is in addition to the amounts set aside in previous years for this purpose, demonstrating the local commitment to establishing the WY+TF.

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

Funding awarded for Economic Services comes from a range of different sources, including UK Government (e.g. Department for Business, Energy and Industrial Strategy and Department for International Trade and the Skills Funding Agency), from the European Union (European Social Fund, European Regional Development Fund and Interreg) and from local sources, such as the Leeds City Region Business Rates Pool. This focusses on helping existing businesses to grow, attracting new business investment to the City Region and addressing skills shortages at all levels.

In common with local government across England, the Combined Authority expects to face challenging financial constraints over the coming years. Work is underway on a challenging programme of review of the services we currently support to enable a balanced medium term financial strategy to be achieved.

## **Capital expenditure**

Total capital expenditure in the year was £158.7m (please see note 18 page 52), funded through a combination of income streams but primarily grants from the Department for Transport and the Ministry of Housing, Communities and Local Government (in relation to the Growth Deal). These included the Local Transport Plan Integrated Transport block funding and highways maintenance grant totalling £42m which is then utilised by the Combined Authority and the constituent Local authorities, and the £63.7m capital grants for the Leeds Public Transport Improvement Package.

The Growth Deal funding of £74m received for 2019/20 has been applied to £70m of projects within the programme. An underspend in year on the Growth Deal has been accounted from capital grants to be applied in future years.

The significant capital schemes delivered in the year are set out in the above narrative and as well as these there have also been investments in ICT, contributions to highways and City Connect schemes, and car parks and further investment in clean bus technology.

## **Treasury management**

The Combined Authority has continued to follow its approved treasury management policy. Changes to this policy have been made during the year to enable the Combined Authority to better manage its increasing cash balances. There has been significantly more income received in the year with the trend set to continue, as a result of the Combined Authority taking on the responsibility of accountable body for funding awarded

to the LEP. This has resulted in short term investment of £186m being invested as at 31 March 2020.

The Combined Authority's long term borrowing remains at £75m at the end of 2019/20. The Combined Authority's borrowing requirement is increasing over coming years, reflecting the capital programme approved on 6th February 2020. This will be periodically reviewed as the West Yorkshire plus Transport Fund and other activities of the Combined Authority are further developed.

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

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

The Corporate Plan and associated budgets are approved by the Combined Authority at the February meeting each year. Plans are underway to develop the medium term financial strategy that will identify spending and saving plans, funding stream and emerging financial risks.

Investment in infrastructure projects is driven by the SEP and all projects are subject to the Appraisal Framework which tests the robustness of each scheme in the pipeline to ensure the strategic fit along with a financial and economic appraisal. The Assurance Framework is reviewed annually by the Combined Authority and by the Department for Business, Energy and Industrial Strategy.

The Corporate Plan is closely linked to the aims of the SEP and provides a vision, mission, objectives and outcomes for the coming years. Clear and measurable targets and outcomes for key priorities are identified, with key performance targets being measured regularly throughout the year.

### **Further Information**

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

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

LEP Growth Service for businesses seeking support to grow: 0113 348 1818

## **Statement of Responsibilities for the West Yorkshire Combined Authority**

### **1. The Combined Authority's Responsibilities**

The Combined Authority is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In the Combined Authority, that officer was the Director, Corporate Services 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 Combined Authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice'), is required to present a true and fair view of the financial position of the Combined Authority at the accounting date and its income and expenditure for the year ended 31 March 2020

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 unaudited Statement of Accounts present a true and fair view of the financial position of the West Yorkshire Combined Authority at 31 March 2020 and its income and expenditure for the year ended 31 March 2020.

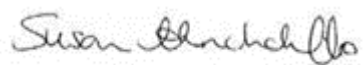


A Taylor  
Chief Financial Officer

### **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 27 November 2020 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.

A handwritten signature in black ink, appearing to read "Susan Hinchcliffe". The signature is written in a cursive style with a large initial 'S'.

Councillor Hinchcliffe  
Chair of the Authority

30 November 2020

# **West Yorkshire Combined Authority Annual Governance Statement 2019/20**

## **1. Scope of Responsibility**

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

In discharging this overall responsibility, the Combined Authority is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions including arrangements for the management of risk. The Combined Authority annually approves a Code of Corporate governance consistent with the principles of CIPFA Solace framework "Delivering good governance in Local Government".

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

## **2. The purpose of the governance framework**

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

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

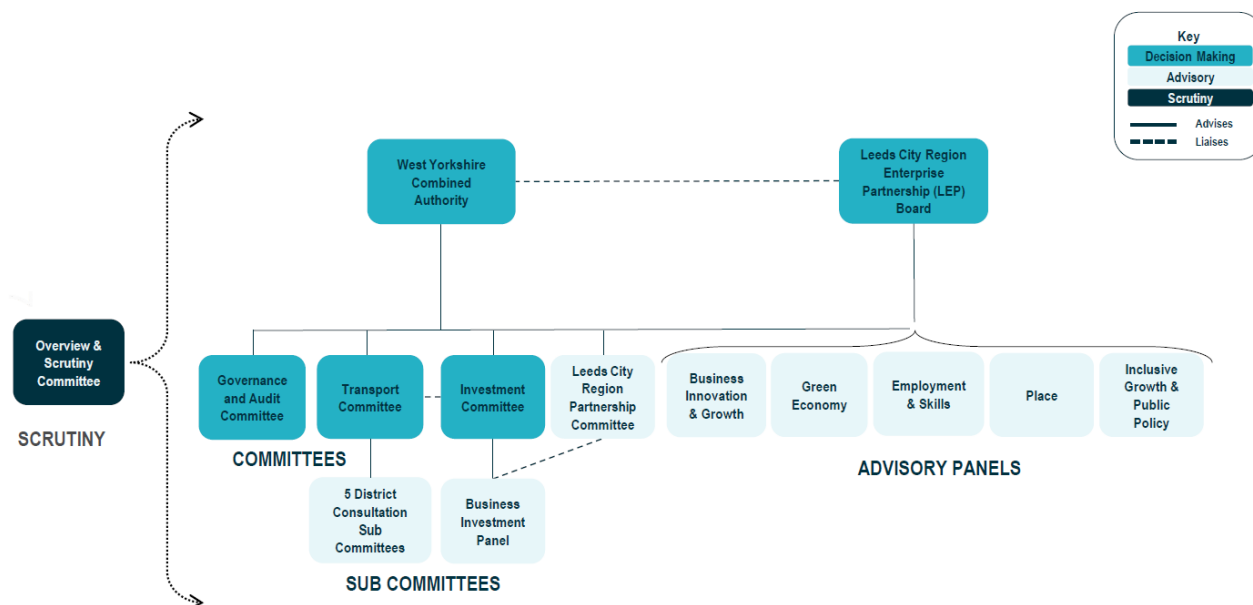
The governance framework has been in place at the Combined Authority throughout the year ended 31 March 2020 and up to the date of approval of the financial statements.

## **3. The governance framework**

There are a number of key elements of the systems and processes that comprise the Combined Authority's governance arrangements. These are set out in the approved Corporate Governance Code and Framework and which is available on its website. The Combined Authority took on accountable body status for funding awarded to the Leeds City

Region Enterprise Partnership (LEP) from 1 April 2015 and governance arrangements reflect this responsibility and continue to develop to further enhance this. During 2017/18 a review of these arrangements resulted in formalising the LEP advisory panels that provide policy direction and guidance to the LEP Board and these arrangements remained in place for 2019/20, with ultimately financial approvals provided by the Combined Authority.

## Governance Structure



- Corporate policies and objectives are set and communicated by the Combined Authority. The Combined Authority has clearly defined its ambitions to work with its partners across the region to effect economic growth in the Leeds City Region; these ambitions are set out in the Strategic Economic Plan (SEP). The SEP presents investment priorities across the four pillars of growing business, developing a skilled workforce, clean energy and environmental resilience and delivering the infrastructure for growth. The SEP has been endorsed by both the LEP and Combined Authority Boards and is 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 Local Industrial Strategy.
- The LEP panels (with their public and private sector representation) are integrated into the Combined Authority's decision making process as advisory committees, thus providing a consistent, accountable and transparent framework across both the LEP and the Combined Authority, so far as possible. The status of the advisory committees brings the panels under the statutory provisions relating to local authority meetings and the Combined Authority's Members' Code of Conduct.
- A review of LEP governance and transparency was carried out during 2017/18 which considered local arrangements and recommendations from the DCLG Review of Local Enterprise Partnership Governance and Transparency. The review led to the adoption of a LEP constitution and associated procedures that have been in place for 2019/20. All documents were reviewed by the LEP, further to the publication by Government of the revised National Local Growth Assurance Framework guidance. All governance documents comply with the guidance published by Government. The

outcome of the most recent Annual Conversation carried out by the Cities and Local Growth Unit confirmed that the LEP's governance is considered to be good.

- d) The statutory Local Transport Plan (LTP) in place for 2019/20 was adopted by the Combined Authority in August 2017 and sets out a step change in the quality and performance of the transport system within West Yorkshire and its connections with the rest of the country. It sits within the policy framework of the Combined Authority, with the development of a Leeds City Region Industrial Strategy at its heart, targeted at placing the City Region on the front-foot with an ambitious policy platform that improves competitiveness and drives inclusive growth outcomes.
- e) A suite of supporting plans and strategies set out further detail on a range of priority areas, including housing and regeneration, digital infrastructure, green infrastructure, skills and trade and investment. The work underway on the Local Industrial Strategy will bring these together to enable a clearer focus on driving economic growth.
- f) The Leeds City Region Assurance Framework is in line with national best practice and is peer reviewed and updated on an annual basis building on existing good practice and reflecting any changes in both government guidance and improvements to the Combined Authority's procedures. The Assurance Framework was comprehensively reviewed during 2019/20, to comply with the revised National Local Growth Assurance Framework Guidance. Changes were considered and endorsed by a working group of the Overview and Scrutiny Committee and further considered by the Governance and Audit Committee, the LEP Board and the Combined Authority. 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 in the diagram below, with the requirement to meet the intervening activities deemed on a project by project basis. The Investment Committee will consider the majority of projects at these points with the Combined Authority approving all schemes at decision point 2, with subsequent decisions delegated thereafter to the Investment Committee and/or Managing Director (as appropriate).



- g) The Combined Authority's scrutiny arrangements consist of a politically balanced Overview and Scrutiny Committee of 18 members co-opted from the five West Yorkshire Councils and York. In November 2018, a new Chair was appointed following the previous Chair's resignation as a councillor. This year the committee has scrutinised the transforming cities bid, local industrial strategy, skills commission, digital inclusion/exclusion, inclusive growth and business grants performance. In addition, the committee has maintained an overview of developments in devolution,

the LEP Review, budget and business planning and progress with enterprise zones. The committee's annual report which is a summary of work undertaken and recommendations made in the 2019/20 municipal year, is considered by the LEP Board and by the Combined Authority at their respective annual meetings.

In addition, the Combined Authority continues to assist and advise local Council scrutiny enquiries where the topics affect its sphere of activity. The District Consultation Sub-Committees in each partner council give a level of local involvement and allow an opportunity to obtain feedback on changes to transport policy and services.

- h) The Combined Authority's Governance and Audit Committee is responsible for overseeing the effective operation of the systems of governance, risk management, internal control (including internal audit) and treasury management. It has responsibility for the approval of the annual accounts. In accordance with changes in legislation an independent member was appointed to the Committee by the Combined Authority at its meeting on 28 June 2018, who chaired the committee during the last municipal year. An officer Regulatory and Compliance Board chaired by the Director, Corporate Services, provides an operational level management and review of internal control, risk, health and safety, information security and governance arrangements in place.
- i) Staff roles are defined and documented through role profiles. These set out clear competencies and accountabilities for each role and are key to making successful recruitment decisions. Appointments have been made to all the posts required by statute, including Head of Paid Service (which forms part of the Managing Director's role), s73 Officer (Director, Corporate Services), and the Monitoring Officer (Head of Legal and Governance Services).
- j) Staff behaviours are guided by Combined Authority's values and its Code of Conduct and a similar Code exists for elected Members; both employees and Members are required to maintain a register of interests. A code of conduct for LEP Board members has been approved and all Board members completed registers of interest which are available for inspection on the Combined Authority website.
- k) The Combined Authority conforms to the requirements of the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government (2015)*. The Chief Financial Officer is the Director, Corporate Services who is a key member of the leadership team and is responsible for the proper administration of the Combined Authority's financial arrangements through a suitably qualified and resourced finance function.
- l) An internal team provide the internal audit service to the Combined Authority. Public Sector Internal Audit Standards (PSIAS) require the purpose, authority and responsibility of the internal audit activity to be defined in an internal audit charter, consistent with the definition of Internal Auditing, the Code of Ethics and the Standards. The Internal Audit Charter establishes internal audit's position within the organisation, including the mandatory nature of the Chief Audit Executive's role; functional reporting relationship with the management team; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.



- m) Compliance with established procedures, laws and regulations is ensured by a system that requires all decisions to set out all legal and financial implications. Schemes of officer delegation ensure that decisions are made at the appropriate level within the Combined Authority. Procedures and policies are in place to ensure compliance with the Freedom of Information Act, Data Protection Act and Health and Safety requirements. A whistleblowing policy and guidance notes are available on the website. Regular reviews and exception reporting are conducted through the officer Regulatory and Compliance Board and through the Member Governance and Audit Committee, including arrangements for risk management.
- n) Risk management is embedded in the activities of the Combined Authority. A Corporate Risk Management Strategy, including a risk policy and risk appetite statement, has been endorsed by the Governance and Audit Committee and sets out the way in which risks are identified, recorded and monitored. A review of the risk management arrangements, including risk appetite and a revised risk register was undertaken during 2019/20 with oversight provided by the Governance and Audit Committee and findings of that review are covered in Section 4 – Review of Effectiveness.
- o) Communication on transport operational matters has taken place with stakeholders through the District Consultation Sub-Committees and Operator Groups. Consultation events have taken place during the year on the Strategic Economic Plan, the Single Transport Plan, major schemes and the bus area network reviews which have successfully sought to contain costs but retain accessibility for bus users. In addition, youth engagement is now built in as we develop our bus and transport strategy.
- p) A system of formal procedures, Contracts Standing Orders and Financial Regulations protect the organisation. These are reviewed and approved annually. A revised Capital Strategy and Procurement Strategy were approved by the Combined Authority in May 2020.
- q) External reviews carried out by auditors and other agencies to achieve Customer Service Excellence and other accreditations with any recommendations identified creating a work plan for future improvements.
- r) With regard to the transport ticketing systems the Combined Authority has in place arrangements whereby an enhanced assurance statement is sought from the train operating company Northern stating that their systems have operated adequately with no material errors or weaknesses. Sales through the Payzone network are reconciled to the back-office system ensuring that the proceeds from such card sales are fully reimbursed to the Combined Authority.

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

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

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

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

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

Regular review of revenue and capital budgets is undertaken by senior management with regular updates to the Combined Authority and other committees presented through the year.

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

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

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

From the work undertaken during the financial year 2019/20 and taking into account other sources of assurance, Internal Audit have reached the opinion that, overall, the effectiveness of the Combined Authority's framework of control and governance is operating adequately. Risk management arrangements have improved during 2019/20, though further development continues and therefore only partial assurance can be provided until that work is completed.

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

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

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

Building on the work previously undertaken, a further review and update of the Combined Authority's risk management framework was completed in 2019/20 to further develop and embed risk management arrangements across the organisation. This has included work to consolidate all risk registers throughout the organisation and to ensure that risk is considered consistently in line with the principles set out in the revised Corporate Risk Management Strategy.

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.

An independent external quality review which assessed the Internal Audit function in relation to compliance with Public Sector Internal Auditing Standards (PSIAS) was completed during 2018/19 and the findings / recommendations considered by the Governance and Audit Committee during 2019/20. The conclusion was that the Internal Audit activity generally conforms to the definition of internal auditing, the Code of Ethics and the PSIAS. An action plan was determined to address recommendations for further development of the function.

The Combined Authority has reviewed its systems of internal control, including the internal audit function and concluded that it complies with the requirements of PSIAS and the Local Government Application Note.

## **5. Programme of Improvement**

During 2019/20 the Combined Authority continued to progress its 'One Organisation' Transformation Programme aimed at ensuring the Combined Authority has the right structures, processes and people to enable the successful delivery of its objectives and priorities. Significant progress has been made with regard to recruiting to new structures and subsequent alignment of budgets, corporate plans and the embedding of the new set of values and behaviours. This has been accompanied by an increased focus on transparency in decision making across both the Combined Authority and the LEP Board.

Building on the significant work undertaken in 2018 to ensure compliance with the requirements of the General Data Protection Regulation, work is continuing to ensure information security arrangements remain up to date and are regularly monitored and reported.

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

A dedicated Scrutiny Officer is in place to support the Overview and Scrutiny Committee.

## **6. Significant Governance Issues**

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

### Covid19

The Combined Authority closed its main offices in the week commencing 16<sup>th</sup> March 2020 in response to the Government 'lockdown' announcements. As this was relatively close to the financial year end, it had little impact on 2019/20.

Office based staff could continue to work from home, as the newly introduced ICT facilitated this and staff could access all relevant systems and files. Business continuity plans were invoked and adjusted internal controls introduced to key systems and processes.

Though more an impact in 2020/21, the formal committee meetings have continued by using technologies such as Zoom and meetings therefore planned for the rest of the year.

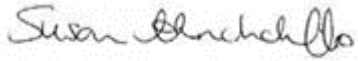
At the reporting date for these accounts, all controls have worked well and business as usual is prevalent through the organisation.

Other than the Covid 19 issue, no other 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 2019/20 the Combined Authority has demonstrated an ongoing commitment to best practice and good corporate governance consistent with the principles of the CIPFA/SOLACE Framework in Local Government and this is clearly demonstrated by the

adoption of an updated Corporate Governance Code and Framework which captures and summarises these updated principles. We are also satisfied with the improvements that are continuing under the guidance of the Governance and Audit Committee.



Councillor S Hinchcliffe  
Chair

30 November 2020



B Still  
Managing Director

## Movement in Reserves Statement

The Movement in Reserves Statement shows the movement in the year on the different reserves held by the Combined Authority, analysed into 'usable reserves' (i.e. Those that can 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 Combined Authority's services and the provision of grants to fund the introduction of capital assets, more details of which are shown in the Comprehensive Income and Expenditure Statement.

2019-2020		Useable													
Note	General	Capital	Capital	WY			Total	Capital	Financial	Revaluation	Donated	Pension	Unusable	Total	
	Fund	Grants	Receipt	Rail	Transport	NGT	Usable	Adjustment	Instruments						Reserve
	Balance	Unapplied	Reserve	Reserve	Fund	Reserve	reserves	Account	Adj A/C	£000's	£000's	£000's	£000's	£000's	
Balance at 1st April 2019	6,848	70,974	9,435	863	34,286	971	123,377	10,278	(1,477)	14,801	668	(84,640)	(60,370)	63,007	
Transfer of balances 1 April 2018															
<b>Movement in reserves during 2019/20</b>															
Surplus/(Deficit) on Provision of Service	51,578						51,578						-	51,578	
Remeasurement of the net defined benefit liability	5						-					(2,365)	(2,365)	(2,365)	
Revaluation of non-current assets	9.22						-			(532)	1,403		871	871	
<b>Total Comprehensive Income and Expenditure</b>	<b>51,578</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>51,578</b>	<b>-</b>	<b>-</b>	<b>(532)</b>	<b>1,403</b>	<b>(2,365)</b>	<b>(1,494)</b>	<b>50,084</b>	
Rebasing adjustments		(6,581)	4,577				(2,004)	333			(333)		-	(2,004)	
<b>Total Comprehensive Income and Expenditure after rebasing</b>	<b>51,578</b>	<b>(6,581)</b>	<b>4,577</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>49,574</b>	<b>333</b>	<b>-</b>	<b>(532)</b>	<b>1,070</b>	<b>(2,365)</b>	<b>(1,494)</b>	<b>48,080</b>	
<b>Adjustments between accounting basis and funding basis under regs</b>															
Minimum Revenue Provision (MRP)	19	(3,115)					(3,115)	3,115					3,115	-	
Finance costs early settlement discounts	4	(6)					(6)		6				6	-	
Revenue Expenditure Funded from Capital under Statute (Refocus)	22.1	156,830					156,830	(156,830)					(156,830)	-	
Capital grants applied	21.5	(157,957)	(83)	(695)			(158,735)	158,735					158,735	-	
Capital Grants unapplied	21.5	(46,445)	46,445				-						-	-	
Depreciation	9	3,802					3,802	(3,792)			(10)		(3,802)	-	
Transfer W/down of Soft Loans		204					204		(204)				(204)	-	
Transfer to pension reserve	5	2,031					2,031					(2,031)	(2,031)	-	
GPF loan repayments			2,135				2,135	(2,135)					(2,135)	-	
Other Capital Loan repayments		(367)	1,817				1,450	(1,450)					(1,450)	-	
Asset disposal (profit)/loss	3	202	365				567	(567)					(567)	-	
Kirklees college overage repayment adjustment		(1,423)					(1,423)	1,423					1,423	-	
<b>Total adjustments between accounting basis and funding basis under regs</b>	<b>(46,243)</b>	<b>46,445</b>	<b>4,234</b>	<b>(695)</b>	<b>-</b>	<b>-</b>	<b>3,741</b>	<b>(1,501)</b>	<b>(198)</b>	<b>-</b>	<b>(10)</b>	<b>(2,031)</b>	<b>(3,740)</b>	<b>-</b>	
<b>Increase/ (decrease) in year before</b>	<b>5,335</b>	<b>39,864</b>	<b>8,811</b>	<b>(695)</b>	<b>-</b>	<b>-</b>	<b>53,315</b>	<b>(1,168)</b>	<b>(198)</b>	<b>(532)</b>	<b>1,060</b>	<b>(4,396)</b>	<b>(5,234)</b>	<b>48,080</b>	
Transfer to ear-marked reserve	(4,010)				4,010		-								
<b>Increase/ (decrease) in year</b>	<b>1,325</b>	<b>39,864</b>	<b>8,811</b>	<b>(695)</b>	<b>4,010</b>	<b>-</b>	<b>53,315</b>	<b>(1,168)</b>	<b>(198)</b>	<b>(532)</b>	<b>1,060</b>	<b>(4,396)</b>	<b>(5,234)</b>	<b>48,080</b>	
Balance at 31st March 2020	8,173	110,838	18,247	167	38,297	971	176,693	9,109	(1,675)	14,269	1,728	(89,036)	(65,605)	111,088	

# Movement in Reserves Statement

Continued

2018/19	Note	Useable		WY		Total Usable reserves	Capital Adjustment Account	Financial Instruments		Revaluation Reserve	Donated Asset A/C	Pension Reserve	Total Unusable reserves	Total	
		General Fund	Capital Grants Unapplied	Capital Receipt Reserve	Rail Reserve			Transport Fund	NGT Reserve						Adj A/C
		£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 2018</b>		<b>5,217</b>	<b>88,266</b>	<b>1,242</b>	<b>2,075</b>	<b>28,109</b>	<b>971</b>	<b>125,880</b>	<b>13,092</b>	<b>(1,573)</b>	<b>13,789</b>	<b>668</b>	<b>(74,746)</b>	<b>(48,770)</b>	<b>77,110</b>
Transfer of balances 1 April 2018															
<b>Movement in reserves during 2018/19</b>															
Surplus on Provision of Service		(9,837)						(9,837)							(9,837)
Remeasurement of the net defined benefit liability	5											(5,452)		(5,452)	(5,452)
Net increase in liability on disposal/acquistn															
Revaluation of non-current assets	9.22									1,012				1,012	1,012
Other adjustments			173	(250)				(77)	250					250	173
<b>Total Comprehensive Income and Expenditure</b>		<b>(9,837)</b>	<b>173</b>	<b>(250)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9,914)</b>	<b>250</b>	<b>-</b>	<b>1,012</b>	<b>-</b>	<b>(5,452)</b>	<b>(4,190)</b>	<b>(14,104)</b>
<b>Adjustments between accounting basis and funding basis under regs</b>															
Minimum Revenue Provision (MRP)	19	(3,124)						(3,124)	3,124					3,124	-
Finance costs early settlement discounts	4	33						33		(33)				(33)	-
Revenue Expenditure Funded from Capital under Statute (Refcus)	22.1	148,831						148,831	(148,831)					(148,831)	-
Capital grants applied	21.5	(155,842)		(1,526)	(1,211)			(158,579)	158,579					158,579	-
Capital Grants unapplied	21.5	17,465	(17,465)					-						-	-
Depreciation	9	4,266						4,266	(4,266)					(4,266)	-
Transfer W/down of Soft Loans		(128)						(128)		128				128	-
Transfer to pension reserve	5	4,442						4,442				(4,442)		(4,442)	-
GPF loan repayments				9,690				9,690	(9,690)					(9,690)	-
Conversion of Local Growth Fund (LGF) loan		300						300	(300)					(300)	-
Asset disposal (profit)/loss	3	601		279				880	(880)					(880)	-
Impairment GPF Loans		800						800	(800)					(800)	-
<b>Total adjustments between accounting basis and funding basis under regs</b>		<b>17,644</b>	<b>(17,465)</b>	<b>8,443</b>	<b>(1,211)</b>	<b>-</b>	<b>-</b>	<b>7,411</b>	<b>(3,064)</b>	<b>95</b>	<b>-</b>	<b>-</b>	<b>(4,442)</b>	<b>(7,411)</b>	<b>-</b>
<b>Increase/(decrease) in year before</b>		<b>7,807</b>	<b>(17,292)</b>	<b>8,193</b>	<b>(1,211)</b>	<b>-</b>	<b>-</b>	<b>(2,503)</b>	<b>(2,814)</b>	<b>95</b>	<b>1,012</b>	<b>-</b>	<b>(9,894)</b>	<b>(11,601)</b>	<b>(14,104)</b>
Transfer to ear-marked reserve		(6,176)				6,176									
<b>Increase/(decrease) in year</b>		<b>1,631</b>	<b>(17,292)</b>	<b>8,193</b>	<b>(1,211)</b>	<b>6,176</b>	<b>-</b>	<b>(2,503)</b>	<b>(2,814)</b>	<b>95</b>	<b>1,012</b>	<b>-</b>	<b>(9,894)</b>	<b>(11,601)</b>	<b>(14,104)</b>
<b>Balance at 31st March 2019</b>		<b>6,848</b>	<b>70,974</b>	<b>9,435</b>	<b>863</b>	<b>34,286</b>	<b>971</b>	<b>123,377</b>	<b>10,278</b>	<b>(1,477)</b>	<b>14,801</b>	<b>668</b>	<b>(84,640)</b>	<b>(60,370)</b>	<b>63,007</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 2019/20 and the Accounts and Audit Regulations 2015.

2018/19			2019/20			
Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's		Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's
202,673	(16,743)	185,930	Transport Services	227,927	(16,999)	210,928
54,226	(5,668)	48,558	Economic Services	35,444	(7,439)	28,005
4,463	(477)	3,986	Policy, Strategy & Communications	5,805	(1,007)	4,798
3,894	(3,375)	519	Delivery	4,020	(4,039)	(19)
10,566	(4,391)	6,175	Corporate Services	10,213	(4,219)	5,994
<b>275,822</b>	<b>(30,654)</b>	<b>245,168</b>	<b>Net cost of services</b>	<b>283,409</b>	<b>(33,703)</b>	<b>249,706</b>
3,220		3,220	Interest Payable	3,229		3,229
	(2,761)	(2,761)	Interest and Investment income		(3,324)	(3,324)
1,886		1,886	Net interest on the pension defined benefit liability	1,912		1,912
601		601	(Gain) or loss on disposal of assets	202		202
<b>281,529</b>	<b>(33,415)</b>	<b>248,114</b>	<b>Net Expenditure after financing and investment</b>	<b>288,752</b>	<b>(37,027)</b>	<b>251,725</b>
<b>Non-Specific Grant Income</b>						
-	(99,900)	(99,900)	District Council Levies		(98,901)	(98,901)
-	(138,377)	(138,377)	Government and Other Grants (Capital)		(204,402)	(204,402)
<b>281,529</b>	<b>(271,692)</b>	<b>9,837</b>	<b>(Surplus)/Deficit on Provision of Services</b>	<b>288,752</b>	<b>(340,330)</b>	<b>(51,578)</b>
-	5,452	5,452	(Surplus)/Deficit on remeasurement of the net Defined benefit liability		2,365	2,365
-	(1,012)	(1,012)	(Surplus)/Deficit on revaluation of non-current assets		(871)	(871)
-	4,440	4,440	<b>Other Comprehensive Income and Expenditure</b>	-	1,494	1,494
		<b>14,277</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(50,084)</b>



## Balance Sheet

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

<u>31 March 2019</u>	£000s	<u>31 March 2020</u>	<i>notes</i>
	<i>Non-current assets</i>		
76,108	Property, plant and equipment	74,516	9(d)
17,591	Long-term debtors	21,623	15
93,699		96,139	
	<i>Current assets</i>		
99,590	Short term investment	186,711	20
44,202	Short term debtors	40,621	13
73,034	Cash and cash equivalents	55,277	14
216,826		282,609	
	<i>Current liabilities</i>		
(1,047)	Short term borrowing	(1,056)	17
(65,481)	Trade and Other payables	(80,452)	16
(21,153)	Accruals and deferred income	(21,909)	16
(197)	Provisions for current liabilities	(205)	23
(87,878)		(103,623)	
222,647	Total assets less current liabilities	275,124	
	<i>Long-term liabilities</i>		
(75,000)	Long-term borrowing	(75,000)	17,20
(84,640)	Net pensions liability	(89,036)	5
(159,640)		(164,036)	
63,007	Total assets less liabilities	111,088	
	<i>Financed by</i>		
6,848	General Fund Reserve	8,173	
9,435	Usable Capital Receipts Reserve	18,247	21
70,974	Capital grants unapplied	110,838	21
863	Rail Reserve	167	21
971	New Generation Transport Reserve	971	21
34,286	WY Transport fund Reserve	38,297	21
123,377	<i>Usable reserves</i>	176,693	
10,278	Capital Adjustment Account	9,108	21
(1,477)	Financial Instruments Adjustment Account	(1,675)	21
(84,640)	Pensions Reserve	(89,036)	21
14,801	Revaluation Reserve	14,269	21
668	Donated Asset Account	1,729	9(c)
(60,370)	<i>Unusable reserves</i>	(65,605)	
63,007	Total reserves and balances	111,088	

## 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 Combined Authority.

<u>2018/19</u>	£000s		<u>2019/20</u>
	Operating activities :		
(9,837)	Surplus/(Deficit) on the Provision of Service		51,578
4,266	Depreciation	9d	3,802
1,005	Write down of loans		(1,592)
8,716	Increase in creditors	16	13,715
(12,950)	Decrease in debtors	13,20	(1,958)
4,442	Transfer to the Pension Reserve	22	2,031
1	Provisions	23	8
601	(Profit)/Loss from disposal of assets	3	202
927	Fixed assets charged to revenue	9d	1,023
(2,829)	Net cash generated from operating activities		68,809
	Cash flows from investing activities		
(1,379)	Purchase of property, plant & equipment,	9d	(4,128)
(9,297)	New long term debtor loans advanced	15	
33,500	Short term investment	20	(86,750)
279	Proceeds from the sale of property, plant & equipment	3	365
23,103	Net cash flows from investing activities		(90,513)
	Cash flows from financing activities		
-	Repayment of loans		-
9,869	Receipt of Debtor Loan repayments	15	3,947
9,869	Net cash used from financing activities		3,947
30,143	Increase/(Decrease) in cash and cash equivalents		(17,757)
42,891	Cash and cash equivalents at the beginning of the reporting period		73,034
73,034	Cash and cash equivalents at end of reporting period	14	55,277

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

<u>2018/19</u>			<u>2019/20</u>
£000's			£000's
3,220	Interest paid	4	3,229
(2,761)	Interest received	4	(3,324)

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

# Explanatory Notes to the Accounts

## **ACCOUNTING POLICIES**

### 1. General Principles

The Statement of Accounts summarises the Combined Authority's transactions and its position for the year end of 31 March 2020. The Combined Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, following the appropriate accounting standards as required by the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code). The Code constitutes a "proper accounting practice" under the terms of section 21(2) of the Local Government Act 2003. The Code is based on approved accounting standards, supported by International Financial Reporting Standards (IFRS).

The Combined Authority prepares its accounts using the going concern and accruals bases. The historical cost convention has been applied, modified by the valuation of the non-current assets and financial instruments.

### 2. Prior period adjustments, changes in accounting policies and 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 accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices 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 financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

### 3. Statement of Compliance with IFRS

The following accounting standards have been adopted since the 2018/19 accounts:

- IFRS 9 Financial Instruments (replaces IAS39)
- IFRS15 Revenue from Contracts with Customers (replaces IAS11, IAS18, IFRIC13, 15, 18 and SIC 31)

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

- IFRS16 Leases (replaces IAS17) and effective from 2020/21 and establishes a new model for lessees.

### 4. 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 consistent. Subsequent actual results may however differ from these estimates and judgements. Where the effect of a change to an estimation technique is material, a description of the change and, if practical, the effect on the current period result is disclosed. Areas where assumptions, estimates and judgements may give rise to adjustments to the carrying values of assets and liabilities in the financial year are as follows:

- Property revaluation: The Combined Authority carries its non-infrastructure land and buildings at fair value. Periodically, external surveyors are used, and the most recent full independent survey was carried out as at 31 March 2020. Between independent surveys, desk top based annual reviews are carried out by qualified surveyors. Such valuations and any attached estimates are subject to some judgement.
- Retirement benefit obligations: the cost of defined benefit pension plans is determined using an independent actuarial valuation, involving the use of assumptions about discount rates, returns on assets, future salary increases, mortality rates, inflation and future pension increases. Such assumptions are reviewed at each period end, and determined jointly between the pension fund management and the actuaries.

## 5. Accrual of expenditure and Income

Activities is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Employee costs are charged to the accounts of the period within which the employees worked. Accruals have been made for wages earned but unpaid at the year-end.
- Interest payable on external borrowings and interest receivable on investments is accounted for respectively as expenditure and income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Expenditure on supplies and services is accrued and accounted for in the period during which they are consumed or received. Accruals have been made for all material sums unpaid at the year end for goods or services received or work completed.
- Revenue from contracts is recognised when the Combined Authority satisfies a performance obligation under a contract, at the transaction price relating to that performance obligation. This means that revenue from the sale of goods is recognised when the purchaser obtains control of the goods from the Combined Authority. Revenue from on-going services provided over time is recognised over time by measuring the progress towards complete satisfaction of a performance obligation, to the extent that the Combined Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Combined Authority.
- Revenue from the sale of goods is recognised when the Combined Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Combined Authority.
- Revenue from the provision of services is recognised when the Combined Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Combined Authority.
- 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.

## 6. Employee Benefits and Pension Costs

6.1 The Combined Authority accounts for employee benefits in accordance with the requirement of IAS19. Accrual for short-term employee benefits are those due to be settled within twelve months of the year end. This may include wages and salaries, paid annual leave and paid sick leave and non-monetary benefits for current employees and are recognised as an expensed for services in the year. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year end.

### 6.2 Pension Costs

The requirements of IAS 19 "Retirement Benefits" have been fully adopted in the financial statements of the Combined Authority.

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 payments to the Fund in respect of all staff who were transferred to Yorkshire Rider Limited (now First West Yorkshire) because of the Transport Act 1985. The annual cost of this responsibility is to be charged to the revenue account.

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

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

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

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

## 7. Leases

The Combined Authority has classified leases as either finance or operating leases based on the extent to which the risks and rewards incidental to ownership lie with the lessee or lessor.

### 7.1 Finance Lease

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

### 7.2 Operational Lease

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.

## 8. 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.

#### 9. 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.

#### 10. Provisions

A provision is recognised in the Balance Sheet when the Combined Authority:

- Has a present legal or constructive obligation as a result of a past event, and
- It is probable that an outflow of economic benefits will be required to settle the obligation,
- And a reliable estimate can be made of the amount of the obligation

Provisions are charges as an expense to the appropriate service line in the revenue account and are included in either long term or short-term liabilities on the Balance Sheet as appropriate. When expenditure is incurred to which the provision relates, it is charged directly to the provision.

Where a material contingent loss cannot be accurately estimated or an event is not considered sufficiently certain, or where a material contingent gain is identified it is not accrued for within the accounting statements, these are disclosed in the explanatory notes.

#### 11. Provision for doubtful debts

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

#### 12. Revenue Expenditure Funded from Capital under Statute

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

#### 13. Rail Infrastructure

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

#### 14. Charges to Revenue

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

from revenue for the repayment of external loans are also shown separately through the Movement in Reserves Statement on the General Fund Balance.

## 15. Government Grants and Contributions

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

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

Amounts recognised as due to the Combined Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied.

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 General government grants (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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 General Fund to the Capital Adjustment Account. If expenditure has not been incurred at the balance sheet date the grant is transferred to the Capital Grants Unapplied Account.

The Comprehensive Income and Expenditure Statement will recognise capital grants to the extent that they offset capital expenditure charged directly to revenue.

## 16. Recognition of capital expenditure (de-minimis policy)

In accordance with International Accounting Standard 16 (IAS16), the Combined Authority recognises non-current assets as:

- Assets where it is expected that future economic benefit will flow to the Combined Authority.
- Assets where the cost can be measured reliably and expected to be used for more than one financial period.

The de-minimis for recognition of capital expenditure is set as £10,000 (inclusive).

Expenditure below this level is deemed to be non-enhancing unless funded by a Capital grant, and therefore is charged to revenue as it is incurred. This includes initial recognition of assets and subsequent asset expenditure. Any expenditure above £10,000 will be treated as capital expenditure as the amount is significant enough to increase the useful life of an asset.

## 17. Property, Plant and Equipment

### 17.1 Recognition of assets

All expenditure on the acquisition, construction or enhancement of property, plant and equipment, as defined by the Code has been capitalised and classified as a long-term



asset, where the asset brings benefit to the Combined Authority for a period of more than one year. This includes both economic benefit and benefits derived from service potential.

## 17.2 Classification and valuation

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.

In accordance with the Code, the Combined Authority carries regular review on its non-infrastructure land and buildings, over a period of at most five years by a Royal Institute of Chartered Surveyors (RICS) qualified valuer. Between full revaluation, an annual desk top reviews are carried out. Such valuations and any attached estimates are subject to professional judgement. A full revaluation of the Combined Authority's Non-Infrastructure Land and Buildings and the office building (Wellington House) was carried out by a MRICS qualified valuer of Lambert Smith Hampton, a firm of external Chartered Surveyors as at 31 March 2020 on an Existing Use Value (EUV) and Depreciated Replacement Cost (DRC) in accordance with IAS 16.

Infrastructure Assets, such as bus stations are measured at depreciated historical cost, net of accumulated impairment losses. Cost includes professional fees and for assets constructed by the Combined Authority, any related works to the extent that these are directly attributable to the acquisition or construction of the asset.

Vehicles, plant and equipment are held at historic cost less depreciation.

Capital spend on land and property assets is included in the carrying value of an asset until such time as it is revalued. Where material capital spend has occurred on an asset, a revaluation is carried out in the year in which work is completed. Where construction or major enhancement work to an asset spans more than one year, any financing costs incurred during the construction period are included in the capital cost of the acquisition or enhancement.

At revaluation, any gains are credited to the revaluation reserve. Any revaluation losses are firstly written down against any previous revaluation gains or where there are no previous revaluation gains, such losses are charged to the Comprehensive Income and Expenditure Account in accordance with the Accounting Code of Practice. Where revaluation losses which have been charged to the income and expenditure account are reversed by subsequent events, the reversing revaluation gains are credited to the Comprehensive Income and Expenditure Statement.

## 17.3 Depreciation and amortisation

Depreciation or amortisation is provided so as to write off, on a straight-line basis, the cost of property, plant and equipment and intangible fixed assets including those held under finance leases. These charges are commenced from the dates the assets are available for their intended use and are spread over their estimated useful economic lives.

The estimated useful lives of assets are reviewed regularly and, when necessary, revised. Accelerated depreciation or amortisation is provided where an asset is expected to become obsolete before the end of its normal useful life or if events or changes in circumstances indicate that an impairment loss needs to be recognised, as discussed below. No further charges are provided in respect of assets that are fully written down but are still in use.

The estimated useful lives for the main categories of property, plant and equipment and intangible assets are:

- Freehold and Long Leasehold Buildings between 5 and 50 years
- On-street Furniture and Infrastructure 20 years
- Vehicles Between 4 and 16 years
- Plant and Equipment Between 4 and 10 years
- Office Furniture and Equipment Between 4 and 10 years

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

#### 17.4 Asset Disposal

When an asset is disposed of or decommissioned, 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. Receipts from disposals are credited to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Sale proceeds in excess of £10,000 are categorised as Capital Receipts. Receipts are credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the CA's underlying need to borrow (the Capital Financing Requirement). Receipts are transferred to the Reserve from the movement in reserves statement. The value of the asset is transferred to the Capital Adjustment Account via the Movement in Reserves Statement. Sale proceeds of £10,000 and below are credited straight to the Comprehensive Income and Expenditure Statement.

#### 17.5 Progress payments for capital assets

Progress payments for capital assets or schemes not yet completed are held in Work In Progress. The assets are transferred to the appropriate category and are subject to depreciation when they become available for use. The Combined Authority writes out directly attributable costs on capital schemes where no tangible asset exists to reflect a true and fair view of the asset base.

#### 17.6 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.

#### 17.7 Donated Assets

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

#### 18. Capital Receipts

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

#### 19. 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. The Combined Authority accounts have been prepared in accordance with IFRS 9 (which replaced IAS 39) which is effective from 2018/19 accounts. The main implications of the change is in the classification and measurement of financial assets and for recognising and measuring impairment.

#### 19.1 Financial Assets

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

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

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

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

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

## 19.2 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.

## 19.3 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.

## 20. Cash and cash equivalents

The Combined Authority's Cash Flow Statement reflects the movements in cash and cash equivalents during the year. Cash is represented by cash in hand and the net balance on the CA's operational bank accounts, including any overdrawn balances. Cash equivalents include those investments that are held for treasury management purposes and are readily convertible to known amount of cash which insignificant risk of change in value. This includes any Call accounts.

## 21. Foreign Currency Transaction

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.

## 22. 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 Balance Sheet.

## 23. Consolidation of Joint Venture

The concept of materiality has been considered in respect of the consolidation of Yorcard Ltd into the Combined Authority's accounts. Materiality is determined as an omission or misstatement that may influence an economic decision of the user of the accounts. On this basis 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".

## 24. Contingent Assets and Liabilities

A contingent liability arises where an event has taken place that gives the Combined Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the 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.

## 25. Exceptional Items

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

## 26. Events after the Balance Sheet Date

The Statement of Accounts are to be authorised for issue by the Chief Financial Officer as at 31 July 2020. 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 2020, the figures in the financial statements and notes will be adjusted in all material respects to reflect the impact of the information (adjusting events). Events indicative of conditions that arose after the reporting period are not adjusted (non-adjusting events).

## Explanatory Notes to the Accounts

1. The CIPFA Code of Practice on Local Authority Accounting based on International Financial Reporting Standards in the United Kingdom 2019/20 (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 Combined Authority however have not been prepared as group accounts reflecting that the Combined Authority is a single entity with a small joint venture which is not consolidated within the financial statements as disclosed at note 24.

### 2. Comprehensive Income and Expenditure Statement (CI&E) and Expenditure and Funding Analysis (EFA)

2.1 IFRS15 Revenue from Contracts with Customers has been adopted since the 2018/19 accounts. The Combined Authority (CA) administers a prepaid ticket scheme. The CA receives revenues from prepaid ticket sales which are then pooled and distributed to operators based on passenger journey and usage data collected. Under IFRS15 the net income from the scheme is included in the CA's revenue account within Transport Services. The total payment to operators was £32.5m in 2019/20 (£33.5m in 2018/19).

2.2 The objective of the Expenditure and Funding Analysis is to demonstrate how the funding available to the CA for the year has been used in providing services in comparison with those resources consumed in accordance with general accepted accounting practices. The expenditure and funding analysis also show how this expenditure is allocated for decision-making purposes between the CA's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

#### 2.2 (a) Expenditure and Funding Analysis

2018/19				2019/20		
Expenditure Chargeable to GF	Adjustment between funding and accounting	Net Expenditure in the CI&E (1)		Expenditure Chargeable to GF	Adjustment between funding and accounting	Net Expenditure in the CI&E (1)
80,136	105,794	185,930	£000s	79,114	131,814	210,928
1,458	47,100	48,558	Transport Services	(386)	28,391	28,005
4,005	(19)	3,986	Economic Services	4,771	27	4,798
534	(15)	519	Policy, Strategy & Communications	(40)	21	(19)
1,670	4,505	6,175	Delivery	3,890	2,103	5,994
		-	Corporate Services			-
87,803	157,365	245,168	Net cost of services	87,349	162,356	249,706
			Financing and investment income and expenditure	4,523	(2,707)	1,816
4,764	(2,419)	2,345	Loss on disposal of assets	-	202	202
	601	601	General grant income	(93,198)	(210,104)	(303,302)
(94,198)	(144,079)	(238,277)	(Surplus) / deficit on provision of services	(1,325)	(50,253)	(51,578)
(1,631)	11,468	9,837				

## 2.2 (b) Note to the Expenditure and Funding Analysis

2018/19				2019/20				
Adjustments for Capital Purposes (2)	Net Change for Pensions Adjustments (3)	Other Differences (4)	Total Adjustments	£000s	Adjustments for Capital Purposes (2)	Net Change for Pensions Adjustments (3)	Other Differences (4)	Total Adjustments
(105,821)	27	-	(105,794)	Transport Services	(131,780)	(34)	-	(131,814)
(47,112)	12	-	(47,100)	Economic Services	(28,375)	(16)	-	(28,391)
	19	-	19	Policy, Strategy & Communications		(27)	-	(27)
	15	-	15	Delivery		(21)	-	(21)
12	(4,517)	-	(4,505)	Corporate Services	(478)	(1,625)	-	(2,103)
(152,921)	(4,444)	-	(157,365)	Net cost of services	(160,633)	(1,723)	-	(162,356)
		2,419	2,419	Financing and investment income and expenditure			2,707	2,707
		(601)	(601)	Loss on disposal of assets			(202)	(202)
138,377		5,702	144,079	General grant income	204,402		5,702	210,104
			(11,468)	Difference Between Surplus or Deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit on the provision of Services				50,253

- (1) This column shows income and expenditure recognised in accordance with the IFRS can be seen in the Comprehensive Income and Expenditure Statement on page 22.
- (2) This relates to adjustments to meet the IFRS, including depreciation, impairment and revaluation gains/losses, and the adjustment within General Grant Income relates to capital grants.
- (3) These adjustments relate to pension contributions and other employee benefits under IAS19.
- (4) These adjustments relate to gains/losses on the disposal of non-current assets (within the other operating expenditure), and statutory charges for capital financing within the net cost of service and other movement between earmarked reserves.

## 2.3 Subjective Analysis of Comprehensive Income and Expenditure

A disclosure on the nature of expenses is presented as recommended by the Code. The following table gives a breakdown by type of the external income and expenditure within the Combined Authority's overall results for the year.

2018/19	£000s	2019/20
	<b>Income</b>	
(21,299)	Other service income	(54,031)
(2,762)	Interest and investment income	(3,324)
(146,292)	Government Grants	(214,386)
(99,900)	Transport Levy	(98,900)
(270,253)	Total Income	(370,641)
	<b>Expenditure</b>	
21,198	Employee expenses	23,227
248,919	Other service expenses	286,691
4,266	Depreciation, amortisation and impairment	3,803
3,220	Interest payments	3,229
601	Gain or loss on disposal of non-current assets	202
1,886	Pension interest costs	1,912
280,090	Total Expenditure	319,064
9,837	(Surplus)/ deficit	(51,578)

### 3. Disposal of Fixed Assets

The figures shown in the Comprehensive Income and Expenditure Statement for gains or losses on the disposal of fixed assets represents the difference between the carrying value of assets which have been disposed of and the proceeds of any sale, less any administrative costs of disposal. The table below gives a breakdown of the figures.

	2018/19 £000's	2019/20 £000's
Net Book Value of Assets	880	567
Proceeds from sale	<u>(279)</u>	<u>(365)</u>
(Profit)/Loss on disposal of fixed assets by the Authority	<u>601</u>	<u>202</u>

### 4. Financing Income and Costs

	2018/19 £000's	2019/20 £000's
Interest receivable on Loans, deposits and other debts	<u>(2,761)</u>	<u>(3,324)</u>
Interest payable on Loans	<u>3,220</u>	<u>3,229</u>
Effect of early settlement of Loans	<u>(33)</u>	<u>6</u>

### 5. Pension Costs

#### 5.1 Defined Benefit Pension Scheme

The Combined Authority is a member of the West Yorkshire Pension Fund, administered by Bradford Metropolitan City Council. The West Yorkshire Pension Fund is part of the Local Government Pension Scheme (LGPS) and is subject to statutory Local Government Pension Scheme Regulations, which specify the benefits earned, the contribution rates for employees, and the framework for calculating employers' contribution rates, which are determined by triennial actuarial valuations.

The West Yorkshire Pension fund is treated as a defined benefit scheme under IAS19, meaning that the Combined Authority and their employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets. The contribution rate for 2019/20 is 14.6% (14.6% for 2018/19), and the deficit lump sums are £1.295m and £1.254m for 2019/20 and 2018/19 respectively.

#### 5.2 Capital Cost of Discretionary Increase in Pension Payments

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

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

	2018/19 £000's	2019/20 £000's
Current Employees	3,471	3,726
Former Employees	890	922



### 5.3 Actuarial Assumptions

The Combined Authority's West Yorkshire Pension Fund assets and liabilities have been assessed by AON Hewitt Ltd, an independent firm of actuaries. In calculating the assets and liabilities, the fund's actuaries had to make a number of assumptions about events and circumstances in the future, meaning that the results of actuarial calculations are subject to uncertainties within a range of possible values.

The main assumptions used

	2018/19		2019/20	
	Unfunded 12yrs	Funded 14.3yrs	Unfunded 12yrs	Funded 14.3yrs
Duration of liabilities				
Inflation : RPI	3.3%	3.3%	-	-
CPI	2.2%	2.2%	2.0%	2.0%
Rate of increase in salaries	-	3.5%	-	3.3%
Rate of increase for pensions in payment	2.2%	2.2%	2.0%	2.0%
Pension account revaluation rate	-	2.2%	-	2.0%
Rate used to discount funded scheme liabilities	2.4%	2.4%	2.3%	2.3%

#### Post retirement mortality (retirement in normal health)

2018/19		2019/20	
Standard SAPS Normal Health All Amounts		Standard SAPS Normal Health All Amounts	
Males : CMI 2012 Long term rate of improvement of 1.5%		Males : CMI 2018 Long term rate of improvement of 1.5%	
Females : CMI 2012 Long term rate of improvement of 1.5%		Females : CMI 2018 Long term rate of improvement of 1.5%	
<hr/>			
Life Expectancy			
	2018/19	2019/20	
- of a male (female) future pensioner aged 65 in 20yrs time	23.2 (27.2) Years	22.5 (25.7) Years	
- of a male (female) current pensioner aged 65	22.2 (25.4) Years	21.8 (24.6) Years	

As part of the latest 2019 actuarial valuation the mortality experience was analysed across the fund over a 3 year period and assumptions have been amended regarding life expectancy. The mortality allowance for future improvements uses the Continuous Mortality Investigation (CMI) Mortality Projections model with the model updated annually to reflect the latest emerging experience. This means there will continue to be regular changes to the assumptions for future improvements in mortality rates as new data is taken into account.

### 5.4 Sensitivity Analysis

Any change in the above assumptions would have an impact on the present value of the defined benefit obligation. The sensitivity analysis below shows the impact on the liability if each assumption changes by 0.1% (or 1 year for mortality assumptions). In each case all other assumptions remain constant.



	2018/19				2019/20			
	Quoted %	Unquoted %	Total %	Asset £000's	Quoted %	Unquoted %	Total %	Asset £000's
Equities	62.5	11.5	74.0	113,642	67.4	10.1	77.5	110,332
Government Bonds	11.2	-	11.2	17,200	9.6	-	9.6	13,667
Other Bonds	4.0	-	4.0	6,143	5.1	-	5.1	7,261
Property	0.2	4.5	4.7	7,218	1.9	2.6	4.5	6,406
Cash/Liquidity	-	2.3	2.3	3,532	-	1.9	1.9	2,705
Other	-	3.8	3.8	5,836	-	1.4	1.4	1,993
<b>Total</b>	<b>77.9</b>	<b>22.1</b>	<b>100.0</b>	<b>153,571</b>	<b>84.0</b>	<b>16.0</b>	<b>100.0</b>	<b>142,364</b>

The West Yorkshire Pension has advised that outbreak of the COVID-19, declared by the World Health Organisation as a “Global Pandemic” on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries. Market activity is being impacted in many sectors. The valuation of assets the Pension fund received from fund managers, especially property funds and their external valuers (CBRE) considered that less weight could be attached to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that external valuers were faced with an unprecedented set of circumstances on which to base a judgement. Where CBRE’s valuation were used these were, therefore reported on the basis of ‘material valuation uncertainty’ as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to the valuation than would normally be the case.

## 5.7 Reconciliation of present value of scheme liabilities

2018/19			2019/20		
£000's	£000's		£000's	£000's	
Unfunded	All Benefits		Unfunded	All Benefits	
10,790	220,536	Opening balance 1 April	10,300	238,211	
	4,341	Current service cost		6,080	
268	5,632	Interest cost	237	5,560	
	1,074	Member Contributions		1,189	
	2,645	Past service cost		(1,272)	
181	10,763	Actuarial gain/loss financial assumptn	(61)	(3,519)	
		Actuarial gain/loss Demographic	(929)	(8,593)	
30	2,273	Actuarial gain/loss experience	(962)	2,859	
		Curtailments			
		Net increase in liabilities from disposals/acquisitions			
(969)	(9,053)	Benefits paid	(895)	(9,115)	
10,300	238,211	Closing balance 31 March	7,690	231,400	

There were two emerging national pension issues, namely McCloud Judgement and Guaranteed Minimum Pension (GMP) Equalisation in the year ended 31 March 2019. Under the guidance of the Government Actuary’s Department and advice from the Fund’s actuary Aon at the time, an indicative £2,645k Constructive Obligation was included in the account as past service costs in 2018/19. For the years ending 2020 a potential McCloud past service liability was calculated at the opening balance sheet date, and an uplift to the current service cost for future service, based on updated membership data provided for the 2019 valuation data. This calculated past service cost in 2019/20 was lower than the indicative figure provided last year due to a change in salary increase assumption and no longer using the ‘worst case’ figures set out by the Government Actuary’s Department. The difference has been adjusted in the 2019/20 account.

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

2018/19 £'000	Cost of Service	2019/20 £'000
4,341	Current Service Cost	6,080
2,645	Past Service Cost	(1,272)
	- Curtailments or settlements	
	- Financing Investment Income and Expenditure	
1,886	Interest on net defined benefit liability	1,912
8,872	Total pension cost recognised	6,720
	<b>Remeasurements in Other Comprehensive Income and Expenditure</b>	
(7,584)	Return on plan assets (in excess)/below that recognised in net interest	11,618
10,763	Actuarial (gains)/losses due to change in Financial assumption	(3,519)
	Actuarial (gains)/losses due to change in	
	- Demographic assumption	(8,593)
2,273	Actuarial (gains) due to liability experience	2,859
5,452	Total amount recognised in Other Comprehensive income	2,365
-	Net increase in liabilities from disposals/acquisitions	-
14,324	Total amount recognised	9,085

## 5.9 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 period, based on the assumptions as at 31 March 2020.

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

	31/03/2021 £'000
Projected service cost	5,773
Past Service cost	-
Interest on the net defined benefit liability/(asset)	1,838
	7,611

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

	31/03/2021 £'000
Interest on the net defined benefit liability/(asset)	167
	167

## 6 Government and Other Grant Income

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

	2018/19 £000's	2019/20 £000's
<u>Revenue credited to cost of Service</u>		
Transport Services		
Special Rail Grant (SRG) - Department for Transport	878	878
Bus Service Operator Grant - Department for Transport	2,063	2,063
	<u>2,941</u>	<u>2,941</u>
Economic Services & Strategy, Policy and Communications		
Apprentice Grant for Employers - Dept. Business Innovation & Skills	92	123
Enterprise Advisor - Careers & Enterprise Company	409	587
Strategic Heat Network - Dept. Energy and Climate Change	6	-
Business Growth Hub - Dept. Business Innovation & Skills	512	546
Growth Service - Business Rates Pool	44	846
Headstart - Skills Funding Agency	52	-
Careers Learning Pilot - Learning & Work Institute	262	(8)
Employment Hub, [re]boot & Investment Readiness - European Structural Fund	1,095	1,936
Access&Innovation and Resource Efficiency Fund - European Regional Development Fund	1,007	1,580
Strategic Growth Funding - European Regional Development Fund	1,003	596
Brexit Readiness - Ministry of Housing, Communities and Local Government	-	291
Low Emission Buses - Ministry of Housing, Communities and Local Government	234	-
Travel Plan Network - Interreg	103	86
S31 Skills grant - Department for Education	244	272
Key Account Management - Dept. International Trade	200	200
Energy Hub - Tees Valley Combined Authority	10	-
	<u>5,273</u>	<u>7,055</u>

## 7 Non-specific Grant Income

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

	2018/19 £000's	2019/20 £000's
Capital grants and other Contributions		
Local Growth Fund Allocation - Ministry of Housing, Communities and Local Government	74,349	73,510
Leeds Public Transport Package - Department for Transport	-	63,739
One Public Estate - Ministry of Housing, Communities and Local Government	395	80
ULEV Taxi Scheme - Department for Transport	15	878
Integrated Transport Block/Maintenance - Department for Transport	42,343	41,507
Section 31 Cycle City Ambition Grant - Department for Transport	13,799	106
Cleaner Bus Technology Grant - Department for Transport	54	3,448
Flood Resilience Fund - Department for Transport	-	1,727
HS2 Strategy Tranche 2 - Department for Transport	102	-
Transforming City Fund - Department for Transport	-	17,966
Other Capital Contributions	7,320	1,440
	<u>138,377</u>	<u>204,401</u>
Local Authority Levies	<u>99,900</u>	<u>98,900</u>

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

	2018/19 £000's	2019/20 £000's
Contribution to the Combined Authority's administration costs	878	878
	<u>878</u>	<u>878</u>

## 8 Officers' Remuneration and Members Allowances

### 8.1 Employee costs

	2018/19 £000's	2019/20 £000's
Wages and Salaries	15,048	16,836
National Insurance Contribution	1,493	1,683
Other Pension Costs	3,419	3,726
	<u>19,960</u>	<u>22,245</u>

The total Members' allowances paid in the year to 31 March 2020 was £132,698 (£136,424 at 31 March 2019).

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

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

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

		Salary Fees Allowances	Bonuses	Expenses Allowances	Pension Contributions	Total
Managing Director - Ben Still	2018/19	156,075	-	192	22,787	179,054
	2019/20	159,665	-	117	23,311	183,093
Director, Transport Services	2018/19	98,922	-	-	14,443	113,365
	2019/20	106,257	-	-	15,513	121,770
Director of Delivery	2018/19	108,814	-	-	15,887	124,701
	2019/20	111,317	-	24	16,252	127,593
Director of Corporate Services-S73 Officer	2018/19	108,814	-	41	15,887	124,742
	2019/20	111,317	-	0	16,252	127,569
Interim Director of Policy, Strategy and Communications (to Sep18)	2018/19	40,872	-	-	5,967	46,839
Director of Policy, Strategy and Communications (from Sept 18)	2018/19	47,249	-	59	6,898	54,206
	2019/20	101,197	-	340	14,775	116,312
Executive Head of Economic Services (to 29.04.19)	2018/19	86,046	-	115	12,563	98,724
	2019/20	7,189	-	10	1,050	8,249
Interim Executive Head of Economic Services to 05.01.20	2019/20	57,337	-	-	8,371	65,708
Director of Economic Services (fr 06.01.20)	2019/20	23,939	-	0	3,495	27,434
Head of Legal & Governance Services	2018/19	76,671	-	24	11,194	87,889
	2019/20	82,169	-	16	11,997	94,182

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

### 8.3 Other employees

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

Band	Senior Officers 2018/19	Senior Officers 2019/20
£50,001 - £55,000	16	18
£55,001 - £60,000	7	4
£60,001 - £65,000	4	7
£65,001 - £70,001	4	2
£70,001 - £75,000	3	2
£75,001 - £80,000	1	2
£80,001 - £85,000	-	1
£90,001 - £95,000	-	1
£95,001 - £100,001	-	-
£100,001 - £105,000	-	-
£115,001 - £120,000	-	-
	35	37

### 8.4 Costs of redundancies and other leavers

The Code requires the Combined Authority to disclose any costs it has incurred as a result of compulsory and voluntary redundancies. Termination benefits were paid by the CA arising from the termination of employment incurring liabilities of £8,936 in 2019/20 (£76,346 in 2018/19). The exit package payable included voluntary redundancy payments and enhanced pension benefits payable arising from the re-structuring and rationalisation of specific business areas.

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	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19 £	2019/20 £
£0-£20,000	9	-	-	3	9	3	76,346	8,936
£20,001-£40,000	-	-	-	-	-	-	-	-
£40,001-£60,000	-	-	-	-	-	-	-	-
£60,001-£80,000	-	-	-	-	-	-	-	-
£80,001-£100,000	-	-	-	-	-	-	-	-
Total	9	-	-	3	9	3	76,346	8,936

## 9 Property, Plant & Equipment

- (a) As at 31<sup>st</sup> March 2020, a full revaluation of the Combined Authority's non-infrastructure land and buildings was carried out by an MRICS qualified valuer of Lambert Smith Hampton, a firm of external Chartered Surveyors. The full revaluation was on fair value basis in accordance with IAS16. Management has also considered the value of assets not included in the valuer's report, such as the On-street furniture assets under IFRS code were re-classified as infrastructure assets and valued at depreciated historical costs, and have concluded that asset values are materially accurate.

As part of this assessment the Authority has considered a 'material valuation uncertainty' disclosure relating to the CV-19 outbreak in the valuer's correspondence as follows:

*"The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organization as a 'Global Pandemic' on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.*

*Market activity is being impacted in many sectors. As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID 19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.*

*Our valuation(s) is / are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty –and a higher degree of caution –should be attached to our valuation than would normally be the case".*

The Combined Authority is not in a position to quantify the degree of uncertainty but will keep the valuation of its estate under review during 2020/21.

The Combined Authority have also 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. The full revaluation by the external surveyors as at 31 March 2020 also confirmed this position.

(b) Assets Held for Sale

The Combined Authority has no asset held for sale as at 31 March 2020.

(c) Donated Assets Account

The CIPFA code introduces the concept of Donated Assets where assets have been acquired for less than their fair value. The code stipulates that the difference between the fair value of the asset and the consideration paid shall be recognised immediately in the Comprehensive Income and Expenditure Statement as income, or in the event that the transfer has conditions, recognised in the Donated Assets Account until such time as the conditions have been met. The Combined Authority's leased bus stations and land in Apperley Bridge station meet the criteria of Donated Assets with conditions attached, as failure to fulfil the conditions on an ongoing basis would result in the assets being returned to the relevant local authorities. 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.

	2018/19 £000's	2019/20 £000's
Balance at start of the year	668	668
Adjustment of depreciation		(333)
Adjusted at start of the year	668	335
Movement in year	-	1,393
Balance at end of the year	668	1,728



(d) The Balance Sheet movements of Fixed Assets

2019/20

	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
	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	
<b>COST VALUATION</b>									
Opening Balance	149,753	10,405	80,016	763	18,723	8	23,301	54	16,483
Additions	4,128				84		3,092		952
assets in course of construction	(1,201)								(1,201)
Disposals	(4,396)				(4,396)				
Revaluation Adjustments	566	(814)		1,380					
Write off to Revenue	(1,022)								(1,022)
At 31 March 2018	147,828	9,591	80,016	2,143	14,411	8	26,393	54	15,212
<b>ACCUMULATED DEPRECIATION</b>									
Opening Balance	73,644	-	34,200	428	16,348	8	22,606	54	-
Charge for the year	3,802	282	2,586	10	718		206		
Disposals	(3,829)				(3,829)				
Revaluation Adjustments	(305)	(282)		(23)					
At 31 March 2018	73,312	-	36,786	415	13,237	8	22,812	54	-
<b>NET BOOK VALUES</b>									
31 March 2020	74,516	9,591	43,230	1,728	1,174	-	3,581	-	15,212
Opening Balance									
31 March 2019	76,108	10,405	45,816	335	2,375	-	695	-	16,483

2018/19

	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
	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	
<b>COST VALUATION</b>									
Opening Balance	153,070	9,678	80,007	763	22,985	8	22,917	54	16,658
Additions	1,379		9		234		384		752
Disposals	(4,496)				(4,496)				
Revaluation Adjustments	727	727							
Write off to Revenue	(927)								(927)
At 31 March 2019	149,753	10,405	80,016	763	18,723	8	23,301	54	16,483
<b>ACCUMULATED DEPRECIATION</b>									
Opening Balance	73,278	-	31,612	418	18,749	8	22,437	54	-
Charge for the year	4,266	285	2,588	10	1,214		169		
Disposals	(3,615)				(3,615)				
Revaluation Adjustments	(285)	(285)							
At 31 March 2018	73,644	-	34,200	428	16,348	8	22,606	54	-
<b>NET BOOK VALUES</b>									
31 March 2019	76,108	10,405	45,816	335	2,375	-	695	-	16,483
Opening Balance									
31 March 2018	79,792	9,678	48,395	345	4,236	-	480	-	16,658

This note analyses the movement in the balance sheet value of the Combined Authority's land, building and other fixed assets. The table above shows a breakdown of the carrying value for each category of fixed assets. The balance sheet value is made up of the cost or valuation, less any accumulated depreciation and impairment.

Cost or valuation is the historical cost or revalued amount of assets at the beginning of the year, plus any additions and revaluations (both positive and negative) during the year. The cost or revalued amount of assets disposed of during the year is written out to give the year-end balance.

The accumulated depreciation for an asset is written out when the asset is revalued, and all accumulated depreciation and impairment values are written out when an asset is disposed of.

(e) Gains or losses on the disposal of fixed assets

The figures shown in the Comprehensive Income and Expenditure Statement for gains or losses on the disposal of fixed assets represents the difference between the carrying value of assets which have been disposed of and the proceeds of any sale, less any administrative costs of disposal. Please also see note 3.

## 10 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 Combined Authority or to be controlled or influenced by the Combined Authority. Disclosure of these transactions allows readers to assess the extent to which it might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Combined Authority.

### Members

The Combined Authority requires Members to complete a declaration of members' disclosable pecuniary interests, and a financial yearend related party transaction declaration covering their close family. Information of both declarations are 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 local authorities or City of York Council and are appointed to the Combined Authority or co-opted to one or more of its committees.

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

- The UK Government exerts significant influence through legislation and the grant funding it provides to the Combined Authority. Government grant funding received is disclosed in Note 6 and 7.
- The Combined Authority receives financing through its Levy and contributions to the economic activities of the City Region from the local authorities.
- The Combined Authority provides agency services for Education transport for which they are paid fees.
- The Combined Authority received Local Transport Block Funding of which an allocation was paid to the local authorities.

The total transactions with the five constituent councils during 2019/20 are:

	Expenditure £m	Income £m
City of Bradford Council	16.1	24.9
Calderdale MDC	8.4	10
Kirklees MDC	10.5	19.2
Leeds City Council	63.8	35.3
Wakefield MDC	11.2	18.1

In 2019/20, there was a total of £3.4m transaction with York City Council.

During the year, one of the members appointed to the Combined Authority has been appointed as a governor of Leeds City College, transactions between the Combined Authority and Leeds City College totalled £2.5m.

## **Officers**

As in the case of members, there is a code of conduct governing the disclosure of interests held by officers. Under s117 of the Local Government Act 1972, senior officers are required to disclose any pecuniary interests they hold, in addition to the financial year end related party transaction declaration covering their close family.

The Managing Director is a board member of Transport for the North and also a board director for Urban Transport Group. Transactions with the two related parties were £217k and £113k respectively during 2019/20.

Yorcard Ltd is a Joint Venture trading company operated in conjunction with South Yorkshire Passenger Transport Executive (SYLTE), and is fully disclosed in note 24. The Director of Transport Services of the Combined Authority is a board director of Yorcard Ltd. Transactions with Yorcard during the year totalled £673k.

West Yorkshire Ticketing (TICCO) Ltd administers and develops a range of multi-operator, multi-modal tickets. The Director of Transport Services of the Combined Authority is a Director of TICCO Ltd. During the year ended 31 March 2020, there was a total of £140k transaction between TICCO and the Combined Authority.

## **Payments to Operators**

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

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

Subsidised bus services are secured by the Combined Authority, within the overall framework of the Combined 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.

In accordance with its overall policies the Combined Authority administers a prepaid ticket scheme. The Combined Authority receives revenues from prepaid ticket sales which are then pooled and distributed to operators based on passenger journey and usage data collected by the Combined Authority. The total payment made to operators in 2019/20 was £32.5m (£33.5m in 2018/19).

## **11 Exceptional Item**

There were no exceptional items in 2019/20 or in 2018/19.

## **12 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.

### 13 Short Term Debtors

As the balance sheet represents the position at the end of the financial year, there are monies owed to the Combined Authority (CA) at that date which are yet to be received as cash. The following analysis shows the amounts owed to the CA which had not been received at 31st March 2020.

The CA also makes provision for outstanding monies which it is anticipated may not be recovered. These amounts are then deducted from the total value of debtors shown in the balance sheet. An analysis of this impairment provision for bad and doubtful debts is included below.

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.

	2018/19	2019/20
	£000's	£000's
Central government bodies	5,888	4,614
Other Local Authorities	22,324	26,670
Bodies external to government	16,169	9,516
Bad debt provision	(179)	(179)
	<u>44,202</u>	<u>40,621</u>

### 14 Cash & Cash Equivalents

	2018/19	2019/20
	£000's	£000's
Bank Current Accounts	73,034	55,277
	<u>73,034</u>	<u>55,277</u>

Cash balances include £5.6m held on behalf of third parties at the end of 2019/20 (£5.6m in 2018/19). The liability to repay these amounts is included under Trade and Other Payables. Cash at bank and short-term deposits earn interest at floating rates based on bank deposit rates. There is no material difference between the carrying value and fair value of cash and cash equivalents.

### 15 Long Term Debtors

	2018/19	2019/20
	£000's	£000's
<u>Soft Loans</u>		
Balance at 1 April	8,354	8,183
Change in category	-	1,128
Loan conversion to grant in year	(300)	
Fair Value Adjustment on Initial recognition	-	(455)
Effective interest to write back to carrying value	129	251
Balance at 31 March	<u>8,183</u>	<u>9,108</u>
<u>Other Loans Advanced</u>		
Balance at 1 April	19,430	18,582
Change in category		(1,128)
Loans transferred	352	1,422
Loans repaid	(9,696)	(3,579)
Impairment of Loan	(800)	-
Loans advanced during the year	9,297	-
Balance at 31 March < 1 year	<u>(9,175)</u>	<u>(6,500)</u>
Balance at 31 March > 1 year	<u>9,408</u>	<u>8,797</u>
Other long term debtor	-	3,718
Total Long Term Debtor	<u>17,591</u>	<u>21,623</u>

The majority of loans were made under the Governments Growing Places Fund initiative which was set up in 2015 to support key infrastructure projects designed to unlock wider economic growth, create jobs and build houses in England. The fund is an important boost for local economies and provides a major opportunity for local enterprise partnerships and local authorities to identify and prioritise the infrastructure they need for growth. The range of

projects being supported include site access/site clearance, transport infrastructure, utilities, and refurbishment of buildings.

## 16 Trade and Other Payable

Since the CA's Balance Sheet represents the financial position at the end of the financial year, there are monies owed by the CA at that date which have yet to be paid. There are also amounts which the CA has received before the end of the financial year which relate to services which have not yet been provided, or are to fund schemes which have not yet taken place (Deferred Income). This analysis shows the amounts owed which had not yet been paid and the amounts received in advance as at 31st March 2020.

	2018/19 £000's	2019/20 £000's
Central Government Bodies	441	562
Other Local Authorities	26,912	53,743
Bodies external to Government	38,128	26,147
	<u>65,481</u>	<u>80,452</u>

### 16.1 Accrued and Deferred Income

	2018/19 £000's	2019/20 £000's
Central Government Bodies	14,814	14,947
Other Local Authorities	1,986	1,677
Bodies external to Government	4,353	5,285
	<u>21,153</u>	<u>21,909</u>

#### Notes

- Central government deferred income relates to Grants received in advance where conditions have not been met at the year end.
- Other Local Authorities deferred income relates to capital contributions to small infrastructure projects that have not yet been completed 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.

## 17 Loans Outstanding

	2018/19 £000's	2019/20 £000's
Lender:-		
Public Works Loans Board	50,728	50,735
Other Market Loans	25,319	25,322
	<u>76,047</u>	<u>76,057</u>
Maturity:-		
Loans repayable within 12 months	1,047	1,057
More than 10 years	75,000	75,000
	<u>76,047</u>	<u>76,057</u>

## 18 Capital Expenditure and Financing

	2018/19 £000's	2019/20 £000's
Capital Expenditure		
Fixed Assets	1,379	2,928
Revenue expenditure funded from capital under statute	147,903	155,808
Long-term investments and capital loans	9,297	-
	<u>158,579</u>	<u>158,736</u>
Capital Financing		
Borrowing (credit approvals)	-	2,367
Government grants	150,694	154,036
Other contributions	7,885	2,333
	<u>158,579</u>	<u>158,736</u>

The Combined Authority (CA) plans to spend over £1,177m in its capital programme for the next three financial years. Outstanding capital commitments at the balance sheet date for the CA's capital programme were £272m, include:

- A significant programme of investment within the Local Transport programme.
- The development of major Leeds Public Transport Investment programme packages in partnership with Leeds City Council, and development on major schemes such as the East Leeds Orbital Road.
- The continued investment in our bus and bus station network, essential Corporate Technology programme (CTP) and refurbishment of Wellington House.

## 19 Capital Financing Requirement

The Combined Authority has a statutory obligation to make adequate provision to meet its liabilities in respect of capital expenditure financed by external borrowing. For 2019/20 the amount is £3.115m.

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 Transport Levy equates to the Minimum Revenue Provision (MRP).

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

### Capital Financing Requirement

	2018/19	2019/20
	£000's	£000's
Opening Balance	78,092	74,968
Adjustment		820
Opening CFR	78,092	75,788
<b>Capital Investment</b>		
Property, Plant and Equipment	1,379	2,928
Housing and Regeneration Investment	7,950	-
Growing Places Fund Loans	1,346	-
Revenue Funded from Capital Under statute	147,903	155,808
<b>Sources of Finance</b>		
Government grants and other capital contributions	(155,841)	(157,957)
Capital Reserve (other) contributions	(2,737)	(778)
Minimum Revenue Provision (MRP)	(3,124)	(3,115)
New Borrowing		2,367
Movement in year	(3,124)	(747)
Closing Capital Financing Requirement	74,968	75,041

The capital financing requirement increased slightly in 2019/20 by the level of provision for the repayment of debt as there was an increase in the requirement to borrow to fund capital expenditure.

## 20 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.

	2018/19		2019/20	
	£000's	£000's	£000's	£000's
	Carrying Amount	Fair value	Carrying Amount	Fair value
<b>Financial Assets</b>				
Short term debtors	44,202	44,220	40,621	40,743
Cash and cash equivalents	73,034	73,034	55,277	55,277
Short term investment	99,590	99,392	186,711	186,779
Long term Debtors- Soft Loans Advanced	9,312	9,466	9,108	9,915
Long term Debtors- Commercial Loans Advanced	8,280	9,903	8,798	10,046
Long term Debtors- Other	-	-	3,718	3,718
	234,418	236,015	304,233	306,478
<b>Financial Liabilities</b>				
Short-term Payables	86,634	86,634	101,857	101,857
Fixed Rate borrowing - due after more than 10 years	76,047	115,572	76,057	112,328
	162,681	202,206	177,914	214,185

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

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

	2018/19			Total £000
	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	
<b>Financial Liabilities</b>				
financial liabilities held at amortised cost:				
Loans/borrowings (PWLB and other market loans)	-	115,572		115,572
Trade payables	-		86,634	86,634
<b>Total</b>	-	115,572	86,634	202,206
<b>Financial assets</b>				
Loans and receivables:				
Soft loans to third parties	-	9,466		9,466
Other loans and receivables	-	9,903	36,252	46,155
Short term Investments	-	99,392		99,392
<b>Total</b>	-	118,761	36,252	155,013
	2019/20			
	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Total £000
<b>Financial Liabilities</b>				
financial liabilities held at amortised cost:				
Loans/borrowings (PWLB and other market loans)	-	112,328		112,328
Trade payables	-		101,857	101,857
<b>Total</b>	-	112,328	101,857	214,185
<b>Financial assets</b>				
Loans and receivables:				
Soft loans to third parties	-	9,915		9,915
Other loans and receivables	-	10,046	45,050	55,096
Short term Investments	-	186,779		186,779
<b>Total</b>	-	206,740	45,050	251,790

## 20.2 Loans Advanced and Borrowings

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

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

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

The discount rates used for the evaluation were obtained by West Yorkshire Combined Authority from Link Asset Services. Link Asset Services is a leading and independent provider



of capital financing, treasury advisory and strategic advisory consulting services to the public sector.

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

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

## 20.3 Financial instruments not measured at fair value

Financial assets		Financial liabilities	
Type	Valuation Technique	Type	Valuation Technique
Loans Advanced (Long term Debtor)	Discounted cashflows: The valuation model considers the present value of the cashflows expected over the remaining life of each loan discounted using a risk adjusted representative rate for new loans indicative of economic conditions and security at the measurement date 31 March 2020.	Loans and Borrowings	Discounted cashflows: The valuation model considers the present value of the cashflows expected over the remaining life of each loan discounted using lending rates for new loans based on PWLB rates at the measurement date 31 March 2020.
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.	Trade Payables	The fair value of trade payables is deemed to be the invoiced or billed amount.
Trade and other receivables	The fair value of trade and other receivables is taken to be the invoiced or billed amount.		
Short term	The valuation of the fixed term deposits which have no secondary market would be based on an investment with a similar 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 term investments.		

	Effective interest rate	Maturity	2018/19 £000's	2019/20 £000's
<b>Current</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
Barclays - Fixed Rate Loan's (previously LOBO's)	3.97%	May 2065	5,000	5,000
Barclays - Fixed Rate Loan's (previously LOBO's)	3.80%	Aug 2065	5,000	5,000
Barclays - Fixed Rate Loan's (previously LOBO's)	3.99%	Oct 2066	5,000	5,000
Barclays - Fixed Rate Loan's (previously LOBO's)	4.30%	Dec 2076	5,000	5,000
Barclays - Fixed Rate Loan's (previously LOBO's)	4.32%	May 2077	5,000	5,000
			<u>75,000</u>	<u>75,000</u>
<b>Total</b>			<u>75,000</u>	<u>75,000</u>

## 20.4 Management of risks arising from financial instruments

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

Credit risk is the risk that amounts due to the Combined Authority may not be received. Almost all of the Combined Authority's loans and investments are made for treasury management purposes, to generate income from available balances. The parameters within which these investments are made are set out within the approved Treasury Management Policy. The effect of this policy is to restrict as far as is practicable the Combined Authority's exposure to risk from the failure of a financial institution. It ensures that deposits are placed only with limited numbers of financial institutions whose credit rating is independently assessed as being sufficiently secure. The term and maximum deposit is also restricted to reduce risk exposure.

Considering the current Covid-19 pandemic, the credit risk on the CA's investments has been assessed as low. This is due to the fact all its fixed deposit investments have been made with the local governments. The CA is managing its counterparty risk by keeping funds relatively short up to two years but the majority within one year and placing fixed deposits only with other Local authorities. Additionally a maximum of £15m can be lent to any one counterparty with the exception of the call account held with Nat West (one of the CA's bankers). Although under the approved investment strategy adopted the CA can lend to a range of excellent rated banks, this activity has been restricted for the foreseeable future until the economic environment improves.

The Combined Authority has exposure to credit risk on the Debtor Loans advanced to third parties. The Growing Places Fund Loans are riskier commercial loans with the interest rate reflective of the borrower's credit status and security provided. The financial status and credit score of the companies are regularly reviewed and monitored in order to minimise the instances of loss. As at 31 March 2020, there were four GPF loans outstanding. Two of which were loans issued to local government backed housing investment initiatives. There has no formal request of payment holiday or difficulty in meeting the repayment received from the remaining two commercial companies as a result of the Covid-19.

The Local Growth Fund loans are to Local Authorities who are deemed to be low risk on the basis they are backed by government and required by law to make provision for loan repayments.

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

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

The Combined Authority is also affected by fluctuations in shorter term interest rates as this impacts on the interest that can be earned in the year on deposits. This is particularly true after the emergency base rate cut following the national lockdown in March. The short term interest rate is carefully monitored and opportunities to secure advantageous interest rates are considered.

The Combined Authority is required to disclose the impact that a hypothetical change in market interest rates during the year would have had on its recognised gains and losses. It

should be noted that had interest rates been different then in practice different decisions would have been taken in relation to rescheduling of debt and new borrowing and investment undertaken. It is not possible to quantify the likely impact of such different decisions. The Combined Authority's interest payable and receivable would have varied by a net £2,227k if interest rates varied by 1% in the year.

The Combined Authority is not exposed to any material currency risk.

## 21 Useable Reserve

Usable reserves such as the General Fund are those where members will be involved in deciding on the levels maintained, and their use.

### 21.1 General Fund Reserve

The General Fund balance is a non-earmarked usable reserve and can be applied to fund any form of general revenue expenditure that aligns with the policies and objectives of the Combined Authority. The General Fund Balance has a surplus of £8.1m at 31 March 2020 (£6.8m 31 March 2019).

### 21.2 Rail Reserve

The Useable Reserves balance for the Combined Authority includes a Rail Reserve which is ear-marked for rail infrastructure investment and is to be held pending future investment into the rail projects. There is a balance of £167k at 31 March 2020.

### 21.3 New Generation Transport Reserves (NGT)

The Total Useable Reserves balance for the Combined Authority includes a New Generation Transport (NGT) Reserve of £0.97m at 31 March 2020 (£0.97m 31 March 2019). This earmarked reserve is 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 2020 along with the future utilisation of the NGT reserve.

### 21.4 West Yorkshire Transport Fund Reserve

In addition to the Reserves include the West Yorkshire Transport Fund Reserve to reflect additional levy contributions from the Local Authorities to develop strategic transport schemes in West Yorkshire and York. The reserve has a balance of £38.3m at 31 March 2020 (£34.2m 31 March 19).

### 21.5 Capital Grant Unapplied

The Capital Grants Unapplied Reserve 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.

	2018/19 £000's	2019/20 £000's
Opening Balance	88,266	70,974
Ajustment		(6,581)
Capital Grant unapplied/(applied)	(17,292)	46,445
Balance carried Forward	<u>70,974</u>	<u>110,839</u>

## 21.6 Useable Capital Receipts reserve

Income from the disposal of fixed assets is credited to the usable capital receipts reserve. The usable element can be applied to the financing of new capital expenditure or remain in this account. The following table shows the movement on the reserve during 2019/20.

	2018/19	2019/20
	£000's	£000's
Opening Balance	1,242	9,435
Capital receipts unapplied	8,193	8,811
Balance carried Forward	<u>9,435</u>	<u>18,246</u>

## 22 Unusable Reserve

Unusable revenue reserves are those established by statute in order to adjust the timing with which certain items affect the tax payers.

### 22.1 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 Combined Authority as finance for the costs of acquisition, construction and enhancement.

	2018/19	2019/20
	£000's	£000's
Opening Balance	13,092	10,278
Adjustment to Donated Asset reserve	-	333
	<u>13,092</u>	<u>10,611</u>
Revenue Funded from Capital		
Under statute	(148,831)	(156,830)
Depreciation	(4,266)	(3,792)
Statutory provision for the financing of Capital Investment (MRP)	3,124	3,115
Capital Grants applied	158,579	158,735
Impairment of Growing Places Fund (GPF) Loans	(800)	-
Conversion of Local Growth Fund (LGF) loan to grant	(300)	-
GPF Loans repayments	(9,440)	(3,585)
Other loan adjustment	-	1,422
Disposal of Fixed Asset	(880)	(566)
Balance at the end of the Year	<u>10,278</u>	<u>9,110</u>

### 22.2 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 Combined Authority uses the Account to manage premiums paid and discounts received on the early redemption of loans. Premiums/discounts are debited/credited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. The Financial Instruments Adjustment Account also recognises the impact of writing down soft loans using the effective interest rate method based on PWLB rates to discount soft loans.

## Financial Instruments Adjustment Account

	2018/19 £000's	2019/20 £000's
Balance at 1 April	(1,572)	(1,477)
Premiums incurred in the year	(40)	0
Discounts received in year	6	6
Effective Interest rate adjustment- Soft Loans	129	(204)
Balance at 31 March	<u>(1,477)</u>	<u>(1,675)</u>

### 22.3 Pension 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.

	2018/19 £000's	2019/20 £000's
Balance at 1 April	(74,746)	(84,640)
Actuarial gains and (losses) on pension assets and Liabilities	(5,452)	(2,365)
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	(8,872)	(6,720)
Net increase in liability on disposal/acquisition Employers pension contributions	4,430	4,689
Balance at 31 March	<u>(84,640)</u>	<u>(89,036)</u>

### 22.4 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.

	2018/19 £000's	2019/20 £000's
Balance at 1 April	13,789	14,801
Surplus/(deficit) on revaluation	1,012	(532)
Balance at 31 March	<u>14,801</u>	<u>14,269</u>

### 22.5 Donated Assets Account

Donated assets are those that were received at little or no cost to the Combined Authority but are recognised on the balance sheet at fair value to reflect the true benefit of these assets. The Donated Asset account is a corresponding reserve that recognises the true value of the asset (see note 9c).

## 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:

	2018/19 £000's	2019/20 £000's
At 1 April	196	197
Arising during year	1	8
Utilised in year	-	-
At 31 March	<u>197</u>	<u>205</u>

The Combined Authority as at 31 March 2020 has provided for liabilities relating to the now insolvent company Mutual Municipal Insurance Ltd representing the potential clawback of claims made by the former West Yorkshire Passenger Transport Executive in previous years. There were no further provisions for organisational restructure at 31 March 2020 as specified in IAS37.

## 24 Joint Venture

At 31 March 2020 the Combined Authority had the following Joint Venture:

Yorcard Ltd

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

Yorcard Ltd performs transaction processing services for smartcard ticketing in West and South Yorkshire. After considering the materiality of the Joint Venture management have agreed not to consolidate Yorcard Ltd into the Combined Authority's accounts.

The performance and financial position of the Combined Authority's share of Yorcard Ltd is disclosed below in accordance with IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities :-

	2018/19 £000's	2019/20 £000's
Turnover and other income	826	815
Expenses	(826)	(822)
Profit before Tax	-	(7)
Taxation		
Profit after Tax	-	(7)
Fixed Assets		
Current Assets	508	513
Liabilities due within 1yr	(498)	(426)
Liabilities due after 1yr or more		(84)
Net Assets	10	3

## 25 Audit Fees

The Code requires a summary of the fees payable to the Combined Authority's appointed auditors in relation to the financial year:

	2018/19 £000's	2019/20 £000's
Annual Audit Services	26	26
Other Services	-	
	26	26

## 26 Revenue Commitments – operating leases

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 Combined 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:

## Bus Operator Payments - IFRIC 12

	2018/19	2019/20
	£000's	£000's
Minimum lease payments under IFRIC 12 recognised in the year :	4,456	4,814
Within 1 year	2,975	721
Within 2-5 years	948	-
Beyond 5 years	-	-
	3,923	721

## 27 Contingent Liabilities

The Combined Authority (CA) had a contingent liability at 1 April 2019 arising from possible claims relating land and property acquisitions under the New Generation Transport scheme that was rejected in 2016. The liability continues at 31 March 2020, but it is not possible or practical to disclose an estimate of the financial effect, amount and timing due to the ongoing uncertainty.

As at 31 March 2020, a legal proceeding has commenced against the CA with potential damage claim which could lead to a financial liability. At this stage it is not possible to disclose or estimate its outcome and financial impact.

## 28 Going Concern

The accounts of the Combined Authority have been prepared on a going concern basis. The budget approved by the Combined Authority in February 2020 sets out the proposed funding of the Combined Authority and formally approved the budget for the forthcoming year 2020/21. The budget ensures that the Combined Authority set the level of levy that allows services and functions to continue to operate at a level that is aligned to the policies and objectives of the organisation and ensures the reserves are maintained so as to mitigate risks to the organisation. Additionally a 3 year indicative capital programme complete with capital funding/finance is agreed as part of this process. In light of the unique and wide-ranging impact of the COVID-19 outbreak, the Combined Authority has carried out a financial impact analysis for 2020/21 and is in discussions through representations with Central Government for support both at senior officer, political level and collectively with other Mayoral Combined Authorities.

The Code of Practice on Local Authority Accounting in the United Kingdom requires that all local governments should produce their accounts on a going concern basis. This is a reflection of the statutory position, that local governments do not have the power to cease their operations (as would be the case for a private sector body which was in financial difficulty) and that local governments will continue to exist and to deliver local services for the foreseeable future.

## 29 Events after the Balance Sheet Date

The Statement of Accounts was approved as presenting a true and fair view by the Chief Finance Officer on 27 November 2020. Events happening between the balance sheet date and the date the accounts were authorised for issue have been considered under the Combined Authority's accounting policy for events after the reporting date. No event has happened after the balance sheet date which are sufficient material to require disclosure as post balance sheet event.

## 30 New accounting standards not yet implemented

The Code requires local authorities to disclose the likely impact of any new accounting standards which have been issued as at the Balance Sheet date but which will not apply to local authorities' accounts until subsequent financial years. The 2020/21 Code will incorporate

some minor changes to accounting policies but it is not anticipated that these will have any impact on figures recognised within the authority's accounts.



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

## Report on the financial statements

### Opinion

We have audited the financial statements of West Yorkshire Combined Authority for the year ended 31 March 2020, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of West Yorkshire Combined Authority as at 31st March 2020 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

### Basis for opinion

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

### Emphasis of Matter – Effect of the Covid-19 pandemic on the valuation of land and buildings

We draw attention to note 9 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's land and buildings. As disclosed in note 9 of the financial statements, the Authority's valuer has referenced a 'material valuation uncertainty' declaration as a result of the Covid-19 pandemic impacting on the relevant market evidence upon which to base their judgements. Our opinion is not modified in respect of this matter.

### Emphasis of Matter - Material uncertainty relating to valuations of property investments

We draw attention to note 5 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's share of the West Yorkshire Pension Fund's property assets as at 31 March 2020. As disclosed in note 5 of the financial statements, the outbreak of Covid-19 has had a significant impact on global financial markets. As such, the Pension Fund has included a material valuation uncertainty clause due to the possible impact of Covid-19. There is, therefore, less certainty and a higher degree of caution should be attached to valuations of unquoted property assets than would normally be the case. Our opinion is not modified in respect of this matter.

### Conclusions relating to going concern

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

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

### **Other information**

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

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

We have nothing to report in this regard.

### **Responsibilities of the Chief Finance Officer for the financial statements**

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance 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 2019/20, and for being satisfied that they give a true and fair view. The Chief Finance Officer is also responsible for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and prepare the financial statements on a going concern basis, unless the Authority is informed of the intention for dissolution without transfer of services or function to another entity. The Chief Finance Officer is responsible for assessing each year whether or not it is appropriate for the Authority to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

### **Auditor's responsibilities for the audit of the financial statements**

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

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

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

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

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

We have nothing to report in these respects.

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

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that, in all significant respects, West Yorkshire Combined Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

### **Basis for conclusion**

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in April 2020, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### **Responsibilities of the Authority**

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

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

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Use of the audit report**

This report is made solely to the members of West Yorkshire Combined Authority, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Authority those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Certificate**

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



Mark Kirkham (Nov 30, 2020 16:35 GMT)

Mark Kirkham  
For and on behalf of Mazars LLP  
5th Floor  
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LS1 4AP  
30 November 2020