WEST YORKSHIRE
COMBINED AUTHORITY

GOVERNANCE AND AUDIT COMMITTEE

MEETING TO BE HELD AT 2.00 PM ON 29 JULY 2014
WELLINGTON HOUSE, WELLINGTON STREET, LEEDS

A G E N D A

1. APPOINTMENT OF CHAIR

2. APOLOGIES FOR ABSENCE

3. DECLARATIONS OF INTEREST

Members are reminded of their responsibility, in accordance with the Members' Code of Conduct, to declare any disclosable pecuniary interests in any matter under consideration at this meeting. Should you have a disclosable pecuniary interest in an item on the agenda you should not participate in any discussion on the matter, vote on the matter or remain in the meeting during discussion and voting on the matter subject to Part 4 (paragraphs 19 and 20) of the Code of Conduct.

If a member is unsure of the correct course of action to take, they should seek advice from the Secretary and Solicitor **prior** to the meeting.

Members should complete the appropriate form, attached herewith, and hand it to the Secretary and Solicitor before leaving the meeting. A blank form can be obtained from the Secretary and Solicitor at the meeting.

4. EXCLUSION OF THE PRESS AND PUBLIC

To identify items where resolutions may be moved to exclude the press and public.

5. MINUTES OF THE MEETING HELD ON 30 APRIL 2014
(pages 8 - 12)

Copy attached.

6. EXTERNAL AUDIT ARRANGEMENTS
(pages 13 - 17)

To consider the attached report.

7. INTERNAL AUDIT PROGRESS REPORT
(pages 18 - 22)

To consider the attached report.

8. QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME 2014
(pages 23 - 27)

To consider the attached report.

9. ANNUAL INTERNAL AUDIT REPORT AND OPINION
(pages 28 - 47)

To consider the attached report.

10. REVIEW OF INTERNAL CONTROL AND EFFECTIVENESS OF INTERNAL AUDIT
(pages 48 - 49)

To consider the attached report.

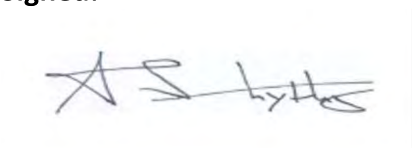
11. INTERNAL CONTROLS AND FINANCIAL MONITORING
(pages 50 - 53)

To consider the attached report.

12. APPROVAL OF ANNUAL ACCOUNTS FOR 2013/14
(pages 54 – 217)

To consider the attached report.

Signed:



Head of Paid Service WYCA

Originator: Nick Winney
Monitoring Officer

WEST YORKSHIRE COMBINED AUTHORITY

ITEM 1

Report to: **Governance and Audit Committee**

Date: **29 July 2014**

Subject: **Appointment of Chair**

1. Purpose

1.1. To appoint the Chair of the Governance and Audit Committee.

2. Information

2.1. The Procedure Standing Orders of the West Yorkshire Combined Authority provide that committees of the Authority may appoint their own chair if there is a vacancy in the post or if the Authority does not make an appointment.

2.2. Following the local elections in May the WYCA appointed members to its committees at its meeting on 26 June. It did not appoint a Chair of the Governance and Audit Committee at that meeting.

3. Financial Implications

3.1. The Members' Allowances Scheme adopted by the WYCA will apply to the post of Chair of the Governance and Audit Committee.

4. Legal Implications

4.1. The Procedure Standing Orders allow that committees may appoint their own chairs in the absence of an appointment by the WYCA or a casual vacancy.

5. Staffing Implications

5.1. None as a result of this report.

6. Recommendations

6.1. That a Chair of the Governance and Audit Committee be appointed.

AGENDA ITEM NO: 3

WEST YORKSHIRE COMBINED AUTHORITY DECLARATION OF DISCLOSABLE PECUNIARY INTERESTS	
NAME OF MEMBER:	……………………………………………………..…………………
COMMITTEE:	GOVERNANCE AND AUDIT COMMITTEE
DATE:	29 JULY 2014
AGENDA ITEM NO	NATURE OF INTEREST

Signed ………………………………………………………….

You should complete this form only if you have a disclosable pecuniary interest in any particular item on this agenda. (See attached appendix for schedule of disclosable pecuniary interests.) Completed forms should be handed in to the Secretary and Solicitor **before** leaving the meeting.

NOTE: Should you have a disclosable pecuniary interest in an item on the agenda you should not participate in any discussion on the matter, vote on the matter or remain in the meeting during discussion and voting on the matter subject to paragraph 24 of the Code of Conduct.

If you are unsure of the correct course of action to take, you should seek advice from the Secretary and Solicitor prior to the meeting.

t:/Committee/Transport Committee /Code of Conduct and Declarations of Interest/Declarations of Interest – Agenda Item 2.doc

SCHEDULE OF DISCLOSABLE PECUNIARY INTERESTS UNDER THE LOCALISM ACT 2011 AND THE CODE OF CONDUCT OF THE COMBINED AUTHORITY 2014

Disclosable Interest	Description
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	Any payment or provision of any other financial benefit (other than from the relevant Authority) made or provided within the relevant period in respect of any expenses incurred by a Member in carrying out duties as a member, or towards the election expenses of the Member. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract which is made between the relevant person (or a body in which the relevant person has a beneficial interest) and the Authority - (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged.
Land	Any beneficial interest in land which is within the area of the Authority.
Licences	Any licence (alone or jointly with others) to occupy land in the area of the Authority for a month or longer.
Corporate tenancies	Any tenancy where (to the member’s knowledge) - (a) the landlord is the Authority; and (b) the tenant is a body in which the relevant person has a beneficial interest.

Securities	Any beneficial interest in securities of a body where - (a) that body (to the Member's knowledge) has a place of business or land in the area of the Authority; and (b) either - (i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

If a Member has a disclosable pecuniary interest in a matter under discussion, the Member may not:-

(a) participate, or participate further, in any discussion of the matter at the meeting;

(b) participate in any vote, or further vote, taken on the matter at the meeting (unless the Member has requested and been granted a relevant dispensation by the Standards Committee), or

(c) remain in the room during the discussion or vote on the matter.

Where Members have a disclosable pecuniary interest in a matter to be considered at a meeting, they may attend the meeting but only for the purposes of making representations, answering questions or giving evidence relating to the matter, provided that the public are also allowed to attend the meeting for the same purpose, whether under a statutory right or otherwise. Once Members have finished, or the meeting decides they have finished, Members must leave the room and may not remain in the room during the discussion or vote on the matter.

Note: If a close family member has a Disclosable Pecuniary Interest, this is deemed to be a Disclosable Pecuniary Interest of the Member of the Authority.

PUBLIC INSPECTION OF DOCUMENTS AND ACCESS TO MEETINGS OF THE WEST YORKSHIRE COMBINED AUTHORITY

(a) Files containing correspondence etc, relating to items to be discussed at the meeting may be inspected by contacting the originating department - please see below. Certain information may be confidential and not open to inspection.

(b) The attached Agenda Items do not contain any exempt information as defined in Part 1 of Schedule 12A to the Local Government Act 1972.

Compilation of Agenda by:	Ruth Chaplin
Telephone No:	Leeds (0113) 251 7217
Date:	21 July 2014

ITEM 5

MINUTES OF THE MEETING OF THE GOVERNANCE & AUDIT COMMITTEE HELD ON WEDNESDAY 30 APRIL 2014 IN WELLINGTON HOUSE, LEEDS

Present: Councillor H Richards (Chair)

Councillors G Burton, G Hussain, R Light, N McIlveen and L Smith

In attendance: A Lince (Deloitte)

1. Election Of Chair

Councillor H Richards was proposed and seconded for the position of Chair.

Resolved - That Councillor Richards be appointed Chair.

2. Apologies for Absence

An apology for absence was received from Councillor S Baines (Calderdale).

3. Declarations of Disclosable Pecuniary Interests

Councillor Robert Light declared an interest in agenda item number 10, as he was a member of the Audit Commission.

4. Minutes

Resolved - That the minutes of the meeting of the Integrated Transport Authority's Audit & Governance Committee held on 24 January 2014 be approved

5. Forward Plan of Work 2014-2015

The Committee considered a report setting out the programme of work for 2014/15.

Members were advised that apart from the work programme, as detailed in the report, other items would be brought for members' consideration as and when required. Comment was also made that a review of the programme be undertaken in 6 months, including corporate governance arrangements, as the Combined Authority evolved.

It was also reported that the Audit Commission was consulting over the proposed appointment of Deloitte LLP as the Combined Authority's auditor.

Resolved -

(a) That, subject to a review of the programme being carried out in 6 months, the programme of work be noted.

(b) That the proposal to appoint Deloitte as the Combined Authority's auditor be noted.

6. Internal Audit Charter 2014

The Committee considered a report on the Internal Audit Charter for the Combined Authority.

It was reported that the Public Sector Internal Audit Standards (PSIAS) required the purpose, authority and responsibility of the internal audit activity to be formally defined in an internal audit charter, consistent with the definition of Internal Auditing, the Code of Ethics and the Standards.

Members were advised that the document would assist the WYCA in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organisation's risk management, control and governance processes.

A copy of the Authority's Audit Charter was attached at Appendix 1 to the submitted report.

Resolved - That the Internal Audit Charter for the Combined Authority be endorsed for approval by the West Yorkshire Combined Authority.

7. Internal Audit Progress Report

The Committee considered a report on the work undertaken by the Internal Audit Section and the key issues which had been identified.

It was reported that the following areas of work had been reviewed since the last meeting and these were detailed in the submitted report with the audit opinion.

- Risk Management Framework
- Gifts, Hospitality and Interests
- Main Accounting System

- Prepaid Tickets and Concessionary Travel
- Creditors
- English National Concessionary Travel Scheme (ENCTS)
- Treasury
- Payroll

Comment was made that the majority of reviews undertaken were assessed as either ‘well controlled’ or ‘controlled’. Only one audit, ENCTS, had resulted in an assurance level of ‘required improvement’. That related to improvements to:

- Control to the identification and maintenance of levels of Smartcard ticket stocks held with third parties.

- System user access rights for the customer database system.

Resolved - That the report be noted.

8. Internal Audit - Annual Audit Plan 2014/2015

The Committee considered a report on the proposed schedule of Internal Audit Reviews for 2014/2015.

Members noted the details of the Internal Audit Plan 2014/15, which were outlined in the appendix to the submitted report. They were advised that the content and progress, moving forward as a Combined Authority, would be regularly reviewed and reported and that any changes required to address emerging risks would be reported to this Committee.

Resolved - That the Annual Audit Plan commencing from April 2014, as detailed in Appendix A of the submitted report, be recommended for approval by the Combined Authority.

9. External Audit Plans

The Committee considered a report on the Audit Plans from the external auditors for the year ended 2013/2014.

It was reported that the external auditor, Deloitte, was required to produce a plan each year for their audit work. It was explained that, as the Combined Authority was only created on 1 April 2014, the relevant accounts for the year ended 31 March 2014 were those of the West Yorkshire Integrated Transport Authority and the West Yorkshire Passenger Transport Executive. The External Audit Plans for 2013/2014 were attached at appendix A to the submitted report and set out the audit work and risks facing the Authority, which impacted on that work.

Resolved - That the External Audit Plans for 2013/2014 be noted.

10. Internal controls and Financial Monitoring

The Committee considered a report on any changes to the Authority's internal control arrangements since the last meeting and to consider the current financial position.

Internal Controls

The Committee were advised that whilst there had been changes to the ways of working as a result of the creation of the Combined Authority from the former Integrated Transport Authority and the Passenger Transport Executive it had been possible to keep the integrity of the internal control structure largely intact, particularly with regard to the key high risk areas such as financial systems. The governance of decision making had been developed through the mechanism of the Shadow Combined Authority and would evolve as the Combined Authority developed, which would be the subject of review by the WYCA and internal audit in due course.

Financial Monitoring

In noting the current position regarding the Authority's revenue and capital budgets, it was reported that the budget for 2014/2015 and the revised budget outturn for 2013/2014 were approved in February by the Integrated Transport Authority and subsequently reapproved at the first meeting of the Combined Authority. Members were advised that the WYCA would be undertaking a review of both the revenue and capital budgets at its meeting in May 2014.

In this respect, comment was made that the capital programme would also be subject to a further review when the outcome of the LEP's Strategic Economic Plan was known, as that would determine the funding available from the Single Local Growth Fund.

Risk Management

It was reported that the risk management arrangements that were in place for the WYITA and WYPTE had now been adopted for the Combined Authority. The Risk Policy and Risk Manual, which set out detailed arrangements for risk management, were currently being updated to reflect the changes arising as a result of the new Combined Authority and would be brought to a future meeting of the Committee. In this respect, the Committee was advised that the Annual Governance Statement, which accompanied the Annual Accounts, would be brought to the next meeting and would include a review on governance arrangements including risk. A revised risk policy statement had been produced for the Combined Authority and was attached as Appendix 3.

Resolved - That the report be noted.

11. Due Diligence - Transfer to the Combined Authority

The Committee considered a report on the satisfactory outcome of the due diligence work undertaken to support the transfer of the West Yorkshire Integrated Transport Authority and the Passenger Transport Executive to the Combined Authority.

Resolved - That the work undertaken as part of the due diligence exercise be noted.

Originator: Angela Taylor,
Director, Resources

WEST YORKSHIRE
COMBINED AUTHORITY

ITEM 6

Report to: **Governance and Audit Committee**

Date: **29 July 2014**

Subject: **External Audit Arrangements**

1 Purpose

1.1 To inform the Committee of the appointment of external auditors.

2 Information

2.1 At its last meeting the Committee was informed verbally that a letter had just been received from the Audit Commission seeking views on the appointment of external auditors to the West Yorkshire Combined Authority. This was required as WYCA was a new organisation.

2.2 Representations were made to the Audit Commission supporting the appointment of Deloitte LLP, the current auditors of the West Yorkshire Integrated Transport Authority and West Yorkshire Passenger Transport Executive. Deloitte completed their first year end audit of these organisations for the 2012/13 year end and their experience from this and the 2013/14 year end would be beneficial in auditing the first set of accounts for the WYCA in 2014/15. This would ensure continuity through a period of change and maximise the benefits of their work in previous years. The Audit Commission has subsequently confirmed the appointment of Deloitte for the audit of WYCA for 2014/15 and the letter confirming this is attached as Appendix A.

2.3 The Audit Commission has recently undertaken a procurement process to appoint auditors for a number of authorities from 2015/16 onwards. Their contract with Deloitte expires at this time and Deloitte were not successful in this procurement. The Audit Commission are therefore required to appoint another auditor to take over the WYCA audit from 2015/16.

2.4 The Audit Commission has proposed the appointment of Mazars LLP; their letter is attached as appendix B. The WYCA is able to make representations if there are any reasons why it feels this appointment is unacceptable, for example there may be conflicts of interest with other work being undertaken by the proposed appointee.

The WYCA has no previous history of working with Mazars and there appear to be no reasons to object to the proposal. As the response date for representations is 25 July this conclusion has been endorsed by the Head of Paid Service.

3 Financial Implications

3.1 The audit fees charged are set by the Audit Commission. A review of the appropriate level of fees for the 2014/15 audit of the WYCA is being undertaken by the Audit Commission and this will include a consultation process. The WYCA has previously made representations that it would expect a reduction in the level of fees in moving from the audit of two organisations to only one.

4 Legal Implications

4.1 None arising directly from this report.

5 Staffing Implications

5.1 None arising directly from this report.

6. Recommendations

6.1 That the Committee note the external appointments made by the Audit Commission.

Our reference JH/KR
Your reference

19 June 2014

Adrian Lythgo
West Yorkshire Combined Authority
Wellington House
40-50 Wellington Street
Leeds
LS1 2DE

Direct line 0303 444 8273
Email auditor-appointments@audit-commission.gsi.gov.uk

Dear Adrian

West Yorkshire Combined Authority - auditor appointment for 2014/15

Further to my letter of 25 April and your response of 29 April, I am now writing to confirm the appointment of Deloitte LLP to audit the accounts for the West Yorkshire Combined Authority for 2014/15.

The appointment is made under section 3 of the Audit Commission Act 1998 and was confirmed by the Commission Board at its meeting today, 19 June 2014. The appointment is for one year only, in respect of the 2014/15 accounts. I will be writing to you shortly to consult on a new appointment from 2015/16.

I have copied this letter to Deloitte. The firm will be in contact with you to discuss arrangements for the audit.

If you have any questions about the auditor appointment, please email us at auditor-appointments@audit-commission.gsi.gov.uk.

Yours sincerely

Jon Hayes
Associate Controller of Audit (Compliance)

cc Angela Taylor, West Yorkshire Combined Authority
Deloitte LLP

Audit Commission, 3rd Floor, Fry Building, 2 Marsham Street, London, SW1P 4DF
T 0303 444 8300 www.audit-commission.gov.uk

23 June 2014

Direct line 0303 444 8273
Email auditor-appointments@audit-commission.gsi.gov.uk

Adrian Lythgo
Head of Paid Service
West Yorkshire Combined Authority
Wellington House
40-50 Wellington Street
Leeds
LS1 2DE

Dear Adrian

West Yorkshire Combined Authority - consultation on auditor appointment from 2015/16

I wrote to you recently about your auditor appointment for 2014/15, and informed you that I would need to consult you separately on the appointment from 2015/16. I am now writing to consult you on the appointment of Mazars LLP to audit the accounts of West Yorkshire Combined Authority from 2015/16 for two years. The appointment will start on 1 April 2015.

Mazars in the UK has 127 partners and 1,300 staff working out of 20 offices and a turnover of £120 million in 2013. It is an integral part of Mazars international with 13,800 staff in 72 countries worldwide and a turnover of over £1 billion. For further information on Mazars LLP please visit: http://www.mazars.co.uk/

Background to the proposed appointment

The Audit Commission announced in 2013 that it would retender the audit contracts awarded to audit firms in 2006 and 2007, representing approximately 30 per cent of the local public audit market. The procurement was completed in April 2014 and the Commission is now making auditor appointments to bodies previously audited under the old contacts. Our new contracts are in addition to those let in 2012 covering the remaining 70 per cent of the local public bodies to which the Commission appoints the auditor. Deloitte was not successful in winning one of our new contracts so we need to appoint a different firm as your auditor.

Under the provisions of the Local Audit and Accountability Act 2014, the Commission will close at the end of March 2015. A transitional body will be established from 1 April 2015 to oversee the Commission's audit contracts and will have responsibility for the existing statutory functions relating to auditor appointments.

The transitional body will manage the contracts until their expiry in 2017 (or 2020 if the Department for Communities and Local Government opts to extend some or all of the contracts). This is the point at which local public bodies will be required to have their own auditors in place or to have agreed to participate in any collective procurement arrangements that are established.

The consultation process

The Audit Commission has a statutory duty to appoint external auditors to local public bodies under Section 3 of the Audit Commission Act 1998. This duty requires the Commission to consult local government bodies on the auditor appointment. We also consult NHS bodies.

The consultation on the proposed auditor appointment will close on 25 July 2014.

Process for objecting to the proposed auditor appointment

If you wish to make representations to the Commission about the proposed auditor appointment please send them by email to auditor-appointments@audit-commission.gsi.gov.uk by **Friday 25 July 2014**. Your email should set out the reasons why you think the proposed appointment should not be made. Such representations can include matters that you believe might be an impediment to the firm's independence, were it to be your appointed auditor.

We will consider carefully all representations and will respond by **Monday 15 September**. If your representations are accepted, we will consult you on an alternative appointment. If your representations are not accepted, they will also be considered by a subcommittee of the Commission Board (the Board's Appointments Panel).

The Commission Board will consider all proposed appointments at its meeting scheduled for 4 December. We aim to write to all bodies to confirm the Commission's decision on the appointment of the auditor by 31 December 2014.

If you have any questions about the proposed auditor appointment or the consultation process please email us at auditor-appointments@audit-commission.gsi.gov.uk or call on 0303 444 8273.

Yours sincerely

Jon Hayes
Associate Controller of Audit (Compliance)

cc Angela Taylor, Director, Resources, West Yorkshire Combined Authority

Originator: Russell Gott
Internal Audit Manager

ITEM 7

Report to: **Governance and Audit Committee**

Date: 29 July 2014

Subject: Internal Audit Progress Report

1. Purpose

1.1 To inform the Authority of the work undertaken by the Internal Audit Section.

2. Information

2.1. This report provides details of activities undertaken by the Internal Audit Section in the period from 1 April 2014 to 30 June 2014 and summarises the objectives of reviews undertaken, audit opinion and the key issues resulting from this work.

2.2. The Internal Audit Section has undertaken work contained within the West Yorkshire Combined Authority's (WYCA's) Audit Plan 2014/15 through the performance of the following audit reviews:

- LTP3 Capital Programme Management.
- Expenses.
- NGT Project Risk Management.
- LSSE Project Risk Management.
- Human Resources – VfM Performance Indicators.
- Petty Cash.
- CARE NORTH PLUS – Grant Certification.

3. How Control is Reviewed

3.1 There are three elements to each internal audit review. Firstly, the objectives and key risks associated with the audit entity are identified. Secondly, controls which internal audit would expect to be present to mitigate risk are determined and finally an audit programme is developed to review the existence and operation of those controls through a combination of substantive and compliance testing.

3.2 An evaluation of the effectiveness of controls tested is provided within each audit report along with an indication of any residual risk. This is then used as the basis for forming an audit opinion of the entity. Details of audit opinion assurance categories are provided below;

Assurance Level	Definition
Well Controlled	There is a robust control framework in place for the system. All necessary controls are in place and are operating effectively. Any recommendations made are low risk and relate to enhancements of existing controls.
Controlled	There is an acceptable control framework in place. Key controls are in place and operating effectively. Some changes to controls and how they operate would be beneficial. Recommendations made are moderate or a combination of moderate and low risk, including the development of existing controls, and do not relate to key controls.
Requires Improvement	Controls in place for some elements of the system are not always appropriate or effective or are not consistently applied. Recommendations made are of high or a combination of high and moderate risk concerning the operation of key controls.
Poorly Controlled	There is an inadequate control framework. Key controls are absent or not operating. The operation of the system is currently providing an unacceptable risk. Recommendations made are high risk concerning the operation of key controls.

4. Audit Summary

4.1. The reviews undertaken in the period were assessed as either well controlled or controlled. A summary of the internal audit reviews performed along with details of any significant issues identified and respective audit opinions are provided below.

4.1.1 LTP Capital Programme Management

"Well Controlled"

This audit examined arrangements established for the approval of payments of integrated transport block and highways block funding, programme governance, reporting and arrangements to oversee delivery and manage risks.

The review included consideration of programme monitoring arrangements and compliance with grant determination 2013/14/2150.

There were no significant issues identified as a result of the audit testing undertaken.

4.1.2 **Expenses**

"Controlled"

The review considered the presence and the operation of key controls including authorisation, budgetary control, compliance with standing orders, financial regulations, procedures and purchase card security arrangements .

Audit testing highlighted an inconsistency relating to the reimbursement of the cost of meals for a small group of staff. This is a long established arrangement and within that team's terms and conditions of employment. However, it was agreed that action would be taken to seek to consolidate and standardise working terms in respect of reimbursement for meal allowances across the organisation.

4.1.3 **NGT Project Risk Management**

"Well Controlled"

The purpose of this audit was to review project risk management arrangements for the NGT project and provide feedback to the project board.

The audit predominantly focused on the application of PRINCE2 project risk management principles and assessed the Project Risk Management Strategy, Project Risk Log, Project Issues log, Risk Reporting and Project Board Minutes and Actions.

The principal audit comments concerned improvements in defining risk early warning indicators within the Risk Management Strategy and providing commentary on these issues in Highlight Reports produced for the Project Board.

4.1.4 **LSSE Project Risk Management**

"Well Controlled"

The purpose of this audit was to review project risk management arrangements for the Leeds Station Southern Entrance project and provide feedback in terms of observations to the project board.

The audit focused on the presence, content and utilisation of the following PRINCE2 documentation:

Project Risk Management Strategy
Project Risk Log
Project Issues log
Risk Reporting

Project Board Minutes and Actions

The observations provided concerned the development of the existing project risk management strategy and clarification of risk management roles within the project.

4.1.5 **Human Resources – VfM Indicators**

“Controlled”

This review considered primary performance indicators for public sector organisations in the U.K. and compared them with calculations for the provision of the H.R. function of WYCA.

It was established that, for the majority of these indicators, the function compared well against the national averages. However, it was identified that further examinations are required by management in two areas where costs were in excess of the average. To address these issues, it was reported that a proposal to update the H.R. Strategy is planned to be included in a wider development of WYCA’s governance arrangements.

4.1.6 **Petty Cash**

“Well Controlled”

Internal Audit performed an unannounced count and reconciliation of petty cash held at Wellington House. This review went on to assess the arrangements in operation to ensure the accuracy of records, safekeeping and authorisation of petty cash transactions.
There were no significant issues resulting from this review.

4.1.7 **CARE NORTH PLUS – Grant Certification**

An audit of expenditure incurred in respect of Carbon Responsible Transport Strategies for the North Sea area (CARE NORTH PLUS) activities was performed for the claim period from 8 April 2013 to 31 May 2014.

The Internal Audit Manager was able to certify that Euro 29,414 was eligible to be claimed in the period.

5. Other Activity

5.1. In addition to the completion of scheduled audit reviews provided in section 4 of this report, work is currently in progress relating to Tendered Subsidised Bus Services, Travel Centre Procedures, New Pudsey Station Car Park Scheme Benefits Realisation and Realtime Information Systems Source Code Escrow Arrangements. A summary of the results from these reviews will be provided to this Committee once the final audit reports are released.

6. Financial Implications

6.1 None relating directly to the Internal Audit function.

7. Legal Implications

7.1. The Accounts and Audit Regulations 2011 establish requirements relating to systems of internal control and the review and reporting of those systems. Accordingly, the Authority must have in place a process for establishing, maintaining and reviewing the system of internal control and risk management. The regular reporting by the Internal Audit Manager forms part of that review.

8. Staffing Implications

8.1 None relating directly to the Internal Audit function.

9 Recommendations

9.1. That the Internal Audit progress report be noted.

Originator: Russell Gott
Internal Audit Manager

WEST YORKSHIRE COMBINED AUTHORITY

ITEM 8

Report to:	**Governance and Audit Committee**
Date:	29 July 2014
Subject:	Quality Assurance and Improvement Programme 2014

1. Purpose

1.1 To consider the Quality Assurance and Improvement Programme for Internal Audit.

2. Information

2.1. Public Sector Internal Audit Standards (PSIAS) require the formal documenting of a Quality Assurance and Improvement Programme (QAIP). This covers all aspects of the Internal Audit activity and enables compliance with all aspects of the PSIAS to be evaluated. It allows for the assessment of the efficiency and effectiveness of the Internal Audit activity and identifies opportunities for improvement. This is through both internal and external assessments. The requirement for an external assessment of the Internal Audit activity at least once in every 5 years is a new requirement.

2.2 The results of the QAIP must be reported to senior management and the Governance and Audit Committee on an annual basis. This may be provided within internal audit's annual report and opinion.

2.3 The QAIP for the West Yorkshire Combined Authority is attached as an appendix to this report.

3. Financial Implications

3.1 None relating directly to the Internal Audit function.

4. Legal Implications

4.1. None relating directly to the Internal Audit function.

5. Staffing Implications

5.1. None relating directly to the Internal Audit function.

6. Recommendations

6.1. That the Internal Audit Quality Assurance and Improvement Programme 2014 for the Combined Authority be recommended for approval.

Internal Audit Quality Assurance & Improvement Program (QAIP) 2014/15

Russell Gott 16/06/2014

Introduction

Internal Audit's Quality Assurance and Improvement Program (QAIP) is designed to provide reasonable assurance to the various stakeholders of West Yorkshire Combined Authority that Internal Audit:

- Performs its work in accordance with its Charter, which is consistent with the Public Sector Internal Audit Standards, Definition of Internal Auditing and Code of Ethics;
- Operates in an efficient and effective manner;
- Is adding value and continually improving Internal Audit's operations.

The Chief Audit Executive is ultimately responsible for the QAIP, which covers all types of Internal Audit activities. The QAIP must include both internal and external assessments. Internal assessments are both ongoing and periodical and external assessments must be undertaken at least once every five years.

Internal Assessment

Internal Assessment is made up of both on-going reviews and periodic reviews.

On-going Reviews

On-going assessments are conducted through:

- Supervision of engagements.
- Regular, documented review of work papers during engagements.
- Audit policies and procedures used for each engagement including the Internal Audit Manual to ensure compliance with applicable planning, fieldwork and reporting standards.
- Feedback from audit client post audit questionnaires for individual audit assignments.
- Analyses of key KPI's established to improve Internal Audit's effectiveness and efficiency.
- All draft and final reports and recommendations are reviewed and approved by the Chief Audit Executive.

Periodic Reviews

Periodic assessments are designed to assess conformance with Internal Audit's Charter, the Standards, Definition of Internal Audit, the Code of Ethics, and the efficiency and effectiveness of internal audit in meeting the needs of its various stakeholders. Periodic assessments will be conducted through:

- Review of internal audit performance Key Performance Indicators by the Chief Audit Executive on a monthly basis.
- Quarterly activity and performance reporting to the Governance and Audit Committee and Section 73 responsible finance officer.
- Annual self-review of conformance with the Public Sector Internal Audit Standards.

Any resultant action plans will be monitored by the Chief Audit Executive on a quarterly basis.

External Assessment

External assessments will appraise and express an opinion about Internal Audit conformance with the Standards, Definition of Internal Audit and Code of Ethics and include recommendations for improvement as appropriate.

An external assessment will be conducted at least once every 5 years by a qualified, independent assessor from outside the Authority. The assessment will be in the form of a full external assessment, or a self-assessment with independent external validation. The format of the external assessment must be discussed with the Governance and Audit Committee.

Reporting

Internal Assessments – reports of internal assessments will be reported to the Governance and Audit Committee on an annual basis;

External Assessments – results of external assessments will be reported to the Governance and Audit Committee and Section 73 officer at the earliest opportunity following receipt of the external assessors report. The external assessment report will be accompanied by a written action plan in response to significant findings and recommendations contained in the report.

Follow Up – the Chief Audit Executive will implement appropriate follow-up actions to ensure that recommendations made in the report and action plans developed are implemented in a reasonable timeframe.

Originator: Russell Gott
Internal Audit Manager

ITEM 9

Report to: **Governance and Audit Committee**

Date: **29 July 2014**

Subject: **Annual Internal Audit Report and Opinion**

1. Purpose

1.1 To provide the Annual Internal Audit Report and Opinion of the control environment in operation during 2013/14 for West Yorkshire Integrated Transport Authority (WYITA) and West Yorkshire Passenger Transport Executive (WYPTE).

2. Information

2.1. Public Sector Internal Audit Standard, PSIAS 2450, requires the Chief Audit Executive to provide an annual report to the Board timed to support the Annual Governance Statement. The report must include;

- An annual audit opinion on the overall adequacy and effectiveness of governance, risk and control framework, (the control environment).
- A summary of the audit work performed from which the opinion is derived including any reliance placed on work by other assurance bodies.
- A statement on conformance with PSIAS and the results of the Internal Audit Quality Assurance and Improvement Programme.

2.2 In addition, the PSIAS require the Chief Audit Executive to confirm to the Board at least annually, the organisational independence of internal audit activity.

2.3 In the context of PSIAS, ‘opinion’ means that internal audit will have done sufficient, evidenced work to form a supportable conclusion about the activity it has examined.

2.4 It should be noted that the opinion for both WYITA and WYPTE is that the framework of governance, risk management and control had operated adequately. Due to the mutual reliance on systems and processes in operation, a joint audit plan covering both WYPTE and WYITA was undertaken in 2013/14 and therefore the annual internal audit reports for both these organisations are identical. The Annual Internal Audit report for WYPTE is attached to this paper for information and consideration. A copy of the report for WYITA will also be available at the meeting for members to inspect if they wish.

3. Financial Implications

3.1 None relating directly to the Internal Audit function.

4. Legal Implications

4.1. The Accounts and Audit Regulations 2011 establish requirements relating to systems of internal control and the review and reporting of those systems. Accordingly, the West Yorkshire Combined Authority must have in place a process for establishing, maintaining and reviewing the system of internal control, governance and risk management.

5. Staffing Implications

5.1 None relating directly to the Internal Audit function.

6 Recommendation

6.1. That the Annual Internal Audit Report and Opinion be considered.

West Yorkshire Passenger Transport Executive

Internal Audit Annual Report and Opinion 2013/14

5/12/2014

Background

UK Public Sector Internal Audit Standards (PSIAS) require the Chief Audit Executive to deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The results of work undertaken within the Annual Audit Plan are designed to support the opinion provided in the Annual Internal Audit Report.

Information

Annual Reporting Process

Management are responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. Internal Audit review, appraise and report on the efficiency, effectiveness and economy of financial and other management controls. This report is the culmination of the work during the course of the year and seeks to:

- Provide an opinion on the overall adequacy and effectiveness of the Executive's framework of governance, risk management and control.

- Provide a summary of the audit work from which the opinion is derived, including reliance placed on work by other service providers.

- State the level of conformance with the UK Public Sector Internal Audit Standards and comment on the results of the Quality Assurance and Improvement Program.

Scope and Purpose of Internal Audit

There is a statutory requirement under the Accounts & Audit (England) Regulations 2011 for an internal audit function. Regulation 6 states that a *"relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control"*. This role is complemented by initiatives aimed at promoting effective corporate governance with particular emphasis on risk management. It is recognised that proper internal audit practices as those contained in the UK Public Sector Internal Audit Standards.

Independence of Internal Audit

Internal audit is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the Executive.

The work of internal audit forms part of the organisation's overall assurance framework providing independent and objective assessment on governance, risk management and internal control. Throughout 2013/14 the Internal Audit function has remained organisationally independent. This is supported through the Internal Audit Charter and risk-based audit plan being approved by the board in April 2013.

How Internal Control is Reviewed

Internal Audit have developed a risk-based approach to delivering the audit function. References have been made to the Executive's audit universe risk profile which was used to form the basis of internal audit's operational plan.

The review process draws on key indicators of risk to the organisation and attempts to ensure that suitable audit time and resources are provided for these areas. Factors used in assessing risk include financial materiality, legislative requirements, previous audit experience, and the potential for fraud. This risk based approach to audit planning results in a comprehensive range of audits that are undertaken during the course of the year to support the overall opinion on the internal control environment.

Annual Governance Statement (AGS)

The Accounts and Audit Regulations (2011) establish the requirements related to systems of internal control and the review and reporting of those systems. Accordingly, the Executive needs to have in place a process for establishing, maintaining and reviewing the system of internal control and risk management. Regulation 4 states that;

"The relevant body is responsible for ensuring that the financial management of the body 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".

"The relevant body must conduct a review at least once in a year of the effectiveness of its system of internal control" and "following the review, the body must approve an annual governance statement prepared in accordance with proper practices in relation to internal control".

CIPFA/SOLACE have produced a governance framework for the creation of an Annual Governance Statement (AGS). This has been adopted and applied as proper practice by the Executive.

The opinion on internal control provided by Internal Audit, based upon the risk - based audit plan, is one of the key elements to consider when compiling the AGS.

Scope of Internal Audit Opinion 2013/14

In providing our annual audit opinion, it should be noted that assurance can never be absolute. The most that internal audit can provide is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes.

The matters raised in this report are only those which came to our attention during our internal audit work in the financial year 2013/14 and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

In arriving at our opinion, the following matters have been taken into account;

- The results of all internal audits undertaken during the year ended 31 March 2014.
- The results of follow-up reviews of action taken to address audit recommendations.
- Whether or not any significant recommendations have not been accepted by management and the consequent risks.
- The effects of any material changes in the Executive's objectives and activities.

Annual Opinion 2013/14

From the work undertaken during the financial year 2013/14 and taking into account other sources of assurance, Internal Audit have reached the opinion that the Executive's framework of governance, risk management and control is operating adequately and that there are no outstanding significant issues arising from the work undertaken by Internal Audit at the time of writing this report.

In reaching our opinion the following factors were considered;

Risk Management

Risk Framework

During the period a review of risk management arrangements was undertaken. Whilst recognising that progress had been made in the development of risk management arrangements, it was identified that the Executive should consider improvements to the identification of the organisation's risk appetite and the application of tolerances and constraints to determine the significance of individual risks. The review also recognised opportunities to re-evaluate and agree strategic risks, aligned to corporate objectives once it is amalgamated into the West Yorkshire Combined Authority.

Overall, it was concluded that risk management arrangements are adequate to demonstrate an acceptable level of control.

Project Risks

Two reviews were performed to examine the approach to risk management within major projects. It was established that arrangements broadly complied with the PRINCE2 framework and that overall controls operated to adequately manage project risks.

Governance

Yorcard Ltd – Corporate Governance

A review considered corporate governance arrangements in relation to Yorcard Ltd. This is a company limited by guarantee established jointly by South Yorkshire Passenger Transport Executive and West Yorkshire Passenger Transport Executive to deliver an integrated smart ticketing infrastructure in Yorkshire. The review examined the corporate governance arrangements in operation with particular emphasis on providing assurance to the Executive that its interests are protected. The primary recommendations concerned the provision of a statement of the review of internal control within the organisation's published financial accounts and improvements to consultation and communication of matters considered by Yorcard's Board.

Code of Corporate Governance

Consideration of the proposed code of corporate governance and scrutiny arrangements required for the creation of the West Yorkshire Combined

Authority was undertaken along with an evaluation of the impact these arrangements would have on the operations of the internal audit function and future assurance requirements.

Project Management

Reviews of the project governance arrangements for the Pay & Grading and Castleford Bus Station Development projects were undertaken to assess compliance with PRINCE2 project management principles. In addition, work to identify an assurance strategy and the regular review of these arrangements for the SCIPS program was provided.

It was established that improvements are being realised to the way in which projects are managed and recorded as a direct result of the introduction of the framework.

Contract Management

A review of Metro's processes for the management and control of contractors engaged for the cleaning, repair and maintenance of Metro facilities identified the need to develop the co-ordination and increase transparency of the control of contractors process across the organisation. It was also recognised that Metro's strategy for the selection and review of works undertaken by contractors should be further developed.

Our opinion was that arrangements for the control of contractors require improvement. In response the Executive have now initiated measures to address these issues.

Internal Control

Of the 13 reports provided relating to internal control, internal audit assurance levels were, 5 well controlled, 7 controlled and 1 requires improvement. A description of internal audit assurance categories is provided in the appendix to this report.

Recommendations identified as a result of the audit assignments in respect of internal control included;

- A requirement to improve control in relation to the identification and monitoring of levels of smart ticket stocks held with third-parties prior to them being uploaded with customer details and activated.
- That system user access rights for the "innovator" customer database system be improved to provide appropriate access and alignment with

each individual's processing responsibilities.

- Strengthening of controls to ensure the robustness and integrity of data extracted from the English National Concessions Travel Scheme (ENCTS) database system for reporting requirements.

- That issues affecting the future delivery of smart card system "hot list" functionality be addressed and that controls be determined to prevent the fraudulent use of smart cards prior to roll out.

Third-Party Assurance

Arrangements are in place to enable Metro tickets to be sold through post offices and rail ticket offices. Under these agreements, organisations are required to periodically provide information relating to the value of sales, commissions and spoils.

A feature of the overall control environment is that these organisations operate robust systems to safeguard ticket stocks and that provide accurate information concerning sales income received and the levels of stockholding. For 2013/14 the Executive have received assurance statements from the Post Office and Northern Rail in relation to the operation of key controls operating within these processes.

Leeds City Council (LCC) provides treasury management and related financial services under the conditions of a service level agreement. Internal Audit have performed some limited testing of aspects of the processes operated by LCC under this agreement. In addition assurances provided by LCC, including the certification of financial information and the opinion issued by the council's own internal audit section were obtained and found to be satisfactory.

Summary of Whistleblowing Cases

Internal Audit continues to act as the primary contact point for Metro's Whistleblowing Policy. Arrangements to improve accessibility to information and mechanisms to make protected disclosures are provided on the Executive's web site. In addition, information providing details of the Executive's' anti-fraud, bribery & corruption arrangements and how to report concerns about suspected fraud and/or corruption were provided to employees.

During the period no referrals were made to Internal Audit.

The Disciplinary, Conduct and Capability Policy and Procedure includes guidance where suspected bribery, fraud or corruption is identified.

Audit Performance

Conformance with PSIAS

A self-review of compliance with the UK Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note has been undertaken. This has been delivered through the completion of the checklist for assessing conformance with the PSIAS and Local Government Application Note as produced by the Chartered Institute of Public Finance and Accountancy.
Overall internal audit complies with the requirements of the PSIAS and Local Government Application Note although, as with any new standards, there are some areas which need to be developed further.

Areas of Accepted Non Compliance

The self-review has identified two areas for which there is no associated action and by which Internal Audit are proposing to accept the residual risk. This because after close analysis of the requirement and a review of current controls already in place, the implementation of an action plan to meet the requirement would be disproportionate. Existing controls in place are sufficient and operating well

The two areas of non-compliance are:

- The Chief Executive does not undertake, countersign, contribute feedback to or review the performance appraisal of the Chief Audit Executive.

- Feedback is not sought from the chair of the Governance & Audit Committee for the Chief Audit Executive's appraisal.

The performance appraisal of the Chief Audit Executive is undertaken by the Director, Resources in line with the Executive's development processes. This is considered as an adequate and robust method of providing feedback on performance.
After consideration of the application of these controls, the areas of non-compliance are regarded as low risk.

Areas for Action

2050 Coordination - Assurance mapping

The CAE has identified all areas of assurance within the audit universe. However, it is accepted that a formal assurance mapping exercise needs to be developed as part of the process of identifying and determining the approach to using other sources of assurance.

2110 Governance - Ethics

Internal audit have not performed a specific review of the Executive's ethics-related objectives, programmes and activities. The CAE will continue to monitor the level of audit risk in this area and update the Audit Plan to accommodate this work if this becomes necessary.

2110 Governance - Information Technology Governance

I.T. governance arrangements were not covered within the scope of the 2013/14 internal audit plan. Audit risks have been assessed throughout the year and, as a result a strategic review of I.T. has been included within the 2014/15 Plan.

1210 Proficiency – CMIIA

The Chef Audit Executive is an experienced audit professional and a member of the Chartered Institute of Internal Auditors heads of internal audit service. During 2014 he has applied for full CMIIA status.

Quality Assurance & Improvement Plan (QAIP)

The QAIP covers all types of Internal Audit activities and is designed to provide reasonable assurance that Internal Audit:

- Performs its work in accordance with its Charter, which is consistent with the Public Sector Internal Audit Standards, Definition of Internal Auditing and Code of Ethics;
- Operates in an efficient and effective manner;
- Is adding value and continually improving Internal Audit's operations

The self-review forms part of internal audit's Quality Assurance and Improvement Program, (QAIP). Other elements of the QAIP require audit assignments to be subject to a supervisory quality check to ensure that the objectives have been achieved and that recommendations made are consistent with the findings and evidence recorded. In addition, feedback questionnaires which ask managers to assess the overall performance of the audit, the auditor's approach, and the quality of the report are issued on completion of each individual review.

Continuing Professional Development

In a changing environment it is important that Internal Auditors are kept informed of the latest audit methodologies, changes in legislation as well as changes to the public sector arena so they can have the necessary skills and knowledge to fulfil their roles. Primarily, this is provided through the Institute of Internal Auditors professional briefings and the Executive's development review processes aligned with professional competences. This enables strengths and weaknesses to be identified and allows training to be focused on each individual's specific requirements.

Reporting

Arrangements for reporting on internal audit activities have continued through the Audit Committee. The Group's primary roles are to promote internal control through a systematic review of internal control procedures and to consider arrangements relating to internal and external audit. The Terms of Reference for the Audit Committee were reviewed in March 2013.

Measures for the recording, reporting and follow-up of audit recommendations have continued through the use of Covalent, the Executive's corporate performance management system.

Performance Indicators

A range of performance indicators have been developed for Internal Audit based on costs for 2013/14 and other identified timescales.

	Actual	Benchmark[1] Average
Cost Per Audit Day	£197	£273
Mainline Audit Days Per £m Turnover	2.81	2.68
Cost Per Auditor	£41350	£51190
Days Per Auditor	184	183
Sickness Days	2.8	5.6

Annual Audit Plan	
Completion of audit reviews identified within the plan – Target	100%
Actual performance	98%
Client Feedback	
Post audit client questionnaire ratings of "2" or better - Target	90%
Actual performance	95%
Issuing Reports	
Internal Audit reports to be circulated within 5 working days of audit closure – Target	90%
Actual performance	78%
Fraud Response	
Formally respond to notifications of suspected fraud, bribery or corruption within 2 working days – Target	100%
Actual performance	100%

This data confirms that the Internal Audit function is performing well against public sector benchmarks and is attaining the targets set. However, the one area for improvement concerns the issuing of internal audit reports. From April 2014 arrangements for senior officer review of draft reports has changed. This should result in an improvement against this performance indicator.

[1] CIPFA auditing benchmark comparator

Client Feedback

As part of internal audit's commitment to ensuring the highest professional standards and to ensure that we are continually improving the quality of work produced, a customer satisfaction questionnaire is issued at the end of each audit assignment. The responses received have been analysed and indicate good scores in all criteria.

The cumulative results from questionnaires completed throughout 2013/14 are:

	Question	1	2	3	4
1	Communication prior to the audit work was appropriate and I was aware of visit dates and audit objectives.	9	2		
2	Throughout the audit process I was kept informed of the work being done and issues arising.	7	4		
3	Internal audit staff demonstrated a good understanding of the business and associated risks (or took the time to develop such understanding during the audit process).	9	2		
4	Internal audit staff demonstrated a pragmatic approach to developing solutions to issues identified during the audit.	6	4	1	
5	The audit report was issued in a timely fashion and was a fair summary of audit findings and management responses.	5	4	2	
6	Internal audit staff acted in a professional manner throughout the assignment.	9	2		
Scale ; 1 = Strongly agree, 2 = Agree, 3 = Disagree, 4 Strongly disagree					

Audit Plan 2013/14

Details of the work performed by Internal Audit in 2013/14 are provided below;

Internal Audit Annual Report 2013/14

Audit Area	Assurance	Directorate	Status
Interreg ITRACT- Review & Grant Certification	Periodic report and claim certification including physical verifications.	Resources Passenger Services Development	Completed
AGS - Support & Input	Examination, input and provision of information in support of the annual governance statement.	Resources	Completed
Value for Money – Estate Management	To identify costs associated with the provision of Metro facilities and compare them with national public sector indicators.	Passenger Services	Completed
Health & Safety	Health &Safety Policy meets legal requirements as provided in the Health & Safety at Work Act.	Resources Passenger Services Development	Completed
Travel Centre Procedures	Adequacy of ticket sales, cash handling, security, reconciliation and review processes.	Passenger Services	Completed
LTP Capital Programme Management	Systems and procedures operated to control the allocation of payments and provide evidence of eligible expenditure.	Resources Passenger Services Development	Completed
Anti-Fraud & Corruption	Completion of annual fraud return	Resources Passenger Services Development	Completed
Tendered Services	Tendering arrangements, batches, de minimis contracts, insurance, operator's licences, lost mileage, payment calculations and processes. Contract compliance measures for public and education services.	Passenger Services	Completed

Audit Area	Assurance	Directorate	Status
LTP Block Settlement – Audit & Certification	Head of IA assurance. Examination of certifications provided by local authorities.	Resources Passenger Services Development	Completed
Procurement	Review of the existence and operation of key controls including tendering, ordering, commitments, compliance with sofr's, e-procurement processes.	Passenger Services	Completed
Project Governance Arrangements – Pay & Grading	Compliance with PRINCE2 project management framework.	Resources	Completed
Prepaid Tickets & Concessionary Travel	Arrangements for accounting for stocks, cash, Haven system controls and reporting, calculations of prepaid ticket pool and distribution, concessionary fares reimbursements, on account payments and quarterly adjustments.	Passenger Services	Completed
English National Concessions Travel Scheme	Data handling and protection requirements, access rights to ENCTS database, agreements with the third parties concerning the handling and maintenance of ENCTS data. Validation rules for applicants to provide evidence of identity, residency and a photo.	Passenger Services	Completed
Castleford Bus Station Development – Project Assurance	Compliance with PRINCE2 project management framework	Development	Completed

Internal Audit Annual Report 2013/14

Audit Area	Assurance	Directorate	Status
Payroll	Review of the operation of key controls including arrangements for Starters, leavers, pay points, members' allowances, expenses & deductions.	Resources	Completed
Counter Fraud	Raising fraud awareness through internal communications.	Resources Passenger Services Development	Completed
ITA Cashbook/Treasury Management	Review of the operation of key controls including Treasury management, segregation, review, authorisation, third part services and assurances.	Resources	Completed
SCIPS Program Assurance	Review of program assurance arrangements.	Passenger Services Development	Completed
Debtors	Test arrangements for Write offs, requisitioning, reporting, review of accounts, debt age monitoring and reporting**.**	Resources	Completed
Yorcard Governance arrangements	To assess the corporate governance arrangements in operation with particular emphasis on providing assurance to Metro that its interests are protected	Passenger Services	Completed
Unannounced Stock & Cash Checks	Cash ups, stock counts throughout Metro	Passenger Services Resources	Completed
Risk Management	Assess the reliability of systems for ensuring that risk management arrangements are adequately administrated, authorised and recorded.	Resources Passenger Services Development	Completed

Audit Area	Assurance	Directorate	Status
Creditors Systems	Review of the operation of key controls including Segregation, authorisation, reconciliation of statements and bacs controls.	Resources	Completed
Main Accounting Systems	Review of the operation of key controls including System user rights, review, control, adequacy and timeliness, budgetary control, systems interface – education, haven, and payroll.	Resources	Completed
NGT – Project Assurance	Examination of project risk management arrangements	Development.	Completed
LSSE – Project Assurance	Examination of project risk management arrangements	Development.	Completed
Value for Money Review – H.R.	To identify costs associated with the provision of H.R. functionality and compare them with national public sector indicators.	Resources	Drafted
Gifts, Interests & Hospitality -	Adequacy of arrangements, review of records, procedures, controls	Resources Passenger Services Development.	Completed
Operator Farebox Revenue Reviews -	Review of information provided by operators. Declared revenue checked to operators accounting records and prime documentation.	Passenger Services	Completed
Expenses & Allowances -	Review of officer expenses reimbursed	Resources Passenger Services Development	Completed

Audit Area	Assurance	Directorate	Status
Code of Corporate Governance	Consultation into code of corporate governance and scrutiny arrangements for Combined Authority. Impact on I.A. operations and provision of assurance.	Resources Passenger Services Development	Completed

Adding Value

Throughout the year we have provided advice over and above the core objectives of giving internal control assurance and recommending effective systems improvements to management.

This included;

- Adding value through the strategic focus of internal audit and adopting a risk-based approach by linking work in the strategic audit plan to the Executive's corporate risks.

- We identified changes to the original audit plan in response to changing priorities and activities undertaken in the year.

- In undertaking our reviews we specifically focused on the Executive's own controls and the wider control environment, providing advice and examples of best practice.

- We have assisted the Executive in the further development of risk management through consultation and a specific review of risk management and by consideration of risks as part of each individual audit assignment. In addition, advice has been provided in relation to achieving improvements to the risk culture within Metro.

- Undertaken work in addition to the internal audit plan in relation to the development of smart card systems and other project assurance activities.

Value for Money

Internal audit have completed value for money reviews of processes in operation for estate management and the provision of H.R. services. Actions resulting from these reviews include the development of measures to improve energy consumption at Metro facilities and improve the effectiveness of the provision of H.R. services.

Appendix

Assurance Level	Definition
Well Controlled	There is a robust control framework in place for the system. All necessary controls are in place and are operating effectively. Any recommendations made are low risk and relate to enhancements of existing controls.
Controlled	There is an acceptable control framework in place. *Key controls are in place and operating effectively. Some changes to controls and how they operate would be beneficial. Recommendations made are moderate or a combination of moderate and low risk, including the development of existing controls, and do not relate to key controls.
Requires Improvement	Controls in place for some elements of the system are not always appropriate or effective or are not consistently applied. Recommendations made are of high or a combination of high and moderate risk concerning the operation of key controls.
Poorly Controlled	There is an inadequate control framework. *Key controls are absent or not operating. The operation of the system is currently providing an unacceptable risk. Recommendations made are high risk concerning the operation of key controls.

Originator: Angela Taylor,
Director, Resources

WEST YORKSHIRE COMBINED AUTHORITY

ITEM 10

Report to: **Governance and Audit Committee**

Date: **29 July 2014**

Subject: **Review of Internal Control and Effectiveness of Internal Audit**

1 Purpose

1.1 To inform the Committee of the outcome of a review of internal control and the effectiveness of internal audit.

2 Information

2.1 There is a requirement under the Accounts and Audit (England) Regulations 2011 that 'The relevant body must conduct a review at least once in a year of the effectiveness of its system of internal control…..The findings…must be considered….by the members of the body meeting as a whole.' There is a further requirement that 'A larger relevant body must, at least once in each year, conduct a review of the effectiveness of its internal audit. The findings of the review…must be considered, as part of the consideration of the system of internal control … by the committee or body…' As a Combined Authority the appropriate body to consider these reviews is the WYCA via a recommendation from the Governance and Audit Committee.

2.2 The review of the system of internal control is effectively set out in the Annual Governance Statement (AGS) which is required to be included in the annual accounts. This sets out the governance framework in place during the year and is in accordance with the guidance set out by CIPFA/SOLACE. It is also informed by the work undertaken by internal audit in the year and their overall conclusion in their Internal Audit Annual Report which is 'From the work undertaken during the financial year 2013/14 and taking into account other sources of assurance, Internal Audit have reached the opinion that key systems are operating adequately and that there were no fundamental breakdowns of controls resulting in material discrepancy.' The AGS for the year to 31 March 2014 is included in the 2013/14 annual accounts under item 11 on this agenda.

2.3 The Director Resources has undertaken a review of internal audit, using the Public Sector Internal Audit Standards (PSIAS) checklist and the information in the Internal Audit Annual Report which sets out the work undertaken in the year. The overall conclusion is that the internal audit function complies with the necessary standards and has worked to an adequate standard during the year. There are a few instances of non-compliance with the PSIAS but these are deemed immaterial (they include for instance the non-involvement of the Chair of the Governance and Audit in staffing appraisals for the Internal Audit Manager) and a number of partial compliance mainly arising from the transition from previous working arrangements to those appropriate for the WYCA governance. These areas will be addressed as the governance arrangements of the Combined Authority are developed during 2014/15.

3 Financial Implications

3.1 None arising directly from this report.

4 Legal Implications

4.1 None arising directly from this report.

5 Staffing Implications

5.1 None arising directly from this report.

6. Recommendations

6.1 That the Committee approve the outcome of the review of internal control and of the effectiveness of internal audit.

Originator: Angela Taylor
Director, Resources

WEST YORKSHIRE
COMBINED AUTHORITY

ITEM 11

Report to: **Governance and Audit Committee**

Date: **22 July 2014**

Subject: **Internal Controls and Financial Monitoring**

1. Purpose

1.1. To consider any changes to the arrangements for internal control in the West Yorkshire Combined Authority since the last meeting of the Committee and to consider the current financial position.

2. Information

2.1. This paper is provided to each meeting of the Governance and Audit Committee and provides information and assurance on governance issues. Any changes to, or failures of, internal control will be reported along with significant risk issues and an update on the budget position for the current year.

Internal controls

2.2. There have been no significant changes to internal controls in the period. Key financial controls continue to be carried out monthly and recorded on the performance management system; these are monitored at monthly management meetings and are all up to date. In addition regular governance meetings continue to be held with Leeds City Council to consider and review the transactions relating to investments, treasury management being carried out jointly with LCC.

Financial monitoring – revenue budgets

2.3. The final position for the 2013/14 budget is covered by a separate agenda item which seeks approval to the annual accounts for the year.

2.4. The 2014/15 budget was set by the former West Yorkshire Integrated Transport Authority in February 2014 and re-endorsed by the WYCA at its meetings in April and May. Set out below is the current position against that approved budget.

WEST YORKSHIRE COMBINED AUTHORITY BUDGET		
All £000's	Original budget 2014/15	Latest Estimate 2014/15
Concessionary travel	53,242	53,672
Subsidised Services	19,490	19,005
Passenger Services	8,172	8,185
Prepaid Tickets	31,000	31,000
Rail - Franchise Costs	64,209	64,209
Rail - additional services	182	182
Pensions	1,431	1,431
Savings/cuts	0	0
Financing charges	7,356	7,270
Combined Authority	67	67
Strategic priorities-rail dev/QC's	250	250
Development & Corporate	6,045	6,134
	191,444	191,405
Prepaid Tickets	-31,000	-31,000
Special Rail Grant	-64,209	-64,209
Levy	-96,198	-96,198
Use of reserves	37	-2
Remaining reserves at year end	5,892	6,572
Reserves at 31 March 14 6,570		

2.5. Expenditure so far this year is in line with budget, with an increase in concessionary travel reimbursement costs being offset by savings on bus tendered services. There are a few minor variations on other lines but nothing of any significance. The improvement in the projected reserves by the end of the year reflects the improved year end position which is reported in the item on the annual accounts elsewhere on this agenda.

2.6. Work is underway to update the medium term financial strategy which will inform the budget process for 2015/16.

Financial monitoring – capital budgets

2.7. Capital spending on transport in West Yorkshire has been guided by the statutory West Yorkshire Local Transport Plan. The LTP covering 2011-2026 was produced jointly by the ITA with the District Councils and three year delivery programmes have subsequently been jointly developed.

2.8. The final expenditure on capital for 2013/14 is set out in the agenda item on the annual accounts.

2.9. The outline capital budget for 2014/15 was approved by the Integrated Transport Authority at its meeting in February, along with the allocation to partners, in accordance with the joint three year delivery programme. It was recognised at that time, and upon the subsequent re-approval of that funding and programme by the WYCA in April, that this may need to be reviewed following the submission of the LEP's Strategic Economic Plan (SEP) for local growth funds.

2.10. The announcement on 7 July of the Leeds City Region Growth Deal of significant funding for the West Yorkshire plus Transport Fund will necessitate a review of the resources required to deliver the Fund. A number of other transport schemes included in the SEP bid did not receive funding through this process and it will be necessary therefore to establish if the current LTP funded programme or indeed the WY+TF schemes require revising. The request from the WYCA to put together a single transport plan will assist in confirming and identifying those priorities.

2.11. Notwithstanding these reviews there are a number of schemes in the capital programme that are already underway and continue to make good progress. These include Leeds Station Southern Entrance, rail stations at Low Moor, Kirkstall Forge and Apperley Bridge, smartcards and the cycle superhighway. An element of funding has been carried forward from 2013/14 to assist in funding these schemes. At present all transport capital expenditure is funded by grant in the form of the Integrated Transport Block or through specific funding awards such as Local Sustainable Growth Fund and Department for Transport major scheme funding. The IT Block funding is transferable from one year to the next; most of the other project specific funding is subject to certain deadlines. Of the schemes currently being delivered in 2014/15 adequate funding is available for them all.

2.12. Funding is paid quarterly to the Districts to enable this to progress and regular reporting and monitoring of the programme implementation is carried out.

Risk management

2.13. The risk management arrangements that were in place for the ITA and PTE have been adapted for the WYCA. At its last meeting the Committee noted the revised risk policy statement.

2.14. The risk policy and manual which set out the detailed arrangements for risk management in the organisation have been updated to reflect the change to a Combined Authority. This reconfirms the arrangements in place for risk and the reporting of any changes to existing risks or emergence of new risks. Detailed risk registers at departmental and project level continue to be regularly reviewed and monitored. No significant changes to risks have been identified through this process since the last meeting of this Committee. A revised overarching strategic risk register for the organisation is under development and will be brought to the next meeting of this committee for consideration.

2.15. The Annual Governance Statement which accompanies the annual accounts forms part of another agenda item and includes a review of governance arrangements in place, including risk management. Similarly the internal audit annual report gives an opinion on the risk management arrangements that were in place during the previous year.

3. Financial implications

3.1. As set out in the report.

4. Legal Implications

4.1. None arising directly from this report.

5. Staffing Implications

5.1. None arising directly from this report.

6. Recommendations

6.1. That the Committee note the report.

Originator: Angela Taylor
Director, Resources

WEST YORKSHIRE COMBINED AUTHORITY

ITEM 12

Report to:	**Governance and Audit Committee**
Date:	**29 July 2014**
Subject:	**Approval of Annual Accounts for 2013/14**

1. Purpose

1.1. To present to the Committee the annual accounts for2013/14 for the West Yorkshire Passenger Transport Executive (WYPTE) and the West Yorkshire Integrated Transport Authority (WYITA).

1.2. For the Committee to recommend approval of these accounts to the West Yorkshire Combined Authority (WYCA).

2. Information

2.1. At its last meeting this Committee considered the plans produced by the external auditor Deloitte for their audit of the WYITA and WYPTE, the WYCA being the body required to approve these accounts following the dissolution of them at 31 March and their transfer to the WYCA.

2.2. The annual accounts have now been produced and Deloitte has completed its audit work. This report provides the information required to consider the accounts and recommend them to the WYCA for approval. The following appendices are attached:

Appendix 1	Final accounts of WYITA
Appendix 2	Final accounts of WYPTE
Appendix 3	Treasury management statement
Appendix 4	Schedule of capital expenditure in the year
Appendix 5	Auditors' final report on WYITA
Appendix 6	Auditors' final report on WYPTE

2.3. The statutory deadline for the approval of the annual accounts is 30 September. In line with the approach taken in previous years the accounts closedown, production and audit takes place in early summer. Following this Committee's consideration of the accounts a report will be taken to the next meeting of the WYCA, on 18 September, to formally approve the accounts. The draft accounts were approved for audit by the s151 officer, in accordance with legislation.

2.4. Both sets of accounts have been prepared on an International Financial Reporting Standards (IFRS) basis in accordance with the CIPFA Code of Practice on Local Authority Accounting UK. Having been prepared on this basis for some years the format and presentation of the accounts has changed little since last year.

2.5. There are a number of accounting matters common to both sets of accounts which are drawn to the Committee's attention. The Committee is also asked to note that there are still one or two minor disclosure amendments to the accounts being discussed but these will not have any impact on the figures presented or the results for the year.

2.6. **International Accounting Standard (IAS)19 Employee Benefits** requires a particular accounting treatment of pension costs and liabilities. In effect the accounts provide a snapshot in time of the organisation's element of the West Yorkshire Pension Fund at the balance sheet date, based on information from the actuaries. In common with most local authorities this results in a deficit on the scheme but under the Account and Audit Regulations (England) 2011 this apparent deficit is funded by the creation of a corresponding reserve. The reality is that the deficit in the scheme is being addressed through the annual employer contribution rates set by the actuary and will reduce within the required timescales. The liability will only crystallise should either the West Yorkshire Pension Fund cease to exist or the WYITA/WYPTE cease to exist without a successor organisation to take on the liability. The West Yorkshire Combined Authority has taken on this responsibility as part of the statutory order that created it.

2.7. **The going concern principle** is always required to be considered as part of the year end process. The outcome of the accounting entries for pensions set out in the previous paragraph results in a negative balance sheet which would ordinarily give rise to a question regarding going concern. However, as explained it is not thought likely that the deficit will crystallise hence going concern is not relevant. It is however also relevant in the context of the dissolution of the organisations and their replacement with the WYCA. The IFRS Code's underlying assumption is that accounts shall be prepared on a going concern basis where the functions of the 'authority' will continue in operational existence for the foreseeable future. Transfers of services under combinations of public sector bodies do not negate the presumption of going concern. The West Yorkshire Combined Authority Order 2014 confirms that the functions, assets and liabilities of the WYPTE and WYITA continue under a Combined Authority and this is the basis for adopting the going concern principle.

2.8. **Impairment –** officers have considered, in preparing the accounts, whether there are any circumstances arising in the year that would trigger the need for an impairment review of the carrying value of the properties of the WYITA and WYPTE. The conclusion is that there are none.

2.9. **Accounting policies –** these have not changed from those approved in previous years.

Final accounts of the WYITA (Appendix 1)

2.10. WYITA's accounts include the financial statements for the WYITA as a single entity and group accounts which consolidate the results of the WYPTE. The accounts comply fully with the required accounting standards but the statutory format of the income and expenditure account both summarises the majority of expenditure into one line and also does not require a comparison against budget. The foreword to the accounts shows perhaps a more useful presentation comparing the actual results against the budget detail as agreed at the WYITA budget meeting and endorsed by the WYCA at its inaugural meeting. In both instances the key figure to note is the use of reserves figure which is the same in both presentations.

2.11. The overall result for the year for the group ie WYITA and WYPTE combined is a transfer to reserves of £2m compared to the budgeted position of £1.4m. Concessionary travel costs were very slightly over budget (by £73k), along with bus tendered services (£92k) but savings have been recorded on all other budget lines. Financing costs were £34k lower than budget due to the increased income generated by higher than expected cash balances. Staffing savings were made across all areas as a result of vacancy savings and in addition there was a reduction in planned consultancy expenditure and on the costs of setting up the WYCA. Savings have been made across a range of contracts in place, including printing, bus real time systems and bus station security costs.

2.12. The balance sheet is in line with 2012/13 with the exception of short term investment and grants received in advance. As set out in the Treasury Management Statement below the WYITA has received a large number of grants in advance which has increased short term cash balances. These have then been invested in accordance with the policy.

Final accounts of the WYPTE (Appendix 2)

2.13. The net cost of the activities of the WYPTE is funded by a grant from the WYITA and hence the result for the year for the WYPTE is a breakeven position. A narrative regarding the expenditure for the year against that budgeted is covered within the commentary above regarding the results for the group.

Treasury Management statement (Appendix 3)

2.14. The Treasury management statement and report for the year is set out in appendix 3. Whilst this refers to the WYITA the same prudential borrowing rules will apply to the WYCA and the arrangements in place are being continued through to 2014/15. The announcement of the Local Growth Fund and the significant funding for the West Yorkshire plus Transport Fund will necessitate a review of the current treasury management arrangements. In addition there is an intent for the WYCA to become the accountable body for the LEP from 1 April 2015 and again this will impact on the current arrangements.

Capital expenditure (Appendix 4)

2.15. Capital expenditure in 2013/14 totalled £57.661m, for which a grant of £49.784m was made from the WYITA to the WYPTE. An LTP Integrated Transport Block grant of £19.318m was received in the year, as well as a Highways Maintenance grant of £25.511m. Funding was also received from successful bids to the Cycle City Ambition Fund, Better Bus areas and green technology. Elements of funding will be carried forward to 2014/15.

2.16. Capital schemes in the year include a number of highways works, investment in shelter replacements, a new website, contributions to rail schemes as well as preparatory work on the NGT trolleybus scheme, rail stations and Leeds Station Southern Entrance.

2.17. A full schedule of capital expenditure undertaken in 2013/14 is shown in Appendix 4 with the funding included in the treasury statement at appendix 3.

Auditors Final Report (Appendices 5 and 6)

2.18. Deloitte have completed their audit work on the annual accounts and their conclusions are set out in their Final Reports. The Committee is required to consider these reports before considering approving the annual accounts. The Audit Manager will be in attendance at the meeting to present their reports and answer any questions.

2.19. The two reports are inevitably very similar, with any matters considered for the WYPTE being valid for the WYITA as it forms part of the group accounts. The key messages are set out in the 'Big Picture' on page 1 of the reports which confirm that an unmodified audit opinion is to be given on the financial statements and an unqualified value for money conclusion.

2.20. The rest of the reports go on to consider how the audit risks identified at the planning stage have been addressed and the outcome of that work. They also set out observations on the internal control environment. In all these areas there are no findings or deficiencies that the WYCA is required to address.

2.21. Prior to approval of the accounts in September the auditors will require a representation letter to be signed by management. This is a standard part of the process and effectively provides assurances that the WYCA has provided all necessary information and disclosures to the auditors.

2.22. Prior to presenting the annual accounts to the WYCA in September for approval Deloitte will consider with management whether anything has occurred in the period from this meeting to the date of the signing of the accounts which would require any changes to the accounts. If this is the case then this will be set out in full in the report to the WYCA.

2.23. The Committee should also note that in order for Deloitte to issue an audit completion notice as well as the audit opinion they need to audit the Whole of Government Accounts submission. This is, as usual, being done over the summer and is expected to be complete by the time the WYCA is asked to approve the accounts.

3. Financial implications

3.1. The audit fee is set nationally by the Audit Commission and is included in the WYCA's 2014/15 budget. Future audit fees will be the subject of a consultation process with the Audit Commission.

4. Legal Implications

4.1. None arising directly from this report.

5. Staffing Implications

5.1. None arising directly from this report.

6. Recommendations

6.1. That the revenue and capital grants to the WYPTE as set out in the report be recommended for approval.

6.2. That the Treasury Management policy and report and that the methods of capital funding in appendix 3 be recommended for approval.

6.3. That Deloitte's final reports be noted.

6.4. That the Committee recommend for approval to the WYCA the attached annual accounts for the WYITA and WYPTE for the year ended 31 March 2014.

Appendix 1

WYITA

West Yorkshire Integrated Transport Authority

Statement of Accounts

For the year ending 31 March 2014

CONTENTS

West Yorkshire Integrated Transport Authority and Passenger Transport Executive

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

Explanatory Foreword to the Annual Accounts 2013/14

The Annual Review and Accounts document has been prepared to provide an outline of the activities of the Authority and Executive (The Group) for the year 2013/14. This Review sets out how progress has been made towards the 20 year vision and the Local Transport Plan utilising the funds available. It is not exhaustive thus further information is available from the West Yorkshire Combined Authority, if required, in relation to the various aspects of activity described.

Responsibilities

The Integrated Transport Authority is responsible for determining public transport policies in West Yorkshire and for providing funds to the Executive to carry them out. In 2013/14 the Authority provided a revenue grant to the Executive of £86.752m to cover the costs of meeting those policies. The attached statements show the grant to the Executive and the sources of funding. The Executive's accounts indicate the use made of those funds.

West Yorkshire Integrated Transport Authority has the statutory duty of producing the Local Transport Plan and, in partnership with the District Councils, has produced LTP3, branded 'MyJourney' for the period 2011-2026. Enhanced governance arrangements as set out below will ensure continuing effective delivery of the objectives of LTP3.

From 1 April 2014 the responsibilities and the activities of the West Yorkshire PTE and ITA have been transferred to to the newly created West Yorkshire Combined Authority. More information on this is set out in the review of the year below.

Review of the year

2013/14 is the third year of the third Local Transport Plan (LTP3) which covers the period 2011 to 2026. LTP3 was developed in partnership with the five West Yorkshire District Councils and is based on a strategic approach to allocating resources in order to deliver the vision of 'Connecting people and places.' Detailed governance and monitoring arrangements that were set up at the start of the first year are now firmly embedded and have seen good progress in continuing to deliver the initial three year implementation plans which have been drawn up at District level. Key schemes that have been delivered include a wide range of road and junction improvements across the county as well as station improvements, bus station enhancements and significant progress on major schemes such as NGT and Rail Growth.

The financial climate continues to provide challenges. Metro undertook to make over £5m savings per annum from the bus tendered network through a series of reviews commencing in 2011/12. These reviews, covering all West Yorkshire Districts, are now complete and have achieved the required savings whilst still maintaining a viable network for users. All areas of activity have been re-examined as part of the budget process to seek to achieve cost reductions whilst improving income opportunities.

Despite budgetary pressures and continuing reductions in staffing numbers Metro has continued to deliver further service innovations and improve key customer satisfaction scores as demonstrated by the Passenger Focus survey. The new Metro website was launched in April 2013 and was aimed in particular at improving access to travel information on the move, using mobile phones or tablets. Usage statistics show an increase in the number of pages accessed on the move.

Work is ongoing to develop the case for a statutory bus quality contract scheme. Discussions with operators on a partnership approach have been continuing in parallel, with a focus on seeking agreement on integrated ticketing, value for money and increased competition.

Metro was successful in winning government funding for the Cycle City Connect project, a £28m scheme to construct a cycle superhighway between Leeds and Bradford. It also secured £1m from the clean bus technology fund which has been used to improve the emissions of the fleet of MyBuses.

Funding won last year through the Local Sustainable Transport Fund (LSTF) has continued to be utilised to enhance improvements in active transport modes, including cycling and travel planning as well as access to the Yorkshire Dales.

Similarly the Better Bus Areas Fund (BBAF) funding has continued to be used to expand the activities already underway to progress the roll out of smartcards across West Yorkshire. The majority of buses in the region are now equipped to read smart products, a number of which have now been registered under the name MCard. 11-16 concessionary entitlement passes, school and boarding cards and annual metrocards have now been issued on smartcards with further products to be launched in early 2014/15. In April passengers will be able to purchase and top up MCards at Payzone outlets as well as at post offices and travel centres.

Work continues to maximise the proposed introduction of the High Speed 2 rail link to Leeds, with work underway to establish options to improve the local network and utilise released capacity. Metro is working closely with other northern PTEs and councils and the Department for Transport to make the case for partnership working on the management of the local rail franchises to the region. Short term extensions to the Northern and Trans-pennine franchises have been let whilst work progresses on shaping the new franchises to be let in 2016.

The latest phase of work to improve car parking provision at rail stations has seen a new car park completed at New Pudsey. The new and improved Wakefield Westgate Station is now open and Metro plays a key role in the redevelopment underway to improve Wakefield Kirkgate Station. Work at bus stations has included a number of health and safety improvements including an innovative scheme to install cameras at Leeds Bus Station to enable bus drivers to clearly see behind their vehicle as they reverse.

Following a successful public inquiry major scheme funding has been granted to the new Leeds Station Southern Entrance and construction is now underway. The NGT team has continued to develop the case for a trolleybus system in Leeds and has submitted a Transport and Works Act Order application. The public inquiry into this is scheduled to start in late April.

The Leeds City Region 'City Deal' which was concluded in July 2012 sets out aspirations for the region. Central to this is the creation of a £1.6bn West Yorkshire and York Transport Fund. Metro has taken a leading role in developing the prioritised list of schemes that could be provided through such a Fund and which support the criteria of increasing employment and productivity in West Yorkshire as well as increasing access to jobs. Initial funding has been agreed through the levy process and further work is underway to agree longer term resources and funding. The 'early win' schemes are being developed using this initial funding to ensure that there are sufficient schemes ready to progress when the full funding is secured.

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

The accounts

The accounts have been prepared in accordance with The Code of Practice on Local Authority Accounting UK 2013/14 which is based on approved International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board. The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. The accounts consist of the following:-

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

The Statement of Responsibilities for the Statement of Accounts.

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

Foreword to the Annual Accounts 2013/14 (continued)

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

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

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

The Group Accounts show the Authority's accounts combined with those of the West Yorkshire Passenger Transport Executive.

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 group.

Following the IFRS Based Code requirements means that the Authority has a negative balance sheet. This arises as a result of the legislative structure of the Authority and the Executive where all assets financed through loans by the Authority are held in the Executive's balance sheet or have been passed (under privatisation legislation) to the rail companies. All the loan charges concerned have been included within the associated District Council's revenue support grant calculations thus future funding is expected to be assured. In a similar manner the requirements of IAS19 Accounting for Pension Costs, requires both the Authority and Executive to show in their accounts any deficit which would arise on their proportion of the West Yorkshire Pension Fund if that Fund were to be wound up. Whilst this is in accordance with the requirements of the Accounts and Audit Regulations 2011 it is offset by a negative Pensions Reserve. The result is a further negative impact on the attached accounts. However, the impact of the deficit is long term and action is being taken to address it in accordance with the Actuary's projections.

Review of Revenue Expenditure for the Group

	2013/14 Approved Budget £m	2013/14 Actual £m
Funding		
Government grants	64.2	64.2
District Council Levies - net	96.2	96.2
Ticket Sales	30.9	30.6
Income generation	8.8	9.5
Transfer from reserves	(1.4)	(2.0)
	198.7	198.5
Revenue Expenditure		
Concessionary Travel	52.3	52.4
Subsidised Bus Services	17.4	17.5
Special Needs Transport	1.7	1.7
Passenger Services support	14.9	14.9
Prepaid tickets	30.9	30.6
Local Rail Services	64.4	64.4
Financing costs (net)	7.4	7.3
Support costs	9.7	9.7
	198.7	198.5

The presentation above reflects the agreed format in which the budget is approved by the Authority and provides a more meaningful analysis of expenditure for the users of the accounts as the Group accounts present the majority of the expenditure in one line 'Highways and Transport Services.' The segmental reporting note provides further analysis which is compatible with the presentation here. The transfer to reserves figure is the same irrespective of the presentation adopted.

Revenue funding

In 2013/14 grant income was received from Central Government to cover franchised rail costs. Grants formerly received directly from central Government towards the costs of the English National Concessions Scheme and rural bus services are now paid to the District councils as part of the revenue support grant. The remainder of the Authority's expenditure was met by a Levy on the five constituent District Councils (Bradford, Calderdale, Kirklees, Leeds and Wakefield).

In 2006/07 the government introduced free local bus travel for senior citizens and disabled passengers and funded this through increases to the Revenue Support Grant provided to the constituent District Councils. There was an uneven distribution between Districts and the Levy was issued to adjust for this with any excess being returned to the Districts. This agreement has subsequently been continued and the Levy shown in the accounts for both 2013/14 and 2012/13 is the net amount.

Overall the net Levy available for normal transport purposes has stayed the same as 2012/13 and 2011/12. The levy was actually increased by 1.55% with the full value of the increase being set aside for the West Yorkshire plus Transport Fund (WY+TF). This is in addition to the amounts set aside in the last two years for this purpose, demonstrating the local commitment to establishing the WY+TF.

Revenue expenditure

The continuing levy freeze for normal transport purposes has only been possible as a result of the approach taken by the Authority to ongoing cost reductions. The approach agreed in 2012 to reduce the costs of tendered bus services has been successful, along with the changes to the reimbursement of discretionary concessionary fares. As well as these other efficiency savings have continued to be pursued.

The Authority will continue to face challenging financial constraints over the coming years as local government funding is severely reduced. Significant amounts have been taken out of the concessions and tendered services budgets through a managed process which has seen much of the cost picked up by the operators but further opportunities for savings on this scale are not achievable. Efficiency savings continue to be pursued but as concessionary reimbursement becomes an ever increasing proportion of the budget it is difficult to make the required savings. Another set of three year agreements with bus operators on concessionary reimbursement has been put in place from 1 April 2014 and whilst this will help to manage costs in the short term there will continue to be pressure on this budget. Plans to introduce bus quality contracts or partnerships and rail devolution continue to be progressed and these are likely to introduce further budgetary pressures.

Capital expenditure

Total capital expenditure in the year was £57.661m, for which a grant of £49.784m was made by the Authority to the Executive. The full West Yorkshire LTP capital allocation and highways maintenance grant continue to be received by the Authority and funding is then allocated, through the Executive, to the five Districts. The Authority received an LTP Integrated Transport Block grant of £19.318m in 2013/14 and a capital grant through the Better Bus Area Fund of £0.509m. Some funding was carried forward from 2011/12, reflecting delays in implementing major schemes, and some £13m will be carried forward to 2013/14 under similar circumstances. The Highways Maintenance grant of £25.511m in 2013/14 was paid to the Authority in the same way as the LTP3 funding.

Capital schemes in the year include a number of highways works, investment in shelter replacements, new Metro website, contributions to rail schemes and carparks and further investment in smartcard technology, as well as preparatory work on the NGT trolleybus scheme, rail stations and Leeds Station Southern Entrance.

Foreword to the Annual Accounts 2013/14 (continued)

Treasury management

The Authority has continued to follow its approved treasury management policy and full details are set out in the accounts. The Authority's long term borrowing at the end of the year is £77.5m, a £1m reduction on the previous year due to the repayment of a £1m loan falling due within one year. During the year the difficult financial situation has meant there have been no opportunities to undertake any refinancing of loans. The Authority's borrowing requirement is reducing over coming years, reflecting the increase in cash grants rather than borrowing approvals for capital expenditure, and thus no further loans have been required. This will be reviewed as the West Yorkshire plus Transport Fund and other activities of the West Yorkshire Combined Authority are further developed.

Further Information

The Authority and/or Executive's Accounts can also be supplied in large print, Braille or audiotape. Anyone wanting these options should contact the WYCA on 0113 251 7227.

Further information on the Authority and the Executive is also available on the following web sites:

WYCA:	www.westyorks-ca.gov.uk
ITA:	www.wyita.gov.uk
PTE:	www.wymetro.com

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

ACCOUNTING POLICIES FOR THE AUTHORITY AND GROUP ACCOUNTS

1 **BASIS OF PREPARATION**

The Statement of Accounts summarises the Executive's and Authority's (Group) transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. The Authority and Group is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which require an annual Statement of Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the Service Reporting Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS).

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

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

Accruals of income and expenditure

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Critical Accounting Estimates and Judgements

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

• Property revaluation (Group note 10): the Authority carries its non- infrastructure land and buildings at fair value. Periodically, external surveyors are used, and the last full independent survey was carried out as at 31 March 2011 with an interim desktop review carried out at 31 March 2014. Between independent surveys, reviews are carried out by internal but qualified staff. Such valuations and any attached estimates are subject to some judgement.

• Leases (Group note 24b) : The Group has classified leases as either finance or operating leases based on the extent to which the risks and rewards incidental to ownership lie with the lessee or lessor. The Executive has classified certain contracts as operating leases although the legal form of the arrangement is not a lease.

• Retirement benefit obligations (Group note 6) : 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.

2. REVENUE EXPENDITURE FINANCED FROM CAPITAL UNDER STATUTE

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

3 a) **PROPERTY PLANT AND EQUIPMENT**

Infrastructure Assets and Plant and Equipment are stated at depreciated historical cost, net of accumulated impairment losses. Non-Infrastructure Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed at intervals of no more than five years to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. A revaluation of the Executive's Non-Infrastructure Land and Buildings and the Authority's office building (Wellington House) was carried out by an MRICS qualified valuer of Lambert Smith Hampton, a firm of external Chartered Surveyors. The revaluation was carried out as at 31 March 2011 on an Existing Use Value (EUV) and Depreciated Replacement Cost (DRC) in accordance with IAS 16 with an interim desktop valuation undertaken on non-infrastructure assets at 31 March 2014. . A revaluation of the Executive's on-street furniture was carried out as at 31 March 2008. The Authority have considered the impairment of fixed assets in accordance with IAS 36 and after taking into account factors since external surveyors reviewed the property portfolio can identify no circumstances or events that would affect the carrying values of the assets.

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

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

  Freehold and Long Leasehold Buildings Between 5 and 50 years
  On-street Furniture and Infrastructure 20 years
  Rail Units Leased 10 years
  Vehicles Between 4 and 16 years
  Plant and Equipment Between 5 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 Group and on the result for the year.

b) **Progress payments for capital assets**

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

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

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

d) **Donated Assets**

Donated assets are assets that have been transferred to the Group 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 Group's revaluation and depreciation policy. A Donated Assets account recognises the benefit received from these assets where conditions apply to the assets use.

4. **RAIL INFRASTRUCTURE**

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

5. **CHARGES TO REVENUE**

For the Group depreciation has been shown as part of the service expenditure. No charge has been made for impairment which is not considered to have occurred in the two years concerned. 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.

6. **CAPITAL GRANTS**

Grants to fund capital expenditure from government and other bodies are credited to the Comprehensive Income and Expenditure Statement (CIES) where the grant conditions have been met. In order to recognise that the capital grants are provided to finance capital expenditure the grants are subsequently transferred from the CIES to the Capital Adjustment Account. If expenditure has not been incurred at the balance sheet date the grant is transferred to the Capital Grants Unapplied Account.
The Comprehensive Income and Expenditure Statement will recognise capital grants to the extent that they offset depreciation on assets owned/leased or capital expenditure charged directly to revenue (see note 5 above).

Details of capital grants receivable and released are set out in Note 2 to the Group Accounts.

7. **INVESTMENTS**

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

8. **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.

9. **PENSION COSTS**

The requirements of IAS 19 "Retirement Benefits" have been fully adopted in the financial statements of the Authority and Executive. Detailed disclosures can be found in note 6 to the Group Accounts.

The Group 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 1997.

The Executive has a continuing responsibility for any payments to the Fund in respect of service up to 25 October 1986 for all staff employed by the Executive up to that date. This responsibility includes all staff who were transferred to Yorkshire Rider Limited as a consequence of the Transport Act 1985. For service from 26 October 1986 onwards the Executive is only responsible for payments to the Fund in respect of its own directly employed staff. The annual cost of this responsibility is charged to the revenue account under Corporate and Democratic Core.

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

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

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

Current service costs - the increase in liabilities as a result of years of service earned this year - allocated in the 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 Non-Distributed Costs;

Interest expense on the defined benefit obligation - the interest on the present value of liabilities and interest on the net changes in those liabilities during the year calculated using the discount rate at the start of the period debited to the Pensions interest expense/income on the net liability in the Comprehensive Income and Expenditure Statement ;
Interest income on assets - the interest income applied to the asset and net changes in the asset during the year - credited to the Pensions interest expense/income on the net liability in the Comprehensive Income and Expenditure Statement ;
Gains or losses on settlements and curtailments - the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of the Non-Distributed 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 to the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable that are unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial 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.

10. PROVISIONS

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

11. EXCEPTIONAL ITEMS

The Executive 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.

12. **TAXATION**

Corporation Tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. The current tax expense represents the sum of the corporation tax currently payable by the Executive, the Authority is not liable to corporation tax. The tax currently payable is based on interest received for the year.

Value Added Tax (VAT)

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

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

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

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

13. **DEBTORS**

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

14. **LEASED ASSETS**

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

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

15. **FINANCIAL INSTRUMENTS**

Financial assets are classified at initial recognition as loans, cash and cash equivalents (short term deposits) or receivables in accordance with IAS 39, and recognised at cost. The Authority has not designated any financial assets as at fair value through profit or loss. The Authority's financial assets include cash, short-term despoits, trade and other receivables. 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. Subsequent measurement depends on their classification as follows:-

Cash and cash equivalents: cash and short term despoits in the Balance Sheet comprise of cash at bank and in hand and short-term deposits with an initial maturity of 90 days or less. For the purpose of the consolidated cash flow statement, cash and cash equivalents are as defined above, net of outstanding bank overdrafts.

Loans and deposits: 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. Gains and losses are recognised in the Income and Expnediture Statement when the assets are amortised, derecognised or impaired.

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

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

Financial liabilities are classified at initial recognition as loans and borrowings in accordance with IAS 39, and recognised at cost. The Authority has not designated any financial liabilities as at fair value through profit or loss. The Authority's financial liabilities include short term creditors, loans and other payables, and bank overdraft. Financial liabilities are derecognised when the appropriate cash flow obligations have been discharged, expired or otherwise cancelled.

Subsequent measurement 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 liabiliities 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.

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.

16. **FOREIGN CURRENCY TRANSLATION**

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

17. **CONTINGENT LIABILITY**

Contingent Liabilities (Group note 25): The Group has a contingent liability at the balance sheet date. The Authority/Executive's legal advisors have assessed the liability but due to the uncertainty it is not practical to disclose the timing, financial effect or amount.

18. **EVENTS AFTER THE BALANCE SHEET DATE**

The Statement of Accounts are authorised for issue by the Chief Financial Officer. 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 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of the information (adjusting events). Events indicative of conditions that arose after the reporting period are not adjusted (non-adjusting events).

STATEMENT OF RESPONSIBILITIES FOR THE AUTHORITY AND GROUP

1. The Authority's Responsibilities

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer was the Director, Resources who is designated as Chief Financial Officer;

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

- to approve the Statement of Accounts.

2. The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice'), is required to present a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2014.

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

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

3. Certification of the Accounts

I certify that the Statement of Accounts present a true and fair view of the financial position of the West Yorkshire Integrated Transport Authority at 31 March 2014 and its income and expenditure for the year ended 31 March 2014.

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 meeting on 11 September 2014 in accordance with the Accounts and Audit Regulations 2011. There are no material events after the balance sheet date that require reflecting in the Statement of Accounts.

Chairman of the Authority

18 September 2014

Annual Governance Statement

1. Scope of Responsibility

The 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 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 Authority is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of the Authority's functions including arrangements for the management of risk. This is in accordance with the Accounts and Audit Regulations 2011 'ensuring that the financial management is adequate and effective and that the body has a sound system of internal control which facilitiates 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 Authority is directed and controlled and its activities through which it accounts to and engages with the community. It enables the Authority to monitor the achievement of strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

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 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 Authority and the Group throughout the year ended 31 March 2014 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 Authority's governance arrangements. These are set out below along with the key elements relating to the Executive as it forms part of the Group accounts in these financial statements. They are also encapsulated in the Code of Corporate Governance which has been approved by the Audit and Governance Committee and which is available on the Authority's website. A Code of Corporate Governance for the Passenger Transport Executive has been approved by its Executive Board.

a) Corporate policies and objectives are set and communicated by the Authority. These form a key role in determining the 15 year strategy of the Local Transport Plan and what it should deliver. LTP3 clearly articulates a vision for transport and sets out three key objectives and identifies four themes for delivery. The Authority's policies were revised two years ago to reflect the changes arising from the Local Transport Act. They focus on providing safe, integrated, efficient and accessible transport facilities and services to meet the current and future transport needs of people who live, work or do business in West Yorkshire. The implementation of LTP3 is reviewed through the MetroPlan monitoring system Covalent and by officer and Member Groups. The quality of the services delivered is reflected in MetroPlan monitoring along with other external scrutiny and feedback. The LTP and the three year corporate plan demonstrate the 'golden thread' linking objectives, actions and outcomes.

3. **The governance framework (continued)**

b) A number of levels of scrutiny exist for the activities of the Group. Governance arrangements within the Authority were revised four years ago and two scrutiny committees review all areas of activity and decisions made. External scrutiny is provided by the links to the Association of West Yorkshire Authorities, the Local Transport Panel, Local Strategic Partnerships and the City Region Leaders' Board. These provide a critical examination of all policies and objectives. Scrutiny committees within the Districts will also often challenge the work being undertaken by the Authority in such areas as accessibility and local bus services. The Passenger Consultative Committees in the Districts give a level of local involvement and allow the public the opportunity to scrutinise any new policy initiatives. The Authority has continued the appointment of two non-Executive Directors to the PTE Executive Board to ensure a further level of challenge and scrutiny is provided.

c) Roles are defined and documented through job descriptions and competency based employee specifications. Appointments have been made to all the posts required by statute, including s151 Officer and the Monitoring Officer. Staff behaviours are guided by Metro's values and its Code of Conduct and a similar Code exists for Members; both employees and Members are required to maintain a register of interests. New arrangements are being put in place to reflect the changes to the standards regime brought about by the Localism Act. The Authority conforms to the requirements of the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government (2010)*. For the Executive the Chief Financial Officer is the Director Resources who is a key member of the management team and is responsible for the proper administration of the Executive's financial arrangements through a suitably qualified and resourced Finance function.

d) The Executive's Internal Audit team also provide the internal audit service to the 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 nature of the Chief Audit Executive's functional reporting relationship with the Board; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

e) Compliance with established procedures, laws and regulations is ensured by a system that requires all decisions made by the PTE Executive Board to set out all legal and financial implications. Reports to the Authority are subject to appropriate scrutiny before they are submitted. 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 internet.

f) Risk management is embedded in the activities of the Group with regular reviews of the risk registers and exception reporting where required. Covalent, Metro's performance management system, has been further developed to enable it to contain all the risk registers and provide reports based on a traffic light system, highlighting 'red' risks that may require action. Any actions identified can then be mapped to MetroPlan targets in Covalent and monitored appropriately.

g) Communication with stakeholders through the Passenger Consultative Committees, District Liaison Committees and Operator Groups take place. Consultation events have taken place during the year on the LTP, major schemes and the bus area network reviews which have successfully sought to reduce costs but retain accessibility for bus users. Consultation has also taken place on the proposals to create a Combined Authority for West Yorkshire.

h) A system of Standing Orders and Financial Regulations protect the organisations. These are reviewed annually. Procedural manuals and notes underpin these and ensure the reporting of financial transactions is properly managed.

i) External reviews carried out by auditors and other agencies to achieve Customer Service Excellence, IIP and other accreditations with any recommendations identified creating a workplan for future improvements.

j) From 2011/12 the Authority has had sole responsibility for LTP3. A system of governance has been agreed to manage the delivery and financial management of LTP3 with the District partners. This includes officer and Member groups which can report as required to the PTE Executive Board and to the Authority. These groups include representation from the District councils, with the Portfolio holders for transport being invited to attend all meetings of the Authority's Executive Board.

k) Metro tickets are sold through Post Offices in West Yorkshire and through rail ticket offices. The PTE has put in place arrangements whereby enhanced assurance statements are sought from the Post Office and Northern Rail stating that their systems have operated adequately with no material errors or weaknesses.

4. Review of Effectiveness

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

The Authority has in place a system based on a framework of standing orders, financial regulations and administrative controls including codes of conduct and administrative policies and procedures. All administrative controls and financial instructions are reviewed on a regular basis by the Authority's management and Internal Audit. Standing orders and financial regulations are also re-approved annually by the Authority. In terms of financial accounting the Authority utilises the core financial system of the Executive which is reviewed annually by Internal and External Audit. During the last year the Chief Financial Officer has provided to the Audit and Governance Committee a regular confirmation that key controls have been operating in the period. The Executive has in place similar systems and procedures which are subject to scrutiny. The Assistant Director Finance reports monthly to the Audit Committee that key controls have been operating in the period.

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

The Executive's Internal Audit section is retained as the internal audit section for the 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 Authority's Audit and Governance Committee and to the Executive's Audit Committee. Regular update reports are provided to these meetings by the Internal Audit Manager, including progress made on the implementation of audit recommendations. Within the PTE Covalent is now used to monitor progress which allows outstanding recommendations to be considered monthly by the management teams.

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

4. Review of Effectiveness (continued)

The Executive continues to develop and refine the project management framework ensuring that Portfolio Board provides greater accountability and improved governance with regard to the management and delivery of projects. A six monthly review of the Portfolio Board was undertaken and improvements to template documents were actioned to place greater emphasis on the financial information presented to the Portfolio Board to facilitate more robust monitoring of annual capital expenditure. The exception reporting process has also been refined with tolerances set to ensure that Project Executives are reporting back to Portfolio Board where projects are deviating from plan. Internal audit work during the year has supported this through the inclusion of a number of compliance reviews of projects to ensure PRINCE project management principles are being followed.

The Authority and Executive have in place comprehensive risk management arrangements. Reviews of risk take place at management team level, supported by a comprehensive range of documents which provide guidance on the identification, assessment and reporting of risk. The Executive Risk Management Group meets on a periodic basis to ensure consistency in the assessment and management of risk and to provide an overview of the process. The Authority's Risk register is considered quarterly by the Audit and Governance Committee. These arrangements will be further developed and evolved to meet the needs of the West Yorkshire Combined Authority.

The Executive and Authority have reviewed the internal audit function and concluded that it is satisfactory when assessed against the guidelines of the PSIAS.

From the 2014 Spending Review period, it is proposed that the DfT will devolve and distribute major scheme funding based on population to voluntary local partnerships and with decisions on this funding being taken by accountable local partners. This new local partnership is to be known as a 'Local Transport Body' (LTB). The ITA has agreed that, for an interim period to April 2014, the West Yorkshire Integrated Transport Authority administers the functions of the new West Yorkshire and York LTB. This will be provided until arrangements are in place for the establishment of a Combined Authority. These interim arrangements mean that the ITA Executive Board will act as a conduit for the on-going scheme prioritisation process within the West Yorkshire Plus Transport Fund.

5. Significant Internal Control Issues

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

No such significant issues have arisen in the year.

6. Conclusion

Throughout 2013/14 the Authority has continued to demonstrate an ongoing commitment to best practice and good corporate governance consistent with the principles of the CIPFA/SOLACE Framework in Local Government and this is clearly demonstrated by the adoption of a Code of Corporate Governance which captures and summarises these principles. We are also satisfied with the improvements that are continuing under the guidance of the Audit and Governance Committee.

The West Yorkshire Combined Authority Order 2014 abolishes both the West Yorkshire Passenger Transport Executive and the West Yorkshire Integrated Transport Authority from 1 April 2014. While the assets and functions of the Executive (and Authority) transfer across to the new West Yorkshire Combined Authority (WYCA) the governance arrangements will undergo change to reflect the way in which decision making is undertaken within a local authority and as a result of two organisations being merged into one. Appropriate governance arrangements including revised Standing Orders, Financial Regulations, codes of conduct and decision making arrangements for the new committee structure were prepared for approval at the inaugural meeting of the West Yorkshire Combined Authority on 1 April 2014.

There is further work to be done during 2014/15 to ensure that all governance arrangements are fully aligned with those elements already in place. This will include for example ensuring that risk registers are expanded to include the new areas of activity that will be introduced during the early years of the WYCA. Any new governance arrangements will be kept under review by the WYCA and will also be reflected in internal audit work programmes.

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

Cllr Box **Chairman**	**A Lythgo** **HoPS**

18 September 2014

WEST YORKSHIRE INTEGRATED TRANSPORT AUTHORITY
MOVEMENT IN RESERVES STATEMENT AS AT 31 MARCH 2014

The Movement in Reserves Statement shows the movement in the year on the different reserves held by the 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 for the year after tax line shows the economic cost of providing the Authority's services and the provision of grants to fund the introduction of capital assets, more details of which are shown in the Comprehensive Income and Expenditure Statement.

	Note	General Fund Balance £000's	Capital Grants Unapplied £000's	Rail Reserve £000's	WY Transport Fund £000's	Total Usable reserves £000's	Capital Adjustment Account £000's	Pension Reserve £000's	Financial instruments Adj Account £000's	Total Unusable reserves £000's	Total £000's
At 31st March 2012		4,462	13,998	2,379	-	20,839	(92,947)	(584)	188	(93,343)	(72,504)
Movement in reserves during 2012/13 Restated											
Surplus on Provision of Service		4,558	-	-	-	4,558	-	-	-	-	4,558
Actuarial Gains Losses	5	-	-	-	-	-	-	111	-	111	111
Total Comprehensive Income and Expenditure		4,558	-	-	-	4,558	-	111	-	111	4,669
Adjustments between accounting basis and funding basis under regulations											
MRP	2	(3,991)	-	-	-	(3,991)	3,991	-	-	3,991	-
Finance costs early settlement discounts		76	-	-	-	76		-	(76)	(76)	-
Capital grants applied	2	(46,152)	-	-	-	(46,152)	46,152	-	-	46,152	-
Capital grants released	2	46,811	-	-	-	46,811	(46,811)	-	-	(46,811)	-
Capital Grants unapplied	3	-	(658)	-	-	(658)	658	-	-	658	-
Depreciation	2	200	-	-	-	200	(200)	-	-	(200)	-
Transfer to pension reserve		34	-	-	-	34	-	(34)	-	(34)	-
Revaluation of fixed assets		-	-	-	-	-	-	-	-	-	-
Total adjustments beetween accounting basis and funding basis under regulations		(3,022)	(658)	-	-	(3,680)	3,790	(34)	(76)	3,680	-
Increase/(decrease) in year before transfer to ear-marked reserve		1,536	(658)	-	-	878	3,790	77	(76)	3,791	4,669
Transfer to ear-marked reserve		(2,700)	-	-	2,700	-	-	-	-	-	-
Increase/(decrease) in year		(1,164)	(658)	-	2,700	878	3,790	77	(76)	3,791	4,669
Balance at 31st March 2013		3,298	13,340	2,379	2,700	21,717	(89,157)	(507)	112	(89,552)	(67,835)
Movement in reserves during 2013/14											
Surplus on Provision of Service		5,781	-	-		5,781	-	-	-	-	5,781
Actuarial Gains Losses	5	-	-	-	-	-	-	(81)	-	(81)	(81)
Total Comprehensive Income and Expenditure		5,781	-	-	-	5,781	-	(81)	-	(81)	5,700
Adjustments between accounting basis and funding basis under regulations											
MRP	2	(3,831)	-	-	-	(3,831)	3,831	-	-	3,831	-
Finance costs early settlement discounts		76	-	-	-	76	-	-	(76)	(76)	-
Capital grants applied	2	(46,196)	-	(805)	(1,967)	(48,968)	48,968	-	-	48,968	-
Capital grants released	2	49,784	-	-	-	49,784	(49,784)	-	-	(49,784)	-
Capital Grants unapplied	3	-	(817)	-	-	(817)	817	-	-	817	-
Depreciation	2	200	-	-	-	200	(200)	-	-	(200)	-
Transfer to pension reserve		32	-	-	-	32	-	(32)	-	(32)	-
Revaluation of fixed assets		-	-	-	-	-	-	-	-	-	-
Total adjustments beetween accounting basis and funding basis under regulations		65	(817)	(805)	(1,967)	(3,524)	3,632	(32)	(76)	3,524	-
Increase/(decrease) in year before transfer to ear-marked reserve		5,846	(817)	(805)	(1,967)	2,257	3,632	(113)	(76)	3,443	5,700
Transfer to ear-marked reserve		(3,853)	-	501	3,352	-	-	-	-	-	-
Increase/(decrease) in year		1,993	(817)	(304)	1,385	2,257	3,632	(113)	(76)	3,443	5,700
Balance at 31st March 2014		5,291	12,523	2,075	4,085	23,974	(85,525)	(620)	36	(86,109)	(62,135)

*The MIRS for 2012/13 is restated to reflect changes to IAS 19 Pension Benefits see note 5

WEST YORKSHIRE INTEGRATED TRANSPORT AUTHORITY
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 31 MARCH 2014

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 2013/14 and the Accounts and Audit Regulations 2011.

2012/13 Restated *					2013/14		
Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's		Notes	Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's
195,301	(59,981)	135,320	Highways and Transport Services	1,4,7	203,857	(67,740)	136,117
718	-	718	Corporate and Democratic Core		723	-	723
196,019	**(59,981)**	**136,038**	**Cost of Services - continuing operations**		**204,580**	**(67,740)**	**136,840**
3,352	-	3,352	Interest Payable		3,330	-	3,330
-	-	-	Effect of early settlement of borrowing		-	-	-
-	(225)	(225)	Interest and Investment income		-	(227)	(227)
27	-	27	Pensions interest cost and expected return on assets	5	22	-	22
199,398	**(60,206)**	**139,192**			**207,932**	**(67,967)**	**139,965**
			Taxation and Non-Specific Grant Income				
-	(97,598)	(97,598)	- District Council Levies	11	-	(99,550)	(99,550)
-	(45,503)	(45,503)	- Integrated Transport/Maintenance (Capital)	7	-	(44,829)	(44,829)
-	(649)	(649)	- Section 31 (Capital)	7	-	(1,367)	(1,367)
199,398	**(203,956)**	**(4,558)**	**(Surplus) on Provision of Services**		**207,932**	**(213,713)**	**(5,781)**
-	(111)	(111)	Actuarial gains and losses recognised on pension assets and liabilities	5	81	-	81
-	--	(111)	**Other Comprehensive Income and Expenditure**		-	-	81
		(4,669)	**Total Comprehensive Income and Expenditure**				**(5,700)**

* The Comprehensive Income and Expenditure Statement 2012/13 is restated to reflect changes to IAS 19 Pension Benefits see note 5.

WEST YORKSHIRE INTEGRATED TRANSPORT AUTHORITY
BALANCE SHEET
FOR THE YEAR ENDED 31 MARCH 2014

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

	Notes	2013/14 £000's	2012/13 £000's
Assets			
Non-current assets			
Property, Plant, Equipment	10	6,420	6,620
TOTAL LONG TERM ASSETS		6,420	6,620
Current Assets			
Short term investment	17	27,500	5,000
Short term debtors	14	135	125
Cash and cash equivalents	15	5,259	9,461
		32,894	**14,586**
Total assets		39,314	21,206
Current Liabilities			
Short term borrowing	12	(2,080)	(2,089)
Trade and Other Payables	16	(1,083)	(2,960)
Grants Received in Advance	16	(20,166)	(4,985)
		(23,329)	**(10,034)**
Long Term Borrowing	12,17	(77,500)	(78,500)
Net Pension liability	5	(620)	(507)
		(78,120)	**(79,007)**
Total Liabilities		**(101,449)**	**(89,041)**
NET LIABILITIES		**(62,135)**	**(67,835)**
General Fund Balance		5,291	3,298
Capital Grants Unapplied reserve	3	12,523	13,340
Rail Reserve	18	2,075	2,379
WY Transport Fund Reserve	18	4,085	2,700
Usable reserves		**23,974**	**21,717**
Capital Adjustment Account	2	(85,525)	(89,157)
Financial Instruments Adjustment Account		36	112
Pensions Reserve	5	(620)	(507)
Unusable reserves		**(86,109)**	**(89,552)**
Total Reserves		**(62,135)**	**(67,835)**

A Taylor
Chief Financial Officer
WYITA

Date : 18 September 2014

Purpose of cashflow

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

2012/13 £000's restated*			2013/14 £000's
	Operating Activities		
4,558	Surplus on the Provision of Service		5,781
200	Depreciation	10	200
3,341	(Decrease)/Increase in creditors		13,294
(86)	Decrease/(Increase) in debtors		(9)
34	Transfer to the Pension Reserve		32
-	Proceeds from the sale of property, plant and equipment,	18	(1)
8,047	**Net cash generated from operating activities**		19,297
	Cash flows from investing activities		
(5,000)	Short term investment	17	(22,500)
-	Proceeds from the sale of property, plant and equipment,	18	1
(5,000)	**Net cash flows from investing activities**		(22,499)
	Cash flows from financing activities		
(1,000)	Repayment of loans	17	(1,000)
(1,000)	**Net cash used from financing activities**		(1,000)
2,047	**Net increase in cash and cash equivalents**		(4,202)
7,414	Cash and cash equivalents at the beginning of the reporting period		9,461
9,461	Cash and cash equivalents at the end of the reporting period		5,259

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

2012/13 £000's		2013/14 £000's
3,352	Interest paid	3,330
(225)	Interest received	(227)

Note:

Cash and cash equivalents comprises operational cash balances, cash at bank and short-term bank deposits. Bank overdrafts that are repayable on demand also form an integral part of the Authority's cash management arrangements.

NOTES TO THE ACCOUNTS:-

1 Revenue Expenditure

The Authority's revenue expenditure on public transport comprises both direct expenditure undertaken by the Executive for which the Authority provides a grant and direct expenditure by the Authority itself:

	2013/14 £000's	2012/13 £000's
Revenue Grant to Executive to meet Public Transport expenditure	86,752	88,917
Direct Service costs (net)	422	421
Other costs	1,135	1,135
	88,309	**90,473**

2 Capital Adjustment Account

	2013/14 £000's	2012/13 £000's
Opening balance	(89,157)	(92,947)
Income		
Minimum Revenue Provision (MRP)	3,831	3,991
Revaluation Adjustment		-
Less depreciation charged to services	(200)	(200)
	3,631	3,791
Expenditure		
Revenue expenditure funded from capital under statute	(49,784)	(46,811)
	(49,784)	(46,811)
Capital receipts applied/(unapplied)	817	658
Write down of Capital Grants	48,968	46,152
	49,785	46,810
Balance c/f	**(85,525)**	**(89,157)**

MRP is 4% of the capital financing requirement as at 1st April 2014 which for the Authority is £95.77m (£99.77m at 1st April 2013).

3. Capital Grants unapplied

	2013/14 £000's	2012/13 £000's
Opening balance	13,340	13,998
Capital receipts (applied)/unapplied in year	(817)	(658)
Balance C/fwd	**12,523**	**13,340**

4. Segmental Reporting

The analysis of income and expenditure by service on the face of the comprehensive income and expenditure statement is that specified by the Service Reporting Code of Practice (SeRCOP). However, decisions about resource allocation are taken by the Authority on the basis of budget reports. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular the cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current/past service cost of benefits accrued in the year. The report presented to the Authority is on a consolidated basis taking into account the operations of the Executive.

Presented below is the restatement of Cost of Services and specific and non-specific grant income as reported to the Authority's decision makers :-

4a. **Segmental Reporting - Resource allocation**

	Bus Services		Concessions		Rail		Passenger Facilities		Other		Total	
	2014 £000's	**2013 £000's**	**2014 £000's**	**2013 £000's**	**2014 £000's**	**2013 £000's**	**2014 £000's**	**2013 £000's**	**2014 £000's**	**2013 £000's**	**2014 £000's**	**2013 £000's**
Agency/service Fee income	-	-	-	-	-	-	-	-	(1,263)	(1,254)	(1,263)	(1,254)
Government Grants	-	-	-	-	(64,209)	(57,613)	-	-	(2,269)	(1,114)	(66,478)	(58,727)
Total Income	-	-	-	-	**(64,209)**	**(57,613)**	-	-	**(3,532)**	**(2,368)**	**(67,741)**	**(59,981)**
Operating Expenditure	19,175	21,035	52,362	51,619	63,335	56,771	-	-	-	-	134,872	129,425
Other Cost of Service Expenditure	5,703	5,868	-	-	185	182	5,758	5,701	7,743	7,492	19,389	19,243
Total Operating Expenditure	**24,878**	**26,903**	**52,362**	**51,619**	**63,520**	**56,953**	**5,758**	**5,701**	**7,743**	**7,492**	**154,261**	**148,668**
Cost of services	**24,878**	**26,903**	**52,362**	**51,619**	**(689)**	**(660)**	**5,758**	**5,701**	**4,211**	**5,124**	**86,520**	**88,687**

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Reconciliation of Segmental Analysis. and Cost of services in the Comprehensive Income and Expenditure Statement

	2013/14 £000's	**2012/13 £000's**
Segmental Analysis of Cost of Service	86,520	88,687
Pensions IAS19	10	7
Capital Grants	49,784	46,811
Depreciation/Capital expenditure	526	533
Cost of Service CIES	**136,840**	**136,038**

5 Pension Costs

5.1 Employees

The Authority participates in the West Yorkshire Pension Fund, administered by Bradford Metropolitan District Council. This is a funded defined benefit scheme, meaning that the Authority and its employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

In 2013/14 contributions payable for the year to West Yorkshire Pension Fund based on the formal actuarial valuation carried out for 31 March 2010 were £17,084 (2012/13 - £16,946) representing 13% (2012/13 - 13%) of pensionable pay with an additional deficit payment of £2,218 (2012-13 - £2,106). Under the Pension Fund regulations contribution rates are set to meet the overall liabilities of the Fund. The actuarial valuation carried out at 31 March 2013 has determined the employer contributions for the next three years but recognising that the WYITA will be dissolved and its pension assets and liabilities transfered to the West Yorkshire Combined Authority at 1 April 2014 the a rate has been determined for the new entity of 13.5%.

Further information can be found in the West Yorkshire Pension Fund Annual Report which is available on request from the Chief Financial Officer, PO Box 67, Britannia House, Hall Ings, Bradford, BD1 1UP.

5.2 Capital Cost of Discretionary Increases in Pension Payments

The Authority is required to disclose the capital cost of discretionary increases in pension payments, which related to the award of added years on the early retirement of employees. Separate disclosure is required for the in year discretionary awards and the ongoing costs of previous years discretionary payments. The Authority paid £3,074 for such payments in 2013/14 (£3,005 in 2012/13).

5.3 Pension disclosures required under IAS 19

The Authority's West Yorkshire Pension Fund Liabilities have been assessed by AON Hewitt Ltd, an independent firm of actuaries.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The main assumptions used in their calculations have been:

Financial Assumptions

Funded	**31 March 2014**	**31 March 2013**
Duration of liabilities (years)	18.9	19.2
Inflation - RPI	3.4%	3.4%
- CPI	2.4%	2.5%
Rate of increase in salaries	3.9%	4.4%
Rate of increase for pensions in payment	2.4%	2.5%
Rate used to discount the scheme liabilities	4.3%	4.5%
Unfunded		
Duration of liabilities (years)	12	12
Inflation - RPI	3.2%	3.2%
- CPI	2.2%	2.3%
Rate of increase for pensions in payment	2.2%	2.3%
Rate used to discount the scheme liabilities	4.2%	4.1%

Mortality assumptions

Post retirement mortality (retirement in normal health):-

	31 March 2014	**31 March 2013**
	Males : CMI 2012 Long term rate of improvement of 1.5%p.a.	**Males** : CMI 2009 Long term rate of improvement of 1.25%
	Females : CMI 2012 Long term rate of improvement of 1.5%p.a.	**Females** : CMI 2009 Long term rate of improvement of 1.25%
Life Expectancy		
- of a male (female) future pensioner aged 65 in 20yrs time	24.7 (27.7) Years	23.9 (26.2) Years
- of a male (female) current pensioner aged 65	22.5 (25.4) Years	22.1 (24.3) Years

5.3 Pension disclosures required under IAS 19 (continued)

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

Assets in the West Yorkshire Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of the total assets held by the Fund:

	31 March 2014				31 March 2013	
	Quoted %	Unquoted %	Total %	Asset £000's	Asset Split %	Asset £000's
Equities	70.1	5.2	75.3	915	72.5	928
Government Bonds	10.5	0.0	10.5	128	11.9	152
Other Bonds	5.4	0.0	5.4	66	5.7	73
Property	3.2	0.0	3.2	39	3.1	40
Cash/Liquidity	3.1	0.0	3.1	38	3.6	46
Other	0.0	2.5	2.5	30	3.2	41
Total	92.3	7.7	100.0	1,216	100.0	1,280

Reconciliation of unfunded/funded status to Balance Sheet

	31/03/2014 £000's Unfunded	31/03/2014 £000's Funded	31/03/2013 £000's Unfunded	31/03/2013 £000's Funded
Fair Value of assets	-	1,216	-	1,280
Present value of funded defined benefit obligation	52	1,784	52	1,735
Funded status	-	(568)		(455)
Impact of minimum funding requirement /asset ceiling	-	-	-	-
Asset/(liability) recognised on the balance sheet	(52)	(568)	(52)	(455)

Reconciliation of present value of scheme liabilities

	31/03/2014 £000's Unfunded	31/03/2014 £000's All Benefits	31/03/2013 £000's Unfunded	31/03/2013 £000's All Benefits
1 April	52	1,787	51	1,724
Current service cost	-	32	-	26
Interest cost	2	79	2	81
Member Contributions	-	9	-	7
Past service cost	-	-	-	-
Actuarial (gains)/loss Financial	(1)	(15)	2	(5)
Actuarial (gains)/loss Demographic	1	(82)	-	-
Actuarial (gains)/loss Experience	1	71	-	(2)
Curtailments	-	-	-	-
Settlements	-	-	-	-
Benefits paid	(3)	(45)	(3)	(44)
31 March	52	1,836	52	1,787

Reconciliation of fair value of scheme assets	31/03/2014 £000's Unfunded	31/03/2014 £000's All Benefits	31/03/2013 £000's Unfunded	31/03/2013 £000's All Benefits
1 April	-	1,280	-	1,140
Interest income on scheme assets	-	57	-	54
Actuarial gains/(loss)	-	(107)	-	104
Contributions paid by employer	3	22	3	19
Member Contributions	-	9	-	7
Benefits paid	(3)	(45)	(3)	(44)
31 March	-	1,216	-	1,280

5.3 Pension disclosures required under IAS 19 (continued)

Actual Return on assets	31/03/2014 £000's	31/03/2013 £000's
Interest income on assets	57	54
Remeasurement gain/(loss) on assets	(107)	104
Actual return on assets	(50)	158

The amounts recognised in the Comprehensive Income and Expenditure Statement

Cost of service	**31/03/2014 £000's**	**31/03/2013 £000's**
Current Service Cost	32	26
Past Service Cost	-	-
Curtailments or settlements	-	-
Financing Investment Income and Expenditure		
Interest on net defined benefit liability	22	27
Total pension cost recognised	54	53

The amounts recognised in Other Comprehensive Income and Expenditure

Return on plan assets (in excess)/below that recognised in net interest	107	(104)
Actuarial gains/losses due to change in Financl assumpt.	(15)	(5)
Actuarial gains/losses due to change in Demograghic assumpt.	(82)	-
Actuarial gains/losses due to liability experience	71	(2)
Total amount recognised in Other Comprehensive inc.	81	(111)
Total amount recognised	135	(58)

Sensitivity Analysis

The sensitivity analysis showing the impact of changing key actuarial assumptions on the present value of the funded defined benefit obligation as at 31 March 2014 and the projected service cost for the year ending 31 March 2015 is set out below. Only the assumptions mentioned are altered all other assumptions remain the same.

Funded LGPS benefits

Adjustment to discount rate	**+0.1%pa**	**-0.1%pa**
Present value of total obligation £000's	1,751	1,817
% change in present value of total obligation	-1.8%	1.8%
Adjustment to rate of increase in salaries	**+0.1%pa**	**-0.1%pa**
Present value of total obligation £000's	1,795	1,773
% change in present value of total obligation	0.6%	-0.6%
Adjustment to pension increase rate	**+0.1%pa**	**-0.1%pa**
Present value of total obligation £000's	1,806	1,762
% change in present value of total obligation	1.2%	-1.2%
Adjustment to mortality age rating assumption	**+1 year**	**-1 year**
Present value of total obligation £000's	1,826	1,742
% change in present value of total obligation	2.4%	-2.4%

The revised IAS 19 has come into force for accounting periods beginning on or after 1 January 2013. Adoption of the revised IAS 19 increases the expenses recognised for funded benefits from £0.026M to £0.051M for the comparative year ended 31 March 2013. There is no effect on the Balance Sheet.

6 Minimum Revenue Provision

The Authority has a statutory obligation to make adequate provision to meet its liabilities in respect of capital expenditure financed by external borrowing. The method of calculating the provision is defined by statute. For 2013/14 the amount is £3.831m (2012/13 £3.991m).

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 to the General Fund Balance through the Movement in Reserves Statement to ensure that the charge to the Amount met from Government Grant and Local Taxation equates to the Minimum Revenue Provision (MRP).

	2013/14 £000's	2012/13 £000's
Depreciation charged to services	200	200
Additional charge to revenue	3,631	3,791
Minimum Revenue Provision	**3,831**	**3,991**

7 Government Grants

In accordance with statutory requirements the Authority is required to set out the government grants received during the year and to specify the awarding body.

	2013/14 £000's	2012/13 £000's
Special Rail Grant - Department for Transport	64,209	57,613
Integrated Transport Block/Maintenance - Department for Transport	44,829	45,503
Section 31 LSTF - Department for Transport (Revenue)	472	650
Section 31 BBAF- Department for Transport (Capital)	509	649
Section 31 BBAF- Department for Transport (Revenue)	1,125	464
Section 31 CCAG- Department for Transport (Capital)	858	-
Community Transport Support - Department for Transport (Revenue)	159	-
Bus Services Operator Grant -Department for Transport (Revenue)	513	-
	112,674	104,879

8 Members' Allowances

The total members' allowances paid in the year was £252,700 (2012/13 - £251,705).

9 Officers' Remuneration

The IFRS Based Code of Practice on Local Authority Accounting 2014 requires the disclosure of the number of officers whose remuneration in the year was £50,000 or more, grouped in rising bands of £5,000. For the year ended 31 March 2014 one officer of the Authority received remuneration of £50,000 or more as set out below:-

Band	2013/14 Number	2012/13 Number
£50,000-£55,000	1	-

		Salary Fees Allowances	Bonuses	Expenses Allowances	Compensation for loss of office	Pension Contributions	Total
Deputy Clerk	2012/13	49,845	-	-	-	6,480	56,325
Deputy Clerk	2013/14	50,101	-	-	-	6,513	56,614

10 Property, Plant and Equipment

Fixed Assets wholly relate to the Authority's office building in Wellington Street, Leeds which was purchased in 1988. The building was last revalued at 31 March 2011 at a value of £7.020m by a MRICS qualified Valuer of Lambert Smith Hampton, a firm of external Chartered Surveyors. An independent desktop review of the office building was undertaken by a MRICS qualified Valuer of Lambert Smith Hampton at 31 March 2014 which confirmed there was no material change to the carrying value.

	Other Land & Buildings 2013/14 £000's	Other Land & Buildings 2012/13 £000's
Valuation at 1 April	6,620	6,820
Additions	-	-
Disposals	-	-
Revaluation Adjustment	-	-
Valuation at 31 March	6,620	6,820
Depreciation charged to 1 April	-	-
Impairments	-	-
Depreciation charged in the year	200	200
Revaluation Adjustment	-	-
Accumulated depreciation	200	200
Net book value at 31 March	**6,420**	**6,620**

11 Related Party Transactions

The Authority is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

The Authority's transactions with related parties during 2013/14, which are not separately disclosed elsewhere, are set out below:

Levying bodies:	**2013/14 £000's**	**2012/13 £000's**
Bradford MDC	23,542,172	22,592,439
Calderdale MDC	8,983,692	8,699,955
Kirklees MDC	18,343,122	17,444,539
Leeds City Council	33,433,821	34,040,608
Wakefield MDC	15,247,432	14,820,733
	99,550,239	97,598,274

The UK Government exerts significant influence through legislation and grant funding as disclosed in Note 7.

The Authority requires members to complete a declaration of Related Party Transactions and this information is used to prepare this note. All members have at least two roles under the Local Government Act 1985 in that they are members of one of the five constituent levying Metropolitan District Councils and are appointed onto the Integrated Transport Authority. Other than this no member has declared any such transaction with the Authority.

The Executive can be construed to be a related party of the West Yorkshire Integrated Transport Authority (WYITA) as defined in IAS 24 "Related party transactions". WYITA is the ultimate controlling party of the Executive with the ability to direct the Executive's financial and operating policies.

The WYITA paid revenue grant payments to the Executive of £86.752m and capital grants of £49.784m. The balance owing by the Integrated Transport Authority to the Executive at 31 March 2014 is also shown at Note 16.

Officers

Mr K Preston, Clerk to the Authority, is also Director-General of the Passenger Transport Executive (PTE), he took voluntary redundancy on 24th January 2014. His services to the Authority are not recharged to the Authority by the PTE. Mrs A Taylor is the Authority's s151 Officer and is employed by the Executive as Director Resources and also their s151 Officer.

12 Loans Outstanding

	2013/14 £000's	2012/13 £000's
Lender:-		
Public Works Loans Board	54,261	55,270
Other Market Loans	25,319	25,319
Short Term Loans	-	-
	79,580	**80,589**
Maturity:-		
Loans repayable within 12 months	2,080	2,089
1-2 years	1,000	1,000
2-5 years	1,500	2,500
5-10 years	-	-
in more than 10 years	75,000	75,000
	79,580	**80,589**

13 Capital expenditure and financing

	2013/14 £000's	2012/13 £000's
Capital investment		
Operational assets	-	-
Revenue expenditure funded from capital under statute	49,784	46,811
	49,784	**46,811**
Sources of finance		
Borrowing (credit approvals)	-	-
Capital receipts	-	-
Government grants and other contributions	49,784	46,811
Revenue contributions	-	-
	49,784	**46,811**

14 Short Term Debtors

	2013/14 £000's	2012/13 £000's
Central government bodies	98	51
Bodies external to general government	37	74
	135	**125**

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.

15 Cash & Cash Equivalents

	2013/14 £000's	2012/13 £000's
Bank current Accounts	5,259	9,461
	5,259	**9,461**

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.

16 Trade and Other Payables

	2013/14 £000's	2012/13 £000's
Other local authorities	7	25
Public Corporation - WYPTE	1,036	2,903
Bodies external to general government	40	32
	1,083	**2,960**
Grants Received in Advance		
Central government	20,137	4,956
Other local authorities	29	29
Bodies external to general government	-	-
	20,166	**4,985**

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.

17.1 Financial Instruments

Financial liabilities, financial assets represented by loans and creditors and short-term debtors and cash and cash equivalents 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.

	31 March 2014		31 March 2013	
	£000's	£000's	£000's	£000's
	Carrying Amount	Fair value	Carrying Amount	Fair value
Financial Assets				
Current trade debtors	135	135	125	125
Cash and cash equivalents	5,259	5,259	9,461	9,461
Short term investment	27,500	27,569	5,000	5,124
Financial Liabilities				
Short-term creditors	21,249	21,249	7,945	7,945
Floating rate borrowing - due within 1yr	-	-	-	-
Fixed Rate borrowing - due within 1 yr	1,009	1,014	1,009	1,016
Floating rate borrowing - due after 1yr	5,019	4,414	5,062	5,199
Fixed Rate borrowing - due after 1 yr	73,552	73,386	74,518	77,684
	79,580	78,814	80,589	83,899

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

Hedging Instruments

The Authority holds no financial instruments that could be classified as hedging instruments.

Loans 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 WYITA from Capita. Capita is a leading and independent provider of capital financing, treasury advisory and strategic advisory consulting services to the public sector.

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

Current	Effective interest rate	Maturity	2013/14 £000's	2012/13 £000's
PWLB - EIP	2.81%	Jun 2013	-	500
PWLB - EIP	2.81%	Dec 2013	-	500
PWLB - EIP	2.81%	Jun 2014	500	-
PWLB - EIP	2.81%	Dec 2014	500	-
			1,000	1,000
Non- Current				
Public Works Loan Board	3.70%	Jan 2056	5,000	5,000
Public Works Loan Board	4.40%	Jan 2052	5,000	5,000
Public Works Loan Board	4.40%	Jul 2054	8,000	8,000
Public Works Loan Board	4.40%	Jun 2053	8,000	8,000
Public Works Loan Board	4.55%	Jun 2052	4,000	4,000
Public Works Loan Board	4.55%	Apr 2055	6,000	6,000
Public Works Loan Board	4.55%	Apr 2056	6,000	6,000
Public Works Loan Board	4.55%	Apr 2057	8,000	8,000
PWLB - EIP	2.81%	Jun 2014	-	500
PWLB - EIP	2.81%	Dec 2014	-	500
PWLB - EIP	2.81%	Jun 2015	500	500
PWLB - EIP	2.81%	Dec 2015	500	500
PWLB - EIP	2.81%	Jun 2016	500	500
PWLB - EIP	2.81%	Dec 2016	500	500
PWLB - EIP	2.81%	Jun 2017	500	500
Barclays - LOBO's	3.97%	May 2065	5,000	5,000
Barclays - LOBO's	3.80%	Aug 2065	5,000	5,000
Barclays - LOBO's	3.99%	Oct 2066	5,000	5,000
Barclays - LOBO's	4.30%	Dec 2076	5,000	5,000
Barclays - LOBO's	4.32%	May 2077	5,000	5,000
			77,500	78,500
Total			78,500	79,500

17.2 Management of risks arising from financial instruments

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

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

Liquidity risk is the risk that the Authority may not have sufficient cash available to meet its day to day obligations to meet payments. The Authority has access to borrowings from the Public Works Loans Board and commercial lenders to meet long term spending and shorter term cashflow requirements. Again measures are in place to actively manage the loan portfolio to ensure refinancing, if required, can be done in a way to minimise the risk of 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 Authority's long term lending is at fixed interest rates but it also borrows some of its money in the form of lender option borrower option loans (LOBOs). This mix of lending assists the Authority in taking advantage of changes to interest rates and it constantly reviews the potential for refinancing debt at more favourable rates.

The Authority is also affected by fluctuations in shorter term interest rates as this impacts on the interest that can be earned in the year on deposits. This is carefully monitored.

The Authority is required to disclose the impact that a hypothetical change in market interest rates during the year would have had on its recognised gains and losses. It should be noted that had interest rates been different then in practice different decisions would have been taken in relation to rescheduling of debt and new borrowing and investment undertaken. It is not possible to quantify the likely impact of such different decisions. The Authority's interest payable and receivable would have varied by a net £274k if interest rates varied by 1% in the year.

The Authority is not exposed to any material currency risk.

18 Net Assets employed

	2013/14 £000's	2012/13 £000's
Total Reserves and Balances	(62,135)	(67,835)

The Total Reserves balance for the Authority includes a Rail Reserve under Usable Reserves which recognises the disposal of Rail Rolling stock and Yorkshire 6 funding surpluses with the reserve totalling £2.075m at 31 March 2014. The Authority ear-marked the rail rolling stock disposal proceeds for rail infrastructure investment and funds were transferred to the Authority to be held in the Rail Reserve pending investment in identified rail projects. As at 31 March 2014 the Rail Reserve has provided £805k of funding for the Leeds Station Southern Entrance scheme.

In addition the Reserves include the West Yorkshire Transport Fund Reserve to reflect additional levy contributions from the Districts in 2012/13 and 2013/14 to develop strategic transport schemes in West Yorkshire. The reserve has a balance of £4.085m at 31 March 2014.

19 Auditor's Remuneration

	2013/14 £000's	2012/13 £000's
Audit Services	21	21
	21	21

20 GOING CONCERN

The accounts of the Authority have been prepared on a going concern basis. While the West Yorkshire Combined Authority order 2014 dissolves the Executive at 1st April 2014 it provides that all the assets, liabilities and functions of the Authority continue under the West Yorkshire Combined Authority . This is deemed to be a transfer of services under combinations of public sector bodies and therefore the presumption of going concern continues in accordance with the code.

21 Events After the Balance Sheet Date

The Statement of Accounts were authorised for issue by the Chief Financial Officer on 18 September 2014. There have been no adjustments to the financial statements for events after the balance sheet date.

CONSOLIDATED GROUP ACCOUNTS
WEST YORKSHIRE INTEGRATED TRANSPORT AUTHORITY
GROUP MOVEMENT IN RESERVES STATEMENT AS AT 31 MARCH 2014

The Movement in Reserves Statement shows the movement in the year on the different reserves held by the Group, 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/Deferred Capital grants Account). The net surplus on provision of service shows the economic cost of providing the Group'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.

	Note	General Fund Balance £000's	Capital Grants Unapplied £000's	Rail Reserve £000's	WY Transport Fund £000's	NGT Reserve £000's	Total Usable reserves £000's	Capital Adjustment Account £000's	Deferred Capital Grants A/C £000's	Financial Instrument Adj A/C £000's	Revaluation Reserve £000's	Pension Reserve £000's	Donated Assets Account £000's	Total Unusable reserves £000's	Total £000's
At 31st March 2012		5,742	13,998	2,379	-	-	22,119	(44,694)	21,059	188	10,425	(66,841)	668	(79,195)	(57,076)
Movement in reserves during 2012/13				-	-	-									
Surplus on Provision of Service		3,121	-	-	-	-	3,121	-	-	-	-	-	-	-	3,121
Actuarial Gains/(Losses)	6	-	-	-	-	-	-	-	-	-	-	4,142	-	4,142	4,142
Total Comprehensive Income and Expenditure		3,121	-	-	-	-	3,121	-	-	-	-	4,142	-	4,142	7,263
Adjustments between accounting basis and funding basis under regs															
MRP		(3,991)	-	-	-	-	(3,991)	3,991	-	-	-	-	-	3,991	-
Finance costs early settlement discounts		76	-	-	-	-	76	-	-	(76)	-	-	-	(76)	-
Capital grants released		49,803	-	-	-	-	49,803	(49,192)	(611)	-	-	-	-	(49,803)	-
Capital grants applied	2	(49,007)	-	-	-	-	(49,007)	46,152	2,855	-	-	-	-	49,007	-
Capital Grants unapplied	2	-	(658)	-	-	-	(658)	658	-	-	-	-	-	658	-
Depreciation		200	-	-	-	-	200	(200)	-	-	-	-	-	(200)	-
Transfer to pension reserve		1,334	-	-	-	-	1,334	-	-	-	-	(1,334)	-	(1,334)	-
Revaluation of fixed assets	10a,c	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total adjustments between accounting basis and funding basis under regs		(1,585)	(658)	-	-	-	(2,243)	1,409	2,244	(76)	-	(1,334)	-	2,243	-
Increase/ (decrease) in year before transfer to ear-marked reserve		1,536	(658)	-	-	-	878	1,409	2,244	(76)	-	2,808	-	6,385	7,263
Transfer to ear-marked reserve		(2,700)	-	-	2,700	2,389	2,389	-	(2,389)	-	-	-	-	(2,389)	-
Increase/(decrease) in year		(1,164)	(658)	-	2,700	2,389	3,267	1,409	(145)	(76)	-	2,808	-	3,996	7,263
Balance at 31st March 2013		4,578	13,340	2,379	2,700	2,389	25,386	(43,285)	20,914	112	10,425	(64,033)	668	(75,199)	(49,813)
Movement in reserves during 2013/14															
Surplus on Provision of Service		1,232	-	-	-	-	1,232	-	-	-	-	-	-	-	1,232
Actuarial Gains/(Losses)	6	-	-	-	-	-	-	-	-	-	-	1,346	-	1,346	1,346
Total Comprehensive Income and Expenditure		1,232	-	-	-	-	1,232	-	-	-	-	1,346	-	1,346	2,578
Adjustments between accounting basis and funding basis under regs															
MRP		(3,831)	-	-	-	-	(3,831)	3,831	-	-	-	-	-	3,831	-
Finance costs early settlement discounts		76	-	-	-	-	76	-	-	(76)	-	-	-	(76)	-
Capital grants released		59,690	-	-	-	-	59,690	(51,535)	(8,155)	-	-	-	-	(59,690)	-
Capital grants applied	2	(52,727)	-	(805)	(1,967)	(1,346)	(56,845)	48,968	7,877	-	-	-	-	56,845	-
Capital Grants unapplied	2	-	(817)	-	-	-	(817)	817	-	-	-	-	-	817	-
Depreciation		200	-	-	-	-	200	(200)	-	-	-	-	-	(200)	-
Transfer to pension reserve		1,206	-	-	-	-	1,206	-	-	-	-	(1,206)	-	(1,206)	-
Revaluation of fixed assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total adjustments between accounting basis and funding basis under regs		4,614	(817)	(805)	(1,967)	(1,346)	(321)	1,881	(278)	(76)	-	(1,206)	-	321	-
Increase/ (decrease) in year before Transfer to ear-marked reserve		5,846	(817)	(805)	(1,967)	(1,346)	911	1,881	(278)	(76)	-	140	-	1,667	2,578
Transfer to ear-marked reserve		(3,853)	-	501	3,352		-	-		-	-	-	-	-	-
Increase/ (decrease) in year		1,993	(817)	(304)	1,385	(1,346)	911	1,881	(278)	(76)	-	140	-	1,667	2,578
Balance at 31st March 2014		6,571	12,523	2,075	4,085	1,043	26,297	(41,404)	20,636	36	10,425	(63,893)	668	(73,532)	(47,235)

RECONCILIATION OF AUTHORITY (SURPLUS) TO GROUP (SURPLUS)	2013/14 £000's	2012/13 £000's
(Surplus) for year on Authority Comprehensive Income and Expenditure Statement	(5,781)	(4,558)
(Surplus)/Deficit in Group I and E attributable to Executive	4,549	1,437
(Surplus) for the year in the Group	(1,232)	(3,121)

WEST YORKSHIRE INTEGRATED TRANSPORT AUTHORITY
GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 31 MARCH 2014

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 2013/14 and the Accounts and Audit Regulations 2011.

2012/13 Restated					2013/14		
Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's		Notes	Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's
244,822	(165,506)	79,316	Highways and Transport Services	3,7	259,392	(182,225)	77,167
8,248	-	8,248	Corporate and Democratic Core	3	8,492	-	8,492
253,070	**(165,506)**	**87,564**	**Cost of Services - continuing operations**		**267,884**	**(182,225)**	**85,659**
3,352	-	3,352	Interest Payable	5	3,330	-	3,330
-	-	-	Effect of early settlement of borrowing		-	-	-
-	-	-	Exceptional item	12	-	-	-
-	(227)	(227)	Interest and Investment income	5	-	(230)	(230)
2,992	-	2,992	Pensions interest cost and expected return on assets	6	2,596		2,596
259,414	**(165,733)**	**93,681**			**273,810**	**(182,455)**	**91,355**
			Non-Specific Grant Income				
-	(97,598)	(97,598)	-District Council Levies	11	-	(99,550)	(99,550)
-	(45,503)	(45,503)	- Integrated Transport/Maintenance (Capital)	7	-	(44,829)	(44,829)
-	(3,504)	(3,504)	- Section 31 (Capital)	7	-	(7,898)	(7,898)
49,803	-	49,803	Capital grants released		59,690	-	59,690
309,217	**(312,338)**	**(3,121)**	**(Surplus) on Provision of Services**		**333,500**	**(334,732)**	**(1,232)**
-	(4,142)	(4,142)	Actuarial gains and losses recognised on pension assets	6	-	(1,346)	(1,346)
-	-	-	Deficit/(Surplus) on Revaluation	10c,e	-	-	-
0	(4,142)	**(4,142)**	**Other Comprehensive Income and Expenditure**		-	(1,346)	(1,346)
		(7,263)	**Total Comprehensive Income and Expenditure**				**(2,578)**

* The Comprehensive Income and Expenditure Statement 2012/13 is restated to reflect changes to IAS 19 Pension Benefits see note 6

WEST YORKSHIRE INTEGRATED TRANSPORT AUTHORITY
GROUP BALANCE SHEET
FOR THE YEAR ENDED 31 MARCH 2014

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

	Notes	2013/14 £000's	2012/13 £000's
Assets			
Non-current assets			
Property, Plant, Equipment	10(e)	83,407	86,639
Donated Assets	10(e)	386	434
Assets held for sale	10(e)	726	-
		84,519	**87,073**
Current Assets			
Short term investment	19	27,500	5,000
Short term debtors	14	10,772	9,151
Cash and cash equivalents	15	9,467	10,417
		47,739	**24,568**
Total assets		**132,258**	**111,641**
Liabilities			
Current liabilities			
Short term borrowing	17	(2,080)	(2,089)
Trade and Other payables	16	(15,145)	(10,258)
Accruals and deferred income	16	(20,724)	(6,441)
Provisions	21	(151)	(133)
		(38,100)	**(18,921)**
Long term borrowing	19	(77,500)	(78,500)
Other long term liabilities			
Net Pension liability	6	(63,893)	(64,033)
Long term liabilities		**(141,393)**	**(142,533)**
Total Liabilities		**(179,493)**	**(161,454)**
NET LIABILITIES		**(47,235)**	**(49,813)**
General Fund Balance		6,571	4,578
Capital Grants Unapplied Reserve	2	12,523	13,340
Rail Reserve	20	2,075	2,379
NGT Reserve	20	1,043	2,389
WY Transport Fund Reserve	20	4,085	2,700
Usable Reserves		**26,297**	**25,386**
Deferred Capital Grants Account	2	20,636	20,914
Capital Adjustment Account	2	(41,404)	(43,285)
Financial instrument adjustment account		36	112
Donated Asset Account	10(c)	668	668
Pension Reserves	6	(63,893)	(64,033)
Revaluation Reserve	8	10,425	10,425
Unusable Reserves		**(73,532)**	**(75,199)**
Total reserves		**(47,235)**	**(49,813)**

A Taylor
Chief Financial Officer
WYITA

Date : 18 September 2014

Purpose of cashflow

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

2012/13 £000's			2013/14 £000's
	Operating Activities		
3,121	Surplus on the Provision of Service		1,232
4,907	Depreciation	10e	5,119
(464)	(Decrease) in creditors		19,161
2,257	(Increase)/Decrease in debtors		(1,621)
1,334	Transfer to the Pension Reserve		1,206
17	Provisions		18
(1)	Proceeds from the sale of property, plant and equipment,	18	(1)
-	Fixed assets charged to revenue		444
11,171	**Net cash generated from operating activities**		25,558
	Cash flows from investing activities		
(2,455)	Purchase of property, plant and equipment,		(3,009)
(5,000)	Short term investment	19	(22,500)
1	Proceeds from the sale of property, plant and equipment,	18	1
(7,454)	**Net cash flows from investing activities**		(25,508)
	Cash flows from financing activities		
(1,000)	Repayment of loans	17	(1,000)
(1,000)	**Net cash used from financing activities**		(1,000)
2,717	**Net increase in cash and cash equivalents**		(950)
7,700	Cash and cash equivalents at the beginning of the reporting period		10,417
10,417	Cash and cash equivalents at the end of the reporting period		9,467

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

2012/13 £000's		2013/14 £000's
3,352	Interest paid	3,330
(227)	Interest received	(230)

Note

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 Group'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.

NOTES TO THE GROUP ACCOUNTS:-

1 The Group Accounts

The Code of Practice on Local Authority Accounting based code on International Financial Reporting Standards in the United Kingdom 2013/14(IFRS based code): The IFRS based code requires all authorities who have a group interest in another organisation to produce group accounts based on IFRS 3 business combinations and IAS 27 consolidated and separate financial statements except where interpretations or adaptions for public sector apply. These accounts therefore include in this section the accounts of both the West Yorkshire Integrated Transport Authority and the West Yorkshire Passenger Transport Executive. Unlike the Authority accounts, the group accounts show revenue expenditure on transport net of inter-organisation grants, expenditure and income. The analysis of these figures is recognised in the segmental reporting note.

2 Depreciation and Minimum Revenue Provision

The Authority has a statutory obligation to make adequate provision to meet its liabilities in respect of capital expenditure financed by external borrowing. The method of calculating the provision is defined by statute. For 2013/14 the amount is £3.831m (2012/13 - £3.991m).
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 Group General Fund Balance to ensure that the charge to the amount met from Government Grant and Local Taxation equates to the Minimum Revenue Provision (MRP).
In the Executive's accounts depreciation has been charged directly to the Income and Expenditure Account but is largely offset by the release of capital grants held in their balance sheet.

	2013/14	**2012/13**
	£000's	**£000's**
Depreciation charged to services	5,119	4,907
Additional charge to revenue to reflect MRP	4,031	4,191
	9,150	9,098
Less capital grants released (in Executive's accounts)	(4,593)	(4,374)
Less depreciation shown in MIRS	(200)	(200)
Group net charge to revenue	**4,357**	**4,524**

Capital Adjustment Account	**2013/14**	**2012/13**
	£000's	**£000's**
Opening balance	(43,285)	(44,694)
Income items:		
Receipt of grants during the year	48,967	46,152
Capital receipts applied/(unapplied)	817	658
Revaluation of ITA Assets	-	-
	49,784	46,810
Deduct:		
Depreciation net of MRP	(47,903)	(45,401)
Balance at the end of the Year	(41,404)	(43,285)

Deferred Capital Grant Account		
Opening balance	20,914	21,059
Non ITA grants to PTE	7,877	2,855
	28,791	23,914
Depreciation and Revenue W/Off	(8,155)	(3,000)
Balance at the end of the Year	20,636	20,914

Capital Grants unapplied		
Opening balance	13,340	13,998
Capital receipts (applied)/unapplied in year	(817)	(658)
Balance c/f	**12,523**	**13,340**

3 Segmental Reporting

The analysis of income and expenditure by service on the face of the comprehensive income and expenditure statement is that specified by the Service Reporting Code of Practice (SeRCOP). However, decisions about resource allocation are taken by the Group on the basis of budget reports. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular capital grants are credited to the revenue account over the life of the asset to offset depreciation charges and the cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current/past service cost of benefits accrued in the year. The report presented to the Authority is on a consolidated basis taking into account the operations of the Executive.

Presented below is the restatement of Cost of Services and specific and non-specific grant income as reported to the Group's decision makers.

3. **Segmental Reporting - Resource allocation**

	Bus Services		Concessions		Rail		Prepaid Tickets		Passenger Facilities		Other		Total	
	2014 £000's	**2013 £000's**	**2014 £000's**	**2013 £000's**	**2014 £000's**	**2013 £000's**	**2014 £000's**	**2013 £000's**	**2014 £000's**	**2013 £000's**	**2014 £000's**	**2013 £000's**	**2014 £000's**	**2013 £000's**
Other Income	(14,575)	(16,993)	-	-	(3,167)	(2,126)	(30,610)	(30,519)	(2,575)	(2,544)	(5,544)	(4,506)	(56,471)	(56,688)
Government Grants	-	-	-	-	(64,209)	(57,613)	-	-	-	-	-	-	(64,209)	(57,613)
Total Income	**(14,575)**	**(16,993)**	**-**	**-**	**(67,376)**	**(59,739)**	**(30,610)**	**(30,519)**	**(2,575)**	**(2,544)**	**(5,544)**	**(4,506)**	**(120,680)**	**(114,301)**
Operating Expenditure	33,750	38,028	52,362	51,619	63,335	56,771	30,610	30,519	-	-	-	-	180,057	176,937
Other Cost of Service Expenditure	5,703	5,868	-	-	3,352	2,308	-	-	8,548	8,458	9,543	9,419	27,146	26,053
Total Operating Expenditure	**39,453**	**43,896**	**52,362**	**51,619**	**66,687**	**59,079**	**30,610**	**30,519**	**8,548**	**8,458**	**9,543**	**9,419**	**207,203**	**202,990**
Cost of services	**24,878**	**26,903**	**52,362**	**51,619**	**(689)**	**(660)**	**-**	**-**	**5,973**	**5,914**	**3,999**	**4,913**	**86,523**	**88,689**

Reconciliation of Segmental Analysis and Cost of services in the Comprehensive Income and Expenditure Statement

	2013/14 £000's	**2012/13 £000's**
Segmental Analysis of Cost of Service	86,523	88,689
Pensions IAS19	(1,390)	(1,658)
Non Government Capital Grants	-	-
Depreciation/Capital expenditure	526	533
Cost of Service CIES	**85,659**	**87,564**

4 Disposal of Fixed Assets

	2013/14 £000's	2012/13 £000's
(Profit) on disposal of fixed assets by the Executive	(1)	(1)

5 Financing Income and Costs

	2013/14 £000's	2012/13 £000's
Interest receivable on Loans, deposits and other debts	(230)	(227)
Interest payable on Loans	3,330	3,352
Effect of early settlement of Loans	76	76

6 Pension Costs

6.1 Defined Benefit Pension Scheme

The Authority and Executive participate in the West Yorkshire Pension Fund, administered by Bradford Metropolitan District Council. This is a funded defined benefit scheme, meaning that they and their employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. In 2013/14 contributions payable for the year to West Yorkshire Pension Fund based on a formal actuarial valuation for 31 March 2010 were £2.08m (2012/13 - £2.05m) representing 13% (Executive) and 13% (Authority) of pensionable pay with additional lump sum payments in 2013/14 of £0.979m (Executive) and £0.002m (Authority) . Under the Pension Fund in addition to employer's contributions the Authority and Executive are responsible for the pension payments relating to added years benefits they have awarded to former employees, together with related annual increases. They paid £1.3m for such payments in 2013/14 (£1.3m in 2012/13). Under the pension fund regulations contribution rates are set to meet the overall liabilities of the Fund. The actuarial valuation carried out at 31 March 2013 has determined the employer contributions for the next three years but recognising that the WYPTE and WYITA will be dissolved and its pension assets and liabilities transfered to the West Yorkshire Combined Authority at 1 April 2014 a rate has been determined for the new entity of 13.5% plus a lump sum of £0.96m in 2014/15.

6.2 Capital Cost of Discretionary Increases in Pension Payments.

The Group 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:-

		2013/14 £000's	2012/13 £000's
i)	Current Employees	2,076	2,050
ii)	Former Employees	1,336	1,323

6.3 Pension disclosures required under IAS 19

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

	31/03/2014 Unfunded	Funded	31/03/2013 Unfunded	Funded
Duration of liabilities	12	14.4	12	13.4
Inflation : RPI	3.2%	3.3%	3.2%	3.2%
CPI	2.2%	2.3%	2.3%	2.3%
Rate of increase in salaries	-	3.8%	-	4.2%
Rate of increase for pensions in payment	2.2%	2.3%	2.3%	2.3%
Rate used to discount funded scheme liabilities	4.2%	4.2%	4.1%	4.2%

6.3 Pension disclosures required under IAS 19 (continued)

Mortality assumptions
Post retirement mortality (retirement in normal health) :-

31/03/2014	31/03/2013
Males : CMI 2012 Long term rate of improvement of 1.5%	**Males** : CMI 2009 Long term rate of improvement of 1.25%
Females : CMI 2012 Long term rate of improvement of 1.5%	**Females** : CMI 2009 Long term rate of improvement of 1.25%

Life Expectancy		
- of a male (female) future pensioner aged 65 in 20yrs time	24.7 (27.7) Years	23.9 (26.2) Years
- of a male (female) current pensioner aged 65	22.5 (25.4) Years	22.1 (24.3) Years

As part of the 2013 actuarial valuation the mortality experience was analysed across the fund over a 3 year period to 31 March 2013 and assumptions have been amended regarding life expectancy. The mortality allowance for future improvements uses the Continuous Mortality Investigation (CMI) Mortality Projections model with the model updated annually to reflect the latest emerging experience. This means there will continue to be regular changes to the assumptions for future improvements in mortality rates as new data is taken into account.

Assets in the West Yorkshire Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories set out below. The valuation as at 31 March 2013 of the pension scheme proportion as applied to the Authority and Executive is rolled forward for 31 March 2014 (showing the proportion of assets between the classes of investment) and are as follows:-

The assets of the scheme were:

	31 March 2014				31 March 2013	
	Quoted %	Unquoted %	Total %	Asset £000's	Asset Split %	Asset £000's
Equities	75.3	0.0	75.3	88,172	72.5	86,075
Government Bonds	10.5	0.0	10.5	12,295	11.9	14,128
Other Bonds	5.4	0.0	5.4	6,324	5.7	6,767
Property	3.2	0.0	3.2	3,747	3.1	3,681
Cash/Liquidity	3.1	0.0	3.1	3,630	3.6	4,274
Other	2.5	0.0	2.5	2,927	3.2	3,799
Total	100.0	0.0	100.0	117,095	100.0	118,724

Reconciliation of unfunded/funded status to Balance Sheet

	31/03/2014 £000's Unfunded	31/03/2014 £000's Funded	31/03/2013 £000's Unfunded	31/03/2013 £000's Funded
Fair Value of assets	-	117,095	-	118,724
Present value of unfunded/ funded defined benefit obligation	13,739	167,249	14,470	168,287
Funded status	-	(50,154)		(49,563)
Impact of minimum funding requirement /asset ceiling	-	-	-	-
Asset/(liability) recognised on the balance sheet	(13,739)	(50,154)	(14,470)	(49,563)

Reconciliation of present value of scheme liabilities

	£000's 31/03/2014 Unfunded	£000's 31/03/2014 All Benefits	£000's 31/03/2013 Unfunded	£000's 31/03/2013 All Benefits
1 April	14,470	182,757	14,703	176,253
Current service cost	-	1,939	-	1,563
Interest cost	568	7,468	647	7,899
Member Contributions	-	599	-	463
Past service cost	-	8	-	47
Actuarial gain/loss financial assumptn	(217)	(2,989)	433	5,877
Actuarial gain/loss Demographic	465	324	-	-
Actuarial gain/loss experience	(291)	471	(27)	(4)
Curtailments	-	-	-	-
Benefits paid	(1,256)	(9,589)	(1,286)	(9,341)
31 March	13,739	180,988	14,470	182,757

Reconciliation of fair value of scheme assets

	£000's 31/03/2014 Unfunded	£000's 31/03/2014 All Benefits	£000's 31/03/2013 Unfunded	£000's 31/03/2013 All Benefits
1 April	-	118,724	-	109,412
Interest income on scheme assets	-	4,872	-	4,907
Remeasurement of (losses)/gains	-	(848)	-	10,015
Contributions paid by employer	1,256	3,337	1,286	3,268
Member Contributions	-	599	-	463
Benefits paid	(1,256)	(9,589)	(1,286)	(9,341)
31 March	-	117,095	-	118,724

Actual return on assets	**31/03/2014 £000's**	**31/03/2013 £000's**
Interest income on assets	4,872	4,907
Remeasurement gain/(loss) on assets	(848)	10,015
Actual return on assets	4,024	14,922

The amounts recognised in the Comprehensive Income and Expenditure Statement

Cost of Service	**31/03/2014 £'000**	**31/03/2013 £'000**
Current Service Cost	1,939	1,563
Past Service Cost	8	47
Curtailments or settlements	-	-
Financing Investment Income and Expenditure		
Interest on net defined benefit liability	2,596	2,992
Total pension cost recognised	4,543	4,602
Remeasurements in Other Comprehensive Income and Expenditure		
Return on plan assets (in excess)/below that recognised in net interest	848	(10,015)
Actuarial gains/losses due to change in Financial assumption	(2,989)	5,877
Actuarial gains/losses due to change in Demograghic assumption	324	-
Actuarial gains/losses due to liability experience	471	(4)
Total amount recognised in Other Comprehensive income	(1,346)	(4,142)
Total amount recognised	3,197	460

Sensitivity Analysis

The sensitivity analysis showing the impact of changing key actuarial assumptions on the present value of the funded defined benefit obligation as at 31 March 2014 and the projected service cost for the year ending 31 March 2015 is set out below. Only the assumptions mentioned are altered all other assumptions remain the same. There is no sensitivity for unfunded benefits on materiality grounds.

Funded LGPS benefits

Adjustment to discount rate	**+0.1%pa**	**-0.1%pa**
Present value of total obligation £000's	164,679	169,846
% change in present value of total obligation	-1.5%	1.5%
Projected service cost £000's	1,738	1,845
Approximate % change in projected service cost	-2.9%	3.0%

Adjustment to rate of increase in salaries	**+0.1%pa**	**-0.1%pa**
Present value of total obligation £000's	167,649	166,845
% change in present value of total obligation	0.2%	-0.2%
Projected service cost £000's	1,790	1,790
Approximate % change in projected service cost	0.0%	0.0%

Adjustment to pension increase rate	**+0.1%pa**	**-0.1%pa**
Present value of total obligation £000's	169,389	165,182
% change in present value of total obligation	1.3%	-1.2%
Projected service cost £000's	1,846	1,736
Approximate % change in projected service cost	3.2%	-3.0%

Adjustment to mortality age rating assumption	-1 year	+1 year
Present value of total obligation £000's	172,266	162,221
% change in present value of total obligation	3.0%	-3.0%
Projected service cost £000's	1,846	1,735
Approximate % change in projected service cost	3.1%	-3.1%

Estimated Income and Expenditure /Surplus or deficit in future periods

This is an estimate of the charges to the estimated surplus or deficit on the income and expenditure /provision of services in future periods, based on the assumptions as at 31 March 2014 as set out above plus the additional assumption to reflect that the projected cost is based on benefits being earned under a Career Average scheme.

	31/03/2014 £'000	31/03/2013 £'000
Rate of revaluation of pension accounts	2.3	n/a

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

	31/03/2015 £'000
Projected service cost	1,790
Past Service cost	-
Interest on the net defined benefit liability/(asset)	2,026
	3,816

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

	31/03/2015 £'000
Past Service cost	-
Interest on the net defined benefit liability/(asset)	549
	549

A revised IAS 19 will come into force for accounting periods beginning on or after 1 January 2013. If this revised IAS 19 were adopted for the accounting period ending 31 March 2013 then this will increase the expenses recognised for funded benefits from £1.355M to £3.955M. There is no effect on the Balance Sheet.

7 Government Grant Income

		2013/14 £000's	2012/13 £000's
Revenue	**- Authority**		
	Special Rail Grant (SRG) - Department for Transport	64,209	57,613
	Section 31 LSTF - Department for Transport	472	650
	Section 31 BBAF - Department for Transport	1,125	464
	Community Transport Support Grant - Department for Transport	159	-
	Bus Service Operator Grant - Department for Transport	513	-
		66,478	58,727
	- Executive		
	Section 31 LSTF - Department for Transport	220	289
		66,698	59,016
Capital			
	- Authority		
	Integrated Transport Block/Maintenance - DfT	44,829	45,503
	Section 31 BBAF - Department for Transport	509	649
	Section 31 City Cycle Ambition Grant - Department for Transport	858	-
		46,196	46,152
	- Executive		
	Congestion Performance Fund - Department for Transport	392	349
	Section 31 LSTF - Department for Transport	48	17
	NGT/Supertram Funding (Capital)	-	2,389
	Cleaner Bus Technology Grant - Department for Transport	1,000	-
	Section 31 Leeds Station Southern Ent - Department for Transport	640	-
		114,974	**107,923**

The funding for the provision of rail services under the franchising arrangements was paid directly to the Executive by the Authority. The Authority received the pre-determined sums directly from the Government (DfT) in the first instance. The amounts payable to the Executive were as follows:-

	2013/14 £000's	2012/13 £000's
Payments to Operators	63,335	56,771
Contribution to the Executive administration costs	874	842
	64,209	57,613

8 Revaluation Reserve

	2013/14 £000's	2012/13 £000's
Balance at 1 April	10,425	10,425
Deficit on revaluation	-	-
Balance at 31 March	10,425	10,425

9 Officers' Remuneration and Members Allowances

	2013/14 £000's	2012/13 £000's
(a) Employees Costs Amounted to:		
Wages and Salaries	8,910	8,502
Social Security Costs	633	608
Other Pension Costs	2,076	2,050
	11,619	11,160

Members' Allowances :-

The total members' allowances paid in the year was £252,700 (2012/13 - £251,705).

(b) The average number of persons employed was:	Number	Number
Manual	44	45
Management and Administration	339	335
	383	380

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

31/03/14 £'000s	31/03/13 £'000s
143	142

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

d) The Accounts and Audit Regulations 2011 requires the disclosure of the number of senior officers whose remuneration in the year was £50,000 or more, grouped in rising bands of £5,000. The following table therefore shows all Executive Directors and senior employees and Authority employees in their appropriate band.

Band	Directors only 2013/14	2012/13	Band	Officers 2013/14	2012/13
£Nil -£5000	1	1	£15,001 - £20,000	-	1
£10,001 - £15,000	1	1	£25,001 - £30,000	-	1
£90,001 - £95,000	1	2	£30,001 - £35000	1	
£95,001 - £100,000	1	1	£50,001 - £55,000	2	1
£100,001 - £105,000	1	-	£55,001 - £60,000	6	6
£120,001 - £125,000	1	-	£65,001 - £70,000	-	1
£145,001 - £150,000	-	1	£70,001 - £75,000	2	1

Termination benefits were paid by the Executive arising from the termination of employment incurring liabilities of £215,167 in 2013/14 (£39,388 in 2012/13). The exit package payable included voluntary redundancy payments and enhanced pension benefits payable to one officer within the Passenger Services Directorate reflecting a restructuring and rationalisation of this service area.

Officers' Remuneration (continued)

		Salary Fees Allowances	Bonuses	Expenses Allowances	Compensation for loss of office	Pension Contributions	Total
Director General	2012/13	146,484	-	111	-	19,043	165,638
	2013/14	120,101	-	699	168,557	15,613	304,970
Director of Passenger Services	2012/13	98,550	-	-	-	12,812	111,362
	2013/14	101,799	-	12	-	13,234	115,045
Director of Development	2012/13	93,864	-	13	-	12,202	106,079
	2013/14	95,699	-	206	-	12,441	108,346
Director of Resources	2012/13	90,708	-	-	-	11,792	102,500
	2013/14	94,193	-	-	-	12,245	106,438
Assistant Director Legal	2012/13	59,220	-	-	-	7,969	67,189
	2013/14	59,812	-	-	-	7,776	67,588
Assistant Director Finance	2012/13	57,498	-	-	-	7,475	64,973
	2013/14	59,812	-	-	-	7,776	67,588
Assistant Director ICT	2012/13	19,872	-	-	-	2,583	22,455
	2013/14	54,738	-	272	-	7,116	62,126
Assistant Director Corporate Development	2012/13	59,220	-	32	-	7,699	66,951
	2013/14	59,812	-	-	-	7,776	67,588
Assistant Director Integrated Transport	2012/13	59,220	-	137	-	7,699	67,056
	2013/14	59,812	-	200	-	7,776	67,788
Assistant Director Rapid Transit	2012/13	69,584	-	393	-	9,046	79,023
	2013/14	71,765	-	1,155	-	9,329	82,249
Assistant Director Customer Services	2012/13	57,498	-	363	-	7,475	65,336
	2013/14	59,812	-	-	-	7,776	67,588
Assistant Director Transport Services	2012/13	55,822	-	18	-	7,257	63,097
	2013/14	58,783	-	11	-	7,642	66,436
Director of Pteg	2012/13	73,333	-	1,441	-	9,533	84,307
	2013/14	73,333	-	1,505	-	9,533	84,371
Assistant Director Pteg	2012/13	54,197	-	1,147	-	7,046	62,390
	2013/14	32,387	-	147	-	4,210	36,744
Deputy Clerk - ITA	2012/13	49,845	-	-	-	6,480	56,325
	2013/14	50,101	-	-	-	6,513	56,614

Exit Packages

Exit Package cost band (inc. special payments)	Number of compulsory redundancies		Number of other departures		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13 £	2013/14 £
£0-£20,000	0	0	0	2	0	2	0	25,021
£20,001-£40,000	0	0	1	1	1	1	39,388	21,590
£160,001-£180,000	0	0	0	1	0	1	0	168,557
Total	0	0	1	4	1	4	39,388	215,168

10 Property, Plant & Equipment

(a) A revaluation of the Group's On-Street Furniture was carried out by the Infrastructure Manager and approved by the Executive Board as internal experts. The revaluation was carried out as at 31 March 2008.

All On-Street Furniture was included in the revaluation. The basis of the valuation was depreciated replacement cost as these assets are deemed to be specialised. This resulted in an overall valuation of £16,212,823 which gave a loss on revaluation of £71,966. All the revalued amounts have been incorporated in the accounts for 2007/08.

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

A revaluation of the Group's land and buildings was carried out by an MRICS qualified valuer of Lambert Smith Hampton, a firm of external Chartered Surveyors. The revaluation was carried out as at 31 March 2011 on an Existing Use Value (EUV), and Depreciated Replacement Cost (DRC) basis in accordance with IAS 16. This resulted in an overall valuation of £8,870,000 which gave a loss on revaluation of £511,000. A valuation of the Executive's Donated Asset at Hemsworth was undertaken at 31 March 2012 on a Fair Value basis resulting in a valuation of £81,000. An independent review of the Group's non-infrastructure assets has been undertaken by an MRICS qualified valuer of Lambert Smith Hampton to provide assurance that there was no material change in the fair values at 31 March 2014. There were no material changes reported.

b) Assets Held for Sale

The Executive has identified an asset to be classified as held for sale in the form of an NGT land property which has been deemed to be surplus to requirements for the purposes of the NGT scheme. The sale has been agreed with the developer of Leeds Eastgate to acquire the land based on the Compulsory Purchase order compensation value paid by the Executive of £726,000. The asset was held in working progress and valued at historical cost, this carrying value has been used to measure the assets value for classification as an asset held for sale.

	2013/14 £000's	2012/13 £000's
Balance Outstanding at start of the year		
Assets newly classified held for sale	-	-
Property plant and Equipment	726	-
Disposal of property,plant and Equipment in year	-	-
Balance Outstanding at end of the year	726	-

c) **Donated Asset 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 Asset Account until such time as the conditions have been met. The Executive's leased bus stations (finance leases on-balance sheet) meet the criteria of Donated Assets with conditions attached, as failure to fulfil the conditions on an on-going basis would result in the assets being returned to the relevant councils. These assets were received at little or no cost but are recognised on the balance sheet at fair value to reflect the true benefit of these assets with a corresponding reserve created in the form of a Donated Asset Account . After initial recognition Donated Assets are categorised as Infra-structure Assets and are valued at historical cost.

Donated Asset Account	2013/14 £000's	2012/13 £000's
Balance B/fwd 1 April	668	668
Donated Assets with conditions applied	-	-
Balance C/fwd 31 March	668	668

10. PROPERTY, PLANT AND EQUIPMENT

d) The movements in the year 1 April 2012 to 31 March 2013 are :

	TOTAL £000's	LAND AND BUILDINGS £000's	INFRA-STRUCTURE ASSETS £000's	DONATED ASSETS £000's	VEHICLES OWNED £000's	VEHICLES LEASED £000's	EQUIPMENT OWNED £000's	EQUIPMENT LEASED £000's	PAYMENTS ON ACCOUNT AND ASSETS IN THE COURSE OF CONSTRUCTION £000's
COST VALUATION									
At 1 April 2012	137,147	8,861	71,541	1,013	21,121	8	19,701	54	14,848
Additions	1,847	-	321	-	-	-	49	-	1,477
Transfer from payments on assets in course of construction	-	-	-	-	-	-	1,571	-	(1,571)
Disposals	(7)	-			(7)	-		-	-
Revaluation Adjustments	-	-	-		-	-	-	-	-
Reclassification Adjustments	-	-	-	-	-	-	-	-	-
W/Off to Revenue	-	-	-	-	-	-	-	-	
Transfer Assets held for sale	-	-	-	-	-	-	-	-	-
At 31 March 2013	138,987	8,861	71,862	1,013	21,114	8	21,321	54	14,754
ACCUMULATED DEPRECIATION									
At 1 April 2012	47,014	227	17,580	532	9,909	8	18,704	54	-
Charge for the year	4,907	227	2,386	47	1,655	-	592	-	-
Disposals	(7)	-		-	(7)	-		-	-
Reclassification adjustments	-	-	-	-	-	-	-	-	-
Revaluation Adjustments	-	-	-	-	-	-	-	-	-
Transfer Assets held for Sale	-	-	-	-	-	-	-	-	-
At 31 March 2013	51,914	454	19,966	579	11,557	8	19,296	54	-
NET BOOK VALUES									
1 April 2013	87,073	8,407	51,896	434	9,557	-	2,025	-	14,754
1 April 2012	90,133	8,634	53,961	481	11,212	-	997	-	14,848

10. PROPERTY, PLANT AND EQUIPMENT

e) The movements in the year 1 April 2013 to 31 March 2014 are :

	TOTAL	LAND AND BUILDINGS	INFRA-STRUCTURE ASSETS	DONATED ASSETS	ASSETS HELD FOR SALE	VEHICLES OWNED	VEHICLES LEASED	EQUIPMENT OWNED	EQUIPMENT LEASED	PAYMENTS ON ACCOUNT AND ASSETS IN THE COURSE OF CONSTRUCTION
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
COST VALUATION										
At 1 April 2013	138,987	8,861	71,862	1,013	-	21,114	8	21,321	54	14,754
Additions	3,009		296	-	-	1,154	-	156	-	1,403
Transfer from payments on assets in course of construction	-	-	-	-	-	-	-	590	-	(590)
Disposals	(10)	-				(10)	-		-	-
Revaluation Adjustments	(1,025)	-	(1,025)		-	-	-	-	-	-
Reclassification Adjustments	-	-	-	-	726	-	-	-	-	(726)
W/Off to Revenue	(444)	-	-	-	-	-	-	-	-	(444)
Transfer Assets held for sale	-	-	-	-	-	-	-	-	-	-
At 31 March 2014	140,517	8,861	71,133	1,013	726	22,258	8	22,067	54	14,397
ACCUMULATED DEPRECIATION										
At 1 April 2013	51,914	454	19,966	579	-	11,557	8	19,296	54	-
Charge for the year	5,119	227	2,408	48	-	1,545	-	891	-	-
Disposals	(10)	-	-	-	-	(10)	-		-	-
Reclassification adjustments	(1,025)	-	(1,025)	-	-	-	-	-	-	-
Revaluation Adjustments	-	-	-	-	-	-	-	-	-	-
Transfer Assets held for Sale	-	-	-	-	-	-	-	-	-	-
At 31 March 2014	55,998	681	21,349	627	-	13,092	8	20,187	54	-
NET BOOK VALUES										
1 April 2014	84,519	8,180	49,784	386	726	9,166	-	1,880	-	14,397
1 April 2013	87,073	8,407	51,896	434	-	9,557	-	2,025	-	14,754

11 Related Party Transactions

The Authority/Executive is required to disclose material transactions with related parties in accordance with IAS 24 "Related party transactions". Related parties are bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority/Executive. Disclosure of these transactions allows readers to assess the extent to which it might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority/Executive.

MEMBERS

The Authority requires Members to complete a declaration of Related Party Transactions and this information is used to prepare this note. All members have at least two roles under the Local Government Act 1985 in that they are members of one of the five constituent levying Metropolitan District Councils and are appointed onto the Integrated Transport Authority. Other than this no Member has declared any such transaction with the Authority.
The Authority and Executive have 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 grant funding as disclosed in Note 7.

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

The figures for 2012/13 and 2013/14 are set out below:

	Education transport amounts received by the Executive :-		Authority Levy:-		Local Transport Block Funding:-	
	2013/14	**2012/13**	**2013/14**	**2012/13**	**2013/14**	**2012/13**
	£m	£m	£m	£m	£m	£m
Bradford MDC	2.23	2.56	23.54	22.59	8.76	8.57
Calderdale MDC	0.81	0.89	8.98	8.70	4.38	4.85
Kirklees MDC	0.30	2.08	18.34	17.45	7.52	8.75
Leeds City Council	2.19	2.27	33.44	34.04	13.31	12.42
Wakefield MDC	2.10	2.09	15.25	14.82	5.85	5.11
	7.63	**9.89**	**99.55**	**97.60**	**39.82**	**39.70**

Officers

Mr K Preston, Clerk to the Authority, was also Director-General of the Passenger Transport Executive (PTE). He took voluntary redundancy on 24th January 2014. His services to the Authority are not recharged to the Authority by the Executive. Mrs A Taylor is the Authority's s151 Officer and is employed by the Executive as Director Resources and also their s151 Officer.

Yorcard Ltd is a Joint Venture trading company operated in conjunction with SYPTE and is fully disclosed in note 22. Mr John Henkel is a Director of WYPTE and of Yorcard Ltd.

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

Mr John Henkel is a Director of WYPTE and of TICCO Ltd. During the year ended 31 March 2014 recharges totalling £112,000 were invoiced by TICCO Ltd to the Executive.

ITSO Services Ltd is a trading company established to promote the development of interoperable smart card applications to public transport. Mr John Henkel is a Director of WYPTE and of ITSO Services Ltd. During the year ended 31 March 2014 fees totalling £0 were invoiced by ITSO Services Ltd to the Executive.

Payments to Operators

The Integrated Transport Authority determines the annual revenue grant to be paid to the Executive out of which all payments to operators are funded. These payments to operators fall into the three main categories of concessionary fares, subsidised bus services and franchised local rail services.

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

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

Payments are made to one franchised rail operator for the provision of local rail services. A note of the effect of rail franchising and the funding arrangements is attached as part of these accounts on page 45 (Note 7).

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

All these payments to operators are summarised in the Comprehensive Income and Expenditure Statement segmental reporting on page 41.

12 Exceptional Item

There were no exceptional items in 2013/14 or 2012/13.

13 Taxation

The Executive paid Corporation Tax @ 20% (20% 2012/2013) which is charged on sundry interest received in the year. The liability for the year ended 31 March 2014 was £158.47 (£118.18 2012/13).

14 Short Term Debtors	**2013/14 £000's**	**2012/13 £000's**
Central government bodies	1,683	416
Other Local Authorities	4,191	2,747
Bodies external to general government	4,898	5,988
	10,772	**9,151**

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.

15 Cash & Cash Equivalents	**2013/14 £000's**	**2012/13 £000's**
Bank Current Accounts	9,467	10,417
	9,467	**10,417**

Cash balances include £652k (2012/13: £119k) held on behalf of third parties. The liability to repay these amounts is included under creditors.

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

16 Trade and Other Payables

	2013/14 £000's	2012/13 £000's
Central government bodies	203	4
Other Local Authorities	4,316	2,720
Bodies external to general government	10,626	7,534
	15,145	**10,258**

DEFERRED INCOME	2013/14 £000's	2012/13 £000's
Central government	20,552	6,056
Other local authorities	29	243
Bodies external to general government	143	142
	20,724	**6,441**

Notes

(a) Central government deferred income relates to Grants received in advance where conditions have not been met at the year end.
(b) Other Local Authorities deferred income relates to capital contributions to small infrastructure projects that have not yet been complete and conditions remain outstanding.

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

17 Loans Outstanding

	2013/14 £000's	2012/13 £000's
Lender:-		
Public Works Loans Board	54,261	55,270
Other Market Loans	25,319	25,319
Short Term Loans	-	-
	79,580	**80,589**
Maturity:-		
Loans repayable within 12 months	2,080	2,089
1-2 years	1,000	1,000
2-5 years	1,500	2,500
5-10 years	-	-
in more than 10 years	75,000	75,000
	79,580	**80,589**

18 Capital Expenditure and Financing

	2013/14 £000's	2012/13 £000's
Capital investment		
Operational assets acquired in year	57,661	49,666
Sources of finance		
Borrowing (credit approvals)	-	-
Capital receipts	1	-
Government grants and other contributions	57,660	49,720
Revenue contributions	-	(54)
	57,661	**49,666**

19 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 .

Financial Instruments Cont'd

	31 March 2014		31 March 2013	
	£000's	**£000's**	**£000's**	**£000's**
	Carrying Amount	Fair value	Carrying Amount	Fair value
Financial Assets				
Current trade debtors	10,772	10,772	9,151	9,151
Cash and cash equivalents	9,467	9,467	10,417	10,417
Short term investment	27,500	27,569	5,000	5,124
Financial Liabilities				
Short-term creditors	35,869	35,869	16,699	16,699
Floating rate borrowing - due within 1yr	-	-	-	-
Fixed Rate borrowing - due within 1 yr	1,009	1,014	1,009	1,013
Floating rate borrowing - due after 1yr	5,019	4,414	5,062	5,199
Fixed Rate borrowing - due after 1 yr	73,552	73,386	74,518	77,648
	79,580	78,814	80,589	83,860

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

Hedging Instruments

The Group holds no financial instruments that could be classified as hedging instruments.

Loans 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 WYITA from Capita. Capita is a leading and independent provider of capital financing, treasury advisory and strategic advisory consulting services to the public sector.

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

Financial Instruments Cont'd

Current	Effective interest rate	Maturity	2013/14 £000's	2012/13 £000's
PWLB - EIP	2.81%	Jun 2013	-	500
PWLB - EIP	2.81%	Dec 2013	-	500
PWLB - EIP	2.81%	Jun 2014	500	-
PWLB - EIP	2.81%	Dec 2014	500	-
			1,000	1,000
Non- Current				
Public Works Loan Board	3.70%	Jan 2056	5,000	5,000
Public Works Loan Board	4.40%	Jan 2052	5,000	5,000
Public Works Loan Board	4.40%	Jan 2054	8,000	8,000
Public Works Loan Board	4.40%	Jun 2053	8,000	8,000
Public Works Loan Board	4.55%	Jun 2052	4,000	4,000
Public Works Loan Board	4.55%	Apr 2055	6,000	6,000
Public Works Loan Board	4.55%	Apr 2056	6,000	6,000
Public Works Loan Board	4.55%	Apr 2057	8,000	8,000
PWLB - EIP	2.81%	Jun 2014	-	500
PWLB - EIP	2.81%	Dec 2014	-	500
PWLB - EIP	2.81%	Jun 2015	500	500
PWLB - EIP	2.81%	Dec 2015	500	500
PWLB - EIP	2.81%	Jun 2016	500	500
PWLB - EIP	2.81%	Dec 2016	500	500
PWLB - EIP	2.81%	Jun 2017	500	500
Barclays - LOBO's	3.97%	May 2065	5,000	5,000
Barclays - LOBO's	3.80%	Aug 2065	5,000	5,000
Barclays - LOBO's	3.99%	Oct 2066	5,000	5,000
Barclays - LOBO's	4.30%	Dec 2076	5,000	5,000
Barclays - LOBO's	4.32%	May 2077	5,000	5,000
			77,500	78,500
Total			78,500	79,500

Management of risks arising from financial instruments

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

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

Liquidity risk is the risk that the Group may not have sufficient cash available to meet its day to day obligations to meet payments. The Authority has access to borrowings from the Public Works Loans Board and commercial lenders to meet long term spending and shorter term cashflow requirements and these arrangements provide the appropriate level of finance to support the Authority's and Executive's current and future requirements . Also measures are in place to actively manage the loan portfolio to ensure refinancing, if required, can be done in a way to minimise the risk of 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 Group's long term lending is at fixed interest rates but it also borrows some of its money in the form of lender option borrower option loans (LOBOs). This mix of lending assists the Group in taking advantage of changes to interest rates and it constantly reviews the potential for refinancing debt at more favourable rates.

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

The Group 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 Group's interest payable and receivable would have varied by a net £274k if interest rates varied by 1% in the year.

The Group is not exposed to any material currency risk.

20 Net Assets employed

	2013/14 £000's	2012/13 £000's
Total Reserves and Balances	(47,235)	(49,813)

The Total Reserves balance for the Group incudes a Rail Reserve under Usable Reserves which recognises the disposal of Rail Rolling stock and Yorkshire 6 funding surpluses with the reserve totalling £2.075m at 31 March 2014. The Authority ear-marked the rail rolling stock disposal proceeds for rail infrastructure investment and funds were transferred to the Authority to be held in the Rail Reserve pending investment in identified rail projects. As at 31 March 2014 the Rail Reserve has provided £805k of funding for the Leeds Station Southern Entrance scheme.

The Total Reserves balance for the Group includes an NGT Reserve of £1.043m under Usable Reserves created as at 31 March 2014 to ear-mark capital funding that is designated solely for the purpose of delivering the Leeds NGT scheme which received DfT programme entry in July 2012.

In addition the Reserves include the West Yorkshire Transport Fund Reserve to reflect additional levy contributions from the Districts in 2012/13 and 2013/14 to develop strategic transport schemes in West Yorkshire. The reserve has a balance of £4.085m at 31 March 2014.

21 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:-

	Other	Restructure	Total
At 31 March 2013	133	-	133
Arising during year	18	-	18
Utilised in year	-	-	-
At 31 March 2014	151	0	151

The Executive as at 31 March 2014 has provided for liabilities relating to the now insolvent company Mutual Municipal Insurance (MMI) Ltd representing the potential clawback of claims made by the Executive in previous years. There were no further provisions for organisational restructure at 31 March 2014 as specified in IAS37. There were no environmental provisions at 31 March 2014.

22 Joint Venture

At 31 March 2014 the Executive 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 PTE and South Yorkshire PTE with control shared equally under a contractual arrangement.

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

After considering the materiality of the Joint Venture management have agreed not to consolidate Yorcard Ltd into the Group's accounts . The performance and financial position of the Group's share of Yorcard Ltd is disclosed below in accordance with IAS31 'Interests in Joint Ventures' :-

	2013/14 £000's	2012/13 £000's
Turnover	686	644
Profit before Tax	19	-
Taxation	-	-
Profit after Tax	-	-
Fixed Assets	13	55
Current Assets	254	181
Liabilities due within 1yr	(247)	(173)
Liabilities due after 1yr or more	(13)	(55)
Net Assets	7	8

23 Auditors Remuneration

	2013/14 £000's	2012/13 £000's
Audit Services	60	61
Other Services	1	3
	61	64

24 Financial Commitments

	2013/14 £000's	2012/13 £000's
(a) Capital Commitments		
Contracted For but not Provided in the Accounts	82,030	13,533
Authorised but not Contracted For	998	716
	83,028	14,249

Capital Commitments Authorised but not contracted for have increased in 2013/14 reflecting the approval of large scale capital schemes in the year such as NGT Development of £25.3m , Rail Growth Package of £15.8m and the Cycle City Ambition project of £25.8m.

(b) Revenue Commitments - Operating Leases

At 31 March 2014 the Executive had outstanding commitments to meet future minimum lease payments under non-cancellable operating leases, falling due as follows:

Rail Rolling Stock	2013/14 £000's	2012/13 £000's
Minimum lease payments under operating leases recognised in the year :	3,003	1,962
Within 1 year	-	1,924
2 to 5 years	-	-
Beyond 5 years	-	-
	-	1,924

The lease rentals beyond five years in respect of rail units are affected by variable interest rates. The above commitments are the basic annual rentals due each year within the terms of the lease agreements. The Executive however recovers all the lease rental costs from rail operators under the rail franchising agreements.

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

Bus Operator Payments - IFRIC 4	2013/14 £000's	2012/13 £000's
Minimum lease payments under operating leases recognised in the year :	2,384	2,529
Within 1 year	1,838	2,013
2 to 5 years	2,329	1,585
Beyond 5 years	-	-
	4,167	3,598

The Executive has a number of contracts for the operation of Mybus school services that are operated as service concession arrangements under IFRIC12. The Executive awards the contract to operators to provide a service for the public regulating the level of service, price and infra-structure provided. The school buses that form the infra-structure 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	2013/14 £000's	2012/13 £000's
Minimum lease payments under IFRIC 12 recognised in the year :	5,135	4,980
Within 1 year	5,200	5,022
Within 2-5 years	19,539	20,035
Beyond 5 years	2,519	3,892
	27,258	28,949

25 **Contingent Liabilities**

The Executive had a contingent liability at 31 March 2013 arising from possible claims relating to Supertram acquisitions. The liability continues at 31 March 2014 but it is not practical to disclose an estimate of the financial effect, amount and timing due to the uncertainty.

26 **Going Concern**

The accounts of the Group have been prepared on a going concern basis. While the West Yorkshire Combined Authority order 2014 dissolves the Authority and Executive at 1st April 2014 it provides that all the assets, liabilities and functions of the Executive continue under the West Yorkshire Combined Authority . This is deemed to be a transfer of services under combinations of public sector bodies and therefore the presumption of going concern continues in accordance with the code.

27 **Events After the Balance Sheet Date**

The Statement of Accounts were authorised for issue by the Chief Financial Officer on 18 September 2014. There have been no adjustments to the financial statements for events after the balance sheet date.

Appendix 2

WEST YORKSHIRE PASSENGER TRANSPORT EXECUTIVE

ACCOUNTS TO 31ST MARCH 2014

CONTENTS

STATEMENT OF RESPONSIBILITIES
WEST YORKSHIRE PASSENGER TRANSPORT EXECUTIVE
31 MARCH 2014

1. STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are required to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") adopted by the Code of Practice on Local Authority Accounting 2013/14 and the Accounts and Audit Regulations 2011 which present a true and fair view of the Executive's financial position and performance for that period.

In preparing the financial statements, the Directors are required to :

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- keep proper financial records which are up to date; and
- ensure that the financial management and accounting control systems are adequate and effective.

2. THE EXECUTIVE'S RESPONSIBILITIES

The Executive's responsibilities are :-

- 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 Executive, that officer was the Director, Resources;
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts.

3. THE CHIEF FINANCIAL OFFICER'S RESPONSIBILITIES

The Director Resources is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice'), is required to present a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2014.

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.

4. CERTIFICATION OF THE ACCOUNTS

I certify that the Statement of Accounts present a true and fair view of the financial position of the West Yorkshire Passenger Transport Executive at 31 March 2014 and its income and expenditure for the year ended 31 March 2014.

A Lythgo Head of Paid Service	A Taylor Director Resources
Date: 18 September 2014	Date: 18 September 2014

EXPLANATORY FOREWORD
WEST YORKSHIRE PASSENGER TRANSPORT EXECUTIVE
31 MARCH 2014

1. ACTIVITIES

The primary function of the West Yorkshire Passenger Transport Executive is to implement the policies of the West Yorkshire Integrated Transport Authority. These policies reflect the requirements of the Local Transport Act, setting the overall framework for the Authority's role in overseeing the Local Transport Plan and ensuring that transport supports the wider policy objectives of the West Yorkshire authorities. The policies focus on providing safe, integrated, efficient and accessible transport facilities and services to meet the current and future transport needs of people who live, work or do business in West Yorkshire. This includes providing public passenger transport services where the needs of the area are not met by the commercial network, the administration of a concessionary travel scheme, the planning and development of major transport projects and the management of the public transport infrastructure in West Yorkshire. The Executive, in conjunction with the Integrated Transport Authority, has adopted the corporate name "Metro" in order to promote public transport throughout West Yorkshire.

From 1 April 2014 the responsibities and the activities of the West Yorkshire PTE and ITA have been transferred to the newly created West Yorkshire Combined Authority. More information on this process is set out in the notes to the accounts.

2. FINANCIAL RESULTS

The Financial Statements include the following primary statements; a note on the purpose of each of these statements is also shown below:

The Movement in Reserves Statement shows the movement in the year on the different reserves held by the Executive. These are analysed into 'Usable'; being those reserves that the Executive may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use; and 'Unusable'; reserves that the Executive is not able to use to provide services. The primary Unusable Reserve is the Deferred Capital Grants Account, which holds the capital grants received by the Executive to fund its capital programme. This reserve is used to fund the future costs of depreciation on the assets delivered by the programme. As at 31 March 2014 the Executive's usable reserves were £2.32 million (2013: £3.67million) and the Unusable reserves were £12.58 million (2013: £14.35million).

The Comprehensive Income and Expenditure statement shows the accounting cost in the year of providing services and the income generated. The Comprehensive Income and Expenditure Statement for the year shows a net deficit of £3.12 million (2013: net surplus £2.59 million). Income includes capital grants recognised in the year of £57.66 million (2013: £49.67 million), which, following the implementation of IFRS, are required to be recognised as income in the year they are received, unless there are conditions attached which the Executive has not met. Excluding Capital Grants applied and the IAS19 pension adjustments for current service cost, employer contributions and pension finance costs, the net surplus on provision of services at 31 March 2014 is a break even position (2013: £0).

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Executive. The net assets (assets less liabilities) are matched by the reserves held by the Executive. Reserves are reported in two categories being usable and unusable reserves as described above. The net assets at 31 March 2014 were £14.9 million (2013: £18.02million).

The cashflow is a financial statement that shows how changes in balance sheet accounts and income affect cash and cash equivalents, and breaks the analysis down to operating, investing, and financing activities. Essentially, the cash flow statement is concerned with the flow of cash in and cash out of the business. The net increase in cash and cash equivalents during the year was £3.25 million (2013:Increase £0.67 million).

The budget for the Executive is prepared as part of the Group budget which is set out in the foreword to the Group accounts.

3. FIXED ASSETS

Changes in Fixed Assets are detailed in note 12d to the accounts.

4. SIGNIFICANT DEVELOPMENTS

2013/14 is the third year of the third Local Transport Plan (LTP3) which covers the period 2011 to 2026. LTP3 was developed in partnership with the five West Yorkshire District Councils and is based on a strategic approach to allocating resources in order to deliver the vision of 'Connecting people and places.' Detailed governance and monitoring arrangements that were set up at the start of the first year are now firmly embedded and have seen good progress in continuing to deliver the initial three year implementation plans which have been drawn up at District level. Key schemes that have been delivered include a wide range of road and junction improvements across the county as well as station improvements, bus station enhancements and significant progress on larger schemes including Castleford Bus Station and Low Moor rail station.

A number of major schemes are continuing to make progress. Following a successful public inquiry major scheme funding has been granted to the new Leeds Station Southern Entrance and construction is now underway. The NGT team has continued to develop the case for a trolleybus system in Leeds and has submitted a Transport and Works Act Order application. The public inquiry into this is scheduled to start in late April.

The Leeds City Region 'City Deal' which was concluded in July 2012 sets out aspirations for the region. Central to this is the creation of a £1.6bn West Yorkshire and York Transport Fund. Metro has taken a leading role in developing the prioritised list of schemes that could be provided through such a Fund and which support the criteria of increasing employment and productivity in West Yorkshire as well as increasing access to jobs. Initial funding has been agreed through the levy process and further work is underway to agree longer term resources and funding. The 'early win' schemes are being developed using this initial funding to ensure that there are sufficient schemes ready to progress when the full funding is secured.

As part of the City Deal agreed with Government the West Yorkshire Metropolitan District and City Councils and the West Yorkshire ITA undertook in 2013 to create a Combined Authority within West Yorkshire to deliver a body with more robust governance for significant devolved decision making powers and funding. The West Yorkshire Authorities and the WYITA conducted a review pursuant to the Local Democracy Economic Development and Construction Act 2008 (LDEDC). Following this review a draft Scheme for a Combined Authority was drawn up which the Authorities unanimously considered would be likely to improve the exercise of statutory functions relating to transport and economic development and regeneration. In view of the plans to create a West Yorkshire and York Transport Fund, the Scheme provided that both the City of York Council and the Leeds City Region LEP would become members of the Combined Authority so far as permitted by the LDEDC.

The draft Scheme was published and submitted to the Secretary of State requesting that he make a Parliamentary Order to create a combined Authority. After a period of negotiation with the Department for Communities and Local Government in late 2013 to ensure the legislation delivered the Scheme as envisaged by the Authorities, the Secretary Of State laid a draft Order before Parliament in early 2014.

4. SIGNIFICANT DEVELOPMENTS (CONTINUED)

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

In line with the Government's requirements for scrutiny and accountability, the Order provides that there is a Scrutiny Committee which can call in and review any decision made by the Combined Authority. The Procedure Rules of the Combined Authority require that so far as possible, the political balance within West Yorkshire is represented within the membership of the Scrutiny Committee.

The financial climate continues to provide challenges. Metro undertook to make over £5m savings per annum from the bus tendered network through a series of reviews, commencing in 2011/12. These reviews, covering all West Yorkshire Districts, are now complete and have achieved the required savings whilst still maintaining a viable network for users. All areas of Metro's activities have been re-examined during the budget process to seek to achieve cost reductions whilst improving income opportunities.
Despite budgetary pressures and continuing reductions in staffing numbers Metro has continued to deliver further service innovations and improve key customer satisfaction scores as demonstrated by the Passenger Focus survey. The new Metro website was launched in April 2013 and was aimed in particular at improving access to travel information on the move, using mobile phones or tablets. Usage statistics are now showing an increase in the number of pages accessed on the move.
Work is ongoing to develop the case for a statutory bus quality contract scheme. Discussions with operators on a partnership approach have been continuing in parallel, with a focus on seeking agreement on integrated ticketing, value for money and increased competition.

Metro was successful in winning government funding for the Cycle City Connect project, a £28m scheme to construct a cycle superhighway between Leeds and Bradford. It also secured £1m from the clean bus technology fund which has been used to improve the emissions of the fleet of MyBuses.

Funding won last year through the Local Sustainable Transport Fund (LSTF) has continued to be utilised to enhance improvements in active transport modes, including cycling and travel planning as well as access to the Yorkshire Dales.

4. SIGNIFICANT DEVELOPMENTS (CONTINUED)

Similarly the Better Bus Areas Fund (BBAF) funding has continued to be used to expand the activities already underway to progress the roll out of smartcards across West Yorkshire. The majority of buses in the region are now equipped to read smart products, a number of which have now been registered under the name MCard. 11-16 concessionary entitlement passes, school and boarding cards and annual metrocards have now been issued on smartcards with further products to be launched in early 2014/15. In April passengers will be able to purchase and top up MCards at Payzone outlets as well as at post offices and travel centres.

Work continues to maximise the proposed introduction of the High Speed 2 rail link to Leeds, with work underway to establish options to improve the local network and utilise released capacity. Metro is working closely with other northern PTEs and councils and the Department for Transport to make the case for partnership working on the management of the local rail franchises to the region. Short term extensions to the Northern and Trans-pennine franchises have been let whilst work progresses on shaping the new franchises to be let in 2016.

The latest phase of work to improve car parking provision at rail stations has seen a new car park completed at New Pudsey. The new and improved Wakefield Westgate Station is now open and Metro plays a key role in the redevelopment underway to improve Wakefield Kirkgate Station. Work at bus stations has included a number of health and safety improvements including an innovative scheme to install cameras at Leeds Bus Station to enable bus drivers to clearly see behind their vehicle as they reverse.

5. PRINCIPAL RISKS AND UNCERTAINTIES

There has been little change in the economic outlook since last year. Metro continues to face significant financial constraints over the coming years as local government funding is severely reduced, in turn reducing the funding available from the District Councils via the levy. Metro has taken significant amounts out of the concessions and tendered services budgets through a managed process which has seen the operators pick up much of the cost rather than the travelling public but further opportunities for this scale of savings are not available. Efficiency savings continue to be pursued and available funding maximised but as concessionary reimbursement becomes a higher and higher proportion of the total budget costs become more difficult to manage. In order to help in managing this three year agreements on concessionary reimbursement have been agreed in principle with the major bus operators to run from 1 April 2014.

There are a number of challenging projects to deliver in the coming year , including rail stations and the Leeds Station Southern Entrance. In addition the public inquiry into the NGT trolleybus system will take place early in 2014/15, the outcome of which may not be known until next year.

Work has continued to develop funding proposals for the £1.6bn West Yorkshire plus Transport Fund and to ensure sufficient schemes are being developed to enable rapid progress to be made when the full funding is secured. Work is also continuing on rail partnership with a consortium of other northern authorities and further developments on bus partnership or bus quality contracts would bring an increase in risk to the organisation.

The explanatory foreword in an earlier paragraph set out the process whereby the West Yorkshire Combined Authority has been created from 1 April 2014, taking on the activities, responsibilities and assets of the West Yorkshire Passenger Transport Executive and Integrated Transport Authority. Significant work has been done to ensure a smooth transition and that appropriate governance and operating arrangements are in place from 1 April but these will need to be kept under careful review as the new organisation develops. The breadth of activities of the new Combined Authority is wider than that of a transport authority as it can also exercise economic development and regeneration functions in conjunction with the district Councils of West Yorkshire. A revised medium term financial strategy to reflect these changes will be prepared early in 2014/15.

6. THE MEMBERS OF THE EXECUTIVE BOARD

The members of the Executive Board who served during the year were:-

Kieran Preston	Director General - (Voluntary Redundancy 24 January 2014)
John Henkel	Director of Passenger Services
David Hoggarth	Director of Development
Angela Taylor	Director of Resources
Tony Darbyshire	Non Executive Director (retired 28 February 2014)
Alan Gay	Non Executive Director

7. EMPLOYEES

The Executive is an equal opportunities employer. It has adopted a number of policies to ensure it provides equal opportunities irrespective of colour, ethnic or national origins, sex or marital status, nationality or disability.

The Directors endeavour to make employees aware of the financial and economic factors affecting the performance of the Executive through team meetings, emails, bulletins on the intranet, 'roadshows' and through management meetings.

The Executive continues to give special attention to health and safety matters and seeks to comply with Health and Safety law in all its requirements. The attainment of the Investors in People award affirms the Executive's on-going commitment to its employees.

8. AUDITORS

Deloitte LLP have been appointed as auditors to the Executive, under the provisions of section 2 of the Audit Commission Act 1998.

A Lythgo
Head of Paid Service

Date: 18 September 2014

1. **Scope of Responsibility**

The Executive 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 Executive 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 Executive is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of the Executive's functions including arrangements for the management of risk. This is in accordance with the Accounts & Audit Regulations 2011 "ensuring 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 Executive is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Executive to monitor the achievement of strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

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 Executive'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 Executive for the year ended 31 March 2014 and up to the date of approval of the financial statements.

3. **The governance framework**

The key elements of the systems and processes that comprise the Executive's governance arrangements are as follows:-

a) Identification and communication of the vision through the Local Transport Plan 3 and other corporate documents such as the 20:20 vision, Transport Business Plan, Metroplan, Annual Report and the business planning process.

b) Review of the organisation's vision and the implications on governance arrangements is undertaken through the Metroplan monitoring system (Covalent) and the corporate management teams.

c) Measurement of the quality of services delivered is carried out through the Metroplan monitoring system (Covalent), the complaints procedure, service monitoring and internal and external VFM reviews and through feedback obtained from Passenger Consultative Committees (PCCs). Customer feedback is obtained through regular tracker surveys that measure satisfaction with a range of services and facilities provided.

d) Defining and documentation of roles is performed through job descriptions and competency based employee specifications and staff codes of conduct. The Executive has two Non-Executive Directors at Board level whose roles are clearly defined.

The Executive conforms to the requirements of the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government (2010)*. As Chief Financial Officer the Director Resources is a key member of the management team and is responsible for the proper administration of the Executive's financial arrangements through a suitably qualified and resourced Finance function.

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 nature of the Chief Audit Executive's functional reporting relationship with the Board; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

e) A review of Standing Orders and Financial Regulations is performed annually with procedures manuals and notes underpinning the SOFR's. Processes and controls to manage risk are present through the Strategic Risk Based Audit Plan and Risk Management Group. The Executive has produced a detailed risk manual which includes guidance on identifying, assessing and recording risks. Training has been held with risk owners to further develop the recording of risks and associated controls and actions in Covalent.

f) An Audit Committee that undertakes the core functions as identified and measured through CIPFA's "Audit Committees - Practical Guidance for Local Authorities". These requirements are provided in the terms of reference for the Audit Committee.

g) Consideration of legal implications in all activities, including reports to the Board, tendered service contracts and concessionary travel schemes. Additionally procedures and policies are in place ensuring compliance with Data Protection, Freedom of Information and Health and Safety.

h) A whistleblowing policy and guidance notes are on the internet and the Internal Audit Annual Report provides an opinion on the internal control environment as a result of audit assignments undertaken and identifies instances where protective disclosures have been made.

i) Counter fraud procedures are established and are incorporated within an anti fraud and corruption and bribery policy.

j) Identification of training needs through the training and development programme including 6 monthly development reviews encompassing all members of staff. The Executive has a Learning and Development Strategy and a comprehensive Management Development Programme.

k) Communication with stakeholders through Passenger Consultative Committees, the Consultation Strategy, Operator Groups, Performance Review and the internet. Additionally progress on the Local Transport Plan 2011-26 during the year will be communicated to stakeholders. A communication strategy provides guidance and direction to enable effective communication both internally and with other external stakeholders.

l) Arrangements for good governance in respect of partnerships through Operator Group meetings and through contracts for the provision of tendered services. The West Yorkshire Bus Partnership Board provides a forum for bus operators, Metro and the District Councils to work together.

m) A system of governance to manage the delivery of the LTP3 plan with its District partners as directed by the ITA. Arrangements have been established for each strategic theme to oversee the delivery of the LTP initiatives within the implementation Plan, with regular performance management reports provided to the LTP Board. The key role is management of the total funding allocated to initiatives within each of the strategic themes.

The LTP Board advises the LTP Committee/ PTE Executive Board on the delivery of LTP3 and reports to them on priorities and funding allocations to be adjusted in the Implementation Plan as well as reviewing new initiatives for inclusion in the Implementation Plan. The LTP Committee is responsible for advising the ITA Executive Board on the delivery of LTP, the performance of the LTP and for making recommendations to adjust priorities and funding allocations in the Implementation Plan. The role of the ITA as advised by the PTE is the approval of LTP3 and subsequent amendments and providing funding to the PTE and District partners to deliver LTP3.

n) Significant levels of consultation have taken place during the year as part of the Bus Area Network reviews and development projects including NGT, Castleford Bus Station and Leeds Rail Station Southern Entrance. The Executive has recently completed its plan to save up to 25% savings on the renewal of bus tender batches and in order to achieve this whilst still maintaining accessibility it has consulted with a wide range of stakeholders through a variety of means including on-line, public meetings and through questionnaires. Consultation was also undertaken as part of the work to create the new West Yorkshire Combined Authority from 1 April 2014.

4. Review of Effectiveness

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

The Executive has in place a system based on a framework of standing orders, financial regulations and administrative controls including codes of conduct and administrative policies and procedures. This ensures that key decisions of both an operational and strategic nature are taken by the Board with policy direction from the ITA. All administrative controls and financial instructions are reviewed on a regular basis by the Executive's management and Internal Audit and also Standing Orders and Financial Regulations are reviewed on an on-going basis. In terms of financial control the Executive has a core financial system that records all financial transactions and provides adequate accounting control. During the last year the Assistant Director Finance has provided to the Audit Committee a regular confirmation that key controls have been operating in the period.

In terms of budgetary control responsibility is devolved to Budget Controllers and Budget Holders who are responsible for the monitoring and control of their assigned budget. Monthly budget performance reports are prepared by Finance for the Board to ensure that ongoing budgetary control is achieved. The budget monitoring and control process is managed through the Proactis Procurement system which allows Budget Holders to view ongoing commitments and access enhanced reporting tools.

The effectiveness of the system of internal financial control is regularly reported upon by managers and is reviewed annually by internal and external audit.
Internal Audit have developed a risk-based approach to delivering the audit function. References have been made to the Executive's audit universe risk profile which was used to form the basis of internal audit's operational plan.

The review process draws on key indicators of risk to the organisation and attempts to ensure that suitable audit time and resources are provided for these areas. Factors used in assessing risk include financial materiality, legislative requirements, previous audit experience, and the potential for fraud. This risk based approach to audit planning results in a comprehensive range of audits that were undertaken during the course of the year to support the overall opinion on the internal control environment.

This audit plan is considered by the Audit Committee and is then approved by the Executive Board. Regular internal audit reports are produced by the Internal Auditor and are presented to the Executive's Audit Committee. The Audit Committee convenes on a regular basis to review and consider the findings of Internal Audit ensuring that responsibility for recommendations is agreed and that implementation occurs on a timely basis. The monitoring of this is undertaken using covalent with management teams considering outstanding audit recommendations at their monthly meetings. After endorsement by the Audit Committee audit reports are circulated to the Executive Board. The Internal Audit function has undergone a review by the Executive during 2013/14 which concluded that a satisfactory service was provided.

Risk management arrangements have continued to develop in the year with opportunities being identified to the way in which corporate risk management expectations are communicated and coordinated. This will be further developed as risk management arrangements are evolved to meet the needs of the Combined Authority.

The Executive continues to develop and refine the project management framework ensuring that Portfolio Board provides greater accountability and improved governance with regard to the management and delivery of projects. A six monthly review of the Portfolio Board was undertaken and improvements to template documents were actioned to place greater emphasis on the financial information presented to the Portfolio Board to facilitate more robust monitoring of annual capital expenditure. The exception reporting process has also been refined with tolerances set to ensure that Project Executives are reporting back to Portfolio Board where projects are deviating from plan. Internal audit work during the year has supported this through the inclusion of a number of compliance reviews of projects to ensure PRINCE project management principles are being followed.

Contract management arrangements have been further developed with the emphasis now on improving the control of contractors from a health and safety perspective. This involves the further development of the five stages of managing contractors, to ensure a consistency across the organisation. Further training has been provided for some project managers as part of this work.

A counter fraud policy has been approved by the Audit Committee which introduces stronger anti fraud, bribery and corruption procedures and ensures these comply with fraud management standards published by CIPFA and are aligned to the Executive's disciplinary process.

I have been advised on any implications of the result of the review of the effectiveness of the system of internal control by the Executive and Audit Committee.

5. Significant Internal Control Issues

No significant issues have been identified and reported during the year.

6. Conclusion

Throughout 2013/14 the Executive has continued to place significant importance on the process of risk management and the effective governance role vested in the Audit Committee demonstrates an ongoing commitment to best practice and good corporate governance across the Executive.

The Executive has in place a number of governance mechanisms including an Anti-Fraud, Bribery and Corruption policy and a Code of Conduct for employees. Arrangements to improve accessibility to information and mechanisms to make protected disclosures have been provided on the Executive's web site. In addition, information providing details of the Executive's anti fraud and anti corruption arrangements and how to report concerns about suspected fraud and/or corruption were provided to employees. The Disciplinary, Conduct and Capability Policy and Procedure has been revised to include guidance where suspected bribery, fraud or corruption is identified.

In addition,the Executive has in place a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government.

Arrangements are in place to enable Metro tickets to be sold through Post Offices in West Yorkshire and also through rail ticket offices. A feature of the overall control environment is that these organisations operate robust systems to safeguard ticket stocks and that provide accurate information concerning sales income received and the levels of stockholding. For 2013/2014 the Executive has received assurance statements from the Post Office and Northern Rail stating that these systems have operated adequately and that there have not been any material errors or weaknesses noted.

The West Yorkshire Combined Authority Order 2014 abolishes both the West Yorkshire Passenger Transport Executive and the West Yorkshire Integrated Transport Authority from 1 April 2014. While the assets and functions of the Executive (and Authority) transfer across to the new West Yorkshire Combined Authority (WYCA) the governance arrangements will undergo change to reflect the way in which decision making is undertaken within a local authority and as a result of two organisations being merged into one. Appropriate governance arrangements including revised Standing Orders, Financial Regulations, codes of conduct and officer schemes of delegation were prepared for approval at the inaugural meeting of the West Yorkshire Combined Authority on 1 April 2014. New committee arrangements and terms of reference for them were also approved. There is further work to be done during 2014/15 to ensure that all governance arrangements are fully aligned with those elements already in place. This will include for example ensuring that risk registers are expanded to include the new areas of activity that will be introduced during the early years of the WYCA. Any new governance arrangements will be kept under review by the WYCA and will also be reflected in internal audit work programmes.

A Lythgo
HoPS Date: 24 July 2014

WEST YORKSHIRE PASSENGER TRANSPORT EXECUTIVE
MOVEMENT IN RESERVES STATEMENT
FOR THE YEAR ENDED 31 MARCH 2014

The Movement in Reserves Statement shows the movement in the year on the different reserves held by the Executive, 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 Deferred Capital Grants Account). The net surplus for the year after tax shows the economic cost of providing the Executive'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.

	Note	General Fund Balance £'000s	NGT Capital Reserve £'000s	Total Usable reserves £'000s	Deferred Capital Grants Account £'000s	Revaluation Reserve £'000s	Pension Reserve £'000s	Donated Assets Account £'000s	Total Unusable reserves £'000s	Total £'000s
At 31st March 2012		1,280	-	1,280	69,311	10,425	(66,257)	668	14,147	15,427
Movement in reserves during 2012/13 restated*										
Surplus/deficit on the provision of services		(1,437)	-	(1,437)	-	-	-	-	-	(1,437)
Actuarial Gains/(Losses)	7	-	-	-	-	-	4,031	-	4,031	4,031
Total Comprehensive Income and Expenditure		**(1,437)**	**-**	**(1,437)**	**-**	**-**	**4,031**	**-**	**4,031**	**2,594**
Adjustments between accounting basis and funding basis under regulations										
Capital grants released Depn	18	4,374	-	4,374	(4,374)	-	-	-	(4,374)	-
Capital grants released (W/off revenue)	18	45,429	-	45,429	(45,429)	-	-	-	(45,429)	-
Capital Grants applied	18	(49,666)	-	(49,666)	49,666	-	-	-	49,666	-
Transfer to pension reserve		1,300	-	1,300	-	-	(1,300)	-	(1,300)	-
Revaluation of fixed assets		-	-	-	-	-	-	-	-	-
Total adjustments between accounting basis and funding basis under regulations		**1,437**	**-**	**1,437**	**(137)**	**-**	**(1,300)**	**-**	**(1,437)**	**-**
Increase/(decrease) in year before transfer to ear-marked reserve		**-**	**-**	**-**	**(137)**	**-**	**2,731**		**2,594**	2,594
Transfer to ear-marked reserve	21	-	2,389	2,389	(2,389)	-	-	-	(2,389)	-
Increase/(decrease) in year		**-**	**2,389**	**2,389**	**(2,526)**	**-**	**2,731**	**-**	**205**	**2,594**
At 31st March 2013		**1,280**	**2,389**	**3,669**	**66,785**	**10,425**	**(63,526)**	**668**	**14,352**	**18,021**
Movement in reserves during 2013/14										
Surplus/deficit on the provision of services		(4,549)	-	(4,549)	-	-	-	-	-	(4,549)
Actuarial Gains/(Losses)	7	-	-	-	-	-	1,427	-	1427	1,427
Total Comprehensive Income and Expenditure		**(4,549)**	**-**	**(4,549)**	**-**	**-**	**1427**	**-**	**1,427**	**(3,122)**
Adjustments between accounting basis and funding basis under regulations										
Capital grants released Depn	18	4,593	-	4,593	(4,593)	-	-	-	(4,593)	-
Capital grants released (W/off revenue)	18	55,097	-	55,097	(55,097)	-	-	-	(55,097)	-
Capital Grants applied	18, 21	(56,315)	(1,346)	(57,661)	57,661	-	-	-	57,661	-
Transfer to pension reserve		1,174	-	1,174	-	-	(1,174)	-	(1,174)	-
Revaluation of fixed assets		-	-	-	-	-	-	-	-	-
Total adjustments between accounting basis and funding basis under regulations		**4,549**	**(1,346)**	**3,203**	**(2,029)**	**-**	**(1,174)**	**-**	**(3,203)**	**-**
Increase/(decrease) in year before transfer to ear-marked reserve		**-**	**(1,346)**	**(1,346)**	**(2,029)**	**-**	**253**	**-**	**(1,776)**	**(3,122)**
Transfer to ear-marked reserve		-	-	-	-	-	-	-	-	-
Increase/ (decrease) in year		**-**	**(1,346)**	**(1,346)**	**(2,029)**	**-**	**253**	**-**	**(1,776)**	**(3,122)**
At 31st March 2014		**1,280**	**1,043**	**2,323**	**64,756**	**10,425**	**(63,273)**	**668**	**12,576**	**14,899**

*The MIRS for 2012/13 is restated to reflect changes to IAS 19 Pension Benefits see note 7

WEST YORKSHIRE PASSENGER TRANSPORT EXECUTIVE
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 31 MARCH 2014

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 2013/14 and the Accounts and Audit Regulations 2011.

2012/13 Restated					2013/14		
Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's		Notes	Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's
244,061	(165,768)	78,293	Highways and Transport Services	3	258,589	(182,443)	76,146
8,961	-	8,961	Corporate and Democratic Core	3	9,209	-	9,209
253,022	**(165,768)**	**87,254**	**Cost of Services - continuing operations**		**267,798**	**(182,443)**	**85,355**
-	-	-	Exceptional item	11	-	-	-
-	(2)	(2)	Interest and Investment income		-	(3)	(3)
2,965	-	2,965	Pensions interest expense/income on the net liability	7	2,574	-	2,574
255,987	**(165,770)**	**90,217**			**270,372**	**(182,446)**	**87,926**
			Non-Specific Grant Income				
-	(88,917)	(88,917)	Revenue Grant	2	-	(86,752)	(86,752)
-	(45,628)	(45,628)	Integrated Transport Block (Capital)	2	-	(47,779)	(47,779)
-	(4,038)	(4,038)	Government and Other Grants (Capital)	2	-	(8,536)	(8,536)
49,803	-	49,803	Capital grants released	18	59,690	-	59,690
305,790	**(304,353)**	**1,437**	**Deficit on Provision of Services**		**330,062**	**(325,513)**	**4,549**
-	(4,031)	(4,031)	Actuarial gains and losses recognised on pension assets and liabilities	7	-	(1,427)	(1,427)
-	-	-	(Surplus)/Deficit on Revaluation	12a,c,d	-	-	-
-	**(4,031)**	**(4,031)**	**Other Comprehensive Income and Expenditure**		**-**	**(1,427)**	**(1,427)**
		(2,594)	**Total Comprehensive Income and Expenditure**				**3,122**

Note :

1 The movement in reserves statement is shown on page 13.

2 The notes on pages 17 to 42 form part of these accounts.

3 Income and expenditure arises solely from continuing operations. The Executive has had no acquisitions or disposals of operations in the year.

4 The Comprehensive income and expenditure account 2012/13 is restated to reflect changes to IAS 19 Pension Benefits see note 7.

WEST YORKSHIRE PASSENGER TRANSPORT EXECUTIVE
BALANCE SHEET
FOR THE YEAR ENDED 31 MARCH 2014

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

		2014	2013
Assets	Notes	£'000	£'000
Non-current assets			
Property, plant and Equipment	12(d)	76,987	80,019
Donated assets	12(e)	386	434
Assets held for sale	12(b)	726	-
		78,099	80,453
Current Assets			
Trade and other receivables	13(a)	10,637	9,026
Amounts receivable from WYITA	13(b)	1,036	2,903
Cash and cash equivalents	14	4,208	956
		15,881	12,885
Total assets		93,980	93,338
Liabilities			
Current liabilities			
Trade and other payables	15	(15,098)	(10,201)
Accruals and deferred income	15	(559)	(1,457)
Provisions	17	(151)	(133)
		(15,808)	(11,791)
Other long-term liabilities			
Net pension liability	7	(63,273)	(63,526)
		(63,273)	(63,526)
Total Liabilities		(79,081)	(75,317)
Net Assets		14,899	18,021
General Fund Balance		1,280	1,280
NGT Reserve	21	1,043	2,389
Usable Reserves		2,323	3,669
Deferred Capital Grants Account	18	64,756	66,785
Donated Asset Account	12(e)	668	668
Pension Reserve	7	(63,273)	(63,526)
Revaluation Reserve	20	10,425	10,425
Unusable Reserves		12,576	14,352
Total Reserves		14,899	18,021

SIGNED ON BEHALF OF THE EXECUTIVE
The financial statements on pages 13-42 were approved by the Combined Authority on 18 September 2014 and were signed on their behalf by :

A Lythgo
HEAD OF PAID SERVICE

A Taylor
DIRECTOR RESOURCES

Note :
1. The movement in reserves statement is shown on page 13.
2. The notes on pages 17 to 42 form part of these accounts.

WEST YORKSHIRE PASSENGER TRANSPORT EXECUTIVE
CASHFLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

Purpose of cashflow

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

2013 £'000		Note	2014 £'000
	Operating Activities		
(1,439)	Surplus on the provision of services before interest and exceptional items		(4,552)
(48,366)	Statutory movements on the General Fund Balance		(55,141)
4,707	Depreciation of property,plant and equipment	8a	4,919
-	Revenue Expenditure funded from capital under statute		-
17	Provision for charges	17	18
(1)	(Profit) on sale of property, plant and equipment	8a	(1)
-	Fixed assets charged to revenue	12c,12d	444
(45,082)	Operating cashflow before movement in working capital		(54,313)
(1,664)	Movement in working capital		5,080
(46,746)	**Net cash generated from operations**		(49,233)
	Cash flows from investing activities		
(2,455)	Purchase of property, plant and equipment	12d	(3,009)
49,868	Capital grants received	18	55,490
1	Proceeds of sale of property, plant and equipment		1
2	Interest received	8e	3
-	Interest Paid		-
-	Tax paid		-
-	Exceptional items	11	-
670	**Net cash used in investing activities**		3,252
	Cash flows from financing activities		
-	Loans raised (repayments)		-
670	**Net increase in cash and cash equivalents**		3,252
286	Cash and cash equivalents at the beginning of the reporting period		956
956	Cash and cash equivalents at the end of the reporting period		4,208

Note

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 Executive'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.

1. ACCOUNTING POLICIES

The principal accounting policies adopted are set out below. These policies have been applied consistently in dealing with items considered material to the Executive's financial statements.

BASIS OF PREPARATION

The Statement of Accounts summarises the Executive's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which require an annual Statement of Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the Service Reporting Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS).

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

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

Accruals of income and expenditure

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Critical Accounting Estimates and Judgements

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

• Property revaluation (note 12): the Executive carries its Non- Infrastructure Land and Buildings at fair value. Periodically, external surveyors are used and the last full independent survey was carried out as at 31 March 2011 with an interim desktop valuation undertaken at 31 March 14. Between independent surveys, reviews are carried out by internal but qualified staff. Such valuations and any attached estimates including the useful life of an asset are subject to some judgement.

• Leases (note 8c & 22b) : The Executive has classified leases as either finance or operating leases based on the extent to which the risks and rewards incidental to ownership lie with the lessee or lessor. The Executive has classified certain contracts as operating leases although the legal form of the arrangement is not a lease.

• Retirement benefit obligations (note 7) : the cost of defined benefit pension plans is determined using an independent actuarial valuation, involving the use of assumptions about discount rates, returns on assets, future salary increases, mortality rates and future pension increases. Such assumptions are reviewed at each period end, and determined jointly between the pension fund management and the actuaries.

a) **Property Plant and Equipment**

Infrastructure Assets and Plant and Equipment are stated at depreciated historical cost, net of accumulated impairment losses. Non Infrastructure Land and Buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed at intervals of no more than five years to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. A revaluation of the Executive's land and buildings was carried out by an MRICS qualified valuer of Lambert Smith Hampton, a firm of external Chartered Surveyors. The revaluation was carried out as at 31 March 2011 on an Existing Use Value (EUV) and Depreciated Replacement Cost (DRC) basis in accordance with IAS 16 with an interim desktop valuation undertaken on non-infrastructure assets at 31 March 2014. A revaluation of the Executive's on-street furniture was carried out as at 31 March 2008.

The Directors have considered the impairment of fixed assets in accordance with IAS 36 and after taking into account factors since the external surveyors full review of the Executive's property portfolio can identify no circumstances or events that would affect the carrying values of the assets. The interim desktop review by external surveyors of non-infra-structre assets shows no material change to carrying values at 31 March 2014.

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 are:

Freehold and Long Leasehold Buildings Between 5 and 50 years
Infrastructure Assets 5 - 50 years
Vehicles Between 4 and 16 years
Plant and Equipment Between 5 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 Executive and on the result for the year.

b) **Progress Payments for Capital Assets**

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

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

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

Further, the asset has been actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale is expected to qualify for recognition as a completed sale within one year from the date that it is classified as held for sale.

d) **Donated Assets**

Donated assets are assets that have been transferred to the Executive 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 Executive's revaluation and depreciation policy. A Donated Assets Account recognises the benefit received from these assets where conditions apply to the assets use.

e) **Rail Infrastructure/Revenue Expenditure Financed from Capital Under Statute**

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

f) **Capital Grants**

Grants to fund capital expenditure from government and other bodies are credited to the Comprehensive Income and Expenditure Statement (CIES) where the grant conditions have been met. In order to recognise that the capital grants are provided to finance capital expenditure the grants are subsequently transferred from the CIES to the Deferred Capital Grants Account.

The CIES will recognise capital grants to the extent that they offset depreciation on assets owned/leased or capital expenditure charged directly to revenue (see (e) above). Details of capital grants receivable and released are set out in Notes 8(a), 8(f) and 18.

g) **Revenue Grant**

Revenue grant is credited to the revenue account in the period to which the grant relates.

h) **Leased Assets**

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

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

i) **Pension Costs**

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

The Executive 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 body and the benefits are paid under the provisions of the Local Government Pension Scheme Regulations 1997.

The Executive has a continuing responsibility for any payments to the Fund in respect of service up to 25 October 1986 for all staff employed by the Executive up to that date. This responsibility includes all staff who were transferred to Yorkshire Rider Limited as a consequence of the Transport Act 1985. For service from 26 October 1986 onwards the Executive is only responsible for payments to the Fund in respect of its own directly employed staff. The annual cost of this responsibility is charged to the revenue account under Corporate and Democratic Core.

The liabilities of the pension fund attributable to the Executive 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, employee turnover rates, etc, and projections of projected earnings for current employees.
The assets of the pension fund attributable to the Authority are included in the Balance Sheet at their fair value:

- Quoted securities at current bid price

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

The change in the net pensions liability is analysed into 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 Non-Distributed Costs;
Interest expense on the defined benefit obligation - the interest on the present value of liaiblities and interest on the net changes in those liabilities during the year calculated using the discount rate at the start of the period debited to the Pensions interest expense/income on the net liability in the Comprehensive Income and Expenditure Statement ;
Interest income on assets - the interest income applied to the asset and net changes in the asset during the year - credited to the Pensions interest expense/income on the net liability in the Comprehensive Income and Expenditure Statement ;
Gains or losses on settlements and curtailments - the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of the Non-Distributed 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 to the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable that are unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial 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 the employees.

j) **Provisions**

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

k) **Exceptional Items**

The Executive 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.

l) **Taxation**

Corporation Tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. The current tax expense represents the sum of the corporation tax currently payable. The tax currently payable is based on interest received for the year.

Value Added Tax (VAT)

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

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

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

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

m) **Foreign Currency Translation**

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

n) **Financial Instruments**

Financial assets are classified at initial recognition as loans, cash and cash equivalents (short term deposits) or receivables in accordance with IAS 39, and recognsied at cost. The Authority has not designated any financial assets as at fair value through profit or loss. The Authority's financial assets include cash, short-term despoits, trade and other receivables. Financial assets are dereocgnised when the appropriate cash flows have been received, or when the rights to receive cash flows from the asset have expired.

Subsequent measurement depends on their classification as follows:-

Cash and cash equivalents: cash and short term despoits in the Statement of Financial Position comprise of cash at bank and in hand and short-term despoits with an initial maturity of 90 days or less. For the purpose of the consolidated cash flow statement, cash and cash equivalents are as defined above, net of outstanding bank overdrafts.

Loans and deposits: 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. Gains and lossses are recognised in the Income and Expnediture 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 Authoriy 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 finanial 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 liabilities are classified at initial recognition as loans and borrowings in accordance with IAS 39, and recongised at cost. The Authority has not designated any financial liabilities as at fair value through profit or loss. The Authority's financial liabilities include short term creditors, loans and other payables, and bank overdrafts. Financial liabilities are derecognised when the appropriate cashflow obligations have been discharged, expired or otherwise cancelled.
Subsequent measurement 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 liabiliities 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.

o) **Contingent Liability**

Contingent Liabilities (note 23): The Executive has a contingent liability at the balance sheet date. The Executive's legal advisors have assessed the liability but due to the uncertainty it is not practical to disclose the timing, financial effect or amount.

p) **Events After the Balance Sheet Date**

The Statement of Accounts are authorised for issue by the Director of Resources. 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 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of the information (adjusting events). Events indicative of conditions that arose after the reporting period are not adjusted (non-adjusting events).

2. GRANT INCOME

The Executive recognised the following grants and contributions to the Comprehensive Income and Expenditure statement in 2013/14.

Non Specific Grant Income	2013/14 £'000	2012/13 £'000
General Revenue Grant - Integrated Transport Authority	86,752	88,917
	86,752	88,917
Specific Grant Income		
Special Rail Grant (SRG) - Integrated Transport Authority	64,209	57,613
Integrated Transport Block/Maintenance (Capital) WYITA	47,779	45,628
Congestion Performance Fund (Revenue/Capital) - Department for Transport	392	349
Local Sustainable Transport Fund (Capital) - Department for Transport	687	534
Local Sustainable Transport Fund (Revenue) - Department for Transport	472	650
Local Sustainable Transport Fund DITA (Revenue) - Department for Transport	220	289
Better Bus Area Funding BBAF (Capital)- Department for Transport	509	649
Better Bus Area Funding BBAF (Revenue) - Department for Transport	1,125	464
Cycle City Ambition Grant (Capital) - Department for Transport	858	-
Cleaner Bus Technology Grant (Capital) -Department for Transport	1,000	-
Leeds Station Southern Entrance (Capital) - Department for Transport	640	-
NGT/Supertram Funding (Capital)	3,867	2,389
Other third Party Capital Contributions	1,023	466
Community Transport Support - Department for Transport (Revenue)	159	-
Bus Services Operator Grant -Department for Transport (Revenue)	513	-
	123,453	109,031

The funding for the provision of rail services under the franchising arrangements was paid directly to the Executive by the Authority. The Authority received the pre-determined sums directly from the Government (DfT) in the first instance. The amounts payable to the Executive were as follows:-

	2013/14 £'000	2012/13 £'000
Payments to Operators	63,335	56,771
Contribution to the Executive's Admin costs	874	842
	64,209	57,613

3. SEGMENTAL REPORTING

The analysis of income and expenditure by service on the face of the comprehensive income and expenditure statement is that specified by the Service Reporting Code of Practice (SeRCOP). However, decisions about resource allocation are taken by the Executive's Board on the basis of budget reports. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular capital grants are credited to the revenue account over the life of the asset to offset depreciation charges and the cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current/past service cost of benefits accrued in the year. The report presented to the Executive Board is on a consolidated basis taking into account the operations of the ITA.
Presented below is the restatement of Cost of Services and specific grant income as reported to the Executive's decision makers :-

3a.

Segmental Reporting - Resource allocation

	Bus Services		Concessions		Rail		Prepaid Tickets		Passenger Facilities		Other Activities		Total	
	2014 £000	2013 £000	2014 £000	2013 £000	2014 £000	2013 £000	2014 £000	2013 £000	2014 £000	2013 £000	2014 £000	2013 £000	2014 £000	2013 £000
Agency/ service fee Income	(14,575)	(16,993)	-	-	(3,167)	(2,126)	(30,610)	(30,519)	(2,790)	(2,757)	(5,586)	(4,554)	(56,728)	(56,949)
Government Grants	-	-	-	-	(64,209)	(57,613)	-	-	-	-	-	-	(64,209)	(57,613)
Total Income	**(14,575)**	**(16,993)**	**-**	**-**	**(67,376)**	**(59,739)**	**(30,610)**	**(30,519)**	**(2,790)**	**(2,757)**	**(5,586)**	**(4,554)**	**(120,937)**	**(114,562)**
Operating Expenditure	33,750	38,028	52,362	51,619	63,335	56,771	30,610	30,519	-	-	-	-	180,057	176,937
Other Cost of Service Expenditure	5,703	5,868	-	-	3,352	2,308	-	-	8,548	8,458	9,706	9,577	27,309	26,211
Total Operating Expenditure	**39,453**	**43,896**	**52,362**	**51,619**	**66,687**	**59,079**	**30,610**	**30,519**	**8,548**	**8,458**	**9,706**	**9,577**	**207,366**	**203,148**
Cost of services	**24,878**	**26,903**	**52,362**	**51,619**	**(689)**	**(660)**	**-**	**-**	**5,758**	**5,701**	**4,120**	**5,023**	**86,429**	**88,586**

Reconciliation of Segmental Analysis and Cost of services in the Comprehensive Income and Expenditure Statement

	2013/14 £'000	**2012/13 £'000**
Segmental Analysis of Cost of Service	86,429	88,586
Pensions IAS19	(1,400)	(1,665)
Non Government Capital Grants	0	0
Depreciation/Capital expenditure	326	333
Cost of Service CIES	**85,355**	**87,254**

4. **RELATED PARTY DISCLOSURES**

The Directors regard the following as related parties:-

The West Yorkshire Integrated Transport Authority (WYITA) can be construed to be a related party in terms of its dealings with the Executive as defined in IAS 24 "Related party transactions". WYITA is the ultimate controlling party by virtue of its ability to direct the financial and operating policies of WYPTE.

The revenue grant payments to the Executive are disclosed in Notes 2 and 3 above and capital grants are disclosed in Note 18. The balance owing by the Integrated Transport Authority to the Executive at 31 March 2014 is also shown at Note 13(b).

The UK Government exerts significant influence through legislation and grant funding as disclosed in Note 2.

The District Councils can be deemed to be a related party of the Executive via their relationship with the WYITA. The Executive provides agency services for education transport to the district councils for which fees are paid. These are set out below:-

	2013/14	2012/13
	£m	£m
Bradford MDC	2.23	2.56
Calderdale MDC	0.81	0.89
Kirklees MDC	0.30	2.08
Leeds City Council	2.19	2.27
Wakefield MDC	2.10	2.09
	7.63	**9.89**

Mr K Preston, Clerk to the Authority, was also Director-General of the Passenger Transport Executive (PTE), he took voluntary redundancy on 24th January 2014. His services to the Authority were not recharged to the Authority by the Executive. Mrs A Taylor is the Authority's s151 Officer and is employed by the Executive as Director Resources and also

Yorcard Ltd is a Joint Venture trading company operated in conjunction with SYPTE and is fully disclosed in note 19. Mr John Henkel is a Director of WYPTE and of Yorcard Ltd.

West Yorkshire Ticketing (TICCO) Ltd administers and develops a range of multi-operator , multi-modal tickets. Mr John Henkel is a Director of WYPTE and of TICCO Ltd. During the year ended 31 March 2014 recharges totalling £112,000 were invoiced to the Executive.

ITSO Services Ltd is a trading company established to promote the development of interoperable smart card applications to public transport. Mr John Henkel is a Director of WYPTE and of ITSO Services Ltd. During the year ended 31 March 2014 fees totalling £0 were invoiced by ITSO Services Ltd to the Executive.

5. **PAYMENTS TO OPERATORS**

The Integrated Transport Authority determines the annual revenue grant to be paid to the Executive out of which all payments to operators are funded. These payments to operators fall into the three main categories of concessionary fares, subsidised bus services and franchised local rail services.

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

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

Payments are made to one franchised rail operator for the provision of local rail services. A note of the effect of rail franchising and the funding arrangements is attached as part of these accounts on page 24 (Note 2).

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

All these payments to operators are summarised in the comprehensive income and expenditure statement on page 14.

6. **OFFICER'S REMUNERATION**

	2013/14 £'000	2012/13 £'000
(a) Employees Costs Amounted to:		
Wages and Salaries	8,778	8,371
Social Security Costs	622	598
Other Pension Costs	2,057	2,031
	11,457	11,000

(b) The average number of persons employed was:

	Number	Number
Manual	44	45
Management and Administration	339	331
	383	376

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

2013/14 £'000	2012/13 £'000
143	142

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

(d) The employee costs set out above include Directors' remuneration (see below).

Directors	2013/14 £	2012/13 £
Remuneration including Employers Pension Contributions	633,912	485,455

Retirement benefits are accruing to all the directors under a defined benefit scheme.

Highest Paid Director	2013/14 £	2012/13 £
Director Remuneration	120,119	146,484
Termination Pay	168,557	-
	288,676	146,484
Defined benefit pension scheme :		
Accrued pension at end of year	86,224	84,222
Accrued lump sum at end of year	216,046	216,046
	==========	==========

Directors received remuneration excluding employers national insurance and pension contributions in the following ranges :

	2013/14 Number	2012/13 Number
£Nil - £5,000	1	1
£10,001 - £15,000	1	1
£90,001 - £95,000	1	2
£95,001 - £100,000	1	1
£100,001 - £105,000	1	-
£120,101 - £125,000	1	-
£145,001 - £150,000	-	1

Senior Officers received remuneration of £50k or more on an annualised basis excluding employers national insurance and pension contributions in the following ranges :

£15,001 - £20000	-	1
£25,001 - £30,000	-	1
£30,001 - £35,000	1	-
£50,001 - £55,000	1	1
£55,001 - £60,000	6	6
£65,001 - £70,000	-	1
£70,001 - £75,000	2	1

Termination benefits were paid by the Executive arising from the termination of employment incurring liabilities of £215,168 in 2013/14 (£39,388 in 2012/13). See the table below for the number of exit packages and total cost per band. The exit packages payable included voluntary redundancy payments and enhanced pension benefits payable.

		Salary Fees Allowances	Bonuses	Expenses Allowances	Compensation for loss of office	Pension ** Contributions	Total
Director General	2012/13	146,484	-	111	-	19,043	165,638
	2013/14	120,101	-	699	168,557	15,613	304,970
Director of Passenger Services	2012/13	98,550	-	-	-	12,812	111,362
	2013/14	101,798	-	12	-	13,234	115,044
Director of Development	2012/13	93,864	-	13	-	12,202	106,079
	2013/14	95,699	-	206	-	12,441	108,346
Director of Resources	2012/13	90,708	-	-	-	11,792	102,500
	2013/14	94,193	-	-	-	12,245	106,438
Assistant Director Legal	2012/13	59,220	-	-	-	7,969	67,189
	2013/14	59,812	-	-	-	7,776	67,588
Assistant Director Finance	2012/13	57,498	-	-	-	7,475	64,973
	2013/14	59,812	-	-	-	7,776	67,588
Assistant Director ICT	2012/13	19,872	-	-	-	2,583	22,455
-	2013/14	54,739	-	272	-	7,116	62,127
Assistant Director Corporate Development	2012/13	59,220	-	32	-	7,699	66,951
	2013/14	59,812	-	-	-	7,776	67,588
Assistant Director Integrated Transport	2012/13	59,220	-	137	-	7,699	67,056
	2013/14	59,812	-	200	-	7,776	67,788
Assistant Director Rapid Transit	2012/13	69,584	-	393	-	9,046	79,023
	2013/14	71,765	-	1,155	-	9,329	82,249
Assistant Director Customer Services	2012/13	57,498	-	363	-	7,475	65,336
	2013/14	59,812	-	-	-	7,776	67,588
Assistant Director Transport Services	2012/13	55,822	-	18	-	7,257	63,097
	2013/14	58,783	-	11	-	7,642	66,436
Director of Pteg	2012/13	73,333	-	1,441	-	9,533	84,307
	2013/14	73,333	-	1,505	-	9,533	84,371
Assistant Director Pteg	2012/13	54,197	-	1,147	-	7,046	62,390
	2013/14	32,387	-	147	-	4,210	36,744

** The pension contributions as a percentage of salaries for 2013/14 were 13% plus a lump sum of £0.979m as compared to 13% plus a lump sum of £1.014m in 2012/13.

Exit Packages

Exit Package cost band (including 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	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13 £	2013/14 £
£0-£20,000	0	0	0	2	0	2	0	25,021
£20,001-£40,000	0	0	1	1	1	1	39,388	21,590
£160,001-£180,000	0	0	0	1	0	1	0	168,557
Total	0	0	1	4	1	4	39,388	215,168

7. <u>DEFINED BENEFIT PENSION SCHEME</u>

The West Yorkshire Pension Fund is a funded scheme which provides defined benefits to its members. The majority of the Executive's permanent employees participate in the scheme. The Fund determines contribution levels and the Executive charges all payments made to its revenue account. The funding policy of the Pension Fund is set within the overall framework of the Local Government Pension Scheme Regulations 1997. These Regulations now require full actuarial valuations every three years and also determine how the proportion of future liabilities have to be met.

The pension costs paid by the Executive for the year ended 31 March 2014 and the previous financial year were as follows :

		2013/14 £'000	2012/13 £'000
i)	Current Employees*	2,057	2,031
ii)	Former Employees*	1,333	1,320

* The actual pension costs above differ from the estimated Employer contributions used in the IAS19 diclosures.
The difference between the actual contributions and the estimated contributions does not have a material impact on the expenses or balance sheet position.

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

No material changes are expected in the Executive's future pension arrangements with the new West Yorkshire Combined Authority taking responsibility for the pension liability and on-going pension contributions . The latest Fund accounts published were those for the year ended 31 March 2013. Copies of the pension fund accounts can be obtained from Bradford MDC who are the administering Authority for the West Yorkshire Pension Fund.

An independent actuarial valuation was carried out as at 31 March 2010 which determined the employer's pension contributions for the next three years. The amended contributions are designed to be such that the pension cost is an amount based on the average remaining service lives of current employees in the scheme. The policy is to bring the fund value and its corresponding liabilities into balance within that period. The pension contributions as a percentage of salaries for 2011/12, 2012/13 and 2013/14 were set at 13% for the 3 years plus a lump sum of £1.049m, £1.014m and £0.98m respectively. The actuarial valuation carried out at 31 March 2013 has determined the employer contributions for the next three years but recognising that the WYPTE will be dissolved and its pension assets and liabilities transfered to the West Yorkshire Combined Authority at 1 April 2014. The a rate has been determined for the new entity of 13.5% plus a lump sum of £0.96m in 2014/15.

The employers contributions made in 2013/14 were 13% of pensionable pay.

Financial Assumptions	31/03/2014		31/03/2013	
	Unfunded	Funded	Unfunded	Funded
Duration of liabilities	12	14.4	12	13.4
Inflation : RPI	3.2%	3.3%	3.2%	3.2%
CPI	2.2%	2.3%	2.3%	2.3%
Rate of increase in salaries	-	3.8%	-	4.2%
Rate of increase for pensions in payment	2.2%	2.3%	2.3%	2.3%
Rate used to discount funded scheme liabilities	4.2%	4.2%	4.1%	4.2%

Mortality assumptions

Post retirement mortality (retirement in normal health):-	31/03/2014	31/03/2013
	Males : CMI 2012 Long term rate of improvement of 1.5%	**Males** : CMI 2009 Long term rate of improvement of 1.25%
	Females : CMI 2012 Long term rate of improvement of 1.5%	**Females** : CMI 2009 Long term rate of improvement of 1.25%

Life Expectancy

- of a male (female) future pensioner aged 65 in 20yrs time	24.7 (27.7) Years	23.9 (26.2) Years
- of a male (female) current pensioner aged 65	22.5 (25.4) Years	22.1 (24.3) Years

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

Assets in the West Yorkshire Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories set out below.

	31 March 2014				31 March 2013	
	Quoted %	Unquoted %	Total %	Asset £000's	Asset Split %	Asset £000's
Equities	75.3	0.0	75.3	87,257	72.5	86,075
Government Bonds	10.5	0.0	10.5	12,167	11.9	14,128
Other Bonds	5.4	0.0	5.4	6,258	5.7	6,767
Property	3.2	0.0	3.2	3,708	3.1	3,681
Cash/Liquidity	3.1	0.0	3.1	3,592	3.6	4,274
Other	2.5	0.0	2.5	2,897	3.2	3,799
Total	100.0	0.0	100.0	115,879	100.0	118,724

Reconciliation of unfunded/funded status to Balance Sheet

	31/03/2014 £000's Unfunded	31/03/2014 £000's Funded	31/03/2013 £000's Unfunded	31/03/2013 £000's Funded
Fair Value of assets	-	115,879	-	117,444
Present value of unfunded/ funded defined benefit obligation	13,687	165,465	14,418	166,552
Funded status	-	(49,586)		(49,108)
Impact of minimum funding requirement /asset ceiling	-	-	-	-
Asset/(liability) recognised on the balance sheet	(13,687)	(49,586)	(14,418)	(49,108)

Reconciliation of present value of scheme liabilities

	31/03/2014 £'000 Unfunded	31/03/2014 £'000 All Benefits	31/03/2013 £'000 Unfunded	31/03/2013 £'000 All Benefits
1 April	14,418	180,970	14,652	174,529
Current service cost	-	1,907	-	1,537
Interest Expense	566	7,389	645	7,818
Member Contributions	-	590	-	456
Actuarial (gains)/loss - financial assumption	(216)	(2,974)	431	5,882
Actuarial (gains)/loss - Demographic assumption	464	406	-	-
Actuarial (gains)/loss - experience	(292)	400	(27)	(2)
Net benefits paid out	(1,253)	(9,544)	(1,283)	(9,297)
Past service cost (inc. curtailments)	-	8	-	47
Net increase in liabilities from disposals/acquisitions	-	-	-	-
Settlements	-	-	-	-
31 March	13,687	179,152	14,418	180,970

Reconciliation of fair value of scheme assets

	£'000 31/03/2014 Unfunded	£'000 31/03/2014 All Benefits	£'000 31/03/2013 Unfunded	£'000 31/03/2013 All Benefits
1 April	-	117,444	-	108,272
Interest income on scheme assets	-	4,815	-	4,853
Remeasurement of gains/(loss) on asset	-	(741)	-	9,911
Contributions paid by employer	1,253	3,315	1,283	3,249
Member Contributions	-	590	-	456
Benefits paid	(1,253)	(9,544)	(1,283)	(9,297)
31 March	-	115,879	-	117,444

Actual return on assets

	31/03/2014 £000's	31/03/2013 £000's
Interest income on assets	4,815	4,853
Remeasurement gain/(loss) on assets	(741)	9,911
Actual return on assets	4,074	14,764

The amounts recognised in the Comprehensive Income and Expenditure Statement

Cost of Service	31/03/2014 £'000	31/03/2013 £'000
Current Service Cost	1,907	1,537
Past Service Cost	8	47
Curtailments or settlements	-	-
Financing Investment Income and Expenditure		
Interest on net defined benefit liability	2,574	2,965
Total pension cost recognised	4,489	4,549

Remeasurements in Other Comprehensive Income and Expenditure

Return on plan assets (in excess)/below that recognised in net interest	741	(9,911)
Actuarial gains/losses due to change in Financial assumption	(2,974)	5882
Actuarial gains/losses due to change in Demograghic assumpt.	406	-
Actuarial gains/losses due to liability experience	400	(2)
Total amount recognised in Other Comprehensive income	(1,427)	(4,031)
Total amount recognised	3,062	518

Sensitivity Analysis

The sensitivity analysis showing the impact of changing key actuarial assumptions on the present value of the funded defined benefit obligation as at 31 March 2014 and the projected service cost for the year ending 31 March 2015 is set out below. Only the assumptions mentioned are altered all other assumptions remain the same. There is no sensitivity for unfunded benefits on materiality grounds.

Funded LGPS benefits

Adjustment to discount rate	**+0.1%pa**	**-0.1%pa**
Present value of total obligation £000's	162,928	168,029
% change in present value of total obligation	-1.5%	1.5%
Projected service cost £000's	1,738	1,845
Approximate % change in projected service cost	-2.9%	3.0%

Adjustment to rate of increase in salaries	**+0.1%pa**	**-0.1%pa**
Present value of total obligation £000's	165,854	165,072
% change in present value of total obligation	0.2%	-0.2%
Projected service cost £000's	1,790	1,790
Approximate % change in projected service cost	0.0%	0.0%

Adjustment to pension increase rate	**+0.1%pa**	**-0.1%pa**
Present value of total obligation £000's	167,583	163,420
% change in present value of total obligation	1.3%	-1.2%
Projected service cost £000's	1,846	1,736
Approximate % change in projected service cost	3.2%	-3.0%

Adjustment to mortality age rating assumption	**-1 year**	**+1 year**
Present value of total obligation £000's	170,440	160,479
% change in present value of total obligation	3.0%	-3.0%
Projected service cost £000's	1,846	1,735
Approximate % change in projected service cost	3.1%	-3.1%

Estimated Income and Expenditure /Surplus or deficit in future periods

This is an estimate of the charges to the estimated surplus or deficit on the income and expenditure /provision of services in future periods, based on the assumptions as at 31 March 2014 as set out above plus the additional assumption to reflect that the projected cost is based on benefits being earned under a Career Average scheme.

	31/03/2014	31/03/2013
	£'000	£'000
Rate of revaluation of pension accounts	2.3	n/a

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

	31/03/2015
	£'000
Projected service cost	1,790
Past Service cost	-
Interest on the net defined benefit liability/(asset)	2,026
	3,816

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

	31/03/2015
	£'000
Past Service cost	-
Interest on the net defined benefit liability/(asset)	549
	549

The revised IAS 19 has come into force for accounting periods beginning on or after 1 January 2013. Adoption of the revised IAS 19 increases the expenses recognised for funded benefits from £1.329M to £3.904M for the comparative year ended 31 March 2013. There is no effect on the Balance Sheet.

8. SURPLUS FOR THE YEAR ON PROVISION OF SERVICE

The Surplus for the year on provision of services is arrived at after taking account of these items:

		2013/14	2012/13
		£'000	£'000
(a) Depreciation and Other Asset Charges			
Charge for the Year (Note 12c,12d)		4,919	4,707
Less :			
Capital Grants Released (Note 18)		(4,593)	(4,374)
		326	333

The mismatch between the depreciation charge and capital grants released has arisen due to capital schemes not being fully grant funded in previous years.

		2013/14	2012/13
Profit/(Loss) on Disposal of fixed assets		1	1
(b) Auditor's Remuneration			
Audit Services	-Core audit	39	40
	-Grants	1	3
		40	43

	2013/14 £'000	2012/13 £'000
(c) Operating Lease Costs		
Lease Rentals - rail assets	3,003	1,962
- other related costs	349	346
Tendered Bus Contracts - Non -School	2,384	2,529
- Schools	5,135	4,980
	10,871	9,817
(d) Pension and Non-recurring Costs (see Note below)		
Pension Costs Relating to Former Employees	1,333	1,342
Other Non-recurring Items	214	45
	1,547	1,387
(e) Interest Receivable on Loans, Deposits and Other Debts	3	2
(f) Capital Schemes Charged to Revenue		
Capital scheme costs	55,097	45,429
Capital grant received and released in full	(55,097)	(45,429)
	-	-

Note: Pension and non-recurring costs includes expenditure on rail infrastructure projects and other capital schemes where the Executive has no ownership or disposal rights. The expenditure is funded by capital grants and these are fully released to the revenue account in the same year.

9. **TAXATION**

Corporation Tax @ 20% (20% 2012/2013) is charged on sundry interest received in the year. The liability for the year ended 31 March 2014 is £158.47 (£118.18 2012/13).

10. **RESULT FOR THE YEAR TRANSFERRED TO GENERAL FUND BALANCE**

The General Fund Balance Movement in Reserve Statement shows a break even position for the year 2013/14 (a break even position was reported in 2012/13).

11. **EXCEPTIONAL ITEMS**

There were no exceptional items in 2013/14 or 2012/13.

12. PROPERTY, PLANT & EQUIPMENT

(a) A revaluation of the Executive's On-Street Furniture was carried out by the Infrastructure Manager and approved by the Executive Board as internal experts. The revaluation was carried out as at 31 March 2008.

All On-Street Furniture was included in the revaluation. The basis of the valuation was depreciated replacement cost as these assets are deemed to be specialised. This resulted in an overall valuation of £16,212,823 which gave a loss on revaluation of £71,966. All the revalued amounts have been incorporated in the accounts for 2007/08.

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

A revaluation of the Executive's land and buildings was carried out by an MRICS qualified valuer of Lambert Smith Hampton, a firm of external Chartered Surveyors. The revaluation was carried out as at 31 March 2011 on an Existing Use Value (EUV), Market Value (MV) and Depreciated Replacement Cost (DRC) basis in accordance with IAS 16. This resulted in an overall valuation of £1,850,000 which gave a loss on revaluation of £201,000. A valuation of the Executive's Donated Asset at Hemsworth was undertaken at 31 March 2012 on a Fair Value basis resulting in a valuation of £81,000. An independent review of the Executive's non-infrastructure assets has been undertaken by an MRICS qualified valuer of Lambert Smith Hampton to provide assurance that there was no material change in the fair values at 31 March 2014. There were no material changes reported.

(b) **ASSETS HELD FOR SALE**

The Executive has identified an asset to be classified as held for sale in the form of an NGT land property which has been deemed to be surplus to requirements for the purposes of the NGT scheme. The sale has been agreed with the developer of Leeds Eastgate to acquire the land based on the Compulsory Purchase order compensation value paid by the Executive of £726,000. The asset was held in work -in- progress and valued at historical cost, this carrying value has been used to measure the assets value for classification as an asset held for sale .

	2013/14 £'000	2012/13 £'000
Balance Outstanding at start of the year	-	-
Assets newly classified held for sale	-	-
-Property plant and Equipment	726	-
-Disposal of Property plant and Equipment in year	-	-
Balance Outstanding at end of the year	726	-

12. **PROPERTY, PLANT AND EQUIPMENT**

c) The movements in the year 1 April 2012 to 31 March 2013 are :

	TOTAL	LAND AND BUILDINGS	INFRA-STRUCTURE ASSETS	DONATED ASSETS	VEHICLES OWNED	VEHICLES LEASED	EQUIPMENT OWNED	EQUIPMENT LEASED	PAYMENTS ON ACCOUNT AND ASSETS IN THE COURSE OF CONSTRUCTION
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
COST VALUATION									
At 1 April 2012	130,127	1,841	71,541	1,013	21,121	8	19,701	54	14,848
Additions	1,847	-	321	-	-	-	49	-	1,477
Transfer from payments on assets in course of construction	-	-	-	-	-	-	1,571	-	(1,571)
Disposals	(7)	-	-	-	(7)	-	-	-	-
Revaluation Adjustments	-	-	-	-	-	-	-	-	-
Reclassification adjustments	-	-	-	-	-	-	-	-	-
W/Off to Revenue	-	-	-	-	-	-	-	-	-
Transfer Assets held for sale	-	-	-	-	-	-	-	-	-
At 31 March 2013	131,967	1,841	71,862	1,013	21,114	8	21,321	54	14,754
ACCUMULATED DEPRECIATION									
At 1 April 2012	46,814	27	17,580	532	9,909	8	18,704	54	-
Charge for the year (Note8(a))	4,707	27	2,386	47	1,655	-	592	-	-
Disposals	(7)	-	-	-	(7)	-	-	-	-
Revaluation Adjustments	-	-	-	-	-	-	-	-	-
Reclassification adjustments	-	-	-	-	-	-	-	-	-
Transfer Assets held for Sale	-	-	-	-	-	-	-	-	-
At 31 March 2013	51,514	54	19,966	579	11,557	8	19,296	54	-
NET BOOK VALUES									
1 April 2013	80,453	1,787	51,896	434	9,557	-	2,025	-	14,754
1 April 2012	83,313	1,814	53,961	481	11,212	-	997	-	14,848

12. **PROPERTY, PLANT AND EQUIPMENT**

d) The movements in the year 1 April 2013 to 31 March 2014 are :

	TOTAL	LAND AND BUILDINGS	INFRA-STRUCTURE ASSETS	DONATED ASSETS	ASSET HELD FOR SALE	VEHICLES OWNED	VEHICLES LEASED	EQUIPMENT OWNED	EQUIPMENT LEASED	PAYMENTS ON ACCOUNT AND ASSETS IN THE COURSE OF CONSTRUCTION
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
COST VALUATION										
At 1 April 2013	131,967	1,841	71,862	1,013	-	21,114	8	21,321	54	14,754
Additions	3,009	-	296	-		1,154	-	156	-	1,403
Transfer from payments on assets in course of construction	-	-	-	-	-	-	-	590	-	(590)
Disposals	(10)	-	-	-	-	(10)	-	-	-	-
Revaluation Adjustments	(1,025)	-	(1,025)	-	-	-	-	-	-	-
Reclassification adjustments	-	-	-	-	726	-	-	-	-	(726)
W/Off to Revenue	(444)	-	-	-	-	-	-	-	-	(444)
Transfer Assets held for sale	-	-	-	-	-	-	-	-	-	-
At 31 March 2014	133,497	1,841	71,133	1,013	726	22,258	8	22,067	54	14,397
ACCUMULATED DEPRECIATION										
At 1 April 2013	51,514	54	19,966	579	-	11,557	8	19,296	54	-
Charge for the year (Note8(a))	4,919	27	2,408	48	-	1,545	-	891	-	-
Disposals	(10)	-		-	-	(10)	-	-	-	-
Revaluation Adjustments	(1,025)	-	(1,025)	-	-	-	-	-	-	-
Reclassification adjustments	-	-	-	-	-	-	-	-	-	-
Transfer Assets held for Sale	-	-	-	-	-	-	-	-	-	-
At 31 March 2014	55,398	81	21,349	627	-	13,092	8	20,187	54	-
NET BOOK VALUES										
1 April 2014	78,099	1,760	49,784	386	726	9,166	-	1,880	-	14,397
1 April 2013	80,453	1,787	51,896	434	-	9,557	-	2,025	-	14,754

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(e) **DONATED ASSET 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 Asset Account until such time as the conditions have been met. The Executive's leased bus stations (finance leases on-balance sheet) meet the criteria of Donated Assets with conditions attached, as failure to fulfil the conditions on an on-going basis would result in the assets being returned to the relevant councils. These assets were received at little or no cost but are recognised on the balance sheet at fair value to reflect the true benefit of these assets with a corresponding reserve created in the form of a Donated Asset Account . After initial recognition Donated Assets are categorised as Infra-structure Assets and are valued at historical cost.

Donated Asset Account	2013/14	2012/13
	£'000	£'000
Balance B/fwd 1 April	668	668
Donated Assets with conditions applied	-	-
Balance C/fwd 31 March	668	668

13. **TRADE AND OTHER RECEIVABLES**

	2013/14	2012/13
	£'000	£'000
(a) Amounts receivable Within One Year		
Central Government	1,586	365
Other Local Authorities	4,191	2,747
Bodies external to General Government	4,860	5,914
	10,637	9,026

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.

	2013/14	2012/13
	£'000	£'000
(b) Other Local Authority - West Yorkshire ITA	1,036	2,903
	1,036	2,903

14. **CASH & CASH EQUIVALENTS**

	2013/14	2012/13
	£'000	£'000
Bank Current Accounts	4,208	956
	4,208	956

Cash balances include £625k (2012/13: £119k) held on behalf of third parties. The liability to repay these amounts is included under creditors.

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

15. **TRADE AND OTHER PAYABLES**

	2013/14 £'000	2012/13 £'000
Central Government	203	4
Other Local Authorities	4,309	2,694
Bodies external to General Government	10,586	7,503
	15,098	10,201

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.

DEFERRED INCOME	2013/14 £'000	2012/13 £'000
Central Government	416	1,102
Other Local authorities	-	214
Bodies external to General Government	143	141
	559	1,457

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

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

16. **FINANCIAL INSTRUMENTS**

Financial liabilities, financial assets represented by 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 .

	Carrying Amount 2013/14 £'000	Fair value 2013/14 £'000	Carrying Amount 2012/13 £'000	Fair value 2012/13 £'000
Financial Assets:				
Current trade debtors	10,637	10,637	9,026	9,026
Amounts receivable from WYITA	1,036	1,036	2,903	2,903
Cash and cash equivalents	4,208	4,208	956	956
	15,881	15,881	12,885	12,885
Financial Liabilities:				
Short term creditors	15,657	15,657	11,658	11,658

The Executive's policies with regards to financial instruments are in accordance with IAS 39 and IFRS 7. A financial instrument is any contract which gives rise to a financial asset in one entity and a financial liability in the other. The Executive has considered its balance sheet carrying values of financial instruments which are a reasonable approximation to fair value. 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.

Management of risks arising from financial instruments
There are a number of risks associated with financial instruments which the Executive is necessarily exposed to. However the Executive 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 Executive on short term deposits and trade receivables may not be received. Almost all of the Executive's short term deposits 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 Treasury Management Policy. The effect of this policy is to restrict as far as is practicable the Executive's exposure to risk from the failure of a financial institution by ensuring transactions are only undertaken with bank counter-parties who have suitable credit agency ratings. Almost all the Executive's material trade receivables are with recognised, creditworthy third parties which restricts as far is practicable the Executive's exposure to risk of loss. There is no further credit risk provision required in excess of the normal provision for doubtful receivables.

Liquidity risk is the risk that the Executive may not have sufficient cash available to meet its day to day payment obligations. The Executive's daily cashflow requirements are satisfied by the Authority ensuring the Executive meets these payment obligations. The Executive has overdraft facilities in place to provide flexibility across the key current accounts and these are renewable annually. The ITA is able to meet the Executive's cashflow requirements by first drawing down from the Business Reserve account or where necessary undertaking short term borrowing through PWLB or commercial counter-parties. These arrangements provide the appropriate level of finance to support the Executive's current and future requirements.

FINANCIAL INSTRUMENTS Continued

Interest rate risk is the risk that future cashflows of a financial instrument will fluctuate because of changes in market interest rates. The Executive's exposure to interest rate risk arises on floating rate short term deposits. The impact on the Executive of a change is minimal as larger deposits are held on the Executive's behalf by the Authority with short term overnight deposits held within the Executive kept to a minimum. All Long term borrowing is undertaken by the Authority and is largely on fixed term rates again reducing interest rate risk.

The Executive is not exposed to any material currency risk.

17. 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:-

	Other	Restructuring	Total
At 31 March 2013	133	-	133
Arising during year	18	-	18
Utilised in year	-	-	-
At 31 March 2014	151	-	151

The Executive as at 31 March 2014 has provided for liabilities relating to the now insolvent company Mutual Municipal Insurance (MMI) Ltd representing the potential clawback of claims made by the Executive in previous years. There were no further provisions for organisational restructure at 31 March 2014 as specified in IAS37. There were no environmental provisions at 31 March 2014.

18. DEFERRED CAPITAL GRANTS ACCOUNT

	2013/14 £'000	2012/13 £'000
Balance at the beginning of the Year	66,785	69,311
Grants Receivable in the Year : WYITA	49,784	46,811
Other	6,531	521
	56,315	47,332
Other funding sources	1,346	2,334
	124,446	118,977
Deduct: Annual Release to Revenue Account - set off against Depreciation Charge (Note 8a)	(4,593)	(4,374)
Release to revenue Account - set off loss on disposal of fixed asset		
Release against Project Schemes charged to Revenue direct REFCUS (see note below)	(55,097)	(45,429)
Transfer to NGT Reserve	-	(2,389)
Balance at the end of the Year	64,756	66,785

Notes

(a) The release against project schemes relates to certain capital scheme costs charged directly to the Revenue Account in the year and the grant equates fully to the scheme costs. (See Policy Note 1e and Note 8f). The capital grant release relating to REFCUS has been adjusted in the comprehensive income and expenditure account to be recognised as a provision of service item rather than an other comprehensive income item in the year ended 31 March 2014 and the prior year 31 March 2013.

19. **JOINT VENTURE**

At 31 March 2014 the Executive had the following Joint Venture :

Yorcard Ltd

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

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

After considering the materiality of the Joint Venture management have agreed not to consolidate Yorcard Ltd into the Executive's accounts after the Joint venture was formalised on 31 March 2010 . The performance and financial position of the Executive's share of Yorcard Ltd is disclosed below in accordance with IAS31 'Interests in Joint Ventures' :-

	2013/14	2012/13
	£'000	£'000
Turnover	686	644
Profit before Tax	19	-
Taxation	-	-
Profit after Tax	-	-
Fixed Assets	13	55
Current Assets	254	181
Liabilities due within 1yr	(247)	(173)
Liabilities due after 1yr or more	(13)	(55)
Net Assets	7	8

20. **REVALUATION RESERVE**

	2013/14	2012/13
	£'000	£'000
Balance at beginning of the year	10,425	10,425
Loss on revaluation	-	-
Balance at the end of the year	10,425	10,425

21. **NGT RESERVE**

	2013/14	2012/13
	£'000	£'000
Balance at beginning of the year	2,389	2,389
Movement in reserve	(1,346)	-
Balance at the end of year	1,043	2,389

The NGT reserve has been created as a usable reserve in order to ear-mark capital funding that is designated solely for the purpose of delivering the Leeds NGT scheme which received DfT programme entry in July 2012. The scheme reserve has been utilised in 2013/14 to fund capital expenditure on the NGT project to the value of £1,345,567 in accordance with the funding bid.

22. **FINANCIAL COMMITMENTS**

	2013/14	2012/13
	£'000	£'000
(a) Capital Commitments		
Contracted for but not Provided in the Accounts	82,030	13,533
Authorised but not Contracted For	998	716
	83,028	14,249

Capital Commitments Authorised but not contracted for have increased in 2013/14 reflecting the approval of large scale capital schemes in the year such as NGT Development of £25.3m , Rail Growth Package of £15.8m and Cycle City Ambition project £25.8m.

(b) Revenue Commitments - Operating Leases

At 31 March 2014 the Executive had outstanding commitments to meet future minimum lease payments under non-cancellable operating leases, falling due as follows:

		2013/14 £'000	2012/13 £'000
Rail Rolling Stock			
Minimum lease payments under operating leases recognised in the year :		3,003	1,962
	Within 1 year	-	1,924
	2 to 5 years	-	-
	Beyond 5 years	-	-
		-	1,924

The lease rentals beyond five years in respect of rail units are affected by variable interest rates. The above commitments are the basic annual rentals due each year within the terms of the lease agreements. The Executive however recovers all the lease rental costs from rail operators under the rail franchising agreements. As of 1st April 2014 the Executive will no longer have an obligation under these leases the train operating company taking direct responsibility under the Direct Award.

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

Bus Operator Payments - IFRIC 4		2013/14 £'000	2012/13 £'000
Minimum lease payments under operating leases recognised in the year :		2,384	2,529
	Within 1 year	1,838	2,013
	2 to 5 years	2,329	1,585
	Beyond 5 years	-	-
		4,167	3,598

The Executive has a number of contracts for the operation of Mybus school services that are operated as service concession agreements under IFRIC 12. The Executive awards the contract to operators to provide a service for the public, regulating the level of service, price and infra-structure provided. The school buses that form the infra-structure 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		2013/14 £'000	2012/13 £'000
Minimum lease payments under IFRIC 12 recognised in the year :		5,135	4,980
	Within 1 year	5,200	5,022
	Within 2-5 years	19,539	20,035
	Beyond 5 years	2,519	3,892
		27,258	28,949

23. CONTINGENT LIABILITIES

The Executive had a contingent liability at 31 March 2013 arising from possible claims relating to Supertram acquisitions. The liability continues at 31 March 2014 but it is not practical to disclose an estimate of the financial effect, amount and timing due to the uncertainty.

24. GOING CONCERN

The accounts of the Executive have been prepared on a going concern basis. While the West Yorkshire Combined Authority Order 2014 dissolves the Executive at 1st April 2014 it provides that all the assets, liabilities and functions of the Executive continue under the West Yorkshire Combined Authority . This is deemed to be a transfer of services under combinations of public sector bodies and therefore the presumption of going concern continues in accordance with the code.

25. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts were authorised for issue by the Director of Resources on 18 September 2014. There have been no adjustments to the financial statements for events after the balance sheet date.

Appendix 3

TREASURY MANAGEMENT STATEMENT 2014/15 AND REVIEW 2013/14

1. The following sets out the results of the West Yorkshire Integrated Transport Authority's borrowing and lending transactions in 2013/14 in accordance with the CIPFA Code of Practice "Treasury Management in Local Authorities" adopted by the Authority.

2. BORROWING AND INVESTMENT

			£m	£m
Total Loans outstanding at 1 April 2013				**78.5**
Less Loan Repayments				-1.0
New Loans acquired	PWLB EIP		0.0	
	LOBOs		0.0	0.0
Change in level of temporary loans				0.0
Loans outstanding at 31 March 2014				**77.5**

2.1 The schedule of the loans outstanding at 31 March 2014 is set out in the notes to the accounts and is shown in the annex at the end of this appendix.

2.2 The WYITA’s cash balances have been increasing in recent years due primarily to large grant payments for capital schemes being received in advance. These are therefore of a cashflow benefit but cannot be used to repay borrowing as they are not long term positions. Placing sums on deposit across a number of institutions both reduces exposure risk by ensuring there is not an over reliance on one bank and allows a higher return than leaving the money on overnight deposit. The WYITA’s regulations on placing money on deposit were therefore reviewed during the year and some changes approved regarding the duration of deposits. The quality of the counterparties with whom such deposits can be made has not been changed and remains restricted to those of a high calibre. This follows similar arrangements to those in place at Leeds City Council whose Treasury team assist in managing the WYITA funds.

2.3 At the year end WYITA had placed four sums totalling £27.5m on deposit with different counterparties, each for a year’s term but staggered to enable a review of cashflow to be made each quarter and each re-investment therefore reconsidered before being placed again.

This approach has worked well to date and has increased the interest income for the organisation.

3. COMMENT

3.1 2013/14 has seen a continuation of the overall situation from previous years, with interest rates remaining low. Bank base rate has continued at its record low of 0.5% and this has restricted opportunities to refinance loans and to place money on the market at competitive rates.

3.2 Regular advice was received about the financial market which was closely monitored on behalf of the WYITA by Leeds City Council. Application of the stringent treasury management policy assisted in ensuring that the WYITA's funds were held securely. The agreed policy is to seek to minimise the rate at which the WYITA borrows and refinance existing debt when it is advantageous to do so. There have been no such opportunities to do so in the last year and the biggest challenge has been to seek to make best use of increasing cash reserves. As set out in 2.3 above an opportunity to do this within the current investment criteria which are aimed at protecting balances and not maximising income has been achieved.

3.2 The money market is being constantly monitored to ensure that the WYITA's bank account is maintained with a minimum cash balance (nearly always below £1,000) with temporary borrowing and investments being used as appropriate. A special business reserve account has been used previously to ensure interest from overnight funds is maximised but in the current climate the available rate is neglible. Funds are being left in the current account where they attract an interest rate close to base rate. Longer term investments (subject to a maximum term and exposure) are made as required to secure better returns from surplus funds.

3.3 As can be seen from Appendix 2 the loan portfolio has only reduced during the year by £1m due to the instalment repayment of the EIP loan. This follows a reduction in the previous year also, due to all WYITA funding having been received as direct grant in recent years. Previously capital expenditure had been financed through borrowing. The WYITA therefore has no need to make further long term borrowing and is instead in a position where borrowings will need to reduce to meet the requirements of the prudential code.

3.4 This situation is now likely to change as the WYCA considers the implication of the funding received through the local growth deal for the West Yorkshire plus Transport Fund. It is highly likely that as an integral part of such a Fund borrowing will be required to assist in maximising the funding available and also to assist with cashflow of the infrastructure investment. The implications of this on the Treasury Management Policy will be considered and progress will be reported back to this Committee.

3.5 It has previously been reported to this Committee that the instability in the banking sector had led to increased difficulties in managing the Authority's exposure risk. Previously the Authority was able to choose to invest surplus funds in a wide range of British and overseas banks with very high credit ratings and which delivered a useful interest income stream. Since the start of 2009/10 the number of institutions meeting the necessary credit ratings had fallen significantly and within the UK the takeover of high street banks by other high street banks further reduced the scope available.

3.6 As well as it being difficult to place funds on the market the interest rates available have been extremely poor, reflecting the very low bank base rate. The policy that continued to be followed during the year was therefore to seek to repay loans if an appropriate opportunity was identified and fund any short term funding shortfall with a short term loan. This was not possible during the year, largely due to the low interest rates attached to the current loans and also due to the prevailing PWLB rates.

3.7 The average borrowing rate for the Authority continues to be at below 4.5%, well ahead of many local authorities.

3.8 As has been stated all rates continue to be constantly monitored to see if any further refinancing can be undertaken, either to take advantage of opportunities to reduce the Authority's exposure risk or to reprofile the debt to assist in making repayments in the coming years.

3.9 The prudential limits set in February are reviewed below.

4 TREASURY MANAGEMENT

4.1 All placement of funds during 2013/14 was undertaken by Leeds City Council in accordance with rules approved by the WYITA adopting the advice from the Chartered Institute of Public Finance and Accountancy (CIPFA). This ensured all investment decisions not merely sought the highest return but sought to ensure the safety of those funds and to limit the WYITA's exposure to any one organisation.

4.2 As stated above the WYITA's investments and cash position are monitored on a daily basis to ensure any available balances are promptly invested.

5 PRUDENTIAL BORROWING CODE

5.1 The 2003 Local Government Act requires local authorities to have regard to the prudential code. Under this code Members approve a treasury management policy and review the prudential indicators for the year.

5.2 Members at the WYITA budget meeting in February 2014 took the appropriate decisions for 2014/15. The WYCA re-endorsed these at its first meeting on 1 April. Any changes to the capital programme or changes as a result of the WY+TF will be considered to ensure there is no resultant requirement to amend the prudential indicators. Members can, having regard to changing circumstances, approve amendments during the year. This may become necessary as the creation of the West Yorkshire Transport Fund progresses.

5.3 It is therefore recommended that the following decisions, as taken in February 2014, are endorsed:

5.4.1 That the treasury management policy shall be:

5.4.1.1 That the WYCA adopts the CIPFA code of practice for Treasury Management in the Public Sector.

5.4.1.2 To operate the financing on a short term basis to minimise both investments and income to avoid taking out expensive loans and re-lending them at a lower rate of interest.

5.4.1.3 That there shall be no long term investments for a term of greater than one year;

5.4.1.4 To utilise the expertise of the treasury management team in Leeds City Council for future years.

5.4.1.5 To use the following rules for short term investments:-

5.4.1.5.1 the investments shall be determined by the Chief Financial Officer.

5.4.1.5.2 the Chief Financial Officer shall determine the amounts and periods.

5.4.1.5.3 the procedural document as approved for their Treasury Management Division by Leeds City Council shall be adopted in relation to the authority's short-term investments encompassing the council's list of approved financial organisations and the maximum lending limits per organisation, as specified in that document from time to time.

5.4.1.5.4 no investment will be for a period exceeding one year, other than as set out in 5.4.1.3

5.4.1.5.5 with the exception of an emergency overnight facility, there shall be no cross investments with Leeds City Council.

5.4.1.6 To restrict all additional borrowing to meet capital expenditure to the level of specific approvals issued by the government.

5.4.2 That as there have been insufficient changes to alter the predictions the prudential limits for the current year be reiterated as set out below:-

5.4.2.1 operational boundary for 2014/15 – £91.95m

5.4.2.2 authorised limit for 2014/15 - £101.95m

5.4.2.3 maturity loan structure as shown

5.4.2.4 a variable rate loan limit of 40%

5.4.2.5 a fixed loan limit of 100%

West Yorkshire Integrated Transport Authority

Capital Funding 2012/13	Authority	Executive	Total
	£	£	£
Gross Expenditure		57,660,860	57,660,860
Financed from:			
Loan from PWLB/LOBO	-		-
Less EIB/PWLB Repayments	-1,000,000		-1,000,000
Internal Borrowing	-47,066		-47,066
Provision for Credit Liabilities	3,831,000		3,831,000
Authority grant to Executive	-49,784,262	49,784,262	-
Grants receivable	44,829,000		44,829,000
Other External Grants	1,366,328	6,530,941	7,897,269
Use of internal resources	805,000	1,345,657	2,150,657
	0	57,660,860	57,660,860
Utilised for:			
External Borrowing		-1,000,000	
Internal Borrowing		-47,066	
Use of Credit Liabilities Fund		3,831,000	2,783,934

AUTHORITY LOANS STATEMENT 2013/14

Type of Loan		Maturity Date	Interest Rate	Amount	
			%	£M	£M
Existing Loans					
Maturity	(LOBO)	18.04.76	4.300	5.000	
Maturity	(LOBO)	27.10.66	3.990	5.000	
Maturity	(LOBO)	31.05.65	3.970	5.000	
Maturity	(LOBO)	24.08.65	3.800	5.000	
Maturity	(LOBO)	04.05.77	4.320	5.000	25.000
Maturity	(PWLB)	15.01.52	4.400	5.000	
Maturity	(PWLB)	15.07.54	4.400	8.000	
Maturity	(PWLB)	02.06.53	4.400	8.000	
Maturity	(PWLB)	15.01.56	3.700	5.000	
Maturity	(PWLB)	18.04.57	4.550	8.000	
Maturity	(PWLB)	27.04.55	4.550	6.000	
Maturity	(PWLB)	25.04.56	4.550	6.000	
Maturity	(PWLB)	10.06.52	4.550	4.000	
					50.000
Maturity	(EIP)	17.6.2017	2.810	2.500	
					2.500
Temporary loans over the year end					0.000
		LOANS OUTSTANDING 31st MARCH 2014			77.500

Appendix 4

West Yorkshire Integrated Transport Authority

Actual Capital Expenditure 2013/14	Amount £	£
Bus Related Schemes		
Castleford Interchange	489,217	
Miscellaneous smaller schemes/adjustments	77,716	
Transport hubs	68,870	
Reversing aides/health and safety works	722,773	
Clean bus technology	1,163,480	
Traffic Light Priority	184,958	
Bus shelter replacements/improvements	270,238	2,977,252
Rail Related Schemes		
Advance works on stations	743,646	
Rail devolution	357,777	
Wakefield Kirkgate	160,610	
Customer information screens at rail stations	120,000	
Rail studies	183,911	
Rail station carparks	527,411	2,093,355
Other Schemes		
NGT	5,966,141	
Leeds Station Southern Entrance	1,894,588	
Cycle City Ambition Grant	857,647	
Quality contracts	146,733	
ICT upgrades and enhancements	96,571	
West Yorkshire Transport Fund	2,034,940	
Yorcard	279,554	
Electric vehicle charging points	5,000	
Telematics	-20,787	
CARE North	3,196	
Local Sustainable Transport Fund	732,161	
Smart transactions and information	693,312	
LTP3 Development	86,197	
LTP3 partner payments	39,815,000	
		52,590,253
		57,660,860

WEST YORKSHIRE COMBINED AUTHORITY

West Yorkshire Integrated Transport Authority

Final Report to the West Yorkshire Combined Authority Governance and Audit Committee

31 March 2014

the Distinctive audit

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West Yorkshire Combined Authority
Wellington House
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18 July 2014

Dear Sirs,

We have pleasure in setting out in this document our report to the Governance and Audit Committee of the West Yorkshire Combined Authority with regard to the West Yorkshire Integrated Transport Authority for the year ended 31st March 2014. This report covers the principal matters that have arisen from our audit for the year ended 31st March 2014.

In summary:

- Work is continuing on some aspects of our underlying audit work and the outstanding areas which remain are detailed in our report. We will be in attendance at the Committee meeting on 29 July 2014 and will present an updated final report on our audit at that time.
- There are a number of judgemental areas to which we draw your attention in our report which you should consider carefully.
- In the absence of unforeseen difficulties, management and we expect to meet the agreed audit and financial reporting timetable.

We would like to take this opportunity to thank the management team for their assistance and co-operation during the course of our audit work.

Chris Powell

Chris Powell

Senior Statutory Auditor

Contents

A reminder of our audit plan:

- We determined materiality as £2.1m and a reporting threshold of £104k
- We identified 5 significant risks in our Audit Plan and have not made any changes from the scope set out in the Audit Plan.
- A controls based audit approach has not been considered appropriate for the current year, instead we have taken a substantive approach to testing the financial statements.

The big picture

The Big Picture

We anticipate issuing an unmodified audit opinion upon completion of our work.

Audit work

- We have discussed our initial comments on the draft financial statements with management.
- From our audit work on the financial statements we have not identified any material misstatements or significant deficiencies in internal controls at the Integrated Transport Authority, a small number of disclosure deficiencies have been identified which we understand will be corrected by management.
- We have undertaken a risk assessment in line with the Audit Commission guidance on assessing the delivery of Value for Money and have concluded that there are no specific risks to the delivery of Value for Money.
- A representation letter will be circulated separately for consideration by management.
- From our work undertaken so far we expect to issue an unmodified opinion in line with your specified deadlines.

We have the following principal matters to complete:

- Our Whole of Government Accounts work;
- Review of our in house pension and property specialist reports;
- Receipt of the investment confirmation letters;
- Confirmation from Mazars on the West Yorkshire Pension Fund asset values
- Completion of disclosure testing;
- Review of revised financial statements and consolidation of the group accounts;
- Final review and close down procedures;
- Subsequent events review; and
- Receipt of letter of representation.

Significant audit risks

This section explains the nature of significant risks, how these risks have been addressed by our audit work and our conclusions. We also explain related presentational and/ or disclosure matters within the financial statements.

Summary of significant audit risks

Key areas of judgement focused upon during the audit

Description of the risk	← Acceptable Range →	Findings
Revenue recognition	Overly Cautious and/or likely to future credit ✓ ✓ Overly Optimistic and/or likely to future debit	G
Management Estimates	Overly Cautious and/or likely to future credit ✓ ✓ Overly Optimistic and/or likely to future debit	G

✓ Current Year Assessment ✓ Previous Year Assessment

- G No issues noted
- A Adjustment identified
- R Material unresolved matter
- ✓ Included in the audit report

Deloitte view

In our view, management have prepared financial statements which demonstrate fair and balanced judgement. Our independent assessment of these judgements is outlined in this section

1. Revenue Recognition

Revenue recognition is consistent with the Code.

Nature of risk

ISA 240 states that when identifying and assessing the risks of material misstatement due to fraud, the auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate which types of revenue, revenue transaction or assertions give rise to such risks.

The key judgement area, its impact on the financial statements and our audit challenge

The key judgment relating to grant income is the timing at which revenue is recognised with reference to the relevant standards, including IAS 20: *"Accounting for* Government *Grants and Disclosure of Government Assistance"*. It can be complicated to determine the timing of the recognition of the grant income revenue, and require management's judgment to determine that there is reasonable assurance that the entity will comply with the conditions attached to them and that the grants will be received.

Audit work completed to address the significant risk

We have reviewed the process for grant income recognition and performed design and implementation work on the controls management have in place to ensure that income is captured and reported appropriately.

We have tested a sample of grants to receipt and reviewed the recognition of the grant against any attached conditions.

Conclusion on revenue recognition risk

We conclude that revenue has been recognised appropriately in the financial statements for the year ended 31 March 2014. Management have sufficient controls in place to ensure that income is not materially misstated and that it is reported in line with the required standards.

Deloitte view

We do not consider there to be evidence of management bias in the revenue recognition policies adopted.

The revenue recognition policies are in line with other Local Government entities and the CIPFA Code.

2. Management override of controls

Assessment of management estimates for bias or fraud

Nature of risk

International Standards on Auditing requires auditors to identify a presumed risk of management override of control. This presumed risk cannot be rebutted by the auditor. This recognises that management may be able to override controls that are in place to present inaccurate or even fraudulent financial reports.

The significant risk in relation to management override, its impact on the financial statements and our audit challenge

Management is in a unique position to perpetrate fraud because of the ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Management may override controls through:

- recording fictitious journal entries;
- applying inappropriate judgment;
- omitting, advancing, or delaying recognition of events and transactions;
- engaging in complex transactions that are structured to misrepresent financial position or financial performance;
- omitting disclosure of related parties and transactions; and
- altering records related to significant and unusual transactions.

Audit work completed to address the significant risk

We have performed the following audit procedures:

- We have reviewed the processes and performed design and implementation work on the controls management have in place;
- Used our 'Audit Analytics' software to test a risk focused sample of journals to ensure the appropriateness of journal entries;
- We have reviewed accounting estimates for evidence of bias; and
- Reviewed the business rationale of significant transactions that are outside the normal course of business for the Authority.

Deloitte view

From our testing of a risk based sample of journals and review of Committee minutes, we do not consider management's estimates to be unreasonable and nor have we identified any evidence of bias.

3. Valuation of non current assets

This is a key accounting estimate, which can result in large movements within the accounts.

Nature of risk

There has been a clarification of the Code of Practice for 2013/14, the Authority is required to revalue property, plant and equipment with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

The key judgement areas, its impact on the financial statements and our audit challenge

We have identified a related audit risk arising because:

- changes in the economic environment and volatility in the property markets, the assets being valued can be subject to material changes in value and there is a risk that these changes are not appropriately recorded in the financial statements; and
- valuations are by nature significant estimates which are based on assumptions made by management and specialists engaged by management.

We understand that the Authority engaged MRICS qualified valuer Lambert Smith Hampton to undertake a revaluation exercise of land and buildings as at 31 March 2011 on an Existing Use Value, Market Value and Depreciated Replacement Cost value in accordance with the Code of Practice.

We understand that the Authority undertook an internal impairment review of non-current assets in 2011/12 and 2012/13 which resulted in no revaluation adjustment.

We understand that in the current year the Authority engaged MRICS qualified valuer Lambert Smith Hampton to undertake a desktop review exercise of non-infrastructure land and buildings as at 31 March 2014.

Audit work completed to address the significant risk

Our internal property team are in the process of assessing the skills, qualifications, resources of the valuer, the scope and basis of the instructions to the valuer and the valuation methodology, including assumptions and changes to assumptions since the last valuation. Based on our previous experience this is unlikely to raise any significant issues.

We have also discussed the process with management to understand how the work of the valuers is scoped by the Authority and are satisfied that the process is both robust and well established.

We will confirm that the disclosures included in the financial statements are in line with the requirements of the Code and our understanding.

Deloitte view

Our work in relation to the valuation of non current assets is not yet completed. We will update you verbally at the Committee meeting on the final results of our audit procedures.

4. Capital Developments

The level of planned fixed asset movements over 2013/14, is expected to involve considerable accounting estimates and management judgment.

Nature of risk

The Executive is committed to undertaking a significant level of capital investment over the period of the West Yorkshire Local Transport Plan 2011-2026 ("the LTP"). The impact of this on the Authority is a potential increase in borrowing to fund the group's capital programmes. As at 31 March 2014 the Authority's long term borrowing was £78.5m (2013 £79.5m)

The key judgement areas and their potential impact on the financial statements

The key audit risk is considered to arise in relation to compliance with the Prudential Code for Capital Finance in Local Authorities ("the Prudential Code"), including both the value of the borrowing and the passing through of the borrowing to the Executive.

We acknowledge that long-term borrowing is anticipated to decrease in future as capital expenditure is met from grants for capital rather than borrowings.

Audit work completed to address the significant risk

We have liaised with management to confirm the nature of the borrowing, calculation of borrowing limits, processes for passing on borrowed funds to the Executive for capital programmes and performed design and implementation work on the controls that management have in place.

We have obtained third party confirmation of the outstanding loan balances.

Deloitte view

From our testing we do not consider management's valuation of the loan balances as unreasonable and have not identified any non-compliance with the Prudential Code.

5. Pension accounting and disclosure

Our work is not yet complete in relation to the pension.

Nature of risk

The key audit risk for pensions concerns the valuation of the defined benefit schemes in line with IAS 19: *"Retirement Benefits"*, including assessment of the reasonableness of assumptions used such as for discount rates, mortality assumptions and inflation

Key facts and assumptions

The Authority is a member of the West Yorkshire Pension Fund

Pensions movements recognised in the income statement for the year ended 31 March 2014 include:

- Current and past service cost £0.03m
- Pension interest cost and expected return on assets £0.02m
- Actuarial gain on pensions assets and liabilities £0.08m

During the prior year, the total deficit arising from the scheme increased from £0.51 million to £0.62 million as below:

Present value of scheme liabilities: (£1.84m)

Market value of assets: £1.22m

The key judgments here are the assumptions made by the actuary which affect the valuation of the pension assets and liabilities.

Audit work completed to address the significant risk

We have reviewed the processes and performed design and implementation work on the controls management have in place;

Our consultation with our own in-house actuaries to determine whether the assumptions used by the actuary, in valuing the Executive's share of the assets and liabilities of the West Yorkshire Pension Fund, are reasonable and within expected ranges is ongoing.

We will confirm that the disclosures included in the financial statements are in line with the requirements of the Code and our understanding.

We have requested independent verification of the value of the investments held in the scheme in accordance with the Audit Commission's protocol.

Deloitte view

Our work in relation to Pension accounting and disclosure is not yet completed. We will update you verbally at the Committee meeting on the final results of our audit procedures.

Value for money and the Annual Governance Statement

Value for Money Conclusion and the Annual Governance Statement

Requirement

Under the Audit Commission Code of Audit practice, as appointed auditors, we are required to draw a conclusion regarding the ITA's arrangements to secure economy, efficiency and effectiveness of its use of resources (the Value For Money (VFM) conclusion). As was the case in previous years there are no specific criteria and we will meet our VFM duty by addressing the areas of focus determined by the Commission as set out below.

In respect of the Annual Governance Statement we are required to review the statement for compliance with the prescribed format and content and to report where the Statement is inconsistent with our understanding of the ITA.

Area of Focus

In reaching our value for money conclusion our work is focused around:

- reviewing the annual governance statement;
- reviewing the results of the work of other relevant regulatory bodies or inspectorates, to consider whether there is any impact on the auditors responsibilities at the audited body; and
- undertaking other local risk-based work as appropriate, or any work mandated by the Commission.

Audit work completed

Value for Money

We completed our risk assessment and concluded that there were no specific risks to the Value for Money conclusion for 2013/14 and, as a consequence, have not undertaken any locally determined risk based work.

We have considered the results of our work on the Annual Governance Statement, the results of our audit work, the findings of internal audit and concluded that there are no specific risks or issues to prevent us drawing a positive conclusion on the delivery of value for money.

Value for Money Conclusion and the Annual Governance Statement (continued)

Annual Governance Statement

We have performed the following work in relation to the Annual Governance Statement (AGS):

- ensured that it complies with the requirements as set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14.
- reviewed the Governance Statement to confirm that it is consistent with internal audit reports, Board minutes, the Internal Audit Annual Report and Opinion and our work on the financial statements.

Deloitte view

There remain a small number of outstanding items to resolve however we do not anticipate issuing a qualification in respect of our VFM conclusion.
We are satisfied that the Annual Governance statement is consistent with the prescribed format and our understanding of the ITA.

In this section we set out our comments regarding your internal control and risk management processes. We communicate any significant deficiencies in the internal control environment to the Governance and Audit Committee.

Insight - Internal control and risk management

Internal control and risk management

We highlight a number of observations from our audit procedures

We are required to provide a view, based on our audit procedures, on the effectiveness of your system of internal control relevant to risks that may affect financial reporting; and other risks arising from the entity's business model and the effectiveness of related internal controls.

Significant Risk	Internal Controls	Current position
Fraudulent manipulation of revenue recognition	• Regular finance report to the Authority. • Grant documentation reviewed for conditions and retained on file to ensure release is inline with conditions. • Annual levy allocation provided by the ITA with regular drawdowns. • Treasury management service provided by Leeds City Council.	G
Management override of controls	• Regular financial reporting to the Authority including progress against budget. • Budget holders responsible for monitoring progress against budget. • Manual approval processfor journals with journals posted by the finance team reviewed by Tom Edwards and Tom's reviewed by Angela Taylor.	G
Valuation of non current assets	• Annual capital expenditure programme approved by the Authority and Exceutive. • Authorisation limits and standard forms used for additions and disposals. • Valuations are performed by external, independent valuers.	G
Capital Developments	• Treasury management service provided by Leeds City Council. • Standardised process for calcualtion and recording of transactions.	G
Pension Accounting and Disclosure	• Nominated officer is responsible for notifying the actuary of the required scope of work and reviewing the results. • Pension disclosures are prepared by an external, independent actuary.	G

G No issues noted   A Acceptable but could be improved   R Requires significant improvement

Liaison with internal audit

The audit team, following an assessment of the independence and competence of the internal audit department, reviewed the work of internal audit and adjusted our audit approach as deemed appropriate. We did not place direct reliance on the work of internal audit however the findings influence the formation of our views on the risk and accuracy of the Annual Governance Statement.

Responsibility Statement

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Governance and Audit Committee and the Authority discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA 260 to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Explanatory foreword
- Our views on the effectiveness of your system of internal control relevant to risks that may affect financial reporting.
- Other insights we have identified from our audit

What we don't report

- As you will be aware, our audit was not designed to identify all matters that may be relevant to the Authority.
- Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.
- Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements.

The scope of our work

- Our observations are developed in the context of our audit of the financial statements.
- We described the scope of our work in our audit plan dated 30 April 2014 and the supplementary "Briefing on audit matters" which was circulated as an appendix to the Audit Plan.

We welcome the opportunity to discuss our report with you and receive your feedback.

Deloitte LLP

Deloitte LLP

Chartered Accountants

Leeds

18 July 2014

This report has been prepared for the Authority, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

Appendices

Appendix 1: Audit adjustments

Unadjusted misstatements detail

Uncorrected misstatements

There are no uncorrected misstatements to report at this stage however our work remains ongoing. From our work to date we have identified a small number of immaterial disclosure deficiencies in the financial statements which have been discussed with management and we understand they are intending to correct these within the final version of the financial statements. We will confirm these have been corrected as part of our final review of the financial statements.

Appendix 2: Fraud: responsibilities and representations

Required representations

We have asked the Members to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you are not aware of any fraud or suspected fraud that affects the entity or group.

Concerns

No concerns have been identified from whistle blowing procedures from the work noted above and our audit procedures.

Audit work performed

In our planning we identified the risk of fraud in revenue recognition and management override of controls as key audit risks for your organisation.

During course of our audit, we have had discussions with management and those charged with governance. We have made direct enquiries in relation to any fraud risk factors and instances of fraud during the year. Our testing of journals provides comfort over the risk of management override of controls which was raised as a fraud risk.

In addition, we have reviewed management's own documented procedures regarding the fraud and error in the financial statements.

We have reviewed the paper prepared by management for the Governance and Audit Committee on the process for identifying, evaluating and managing the system of internal financial control.

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

Appendix 3: Independence and fees

As part of our obligations under International Standards on Auditing (UK and Ireland), the Listing Rules and the Companies Act, we are required to report to you on the matters listed below:

Independence confirmation	We confirm that we comply with APB Ethical Standards for Auditors and that, in our professional judgement, we are independent and our objectivity is not compromised.
Fees	We have not provided any non-audit services in the period from 1 April 2013 to 31 March 2014
Non-audit services	In our opinion there are no inconsistencies between APB Ethical Standards for Auditors and the Authority's policy for the supply of non-audit services or of any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Relationships	There are no other relationships with West Yorkshire Integrated Transport Authority which would impact on our objectivity and independence.

The professional fees earned by Deloitte in the period from 1 April 2012 to 31 March 2014 are as follows:

	Current year £000	Prior year £000
Audit of West Yorkshire Integrated Transport Authority	24	24
Total	**24**	**24**

Appendix 4: Our approach to audit quality

Recognition of and further impetus for our quality agenda

Audit quality is our number one priority. We pride ourselves on our commitment to quality and our quality control procedures. We have an unyielding pursuit of quality in order to deliver consistent, objective and insightful assurance.

The Financial Reporting Council ("FRC") issues an Annual Report on Audit Quality Inspections, providing an overview of the activities of its Audit Quality Review ("AQR") team for the year.

"The firm places considerable emphasis on its overall systems of quality control and, in most areas, has appropriate policies and procedures in place for its size and the nature of its client base. Nevertheless, we have identified certain areas where improvements are required to those policies and procedures…

The firm took a number of steps in response to our prior year findings to achieve improvements in audit quality. This included enhanced guidance, technical communications and audit training on the recurring themes. However, issues continued to arise in some of these areas."

AQR Report on Deloitte for 2013/14

https://www.frc.org.uk/Our-Work/Publications/Audit-Quality-Review/Audit-Quality-Inspection-Report-May-2014-Deloitte.pdf

Deloitte response

- Our strategic objective is to execute high quality, distinctive audits.
- We adopt an open and communicative approach with the regulator and their contribution to audit quality is respected and supported at all levels of our firm.
- We consider that the AQR's report provides a balanced view of the focus and results of its inspections and its recognition of the emphasis we place on our overall systems of quality control is welcome.
- We value the regulator's inspection and comments, and the review performed by the AQR forms an important part of our overall inspection process.
- As part of our agenda of continuous improvement we have given careful consideration to each of the FRC's comments and recommendations. This has included investigation of the root causes of each finding. This has enabled us to develop, in conjunction with findings arising from our own quality review procedures, an effective response to the themes arising.
- Following the AQR review, we have implemented improvements to our audit procedures and our system of quality control.
- Deloitte's Audit Transparency Report provides further information regarding our approach to delivering quality and is available on our website: http://www.deloitte.com/view/en_GB/uk/about/annual-reports/index.htm

We will inform you if the AQR team selects your audit as part of their review for this year and will share its final report with you when it is complete.

Twelve of the audits reviewed by the AQR were performed to a good standard with limited improvements required and four audits required improvements. We were disappointed that one audit was assessed as requiring significant improvements in relation to the testing of the collective and individual loan loss provisions although this did not cause the AQR to doubt the validity of our audit opinion. The overall analysis of the AQR file reviews by grade for the last five years evidences that, among the largest firms, Deloitte remains at the forefront of audit quality with 67% of audits achieving the top grade from the AQR, the highest proportion amongst our peers.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Tel: +44 (0) 20 7936 3000 Fax: +44 (0) 20 7583 1198.

Appendix 6

WEST YORKSHIRE
COMBINED AUTHORITY

West Yorkshire Passenger Transport Executive

Final Report to the West Yorkshire Combined Authority Governance and Audit Committee

31 March 2014

the Distinctive audit

Deloitte.

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Governance and Audit Committee
West Yorkshire Combined Authority
Wellington House
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Leeds
LS1 2DE

18 July 2014

Dear Sirs,

We have pleasure in setting out in this document our report to the Governance and Audit Committee of the West Yorkshire Combined Authority with regard to the West Yorkshire Passenger Transport Executive for the year ended 31st March 2014. This report covers the principal matters that have arisen from our audit for the year ended 31st March 2014.

In summary:

- Work is continuing on some aspects of our underlying audit work and the outstanding areas which remain are detailed in our report. We will be in attendance at the Committee meeting on 29 July 2014 and will present an updated final report on our audit at that time.
- There are a number of judgemental areas to which we draw your attention in our report which you should consider carefully.
- In the absence of unforeseen difficulties, management and we expect to meet the agreed audit and financial reporting timetable.

We would like to take this opportunity to thank the management team for their assistance and co-operation during the course of our audit work.

Chris Powell

Chris Powell

Senior Statutory Auditor

Contents

A reminder of our audit plan:

- We determined materiality as £2.7m and a reporting threshold of £134k
- We identified 5 significant risks in our Audit Plan and have not made any changes from the scope set out in the Audit Plan.
- A controls based audit approach has not been considered appropriate for the current year, instead we have taken a substantive approach to testing the financial statements.

The big picture

The Big Picture

We anticipate issuing an unmodified audit opinion upon completion of our work.

Audit work

- We have discussed our initial comments on the draft financial statements with management.
- From our audit work on the financial statements we have not identified any material misstatements or significant deficiencies in internal controls at the Passenger Transport Executive, a small number of immaterial disclosure deficiencies have been identified which we understand will be corrected by managment.
- We have undertaken a risk assessment in line with the Audit Commission guidance on assessing the delivery of Value for Money and have concluded that there are no specific risks to the delivery of Value for Money.
- A representation letter will be circulated separately for consideration by management.
- From our work undertaken so far we expect to issue an unmodified opinion in line with your specified deadlines.

We have the following principal matters to complete:

- Review of our in house pension and property specialist reports;
- Confirmation from Mazars on the West Yorkshire Pension Fund asset values;
- Completion of disclosure testing;
- Review of revised financial statements;
- Final review and close down procedures;
- Subsequent events review; and
- Receipt of letter of representation.

Significant audit risks

This section explains the nature of significant risks, how these risks have been addressed by our audit work and our conclusions. We also explain related presentational and/ or disclosure matters within the financial statements.

Summary of significant audit risks

Key areas of judgement focused upon during the audit

Description of the risk	Overly Cautious and/or likely to future credit	← Acceptable Range →	Overly Optimistic and/or likely to future debit	Findings
Revenue recognition		✓ ✓		G
Management Estimates		✓ ✓		G

✓ Current Year Assessment ✓ Previous Year Assessment

- G No issues noted
- A Adjustment identified
- R Material unresolved matter
- ✓ Included in the audit report

Deloitte view

In our view, management have prepared financial statements which demonstrate fair and balanced judgement. Our independent assessment of these judgements is outlined in this section

1. Revenue Recognition

Revenue recognition is consistent with the Code.

Nature of risk

ISA 240 states that when identifying and assessing the risks of material misstatement due to fraud, the auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate which types of revenue, revenue transaction or assertions give rise to such risks.

The key judgement area, its impact on the financial statements and our audit challenge

Prepaid tickets:

The timing at which revenue is recognised requires judgment, there is also a risk that the robustness of such information from various sources including Post Offices, railway stations, corporate sales and travel centres may not lead to accurate recognition of revenue;

Concessions:

This is considered to be a more complex area of revenue recognition, guided by rules set by the Department for Transport ("DfT"); and

Grant income:

The key judgment relating to grant income is the timing at which revenue is recognised with reference to the relevant standards, including IAS 20: *"Accounting for Government Grants and Disclosure of Government Assistance"*. It can be complicated to determine the timing of the recognition of the grant income revenue, and require management's judgment to determine that there is reasonable assurance that the entity will comply with the conditions attached to them and that the grants will be received.

Audit work completed to address the significant risk

We have reviewed the systems in place for recognising prepaid ticket income and from the audit procedures undertaken we have not identified any instances of revenue being incorrectly recognised.

We have reviewed the Executive's application of DFT rules regarding concession income and have reperformed a sample of related calculations. No issues were noted from the samples tested.

We have also reviewed a breakdown of the sources of income for the Executive and concluded that the amounts recognised in the current year are in line with our expectation and the conditions of the grants.

Conclusion on revenue recognition risk

We conclude that revenue has been recognised appropriately in the financial statements for the year ended 31 March 2014. Management have sufficient controls in place to ensure that income is not materially misstated and that it is reported in line with the required standards.

Deloitte view

We do not consider there to be evidence of management bias in the revenue recognition policies adopted.

The revenue recognition policies are in line with other Local Government entities and the CIPFA Code.

2. Management override of controls

Assessment of management estimates for bias or fraud

Nature of risk

International Standards on Auditing requires auditors to identify a presumed risk of management override of control. This presumed risk cannot be rebutted by the auditor. This recognises that management may be able to override controls that are in place to present inaccurate or even fraudulent financial reports.

The significant risk in relation to management override, its impact on the financial statements and our audit challenge

Management is in a unique position to perpetrate fraud because of the ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Management may override controls through:

- recording fictitious journal entries;
- applying inappropriate judgment;
- omitting, advancing, or delaying recognition of events and transactions;
- engaging in complex transactions that are structured to misrepresent financial position or financial performance;
- omitting disclosure of related parties and transactions; and
- altering records related to significant and unusual transactions.

Audit work completed to address the significant risk

We have performed the following audit procedures:

- understood and evaluated the financial reporting process and the controls over journal entries and other adjustments made in the preparation of the financial statements, and Used our 'Audit Analytics' software to test a risk focused sample of journals to ensure the appropriateness of journal entries;
- reviewed accounting estimates for biases that could result in material misstatement due to fraud, including whether any differences between estimates best supported by evidence and those in the financial statements, even if individually reasonable, indicate a possible bias on the part of management;
- retrospectively reviewed management's judgements and assumptions relating to significant estimates reflected in last year's financial statements; and
- obtained an understanding of the business rationale of significant transactions that we become aware of that are outside the normal course of business or that otherwise appear to be unusual given our understanding of the organisation and its environment.

Deloitte view

From our testing of a risk based sample of journals and review of Committee minutes, we do not consider management's estimates to be unreasonable and nor have we identified any evidence of bias.

3. Valuation of non current assets

Our work is not yet complete in relation to the valuation of non current assets.

Nature of risk

There has been a clarification of the Code of Practice for 2013/14, the Authority is required to revalue property, plant and equipment with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

The key judgement areas, its impact on the financial statements and our audit challenge

We have identified a related audit risk arising because:

- changes in the economic environment and volatility in the property markets, the assets being valued can be subject to material changes in value and there is a risk that these changes are not appropriately recorded in the financial statements; and
- valuations are by nature significant estimates which are based on assumptions made by management and specialists engaged by management.

We understand that the Authority engaged MRICS qualified valuer Lambert Smith Hampton to undertake a revaluation exercise of land and buildings as at 31 March 2011 on an Existing Use Value, Market Value and Depreciated Replacement Cost value in accordance with the Code of Practice.

We understand that the Authority undertook an internal impairment review of non-current assets in 2011/12 and 2012/13 which resulted in no revaluation adjustment.

We understand that in the current year the Authority engaged MRICS qualified valuer Lambert Smith Hampton to undertake a desktop review exercise of non-infrastructure land and buildings as at 31 March 2014.

Audit work completed to address the significant risk

We have performed design and implementation work on the controls management have in place around the revaluation process.

Our internal property team are in the process of assessing the skills, qualifications, resources of the valuer, the scope and basis of the instructions to the valuer and the valuation methodology, including assumptions and changes to assumptions since the last valuation. Based on our previous experience this is unlikely to raise any significant issues.

We have also discussed the process with management to understand how the work of the valuers is scoped by the Executive and are satisfied that the process is both robust and well established.

Deloitte view

Our work in relation to the valuation of non current assets is not yet completed. We will update you verbally at the Committee meeting on the final results of our audit procedures.

4. Capital Developments

The level of planned fixed asset movements over 2013/14, is expected to involve considerable accounting estimates and management judgment.

Nature of risk

The Executive is committed to undertaking a significant level of capital investment over the period of the West Yorkshire Local Transport Plan 2011-2026 ("the LTP").

The key judgement areas and their potential impact on the financial statements

In addition to the LTP, we understand that plans have progressed with the New Generation Transport ("NGT") trolleybus scheme as well as with the West Yorkshire Transport Fund ("WYTF"). The government have approved £173.5 million to the NGT scheme pending the formal application process, with c. £13.7 million infrastructure land already on the Executive's balance sheet as at 31 March 2013.

The key audit risks are considered to arise in relation to:

- the identification and measurement of capital expenditure; and
- the release of capital grants in line with grant terms (expected to be the expected useful economic life of the underlying asset)

Audit work completed to address the significant risk

We have reviewed the processes and performed design and implementation work on the controls management have in place.

As part of our testing of capital assets we have considered the appropriateness of the capitalisation of additions. We have also considered the expenditure against capital grants and the appropriateness of the treatment of this as capital expenditure or Revenue Expenditure Funded from Capital Under Statute (REFCUS). We have also undertaken a review of the treatment of the infrastructure land already held. No issues were noted from our testing of these areas.

From our testing we noted no inappropriate capitalisations or inappropriate treatment as Revenue Expenditure Funded from Capital Under Statute (REFCUS).

Deloitte view

From our testing performed we have not identified any issues with the accounting for major capital projects.

5. Pension accounting and disclosure

Our work is not yet complete in relation to the pension.

Nature of risk

The key audit risk for pensions concerns the valuation of the defined benefit schemes in line with IAS 19: *"Retirement Benefits"*, including assessment of the reasonableness of assumptions used such as for discount rates, mortality assumptions and inflation

Key facts and assumptions

The Executive is a member of the West Yorkshire Pension Fund

Pensions movements recognised in the income statement for the year ended 31 March 2014 include:

- Current and past service cost £1.9m
- Pensions interest expense/income on the net liability £2.6m
- Actuarial gain on pensions assets and liabilities £1.4m

During the prior year, the total deficit arising from the scheme decreased from £63.5 million to £63.3 million as below:

Present value of scheme liabilities: (£179.2m)

Market value of assets: £115.9m.

The key judgments here are the assumptions made by the actuary which affect the valuation of the pensions assets and liabilities.

Audit work completed to address the significant risk

We have reviewed the processes and performed design and implementation work on the controls management have in place.

Our consultation with our own in-house actuaries to determine whether the assumptions used by the actuary, in valuing the Executive's share of the assets and liabilities of the West Yorkshire Pension Fund, are reasonable and within expected ranges is ongoing.

We will confirm that the disclosure included in the financial statements are in line with the requirments of the Code and our understanding.

We have requested independently verification of the value of the investments held in the scheme in accordance with the Audit Commission's protocol.

Deloitte view

Our work in relation to Pension accounting and disclosure is not yet completed. We will update you verbally at the Committee meeting on the final results of our audit procedures.

Value for money and the Annual Governance Statement

Value for Money Conclusion and the Annual Governance Statement

Requirement

Under the Audit Commission Code of Audit practice, as appointed auditors, we are required to draw a conclusion regarding the PTE's arrangements to secure economy, efficiency and effectiveness of its use of resources (the Value For Money (VFM) conclusion). As was the case in previous years there are no specific criteria and we will meet our VFM duty by addressing the areas of focus determined by the Commission as set out below.

In respect of the Annual Governance Statement we are required to review the statement for compliance with the prescribed format and content and to report where the Statement is inconsistent with our understanding of the PTE.

Area of Focus

In reaching our value for money conclusion our work is focused around:

- reviewing the annual governance statement;
- reviewing the results of the work of other relevant regulatory bodies or inspectorates, to consider whether there is any impact on the auditors responsibilities at the audited body; and
- undertaking other local risk-based work as appropriate, or any work mandated by the Commission.

Audit work completed

Value for Money

We completed our risk assessment and concluded that there were no specific risks to the Value for Money conclusion for 2013/14 and, as a consequence, have not undertaken any locally determined risk based work.

We have considered the results of our work on the Annual Governance Statement, the results of our audit work, the findings of internal audit and concluded that there are no specific risks or issues to prevent us drawing a positive conclusion on the delivery of value for money

Value for Money Conclusion and the Annual Governance Statement (continued)

Annual Governance Statement

We have performed the following work in relation to the Annual Governance Statement (AGS):

- ensured that it complies with the requirements as set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14.
- reviewed the Governance Statement to confirm that it is consistent with internal audit reports, Board minutes, the Internal Audit Annual Report and Opinion and our work on the financial statements.

Deloitte view

There remains a small number of outstanding items to resolve however we do not anticipate issuing a qualification in respect of our VFM conclusion.

We are satisfied that the Annual Governance statement is consistent with the prescribed format and our understanding of the PTE.

In this section we set out our comments regarding your internal control and risk management processes. We communicate any significant deficiencies in the internal control environment to the Governance and Audit Committee.

Insight - Internal control and risk management

Internal control and risk management

We highlight a number of observations from our audit procedures

We are required to provide a view, based on our audit procedures, on the effectiveness of your system of internal control relevant to risks that may affect financial reporting; and other risks arising from the entity's business model and the effectiveness of related internal controls.

Significant Risk	Internal Controls	Current position
Fraudulent manipulation of revenue recognition	• Regular finance report to the Executive. • Grant documentation reviewed for conditions and retained on file to ensure release is inline with conditions. • Annual levy allocation provided by the ITA with regular drawdowns. • Treasury management service provided by Leeds City Council.	G
Management override of controls	• Regular financial reporting to the Executive including progress against budget. • Budget holders responsible for monitoring progress against budget. • Manual approval processfor journals with journals posted by the finance team reviewed by Tom Edwards and Tom's reviewed by Angela Taylor.	G
Valuation of non current assets	• Annual capital expenditure programme approved by the Authority and Exceutive. • Authorisation limits and standard forms used for additions and disposals. • Valuations are performed by external, independent valuers.	G
Capital Developments	• Annual capital expenditure programme approved by the Authority and Exceutive. • Authorisation limits and standard forms used for additions and disposals. • Project managers responsible for ensuring individual projects progress against budget and regular reporting to the working group.	G
Pension Accounting and Disclosure	• Nominated officer is responsible for notifying the actuary of the required scope of work and reviewing the report. • Pension disclosures are prepared by an external, independent actuary.	G

G No issues noted A Acceptable but could be improved R Requires significant improvement

Liaison with internal audit

The audit team, following an assessment of the independence and competence of the internal audit department, reviewed the work of internal audit and adjusted our audit approach as deemed appropriate. We did not place direct reliance on the work of internal audit however the findings influence the formation of our views on the risk and accuracy of the Annual Governance Statement.

Responsibility Statement

Purpose of our report and responsibility statement
Our report is designed to help you meet your governance duties

What we report

Our report is designed to help the Governance and Audit Committee and the Executive discharge their governance duties. It also represents one way in which we fulfil our obligations under ISA 260 to communicate with you regarding your oversight of the financial reporting process and your governance requirements. Our report includes:

- Results of our work on key audit judgements and our observations on the quality of your Explanatory foreword
- Our views on the effectiveness of your system of internal control relevant to risks that may affect financial reporting.
- Other insights we have identified from our audit

What we don't report

- As you will be aware, our audit was not designed to identify all matters that may be relevant to the Executive.
- Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.
- Finally, our views on internal controls and business risk assessment should not be taken as comprehensive or as an opinion on effectiveness since they have been based solely on the audit procedures performed in the audit of the financial statements.

The scope of our work

- Our observations are developed in the context of our audit of the financial statements.
- We described the scope of our work in our audit plan dated 30 April 2014 and the supplementary "Briefing on audit matters" which was circulated as an appendix to the Audit Plan.

We welcome the opportunity to discuss our report with you and receive your feedback.

Deloitte LLP

Deloitte LLP
Chartered Accountants

Leeds
18 July 2014

This report has been prepared for the Executive, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

Appendices

Appendix 1: Audit adjustments

Unadjusted misstatements detail

Uncorrected misstatements

There are no uncorrected misstatements to report at this stage however our work remains ongoing. From our work to date we have identified a small number of immaterial disclosure deficiencies in the financial statements which have been discussed with management and we understand they are intending to correct these within the final version of the financial statements. We will confirm these have been corrected as part of our final review of the financial statements.

Appendix 2: Fraud: responsibilities and representations

Required representations

We have asked the Members to confirm in writing that you have disclosed to us the results of your own assessment of the risk that the financial statements may be materially misstated as a result of fraud and that you are not aware of any fraud or suspected fraud that affects the entity or group.

Concerns

No concerns have been identified from whistle blowing procedures from the work noted above and our audit procedures.

Audit work performed

In our planning we identified the risk of fraud in revenue recognition and management override of controls as key audit risks for your organisation.

During course of our audit, we have had discussions with management and those charged with governance. We have made direct enquiries in relation to any fraud risk factors and instances of fraud during the year. Our testing of journals provides comfort over the risk of management override of controls which was raised as a fraud risk.

In addition, we have reviewed management's own documented procedures regarding the fraud and error in the financial statements.

We have reviewed the paper prepared by management for the Governance and Audit Committee on the process for identifying, evaluating and managing the system of internal financial control.

The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error.

Appendix 3: Independence and fees

As part of our obligations under International Standards on Auditing (UK and Ireland), the Listing Rules and the Companies Act, we are required to report to you on the matters listed below:

Independence confirmation	We confirm that we comply with APB Ethical Standards for Auditors and that, in our professional judgement, we are independent and our objectivity is not compromised.
Fees	We have not provided any non-audit services in the period from 1 April 2013 to 31 March 2014
Non-audit services	In our opinion there are no inconsistencies between APB Ethical Standards for Auditors and the Authority's policy for the supply of non-audit services or of any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.
Relationships	There are no other relationships with West Yorkshire Passenger Transport Executive which would impact on our objectivity and independence.

The professional fees earned by Deloitte in the period from 1 April 2012 to 31 March 2014 are as follows:

	Current year £000	Prior year £000
Audit of West Yorkshire Passenger Transport Executive	43	43
Total	**43**	**43**

Appendix 4: Our approach to audit quality

Recognition of and further impetus for our quality agenda

Audit quality is our number one priority. We pride ourselves on our commitment to quality and our quality control procedures. We have an unyielding pursuit of quality in order to deliver consistent, objective and insightful assurance.

The Financial Reporting Council ("FRC") issues an Annual Report on Audit Quality Inspections, providing an overview of the activities of its Audit Quality Review ("AQR") team for the year.

"The firm places considerable emphasis on its overall systems of quality control and, in most areas, has appropriate policies and procedures in place for its size and the nature of its client base. Nevertheless, we have identified certain areas where improvements are required to those policies and procedures…

The firm took a number of steps in response to our prior year findings to achieve improvements in audit quality. This included enhanced guidance, technical communications and audit training on the recurring themes. However, issues continued to arise in some of these areas."

AQR Report on Deloitte for 2013/14

https://www.frc.org.uk/Our-Work/Publications/Audit-Quality-Review/Audit-Quality-Inspection-Report-May-2014-Deloitte.pdf

We will inform you if the AQR team selects your audit as part of their review for this year and will share its final report with you when it is complete.

Deloitte response

- Our strategic objective is to execute high quality, distinctive audits.
- We adopt an open and communicative approach with the regulator and their contribution to audit quality is respected and supported at all levels of our firm.
- We consider that the AQR's report provides a balanced view of the focus and results of its inspections and its recognition of the emphasis we place on our overall systems of quality control is welcome.
- We value the regulator's inspection and comments, and the review performed by the AQR forms an important part of our overall inspection process.
- As part of our agenda of continuous improvement we have given careful consideration to each of the FRC's comments and recommendations. This has included investigation of the root causes of each finding. This has enabled us to develop, in conjunction with findings arising from our own quality review procedures, an effective response to the themes arising.
- Following the AQR review, we have implemented improvements to our audit procedures and our system of quality control.
- Deloitte's Audit Transparency Report provides further information regarding our approach to delivering quality and is available on our website: http://www.deloitte.com/view/en_GB/uk/about/annual-reports/index.htm

Twelve of the audits reviewed by the AQR were performed to a good standard with limited improvements required and four audits required improvements. We were disappointed that one audit was assessed as requiring significant improvements in relation to the testing of the collective and individual loan loss provisions although this did not cause the AQR to doubt the validity of our audit opinion. The overall analysis of the AQR file reviews by grade for the last five years evidences that, among the largest firms, Deloitte remains at the forefront of audit quality with 67% of audits achieving the top grade from the AQR, the highest proportion amongst our peers.