

GOVERNANCE AND AUDIT COMMITTEE

**MEETING TO BE HELD AT 11.00 AM ON THURSDAY, 30 SEPTEMBER
2021 IN CITY EXCHANGE, 11 ALBION ST, LEEDS LS1 5ES**

A G E N D A

- 1. APOLOGIES FOR ABSENCE**
- 2. DECLARATIONS OF DISCLOSABLE PECUNIARY INTERESTS**
- 3. EXCLUSION OF THE PRESS AND PUBLIC**
- 4. MINUTES OF THE MEETING OF THE GOVERNANCE AND
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Signed:



**Managing Director
West Yorkshire Combined Authority**



MINUTES OF THE MEETING OF THE GOVERNANCE AND AUDIT COMMITTEE HELD ON THURSDAY, 18 MARCH 2021

Present:

Joanna Wardman	Independent Member
Councillor Shabir Pandor	Kirklees Council
Councillor Jane Scullion (Substitute)	Calderdale Council
Councillor Steven Leigh MBE	Calderdale Council

In attendance:

Angela Taylor	West Yorkshire Combined Authority
Bronwyn Baker	West Yorkshire Combined Authority
Jonathan Sheard	West Yorkshire Combined Authority
Ben Kearns	West Yorkshire Combined Authority

31. Apologies for Absence

Apologies for absence were received from Councillor Hinchcliffe and Councillor Swift.

32. Declarations of Disclosable Pecuniary Interests

There were no declarations of pecuniary interests at the meeting.

33. Exclusion of the Press and Public

There were no items that required the exclusion of the press and public.

34. Minutes of the Meeting of the Governance and Audit Committee held on 14 January

Resolved: That the minutes of the meeting held on 14 January be approved.

35. Internal Audit Progress Report

The Committee considered a report that provided an update on progress against delivery on the internal audit plan 2020/21 and set out the audit plan for the year 2021/22.

The Committee noted the top three risks as identified by internal audit: readiness for the elections in May, Covid recovery, and the transfer of Police

and Crime Commissioner functions.

Members asked for a review of the base assumptions underpinning the climate emergency policies and further assurance from internal audit would be helpful to ensure that the Combined Authority is able to meet its targets.

Members also asked for assurance around the impact of social distancing measures at polling stations at the upcoming elections; particularly around when the polling stations close to avoid anyone from being disenfranchised. Officers would take this concern back to the electoral teams who were currently carrying out a risk assessment.

Resolved:

(i) That the internal audit progress to date be noted.

(ii) That the internal audit plan for 2021/22 be approved.

36. External Audit Progress Report

Members considered a report that provided an update on external audit matters.

Members questioned the materiality assigned and whether it should be lower. It was noted that the 2% of gross expenditure was a standard sectoral approach to audits of this type. Several audit items would be tested below the 2% materiality level and any errors found through this testing would be reported to the Committee.

The possible changes to the audit fees were noted and the likelihood that these fees to increase and would be reported to the next meeting of the Committee. This was in line with a national approach as Government has recognised the increase pressures on auditors.

Members noted the new code of audit practice for 2020/21. The main changes included a move away from a binary audit conclusion and replaced by an annual narrative commentary in relation to value for money arrangements. The code meant that any concerns would be raised as and when they were identified.

Resolved: That the report be noted.

37. Compliance and Monitoring

The Committee considered a report which set out any changes to arrangements for internal controls since the last meeting as well as the financial positions for 2020/21 and 2021/22.

There had been no significant changes or breaches in the arrangements for internal controls and no RIDDOR incidents in the period.

The treasury management strategy had been approved at the February

Combined Authority meeting and any concerns would be reported to the Governance and Audit Committee.

A balanced budget for the current year had been approved and work was underway to achieve that for the forthcoming year.

Resolved: That the report be noted.

38. Mayoral Combined Authority Preparations - Governance

The Committee considered a report that provided an update on the progress of the decision making and committee arrangement workstream of the Mayoral Combined Authority Ready Programme Board.

A formal constitution was in development to codify the governance arrangements for the Mayoral Combined Authority.

Members wished to thank officers for their work on the governance aspect of the Mayoral Combined Authority work.

Resolved: That the report be noted.

39. PCC Governance Arrangements

The Committee considered a report which outlined future arrangements for governance with regard to the Police and Crime Commissioner functions.

The Joint Independent Audit and Ethics Committee would continue to oversee the effective operation of the police and crime commissioner functions. IT would be important to ensure that the reporting arrangements between the Joint Independent Audit and Ethics Committee and the Governance and Audit Committee were clear.

Work was underway to put in place a Service Level Agreement with WYP for the internal audit work that may be required to be undertaken in relation to the Mayor's PCC functions.

Resolved: That the report be noted.

40. Ethical Standards for MCA

The Committee considered a report which set out the draft Members' Code of Conduct.

Resolved: That the Code of Conduct be recommended to the Combined Authority to approval.

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NOTES OF THE MEETING OF THE GOVERNANCE AND AUDIT COMMITTEE HELD ON THURSDAY, 22 JULY 2021

Present:

Councillor Tim Swift MBE (Deputy Chair)	Calderdale Council
Councillor Matthew Robinson	Leeds City Council
Joanna Wardman	Independent Member
Debbie Simpson	Independent Member
Mark Dalton (Auditor)	Mazars

In attendance:

Angela Taylor	West Yorkshire Combined Authority
Bronwyn Baker	West Yorkshire Combined Authority
Jonathan Sheard	West Yorkshire Combined Authority
Ben Kearns	West Yorkshire Combined Authority

1. Apologies for Absence

Apologies were received from Councillor Hinchliffe and Councillor Pandor.

2. Declarations of Disclosable Pecuniary Interests

There were no declarations of pecuniary interests at the meeting.

3. Exempt Information - Possible Exclusion of the Press and Public

There were no items which required the exemption of the press and public

4. Minutes of the Meeting of the Governance and Audit Committee held on 13 March

As the meeting was inquorate the minutes of the meeting of the Governance and Audit Committee held on 13 March would be approved at the next meeting of the Committee

5. Governance Arrangements and Forward Plan

Members discussed a report that set out the governance arrangements for the Governance and Audit Committee and outlined a work plan for the forthcoming year.

Members discussed the need to ensure that the governance function was adequately resourced considering the increased scrutiny activity and the new committee structure. It would be necessary to monitor the situation as it progressed to see if additional resource was required.

Resolved:

- (i) That the governance arrangements approved by the Combined Authority at the Annual Meeting on 24 June 202 be noted.
- (ii) That the proposed work programme at Appendix 2 to the submitted report be noted.

6. Review of Internal Control and Effectiveness of Internal Audit

Members considered a report which set out the result of a review of internal control and the effectiveness of internal audit.

The Governance Code and Framework was approved at the annual meeting of the Combined Authority. Members noted that the code and framework would be updated following the changes to governance arising from the change to a mayoral combined authority. The updated code and framework would be brought to a future meeting of the Committee for consideration and approval.

The review of the effectiveness of internal audit concluded that the function complies with the necessary standards and had worked to an adequate standard throughout the year.

Members discussed the role of officer groups and that the officer arrangements could be set out more clearly to enable members to understand the role they played and assess their performance.

Members discussed benchmarking and the possibility of comparing performance with other Combined Authorities which could also enable forward planning.

Resolved:

- (i) That the review of the internal control and the effectiveness of internal audit be noted
- (ii) That the outcome of the review be approved at the next meeting.

7. Internal Audit Annual Report and Opinion 2020/21

Members considered a report which set out the Internal Audit opinion for 2020/21.

It was noted that Internal Audit had managed to complete sufficient work against the plan, both advisory and assurance, to ensure that 2020/21 opinion was not limited by volume or scope. The opinion for the last year was that

systems of control, governance and risk management had been adequate for 2020/21.

Members discussed how internal audit was received by parts of the organisation and whether more could be done to promote the advisory role of internal audit within the Combined Authority. Members noted that officers within the organisation had requested audit to get involved early and help build systems.

Members discussed the scale of the internal audit plan for the forthcoming year and whether the internal audit team was sufficiently resourced to deliver it. Members noted that recruitment was underway for a post focusing on the adult education budget. Contingencies were in place using agencies to draft in audit specialisms if required but resourcing would be kept under review especially given the increasing scope of the Mayoral Combined Authority.

It was suggested that it would be useful to demarcate the advisory work from the control work in future audit reports.

Resolved: That the internal audit report and opinion be noted.

8. Internal Audit Progress Report

Members considered a report which provided an update of progress against delivery of the 2021/22 internal audit plan.

At this stage the plan had not changed since the committee approved it in March, but any future changes would be reported to the committee.

Resolved: That the report be noted

9. External Audit Progress Report

Members considered a report that provided an update on external audit matters.

The external audit had commenced and was due to report its final opinion to the meeting on 30th September 2021. The external audit progress report was attached at Appendix 1.

It was reported to members previously that a fee variation for the 2019/20 annual audit work was expected with the increase being a cost seen nationally. Members noted the upward pressure on audit fees and that the audit fees were under review for future years due to the increased complexity of the audit resulting from the organisation becoming a Mayoral Combined Authority.

The deadline for the new style value for money commentary had been extended by the National Audit Committee and would be reported to the January meeting of the Governance and Audit Committee.

Members discussed materiality for the audit which had been set at 2% of

gross expenditure which was in line with materiality set across local government audits.

Resolved: That the report be noted.

10. Compliance and Monitoring

The Committee considered a report which set out any changes to arrangements for internal controls since the last meeting as well as the financial positions for 2020/21 and 2021/22.

There had been no significant changes or breaches in the arrangements for internal controls and no RIDDOR incidents in the period.

There had been no concerns with the treasury managements arrangements.

Members noted the budget position with a small surplus achieved in the previous financial year in challenging circumstances. Work was underway on the 2021/22 budget.

Members discussed the importance of cyber security and what actions the Combined Authority had taken to mitigate risks of a cyber-attack. It was noted that the Combined Authority had recently completed a 3 year programme to update and improve its ICT systems including a cyber essential accreditation.

Members also discussed the risk around bus services post pandemic and how the Combined Authority would measure commercial value and social value when assessing routes.

Members felt that the risk register need to include more information – particularly relating to the how long each of the risks had been on the register, the direction of travel and proposed mitigations. Members asked for a deep dive into the risks that had been on the register for the longest period.

Resolved: That the report be noted.

11. Annual Accountability Reporting

Members considered a report which set any complaints and concerns raised about the Leeds City Region Local Enterprise Partnership and/or members of the LEP Board in the last year.

It was noted that there had been no complaints in the last year.

A list of grant applications considered under the conflict of interest arrangements in the previous year was attached at appendix 1 to the submitted report.

Resolved: That the report be noted.

Report to: Governance and Audit Committee

Date: 30 September 2021

Subject: **Internal Audit Progress Report**

Director(s): Angela Taylor, Director, Corporate and Commercial Services

Author(s): Bron Baker, Head of Internal Audit

1. Purpose of this report

- 1.1. To ask members to consider the contents of the report and supporting appendix detailing progress against delivery of the current 2021-22 internal audit plan.

2. Information

Audit Delivery for 2021/22

- 2.1 Work against the plan for 21/22 is now underway in earnest following a short delay while the Audit Team concluded the assurance work for 20/21. One project management review of Natural Flood Management has been concluded since the last Committee meeting, a summary of which is in the Appendix to this paper. This review was rated as reasonable.
- 2.2 There are reviews currently in progress on health and safety and contract management (looking in detail at some specific contracts, one of which is now out as a draft report) and work is underway to continue scoping reviews on safeguarding and financial controls. The ongoing support to develop the assurance framework for the Adult Education Budget (AEB) programme is also continuing at pace.

Recruitment

- 2.4 Recruitment is in progress at the moment in relation to AEB with an initial focus on a Principal Auditor role and will be followed by further recruitment later in the year for auditors. Recruitment is proving difficult with very little interest in the post; an interim solution is being sought through an agency contract and Internal Audit is considering the design of the team to ensure that we are appropriately structured for delivery now and in the future.

Fraud/ Whistleblowing/ Money Laundering

- 2.6 There have been no whistleblowing or fraud referrals since the last report. Total numbers for the year remain as reported to the last Committee which is

confirmed in the progress update at Appendix 1. Work is underway to improve our processes and awareness in relation to Anti Money Laundering as reported in the Appendix.

3. Financial implications

3.1 None.

4. Legal implications

4.1 None.

5 Staffing implications

5.1 As identified above, recruitment is underway to resource AEB assurance work and to consider the design of the team.

6. External Consultees

6.1 No external consultations have been undertaken.

7. Recommendations

7.1 That the Committee consider and note the internal audit progress to date.

8. Background Documents

None.

9. Appendices

Appendix 1 – Internal Audit Progress Report September 2021

Appendix 1

Governance & Audit Committee Internal Audit Progress Report

September 2021

Key Headlines / Index

Top three issues – PCC arrangements and embedding in the Combined Authority; Equality, Diversity and Inclusion improvements to policies and processes; Transport, in particular buses and mass transit.

Progress against 2021/22 Audit Plan and any planned changes – there are no planned changes, but discussions are ongoing with the business to ensure that any emerging risks are kept under review, plan progress is detailed at pages 6 – 9.

Outstanding actions- Following on from previous actions made, Internal Audit recently put a paper to the CA Senior Management Team outlining some recommended actions to further improve project and contract management arrangements across the business. The recommendations were accepted and as a result there is now a nominated person in place tasked with developing standards and protocols for project management and there is commitment to support the Head of Commercial Services to roll out contract management improvements. Audit will continue to monitor progress in these areas and report back to the Governance and Audit Committee as necessary.

Feedback from clients –Page 11 details the feedback received from four auditees since the last Governance and Audit Committee report.

Performance Measure- Page 12 provides some details on our performance measures.

Reports Issued/ Progress against Plan

Audit Report – Project review Natural Flood Management

As part of our agreed programme of project reviews we examined the Natural Flood Management (NFM) – Colne and Calder project. The scheme cost £1.7million and included specific aims and was delivered in collaboration with district partners and outside agencies.

The review examined compliance with the Combined Authority’s assurance framework including ensuring effective project management principles, governance, regular oversight, financial controls and monitoring arrangements. We concluded that **REASONABLE** Assurance can be provided. The project was well managed and delivered in line with agreed funding agreements and the outlined business case. We made one suggestion for Management to consider as part of improvements to project management processes.

MCA Workstream Updates

Internal Audit has been providing advice and guidance to various MCA workstreams as part of its planned work for 21/22. The following are updates against that work:

MCA Workstream - **Integrated Corporate System:**

Head of Internal Audit sits on the Project Board for this work and has specific responsibility for commissioning the planned regular assurance work for this project. This will be undertaken by the Salford IT Audit team who currently provide this specialist resource to support our annual audit plan. The project is due to begin its work with the supplier of the new technology from November with initial scoping and preparatory work followed by staged implementation from early 2022 with completion due by December 2022.

MCA Workstream – **Police and Crime Arrangements:** Head of Internal Audit is on the group considering the arrangements for policing and crime governance and is liaising regularly with the Head of Audit of the Police/PCC Shared Service to share information and to understand the outcomes of the audit work undertaken by that team.

MCA Workstream – **AEB:** The Principal Auditor with responsibility for AEB sits on the Project Board as well as leading the assurance workstream for the project, see report below for detailed update.

Adult Education Budget (AEB)

The Combined Authority took control of the £63 million devolved Adult Education Budget (AEB) and £2 million delegated Level 3 funding on 1st August 2021. Internal Audit have been active Project Board members, providing support at a strategic level and will continue to do so on the new AEB Performance Board.

The Principal Auditor who leads on this area has also been involved assisting in the onboarding of over 40 providers through delivery of a presentation and answering any resulting questions at 4 welcome events. Other work has also been done as follows:

- **Audit and Assurance-** Liaison with the Education and Skills Funding Agency (ESFA) and other MCA's on the Audit and Assurance and Fraud Investigations (AAFI) group, including identifying where random sample compliance visits are being undertaken by the ESFA on providers we have in common with them and discussions on high risk providers.
- **Procurement and Legal & Governance-** advising on final contract and grant agreement issues as required.
- **ICT and data-** progress on the new DAPS payment system and Customer Relationship Management (CRM) systems has slipped which has resulted in a need to advise on remedying this, temporary solutions and suitable access controls which need to be built into them.
- **Finance-** ensuring appropriate payment processes are in place prior to August 2021 when the first payments are due using temporary records and authorisation controls until the DAPs system is ready for testing and use (see above).
- **Operational provider management-** working with the new AEB Contract Management and AEB Key Account Management Teams to further develop the performance management framework and processes, including collaboratively working on our position on how particular funding rules should be interpreted and therefore, compliance with them evidenced by providers.

Future tasks include a review by the main Internal Audit Team on Stage 2 of the Procurement process for Independent Training Providers (ITP's)- Mini Competition. We are also due to recruit a further full time Principal Internal Auditor and three Internal Auditors to support the provision of a programme of compliance visits.

Counter Fraud, Whistleblowing and Anti Money Laundering

There have been no new fraud referrals since the July 2021 progress update to GAC.

Audit is currently working with specialist legal support and representatives from across the business to develop and implement improved AML arrangements. The intention is that template documentation for 'Know Your Client (KYC)' checks will be provided in the first instance. This will then be followed by enhancing understanding of AML through awareness raising sessions generally and some more specific training for relevant parts of the business. Risk assessments will be undertaken in individual directorates to ensure that there is a good understanding of the AML risks in different service areas. This will continue to build the appropriate expertise and knowledge to ensure good levels of compliance and risk mitigation going forward.

The table below provides a summary of referrals reported during 2021-22.

	Total number of referrals 21/22	Investigation completed - No breach/no further action	Investigation completed – further action taken	Still under investigation
Fraud - External	0	NA	NA	NA
Fraud - Internal	0	NA	NA	NA
Whistleblowing	0	NA	NA	NA
AML	0	NA	NA	NA

Grant certification

Internal Audit resource continues to provide certification in accordance with the funding bodies grant determination letter requiring the Head of Internal Audit to sign off expenditure incurred. Since our last report in July 2021 we have reviewed and certified the following grants.

Grant	Claim Period	Value certified £
Share North (claim10)	Jan-Jun 2021	88,671
Investment Readiness	Q2(01/04-30/06)	109,352
Strategic Business Growth	Q2(01/04-30/06)	354,310
Connecting Innovation	Q2(01/04-30/06)	94,426
Rebiz	Q2(01/04-30/06)	218,314
Superfast BDUK	2020-21	0

No significant matters arose during the certification of these grants.

2021/22 Internal Audit Plan

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	Assurance Area	Scope	Current Status/Timetable
1	Integrated Corporate System (HR, Finance, Payroll)	To review progress with implementation of the new Integrated Corporate System.	Quarter 3-4
2	Covid: grants and recovery	Part of Counter Fraud work, likely to take the form of assisting with risk assessments	Ongoing advice
3	GDPR and data privacy	To focus on compliance with policies and practices within directorates where significant GDPR issues arise and to review the Data Privacy Impact Assessments process.	Quarter 4

4	ICT – various, including Cyber Security	Salford Internal Audit Service to provide a programme of ICT reviews over the year in line with its risk assessment of ICT Services.	Quarter 3,4
5	Health & Safety including processes around claims	H&S policies and practices are up to date and meet legislative requirements, to provide assurance around health and safety incidents and reporting processes and ascertain the impact of Covid-19 on H&S activity.	In progress
6	Climate Change	To provide an assessment against the external action plans and follow up recommendations made during the last review.	Quarter 3
7	Project and Programme Assurance (various reviews)	A cycle of project and programme assurance reviews to be undertaken. The reviews will primarily focus on compliance with the Assurance Framework as well as good project and contract management compliance.	Natural Flood Management (Reasonable Assurance)
8	Equalities	Plan a further review against the EFLG framework gathering evidence to support the assessment, focus across the directorates on work implementing the strategy and action plan. Follow up on previous recommendations.	Quarter 4
9	Procurement	To carry out deeper dives on some of the larger, more difficult procurements with potentially focus on ones in Transport Services.	Quarter 3-4
10	Contract Management	A cycle of contract management reviews to ensure compliance with contract standing orders and contract management principles.	Draft Report on Mechanical and Electrical Maintenance Repair service
11	MCA Workstreams	See above commentary	Ongoing

12	Risk Management	Annual health check to inform the audit opinion and follow up work from 2020-21	Quarter 4
13	HR	Focus on key risks and controls in HR	Quarter 3-4
14	AEB	Various reviews in line with newly developed assurance framework for AEB	Ongoing advice and guidance, to be followed by provider assurance in Q4
15	Counter Fraud work including a review of business support Covid grants	The counter fraud officer is currently developing some recommendations regarding relief payments made for a particular sector as a result of the fraud investigation undertaken earlier in the year. The outcomes will be reported to this Committee once completed.	Ongoing advice
16	Security of Assets	This review will focus on the Combined Authority's asset management processes.	Quarter 3
17	Compliance with Contracts Standing Orders & Financial Regulations	Focus on the current financial system including the Creditors (accounts payable) system.	In scope
18	Complaints Handling/Casework	A review of the arrangements put in place post the mayoral election.	Quarter 3
19	Safeguarding	A review of our safeguarding policy and guidance, including a review of processes and practices where services are	In progress

		commissioned in transport services, ensuring staff receive safeguarding training at an appropriate level.	
20	Grant Audits	In line with funding applications and funding agreements.	As requested by funders
21	Attendance on Boards	Advice and guidance to inform the control framework	Ongoing
22	Various grant certifications	Grant certification provided In line with funding applications and funding agreements	See above grants table
23	Commercial	A review of any new commercial arrangements put in place, this may defer to 22/23 as these developments are not yet in place	Quarter 4
24	Bus Funding Model	This review is due for discussion as a result of some of the significant changes taking place around transport in West Yorkshire and may be rescoped. Any changes will be in line with revised risk profiles and will be reported back to this Committee.	Quarter 3-4
25	Insolvencies	This review, requested by SLT, is due to be scoped later in the year, but may be reviewed if risk profiles change.	Quarter 4
26	Inter Directorate Working - Use of SLAs/MOUs	This review, requested by SLT, is due to be scoped later in the year, but may be reviewed if risk profiles change.	Quarter 4
27	*NEW – Adult Education Budget Procurement Stage 2	To provide assurance over the Adult Education Budget mini competition Stage 2 of the Procurement process for selection of Independent Training Providers.	In progress

Audit Follow up

We have previously agreed with Committee to report on outstanding actions. The table below provides an update on the status of each audit recommendation made since April 2020 (unless carried forward as outstanding). There are 5 overdue recommendations, 3 of these relate to Contract Management (From Feb 2020 report), and 2 relate to AEB procurement stage1 (From Feb 21 report). As referred to in the brief synopsis at Page 2, we are working with Management to address the overdue recommendations. The implementation of recommendations is based upon Management’s own assessments except where Internal Audit have carried out formal follow up work.

Directorate	Total	Implemented	In progress	Overdue	Not advised	Not to be Implemented
Cross Cutting	3	2	2	0	0	0
Corporate and Commercial Services	33	9	18	5	0	0
Delivery Services	2	0	2	0	0	0
Economic Services	0	0	0	0	0	0
Policy and Development	2	0	2	0	0	0
Strategy, Communication and Policing	3	1	2	0	0	0
Transport Services	0	0	0	0	0	0
Total	43	12	26	5	0	0

Client Feedback

We have received 4 client feedbacks for reports (8 sent out), these relate to reviews included in the 2020-21 audit plan. These have shown an overall positive score, details of narrative comments have been shared below for the Committee’s oversight.

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Review name & report issue date	What did we do well?	What could we have done better?
Emergency Active Travel Fund – (May 2021)	Kept the team well informed of progress and worked flexibly to accommodate what information was available at the time.	N/A
Equalities - (June 2021)	Internal audit worked closely with those working on the EDI action plan to look at how they could support the work that we know is required to improve in this area. This helped to support the ongoing work in developing the EDI action plan.	N/A
GDPR Compliance – (June 2021)	The final report was good reflection of areas that require improvement across the organisation.	For areas of compliance that are everyone’s responsibility (as set out in the Officer Scheme of Delegation) we need to ensure we focus on placing responsibility and accountability for compliance with process owners...this was adjusted for in the final report.
AEB Procurement – (Feb 2021)	Mainly done without too much input from our team	Where our input was required could have done with more foresight and time to complete

Performance measures

The following provides some general performance indicator information to support the Committee in assessing the performance of Internal Audit.

Measure	Annual Target	April	May	June	July	August	YTD
Annual Governance Statement deadline 2020/21 - to include annual audit opinion	May (draft) September (final)	NA	Achieved	NA	NA	NA	Achieved
Customer Satisfaction	80% good or above	N/A	NA	100%	NA	NA	100%
Reports issued within 10 working days from completion of audit work	95%	100%	0%	100%	0%	0%	50%
Percentage of recommendations agreed	90%	100%	NA	100%	NA	NA	100%
Fraud/Whistleblowing acknowledgement, where appropriate, within 10 working days	100%	NA	NA	NA	NA	NA	No frauds reported to date
Fraud/Whistleblowing reports to be issued within 10 working days of investigation completion	95%	NA	NA	NA	NA	NA	No frauds reported to date
Grant certifications to be completed within 3 working days (or to a separately agreed deadline) of a fully completed evidence file being received	95%	100%	100%	NA	NA	100%	100%

Report to: Governance and Audit Committee

Date: 30 September 2021

Subject: External audit progress report

Director(s): Angela Taylor, Director, Corporate and Commercial Services.

Author(s): Jonathan Sheard, Head of Finance

1. Purpose of this report

- 1.1 To provide an update on external audit matters that have occurred since the last meeting.

2. Information

Annual Accounts 2020/21

- 2.1 Public authorities were granted a deadline extension for the final annual accounts (financial statements) to 30th September 2021. The accounts and audit completion report are presented on a separate report on today's agenda. Mazars will be available at the meeting to present the work they have undertaken

Other External Updates - PSAA

- 2.2 The Public Sector Audit Appointments Ltd (PSAA), which operates on a not for profit basis, published its final 2020/21 accounts on 20th August 2021. A surplus of £5.6 million had been made and it was able to distribute this total to opted-in eligible bodies such as the Combined Authority. An amount of £11,450 was received earlier in the month, of which £6,330 related to the former Office of the Police and Crime Commissioner.
- 2.3 For information the PSAA full accounts can be found [here](#).
- 2.4 PSAA published a [report](#) on 27th August 2021 detailing responses to its recent consultation plans for the second appointing period for the national scheme for local auditor appointments. The important consultation gathered feedback on proposals for the national scheme of local auditor appointments from 2023/4, consulting with eligible bodies and other stakeholders on the draft prospectus for the national scheme for local auditor arrangements from April 2023, and

with the audit services market on important features of its procurement strategy. **Appendix 1** summarise the Consultation Findings (Headlines).

- 2.5 PSAA reported that they had received a good response. In most of the areas that PSAA consulted on which were within their remit, there was an overall response of support for the national scheme. The PSAA shared the key consultation findings and the specific areas requiring urgent action with the new Local Audit Liaison Committee (Liaison Committee), which is chaired by MHCLG and attended by senior representatives of a range of local audit stakeholders. The Committee agreed the need for a variety of actions, sometimes by individual organisations but more often collectively across the system, to tackle identified issues which will support a more stable, more resilient, and more sustainable local audit system. The Liaison Committee will oversee those actions being taken forward and future relevant updates will be brought to this Committee.
- 2.6 PSAA confirmed that they will be revisiting a few areas of their proposals that relate to; their approach to social value in the evaluation of tenders; contract management and information and communication with eligible bodies, more details of which can be found in the report.
- 2.7 PSAA is currently finalising the prospectus for the national scheme from April 2023 and the procurement strategy. Both documents will be published at www.psa.co.uk in late September 2021. Eligible bodies have until **Friday 11th March 2022** to formally respond and accept the **opt-in invitation**. Under the Regulations this is a decision that needs to be taken by Full Council (or for Corporations sole, by the holder of that office). A report will be brought to the next meeting of this Committee to enable it to make a recommendation to the Combined Authority ahead of the March 2022 deadline.

3. Tackling the Climate Emergency Implications

- 3.1 There are no climate emergency implications directly arising from this report.

4. Inclusive Growth Implications

- 4.1 There are no inclusive growth implications directly arising from this report

5. Financial Implications

- 5.1 As set out in the report.

6. Legal Implications

- 6.1 There are no legal implications directly arising from this report.

7. Staffing Implications

- 7.1 There are no staffing implications directly arising from this report.

8. External Consultees

8.1 No external consultations have been undertaken.

9. Recommendations

9.1 That the Committee consider the information provided on external audit matters.

10. Background Documents

None.

11. Appendices

Appendix 1 – PSAA Consultation Findings (headlines)

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Appendix 1 – Consultation Findings (Headlines)

Question	% Yes	% Maybe	% No
Is PSAA right to prioritise the awarding of new longer term contracts with firms, based on realistic market bid prices, mitigating the risks of a less than fully successful procurement by holding in reserve the option to extend one or more of the existing audit services contracts for up to two years if required?	83%	14%	2%
Is five years an appropriate term for bodies to sign up to scheme membership?	88%	-	8%
Is five years with the option to extend for up to two years subject to the supplier's agreement an appropriate term for the next audit services contracts?	83%	-	13%
Is PSAA right to evaluate tender submissions on the basis of 80% quality and 20% price to align with market expectations and other recent public sector audit procurements?	57%	-	36%
Is PSAA right to seek to encourage market sustainability within the local audit market by accepting bids from firms that are currently proceeding through the local audit registration process; by accepting consortia bids which may involve an unregistered firm gaining experience by working alongside a registered firm; and by considering the inclusion of one or two lots specifically aimed at seeking to encourage additional capacity into the market?	56%	37%	5%
Is PSAA's proposed approach to social value appropriate given the services to be procured will be delivered across the whole of England? Are there any alternative approaches that should be considered?	81%	-	13%
Is PSAA right to carry out research and to consider setting a minimum audit fee in the next appointing period, recognising the increasing level of audit work now required and the risk that smaller scale fees may not be sufficient to cover the actual cost of the audit? What would be the key issues for PSAA to consider in the event that it opts to set a minimum fee for a Code-compliant audit?	67%	-	25%
In the context of the recent NAO report, should PSAA and other market participants strive to prioritise the timeliness of audit opinions in the next appointing period? What actions should PSAA or other market participants take in order to avoid delayed opinions blighting the next period?	95%	-	4%
Which specific benefits of the national scheme are most valuable to you? Are there other benefits we should strive to develop?	-	-	-
What are the key issues which will influence your decision about scheme membership for the second appointing period?	-	-	-
To inform the further development of our procurement approach, please indicate whether or not you anticipate that your organisation is likely to opt into our scheme?	57%	34%	5%

From the market, the responses to the questions about our proposals are reflected using a coloured scale indicating the degree of support amongst respondents to our proposals, given the small size of the cohort and that the qualitative nature of the response format.

N/A	0-20%	21-40%	41-60%	61-80%	81-100%

Question	% support
What are your views on the draft aim and objectives for the procurement proposed by PSAA?	
What are your views on the procurement route proposed by PSAA?	
What are your views on the proposal to establish a DPS, in parallel to the main procurement, with a very simple and straightforward entry process?	
What are your views on the contract duration proposed by PSAA, in particular the proposal to make the option to extend the contract subject to mutual agreement?	
What are your views on PSAA's preference to enter into new long-term contracts with suppliers rather than extending the existing contracts?	
What are your views on our current thinking about the circumstances in which, and the basis on which, PSAA might, if necessary, make a decision to extend one or more of the current contracts?	
What are your views on our initial thinking about lot structure and the suggestion that bidders identify the maximum annual portfolio value of work they could undertake?	
We are considering the inclusion of one or more lots targeted at attracting additional capacity into the market, most likely involving some form of joint working/consortia arrangements between more experienced suppliers and new entrants or less experienced suppliers. What are your views on this proposal which would be a new feature of the procurement strategy compared to the current contracts?	
What could PSAA or other players in the local audit system do to support potential suppliers to enter the market?	
What are your views on the proposed lot composition and potential way in which bidders might reflect geographical preferences within their bids which has been developed in response to previous market feedback? Your views on other potential ways to address this would also be welcomed.	
Please use the box below to add any further commentary to support your responses, or to comment more broadly on matters related to Lot structure, composition, and size that PSAA should consider.	
What are your views on the proposed basis for pricing and the potential options outlined as ways through which to seek to reduce bidder uncertainty which have been developed in response to previous market feedback? Your views on other potential ways in which to seek to reduce bidder uncertainty would be welcomed.	
What are your views on this indicative timetable for the procurement?	
Our initial thinking is to attach a weighting of 80% for the quality aspects of tender responses, including social value. This reflects the views and expectations of the market as expressed to PSAA over the past 15 months. It is in line with the approach taken in recent similar public audit procurements. What are your views on this proposal which has been developed in response to previous market feedback?	
We are considering the inclusion of one or more lots targeted at attracting additional capacity into the market. We are mindful that such lots may require the application of different evaluation criteria to recognise the specific circumstances and deliver the desired outcome. What are your views on the desirability of creating lots with this particular focus and the need for a different evaluation approach to such lots? Are there specific factors that we should consider when developing the evaluation criteria?	
What action would you recommend PSAA and/or other market participants take in order to avoid delayed opinions becoming a feature of the next appointing period?	
Please use the box below to share with PSAA those key factors that are most likely to influence your firm's decision on whether to participate in a procurement for audit services for opted-in bodies undertaken in the early part of 2022.	
Finally, please use the box below to identify any other issues that you wish to bring to our attention as we progress the development of our procurement strategy. We are also happy to receive comments on other aspects of the local audit system, including any barriers to entry or other constraining factors, which you feel have the potential to inhibit the development of a more stable and sustainable system.	

Report to: Governance and Audit Committee

Date: 30 September 2021

Subject: **Annual Accounts 2020/21**

Director(s): Angela Taylor, Director, Corporate and Commercial Services

Author(s): Jonathan Sheard, Head of Finance

1. Purpose

- 1.1 To present to the Committee for their approval the annual accounts (financial statements) for 2020/21 for the West Yorkshire Combined Authority.
- 1.2 To present to the Committee for their approval the response to the external auditor on a range of questions raised by them to 'those charged with governance'.
- 1.3 For information, the draft accounts for the Office of the Police and Crime Commissioner (OPCC), for its final accounting period to 10 May 2021, are presented to the Committee.

2. Information

- 2.1 There is a statutory requirement for approval of the annual accounts by 31 July, but for 2020/21, due to the Covid-19 pandemic, a deadline of 30 September 2021 was agreed nationally. Despite this all effort was made to conclude the necessary work as early as possible and draft accounts were prepared and published in May / June 2021.
- 2.2 The accounts were also presented for audit at the same time and Mazars have substantially completed their audit work on the financial statements, subject to completing the outstanding work as set out in their Audit Completion Report – Executive Summary (page 3), which is attached at **Appendix 3**.
- 2.3 Members should note that further work is required on the Value for Money opinion before the final audit certificate can be issued. This work is due to commence shortly and will conclude no later than the end of December 2021.

- 2.4 It is not expected that the outstanding work and Value for Money assessment will result in material amendments to the accounts and nor will it affect the results and closing reserves for the year. It is anticipated, therefore, that an unqualified audit opinion, without modification, will be given on both the financial statements and value for money conclusion in due course.
- 2.5 Members are therefore asked to consider today's report and associated appendices and approve the Statement of Accounts (financial statements) as presented. A verbal update will be provided at the meeting on the outstanding matters.
- 2.6 The following appendices are attached:
- Appendix 1** Final accounts of the Combined Authority 2020/21
Appendix 2 Treasury management statement
Appendix 3 Audit completion report
- 2.7 The accounts have been prepared on an International Financial Reporting Standards (IFRS) basis in accordance with the CIPFA Code of Practice on Local Authority Accounting UK.
- 2.8 There are a number of accounting / other matters in the accounts which are drawn to the Committee's attention below.
- 2.9 **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 Combined Authority cease to exist without a successor organisation to take on the liability. The deficit has increased during the financial year 2020/21 from £89 million to £91.3 million as a result mainly of the financial actuarial assumptions changing over the course of the year.
- 2.10 **Pension Disclosure (Asset Valuation).** The West Yorkshire Pension Fund advised that the outbreak of COVID-19 has impacted global financial markets. Travel restrictions have been implemented by many countries and market activity is being impacted in many sectors. The valuation of pension assets they received from fund managers, especially property funds and their external valuers (CBRE) considered that less weight could be attached to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that external valuers were faced with an unprecedented set of circumstances on which to base a judgement. Where CBRE's valuation were used these were, therefore reported on the

basis of 'material' valuation. Consequently, less certainty – and a higher degree of caution – should be attached to the valuation than would normally be the case.

- 2.11 The **going concern principle** is always required to be considered as part of the year end process. The IFRS Code's underlying assumption is that accounts shall be prepared on a going concern basis where the functions of the 'authority' will continue in operational existence for the foreseeable future. The Covid19 situation that emerged in March 2020 continued to impact during 2020/21, though the Combined Authority was still in receipt of its key funds and managed financial impacts through managed savings and representations with Central Government for support. In addition, the Combined Authority secured a devolution deal in March 2020 and became a Mayoral Combined Authority, in law, in January 2021. The deal includes 'gainshare' funding for 30 years, worth £1.14 billion, of which the first £38 million was received in March 2021.
- 2.12 The going concern assumption is further made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. The Combined Authority relies on funding from its constituent members, all of which are local authorities with revenue raising powers, and it is able to levy on them the funding it requires to deliver many of its services. The Combined Authority's accounts have therefore been prepared on a going concern basis.
- 2.13 **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 Combined Authority. The conclusion is that there are none and this was also supported by the property valuation undertaken by independent surveyors Lambert Smith Hampton.
- 2.14 **Accounting policies** – there are no significant changes to note from last year.

Final accounts of the Combined Authority (Appendix 1)

- 2.15 The Combined Authority's accounts comply fully with the required accounting standards.
- 2.16 The final revenue budget position for 2020/21 was reported to the Combined Authority meeting in June 2021. The final position is a £4.8 million surplus that adds to the general reserves giving a balance of £13 million. Of this up to £2 million relates to a timing difference in the assumptions made on election costs. The year had started with a balanced budget, though early Covid-19 related forecasts forecast a potential £5 million deficit to be managed. As mentioned earlier, the position improved during the year through managed

savings, successful lobbying for government support grant and earlier, prudent forecasts not impacting as anticipated.

- 2.17 In comparison to 2019/20 the Combined Authority's balance sheet shows an increased level in assets. As accountable body for the Leeds City Region Enterprise Partnership, the Combined Authority has been in receipt of Growth Deal payments as well as several other upfront grant payments such as Leeds Public Transport Package (LPTIP), Transforming Cities Fund (TCF), and capital element of the Gainshare funding. There has been an increase in capital grants unapplied of £30 million and in short term investments of £159 million at the end of March 2021. The capital expenditure for 2020/21 has increased by £159 million from £158 million in 2019/20.

Treasury Management statement (Appendix 2)

- 2.18 The Treasury Management Statement for the year is set out in **Appendix 2**. The budget report to the Combined Authority in February 2021 confirmed the treasury management arrangements in place for the year and no subsequent changes are proposed at this stage. These arrangements and prudential borrowing rules will continue to be applied throughout the coming year.

Capital expenditure

- 2.19 Total capital expenditure in the year was £314.8 million, funded through a combination of income streams but primarily grants from the Department for Transport and the Department of Communities and Local Government (in relation to the Growth Deal). These included the Local Transport Plan Integrated Transport block funding and highways maintenance grant totalling £41.5 million which is then utilised by Combined Authority and the constituent Councils. The Combined Authority also received capital grants for the Leeds Public Transport Package (LPTIP £88.7 million) and Transforming Cities Fund (TCF £40 million). Some funding was carried forward from 2019/20, reflecting the practice of the Department for Transport in paying multi-year grants in advance. Similarly, funding will be carried forward to 2021/22 enabling committed schemes and projects to be delivered despite changes in the timing of delivery.
- 2.20 The Local Growth Fund (LGF) of £100.3 million received for 2020/21 plus the carried forward amount from 2019/20 of £37.5 million have been applied in year and this has marked the end of the LGF programme. An underspend on the LGF related to the Transport Fund element has been accounted for in capital grants unapplied and the balance will be utilised on projects that have been re-profiled to 2021/22 and beyond.

Audit Completion Report – (Appendix 3)

- 2.21 Mazars have completed their audit work on the annual accounts and their conclusions are set out in their Audit Completion Report (draft) which is attached as **Appendix 3**. The Committee is required to consider this report before considering and approving the annual accounts. The auditors, Mazars,

will be in attendance at the meeting to present their report and answer any questions.

- 2.22 The key messages are set out in the Executive Summary on page 5 of the report which overall anticipates that an unqualified audit opinion, without modification, be given on the financial statements.
- 2.23 The rest of the report goes on to consider how the significant audit risks identified at the planning stage and the key areas of management judgement have been addressed and the outcome of that work. It also sets out observations on the internal control environment in section 5 from page 17 onwards. There is one new recommendation made in relation to internal control that has been identified and a management response is provided that also sets out the agreed action to be taken.
- 2.24 Some changes from the draft accounts are set out in section 4 and these have been addressed in the final accounts at **Appendix 1**. They are largely reclassifications, additional disclosures and/or presentational and therefore have no impact on the results for the year.
- 2.25 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 Combined Authority has provided all necessary information and disclosures to the auditors. The draft wording of that representation letter is included on pages 24-25 of Mazars report and the Director, Corporate and Commercial Services will provide a signed copy of this to the auditors. The letter of representation also confirms that no events have occurred in the period from the completion of the audit to the date of the signing of the accounts which would require any changes to the accounts.
- 2.26 Mazars are required to issue an audit completion notice by the statutory date of 30 November to confirm that they have completed their work in relation to the annual accounts. There is not a requirement to audit the Whole of Government Accounts submission as due to threshold changes the Combined Authority, for 2020/21, falls below the required level. The work on the value for money opinion needs to be completed before the completion notice can be issue.
- 2.27 In the report, page 15, Mazars have mentioned the additional work they have had to undertake regarding independent quality review and the impact on the previously agreed fee (circa £26k). The intention is therefore to discuss the fee variation with management upon completion of the audit work. Any fee variation is subject to approval from the Public Sector Audit Appointments Ltd (PSAA).

Those Charged With Governance – Response

- 2.28 Attached at **Appendix 4** is the response to a range of question raised by the external auditor to 'those charged with governance'. The draft response had

previously been circulated to Governance and Audit Committee members and amended following feedback. Members are asked to approve the final version.

Office of the Police and Crime Commissioner – 2020/21 Accounts (as at 9/5/21)

- 2.29 For information, the final accounts (draft) for the OPCC can be found here(LINK). These are produced as at 9th May 2021, this being the final date before transfer of police functions to the Combined Authority and the winding up of the Office of the Police and Crime Commissioner as a separate legal entity. These accounts are now subject to review by the Police Joint Audit and Ethics Committee and for external audit (Grant Thornton) and will ultimately be presented for approval by the Combined Authority Mayor and Chief Financial Officer.
- 2.30 They are presented today for information only and as a useful reference, especially as from 2021/22 the Police accounts will form part of the Combined Authority group annual accounts and be considered by this Committee going forward.

3. Financial implications

- 3.1 The audit fee is set nationally by PSAA and is included in the Combined Authority's annual budget. As mentioned above, any fee variations will be the subject of a consultation process with the PSAA.

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 Treasury Management Statement be recommended for approval.
- 6.2 That Mazars Audit Completion Report be considered.
- 6.3 That the Committee approve the attached annual accounts for the year ended 31 March 2021.
- 6.4 That the Committee approve the response to the external audit question to 'those charged with governance'.

7. Appendices

Appendix 1 – West Yorkshire Combined Authority – 2020/21 Statement of Accounts

Appendix 2 – Treasury management statement

Appendix 3 – Audit Completion Report 2020/21 (Mazars)

Appendix 4 – Those Charged with Governance – response to external audit.

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Statement of Accounts

Audited figures

For the year ending 31 March 2021

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West Yorkshire Combined Authority

Narrative Report to the Annual Accounts 2020/21

Introduction

This report provides context to the West Yorkshire Combined Authority's accounts for 2020/21, a year which saw the whole country operating and living within a national pandemic, with long periods of 'lockdown' and significant impacts on all concerned and including services provided. However, the Combined Authority continued to successfully deliver growth through transport development and economic regeneration. It was also a year where preparatory work was undertaken and finalised to enact the 'minded to' Devolution Deal announced as part of the Budget in March 2020. The mayoral elections took place on 6th May 2021 and, for the first time, the region welcomed its first ever Mayor for West Yorkshire.

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

Responsibilities

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

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

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

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

Review of the year

2020/21 was the seventh year of business for the Combined Authority and the sixth which fully includes the activities and funding of the LEP.

During 2020/21, alongside our external facing work, we have made significant progress with our ambitious programme of internal transformation, deepening our level of partnership working, strengthening our monitoring and evaluation capabilities, and continuing to enhance our accountability and transparency. There has been a continued focus on delivering at pace the projects and services that support the Combined Authority priorities and a focus on ensuring that all the Combined Authority activities were contributing towards delivering inclusive growth that benefits all our communities.

Every year the Combined Authority publishes a Corporate Plan setting out its achievements from the previous year, its priorities for the coming year and how it would deliver these. This has included detail on how it would allocate its budget, its governance processes which ensured transparency and accountability for its investment, and how it would measure success through its key performance indicators (KPIs). The Corporate Plan is available at <https://www.westyorks-ca.gov.uk/about-us/>

Transforming the organisation

We continue transforming our organisation to ensure it is in the best possible place to deliver the investment for which we are now responsible. In law, we officially became a Mayoral Combined Authority in early 2021 and now have a newly elected mayor for the first time following the elections on 6th May 2021. During 2020/21 (and continuing into 2021/22) we have successfully been working on a programme to become “mayor-ready” and set to deliver on the devolution deal that was secured by the region in March 2020.

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

Meeting the challenges and opportunities ahead

The general economic outlook continues to be difficult with the public sector continuing to face funding challenges. The revenue funding for many of the Combined Authority’s activities comes from the West Yorkshire local authorities, with further contributions from them and the other LEP local authorities for some of the economic activities. All areas of the budget are reviewed as part of the Transformational Programme to ensure that resources are focussed on the organisational priorities. In setting its revenue budget the Combined Authority was mindful of these constraints on its partners and reduced the transport levy by a further £1m for 2020/21, as well as a short term reprofiling of one of the earmarked reserves (the Transport Fund reserve). In support of the levy reduction the Combined Authority also sought to ensure that it had maximised its opportunities to increase income, reduce expenditure and demonstrate that it is operating as efficiently and effectively as possible.

For 2020/21 the Combined Authority still had significant capital funding through the Growth Deal (final year), the Transforming Cities Fund, the Leeds Public Transport

Infrastructure Programme (final year), Getting Building Fund and the Local Transport Plan funding amongst others and further work will continue to be undertaken during 2021/22 on many of these to ensure the most effective use is being made of all the capital and revenue income streams available to the Combined Authority, with the focus being the delivery of the objectives and outcomes as set out in the SEF.

As at the time of drafting this report the Combined Authority had been operating under restrictions relating to Covid 19 and these have continued into 2021/22. The national pandemic created a period of significant business disruption across the country and the Combined Authority closed its main offices in the week commencing 16th March 2020 in response to the Government 'lockdown' announcements, though all office based staff were equipped and immediately able to work from home with full access to systems and information. The CA business continuity plans were invoked and adjusted internal controls were introduced to key systems and processes and have operated for most of 2020/21.

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

- Supplier relief scheme due to COVID-19 – An internal working group that reviews and responds consistently and fairly to supplier relief requests.
- Transport bus services retention scheme – From 20 March 2020, bus services were reduced to a minimal Key Worker Bus Service. The sudden reduction in passenger revenues were having a significant impact on the viability of bus services and there were concerns about the capacity of the bus sector in the recovery period. The Department for Transport urged the CA (as Local Transport Authorities (LTA)) to continue to pay bus and coach operators for tendered services, home to school transport, and operators for concessionary fares at levels before any downturn in service provision or patronage, for at least the period of the outbreak. The urban LTAs developed a series of conditions which required the operators agreement prior to continued payments. Additionally, the Department for Transport announced a range of bus service support grants to help mitigate the impact of the national pandemic.
- Debt relief scheme - An internal working that reviews and responds consistently and fairly to customer, tenants and debtors with regard to monies owed.

The following paragraphs summarise the plans for the next year and beyond, with a focus on economic recovery for the region which stems from the impact of Covid 19. More detail can be found in the published Corporate Plan with the following a summary of the planned activity.

The past year has seen unprecedented challenges and changes in the ways we live and work.

The Combined Authority and our partners across the region have adapted rapidly to the ever-changing situation, bringing in new ways of working, introducing new support programmes and planning for the future beyond the pandemic.

We have also been preparing for becoming a Mayoral Combined Authority so we can maximise the opportunities that our devolution deal presents and deliver more for our communities.

Over the coming year we are committed to delivering against our priorities and tackle the challenges created by the COVID-19 pandemic.

As we welcome our region's new Mayor, we are doing all we can to build a stronger, more resilient economy and make sure everyone has the opportunity to lead the best possible life as our region recovers from the impact of the pandemic.

Boosting Productivity

- Help businesses to recover from the COVID-19 pandemic and respond to the challenges and opportunities of the UK's changing international trading relationships.
- Help people find and retain good jobs, with support to access employment opportunities and retrain through our Employment Hub, [re]boot and Future Goals programmes - particularly those in sectors most affected by the pandemic.
- Boost employment and apprenticeship opportunities through the Schools Partnership, Skills for Growth and Levy Transfer Services.
- Continue to develop and implement the West Yorkshire Economic Recovery Plan, including supporting people to start and grow new businesses and create good jobs.
- Take over responsibility for the region's £65 million Adult Education Budget from August 2021 and continue to implement delivery agreements with colleges so courses reflect the skills our region needs.

Enabling Inclusive Growth

- Invest £13.5 million of funding unlocked through the devolution deal to expand our successful [re]boot and Employment Hub programmes to help 10,000 more people affected by the pandemic retrain and find new jobs.
- Continue to work closely with schools and colleges to help our most disadvantaged young people achieve their goals and support SMEs to create more apprenticeship opportunities.
- Ensure that affordable travel is available for everyone, particularly the under 25's, jobseekers and those without bank accounts, to reduce the inequalities heightened by the pandemic.
- Offer free or discounted travel to older and disabled people and safeguard travel links between communities by funding socially necessary bus services.
- Continue to improve access to superfast broadband connections to meet our goal of 40,000+ premises in disadvantaged areas.
- Start work on delivering up to 6,000 new affordable homes over the next four years through the £67 million Brownfield Housing Fund.

Delivering 21st Century Transport

- Ensure our region's transport network recovers from the impact of COVID-19 and make sure the bus network offers safe, affordable travel that meets the needs of our communities.
- Reduce long-term reliance on the car by delivering ambitious improvements to transport infrastructure through the £317 million Transforming Cities Fund and our City Connect programme.
- Continue to develop plans for a West Yorkshire Mass Transit system and work with our partners to secure HS2 and Northern Powerhouse Rail.
- Answer over one million travel enquiries and improve passenger information including on-street real time displays.
- Continue to improve our MCard mobile app and adapt our Travel Centres to offer new products that meet the changing needs of the way people travel after the pandemic.

Tackling the Climate Emergency

- Ensure a green recovery from the COVID-19 pandemic and accelerate our plans for a net zero carbon economy by 2038 at the latest.
- Reduce the amount of carbon we emit and waste we produce at all Combined Authority facilities and across all the programmes we invest in.
- Continue to help businesses become more energy efficient with support and advice, and support further low carbon schemes through the Energy Accelerator programme.
- Support businesses implement and active travel for their staff through the Travel Plan Network.
- Promote active, low carbon and sustainable travel by implementing the Connectivity Strategy and pipeline.
- Install 88 electric vehicle charging points and ensure 5% of our region's taxis are electric powered by 2021.
- Invest £1.7 million in natural flood management projects across Calderdale and Kirklees to help protect around 3,000 homes and over 1,000 businesses.

The accounts

The accounts have been prepared in accordance with The Code of Practice on Local Authority Accounting UK 2020/21 which is based on approved International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards (IAS) Board. The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. The accounts consist of the following:-

The Statement of Responsibilities for the Statement of Accounts, which sets out the requirements for the Combined Authority and the chief financial officer's responsibilities.

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

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

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

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

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

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

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

Revenue Outturn as at 31st March 2021

	2020/21 Approved Budget	2020/21 Actual
	£m	£m
Funding		
Special Rail Grant	0.9	0.9
LEP General Funding	1.1	1.7
Growing Places Fund Interest	0.2	0.3
Enterprise Zone Receipts	2.3	2.6
Transport levy applied	92.2	92.2
Gainshare grant	-	2.6
Transfer from / (to) reserves	0.0	(4.8)
	96.7	95.5
Revenue Expenditure		
<u>Transport Services:</u>		
Concessionary Fares	55.1	51.5
Subsidised Bus Services	19.1	20.2
Passenger Services	4.9	6.4
Rail SRG spend	0.9	0.9
<u>Economic Services</u>	0.6	0.9
<u>Policy, Strategy and Communications</u>		
<u>Corporate</u>	5.5	5.0
Pension&Financing Charges	6.7	7.0
Corporate inc one organisation	3.9	3.6
	96.7	95.5

The presentation above reflects the format in which the original budget was approved by the Combined Authority and provides a useful analysis of expenditure for the users of the accounts. The transfer to reserves figure (£4.8m) is the revenue position for 2020/21. The net cost of services is lower than the budget set and is due to a number of managed savings and cautious spending across the operational areas during the national pandemic.

Revenue funding

During 2020/21 the country has been operating within restrictions imposed due to the Covid19 national pandemic. The Combined Authority has maintained its key services and has retained its key funding sources throughout the year. In addition, additional support funding was received from government to manage these key services and additional costs incurred.

The Combined Authority's expenditure was met by a levy on the five constituent West Yorkshire local authorities (Bradford, Calderdale, Kirklees, Leeds and Wakefield) and contributions from them and the other LEP local authorities for the economic activities. Funding is also received from government in support of LEP core costs and to fund business and skills activities, such as grants to businesses for apprentices. In 2020/21 grant income of £895k was received from Central Government to cover the administrative costs of managing the rail franchises. Since 1 April 2016 rail franchise payments have been paid via Rail North and not via the Combined Authority. Grants formerly received directly from central Government towards the costs of the English National Concessionary Travel Scheme and rural bus services are now paid to the local authorities as part of the revenue support grant. Income from the LEP Enterprise Zones accrues to the Combined Authority and a sum of £2.5m has been accounted for in 2020/21, with this set to rise as more businesses locate to the Enterprise Zones.

In 2006/07 the government introduced free local bus travel for senior citizens and disabled passengers and funded this through increases to the revenue support grant provided to the constituent local authorities. There was an uneven distribution between local authorities and the levy was issued to adjust for this with any excess being returned to the local authorities. This agreement has subsequently been continued and the transport levy shown in the accounts for 2020/21 is the net amount.

Revenue expenditure

The 2020/21 net levy available for transport purposes was reduced by a further £1m on the previous year's level as that paid to the Combined Authority. The annual amount set aside for the West Yorkshire plus Transport Fund (WY+TF) remained at the same level of approximately £5m. This is in addition to the amounts set aside in previous years for this purpose, demonstrating the local commitment to establishing the WY+TF.

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

Funding awarded for Economic Services comes from a range of different sources, including UK Government (e.g. Department for Business, Energy and Industrial Strategy

and Department for International Trade and the Skills Funding Agency), from the European Union (European Social Fund, European Regional Development Fund and Interreg) and from local sources, such as the Leeds City Region Business Rates Pool. This focusses on helping existing businesses to grow, attracting new business investment to the City Region and addressing skills shortages at all levels.

During the year, the impact of the national pandemic did impact on revenue budgets, though the final outturn improved as support grants have been received from government and other managed savings achieved.

Capital expenditure

Total capital expenditure in the year was £314.8m (please see note 20 page 53), funded through a combination of income streams but primarily grants from the Department for Transport and the Ministry of Housing, Communities and Local Government (in relation to the Growth Deal). These included the Local Transport Plan Integrated Transport block funding and highways maintenance grant totalling £41.5m which is then utilised by the Combined Authority and the constituent Local authorities, the £88.7m capital grants for the Leeds Public Transport Improvement Package and £39.9m for the Transforming Cities programme that commenced during the year.

The Growth Deal funding of £100.3m received for 2020/21 has been applied to £137.8m of projects within the programme. An underspend in year on the Growth Deal has been accounted from capital grants to be applied in future years.

The significant capital schemes delivered in the year are set out in the above narrative and as well as these there have also been investments in brownfield housing, active travel, ICT, and contributions to highways schemes, carparks and further investment in clean bus technology.

Treasury management

The Combined Authority has continued to follow its approved treasury management policy. Changes to this policy have been made during the year to enable the Combined Authority to better manage its increasing cash balances. There has been significantly more income received in the year with the trend set to continue, as a result of the Combined Authority taking on the responsibility of accountable body for funding awarded to the LEP. This has resulted in short term investment of £345m being invested as at 31 March 2021.

The Combined Authority's long term borrowing remains at £75m at the end of 2020/21. The Combined Authority's borrowing requirement is increasing over coming years, reflecting the capital programme approved on 4th February 2021. This will be periodically reviewed as the West Yorkshire plus Transport Fund and other activities of the Combined Authority are further developed.

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

The Combined Authority in line with other public sector bodies, has always been mindful of the requirement to demonstrate value for money in its activities. This value for money can be described in terms of the 'three Es' of economy i.e. careful use of resources to

save expense, time or effort, efficiency i.e. delivering the same level of service for less cost, time or effort and effectiveness i.e. delivering a better service or getting a better return for the same amount of expense, time or effort.

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

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

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

Further Information

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

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

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

Telephone for general enquiries: 0113 251 7272

Metroline for travel enquiries etc: 0113 245 7676

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

Statement of Responsibilities for the West Yorkshire Combined Authority

1. The Combined Authority's Responsibilities

The Combined Authority is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In the Combined Authority, that officer was the Director, Corporate Services who is designated as Chief Financial Officer;
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts.

2. The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the Combined Authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the UK ('the Code of Practice'), is required to present a true and fair view of the financial position of the Combined Authority at the accounting date and its income and expenditure for the year ended 31 March 2021.

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

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

3. Certification of the Accounts

I certify that the unaudited Statement of Accounts present a true and fair view of the financial position of the West Yorkshire Combined Authority at 31 March 2021 and its income and expenditure for the year ended 31 March 2021.

A Taylor
Chief Financial Officer

4. Approval of the Accounts

I certify that the Statement of Accounts was authorised for issue and approved by a resolution of the West Yorkshire Combined Authority Governance and Audit Committee meeting on 30 September 2021 in accordance with the Accounts and Audit Regulations 2015. There are no material events after the balance sheet date that require reflecting in the Statement of Accounts.

Tracey Brabin
Mayor of the Authority

30 September 2021

West Yorkshire Combined Authority

Annual Governance Statement 2020/21

1. Scope of Responsibility

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

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

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

2. The purpose of the governance framework

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

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

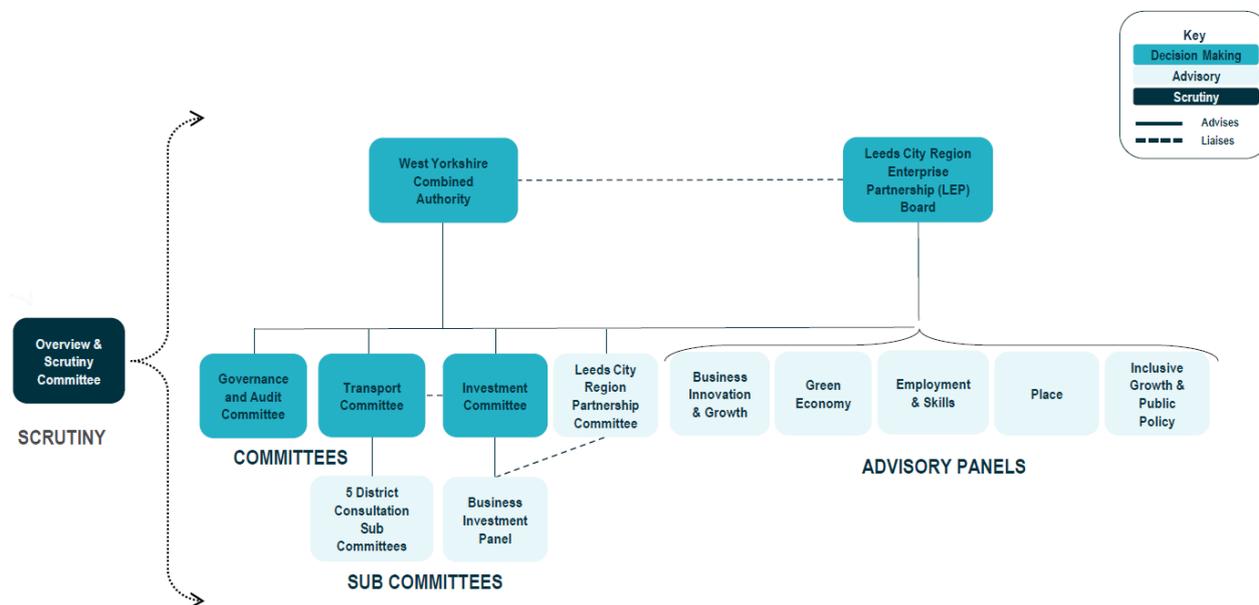
The governance framework has been in place at the Combined Authority throughout the year ended 31 March 2021 and up to the date of approval of the financial statements.

3. The governance framework

There are a number of key elements of the systems and processes that comprise the Combined Authority's governance arrangements. These are set out in the approved Corporate Governance Code and Framework and which is available on its website. The Combined Authority took on accountable body status for funding awarded to the Leeds City Region Enterprise Partnership (LEP) from 1 April 2015 and governance arrangements

reflect this responsibility and continue to develop to further enhance this. During 2017/18 a review of these arrangements resulted in formalising the LEP advisory panels that provide policy direction and guidance to the LEP Board and these arrangements remained in place for 2020/21, with ultimately financial approvals provided by the Combined Authority.

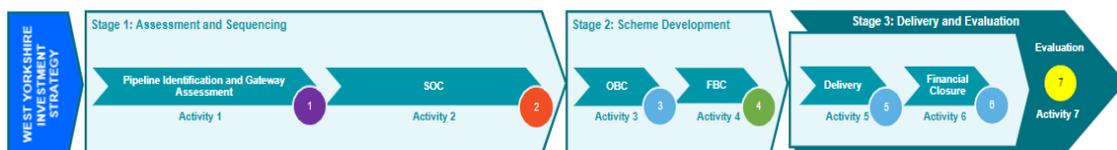
Governance Structure



- a) Corporate policies and objectives are set and communicated by the Combined Authority. The Combined Authority has clearly defined its ambitions to work with its partners across the region to effect economic growth in the Leeds City Region; these ambitions are set out in the both the Strategic Economic Plan (SEP) and then in the newly formed Strategic Economic Framework (SEF). Both the SEP and SEF presents investment priorities across the four pillars of growing business, developing a skilled workforce, clean energy and environmental resilience and delivering the infrastructure for growth. The SEF has been endorsed by both the LEP and Combined Authority Boards and will be kept under regular review to ensure it continues to align with the region's needs and recognises relationships with new and emerging strategies.
- b) The LEP panels (with their public and private sector representation) are integrated into the Combined Authority's decision making process as advisory committees, thus providing a consistent, accountable and transparent framework across both the LEP and the Combined Authority, so far as possible. The status of the advisory committees brings the panels under the statutory provisions relating to local authority meetings and the Combined Authority's Members' Code of Conduct.
- c) A review of LEP governance and transparency was carried out during 2017/18 which considered local arrangements and recommendations from the DCLG Review of Local Enterprise Partnership Governance and Transparency. The review led to the adoption of a LEP constitution and associated procedures that have been in place for 2020/21. All documents were reviewed by the LEP, further to the publication by Government of the revised National Local Growth Assurance Framework guidance. All governance documents comply with the guidance published by Government. The

outcome of the most recent Annual Conversation carried out by the Cities and Local Growth Unit confirmed that the LEP meets the standards for governance (the outcome for 2020/21 was either met or not met).

- d) The statutory Local Transport Plan (LTP) in place for 2020/21 was adopted by the Combined Authority in August 2017 and sets out a step change in the quality and performance of the transport system within West Yorkshire and its connections with the rest of the country. It sits within the policy framework of the Combined Authority, with the development of a Leeds City Region Industrial Strategy at its heart, targeted at placing the City Region on the front-foot with an ambitious policy platform that improves competitiveness and drives inclusive growth outcomes.
- e) A suite of supporting plans and strategies set out further detail on a range of priority areas, including housing and regeneration, digital infrastructure, green infrastructure, skills and trade and investment.
- f) The Leeds City Region Assurance Framework is in line with national best practice and is peer reviewed and has been updated on an annual basis building on existing good practice and reflecting any changes in both government guidance and improvements to the Combined Authority's procedures. The Assurance Framework was comprehensively reviewed during 2020/21, as part of the required preparations for becoming a Mayoral Combined Authority and to comply with the revised National Local Growth Assurance Framework Guidance. The changes were considered and endorsed through internal governance arrangements and submitted and approved by Central Government in February 2021. The Assurance Framework supports decision making on projects and guides investment decisions across the full portfolio of capital interventions. It sets out the appropriate safeguards and processes to be put in place to ensure the proper use of public funds and that value for money is secured and outcomes are clearly agreed when investing in schemes. This includes the prioritisation process for identifying the schemes that are included for funding with a three stage approval process now in place to enable the prioritisation of schemes. As a minimum all projects will formally need to pass decision points 2 and 5 as set out in the diagram below, with the requirement to meet the intervening activities deemed on a project by project basis. The Investment Committee will consider the majority of projects at these points with the Combined Authority approving all schemes at decision point 2, with subsequent decisions delegated thereafter to the Investment Committee and/or Managing Director (as appropriate).



- g) The Combined Authority's scrutiny arrangements consist of a politically balanced Overview and Scrutiny Committee of 18 members co-opted from the five West Yorkshire Councils and York. This year the committee has scrutinised the effects of COVID, business support, COVID recovery, mayoral devolution consultation and strategic transport issues such as the new connectivity plan including plans for mass transit in West Yorkshire. In addition, the committee has maintained an overview of developments in preparations for the first mayoral election and getting the organisation 'mayor ready' and the usual budget and corporate planning process.

The committee's planned reviews into business support schemes and the climate emergency were interrupted by covid-19 and the committee plans to revisit them in the future.

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

- h) The Combined Authority's Governance and Audit Committee is responsible for overseeing the effective operation of the systems of governance, risk management, internal control (including internal audit) and treasury management. It has responsibility for the approval of the annual accounts. In accordance with changes in legislation an independent member was appointed to the Committee by the Combined Authority at its meeting on 28 June 2018, who chaired the committee until 11th January 2021, with a member of the Combined Authority chairing thereafter. A further independent member was appointed in 2019. An officer Regulatory and Compliance Board chaired by the Director, Corporate and Commercial Services, provides an operational level management and review of internal control, risk, health and safety, information security and governance arrangements in place.
- i) Staff roles are defined and documented through role profiles. These set out clear competencies and accountabilities for each role and are key to making successful recruitment decisions. Appointments have been made to all the posts required by statute, including Head of Paid Service (which forms part of the Managing Director's role), s73 Officer (Director, Corporate and Commercial Services), and the Monitoring Officer (Head of Legal and Governance Services).
- j) Staff behaviours are guided by Combined Authority's values and its Code of Conduct and a similar Code exists for elected Members; both employees and Members are required to maintain a register of interests. A code of conduct for LEP Board members has been approved and all Board members completed registers of interest which are available for inspection on the Combined Authority website.
- k) The Combined Authority conforms to the requirements of the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government (2015)*. The Chief Financial Officer is the Director, Corporate and Commercial Services who is a key member of the leadership team and is responsible for the proper administration of the Combined Authority's financial arrangements through a suitably qualified and resourced finance function.
- l) An internal team provide the internal audit service to the Combined Authority. Public Sector Internal Audit Standards (PSIAS) require the purpose, authority and responsibility of the internal audit activity to be defined in an internal audit charter, consistent with the definition of Internal Auditing, the Code of Ethics and the Standards. The Internal Audit Charter establishes internal audit's position within the organisation, including the mandatory nature of the Chief Audit Executive's role; functional reporting relationship with the management team; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

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

4. Review of Effectiveness

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

The Combined Authority has in place a system based on a framework of contract standing orders, financial regulations and administrative controls including codes of conduct and

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

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

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

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

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

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

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

From the work undertaken during the financial year 2020/21 and taking into account other sources of assurance, Internal Audit have reached the opinion that, overall, the Combined Authority's framework of control and governance is operating adequately.

The Combined Authority, as mentioned earlier, received approval to a revised Assurance Framework in February 2021, with the previous approved version being effectively in use for 2020/21. As part of the Delivery Directorate, a Portfolio Management and Appraisal Office manages a three stage pipeline approval process, designed to support the Leeds City Region Assurance Framework. All partner authorities delivering schemes funded by the Combined Authority follow this framework and close working with partner authorities is key to successful delivery of the wide ranging portfolio.

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

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

Building on the work previously undertaken on risk management, work continued to consolidate all risk registers throughout the organisation and to ensure that risk is considered consistently in line with the principles set out in the revised Corporate Risk Management Strategy.

Internal Audit's Quality Assurance and Improvement Program ensures that activity is assessed against the requirements of professional standards, the definition of Internal Audit and the Code of Ethics as specified by the Institute of Internal Auditors.

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

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

A Value For Money self-assessment was undertaken by management for the year 2020/21 and forms part of the overall opinion by the external auditors for the annual accounts.

5. Programme of Improvement

During 2020/21 the Combined Authority commenced a Mayoral Combined Authority (MCA) Ready Programme aimed at achieving all the required government milestones needed to become a formal mayoral authority. The key milestones were met and the West Yorkshire Mayoral Combined Authority became law in January 2021 and work commenced on the preparations for the election of the Mayor on 6th May 2021. The MCA Ready Programmes continues further work into 2021/22 in preparation for the arrival of the newly elected mayor and including a review of the internal governance arrangements to ensure they align to best effect with the revised committee and advisory panel arrangements and that delegations are exercised to best effect to enable transparent, accountable and effective decision making. Proposals are developing to enhance the dedicated support for the scrutiny arrangements, though for 2020/21 this area of work continued under the formal Overview and Scrutiny Committee.

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

6. Significant Governance Issues

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

Covid19

The Combined Authority closed its main offices in the week commencing 16th March 2020 in response to the Government 'lockdown' announcements.

The newly introduced ICT that was implemented in January 2020, including laptops and the MS Teams application, literally overnight enabled circa 400 plus office based staff to work from home with no loss to business continuity. Staff could access all relevant systems and files and the business continuity plans that were invoked led to appropriate adjustments to internal controls on key systems and processes. The formal committee meetings continued during the year by using technologies such as Zoom.

Through clear and decisive leadership, the overall impact of the national pandemic was managed well during 2020/21. In addition to the home working arrangements, measures were put in place across our bus station and travel centres that complied with government guidance on social distancing and PPE and robust communication and HR processes introduced for the management of Covid 19 cases as they arose. These measures, along with dedication of staff, support from the Board and Senior Management and enhanced flexible working arrangements, contributed to the Combined Authority continuing to deliver on its corporate plans to a large degree. Additionally, financial support from Government, following representation from the Leaders, minimised the overall financial impact to manageable levels.

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

Other than the Covid 19 issue, no other significant issues have arisen in the year.

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

Throughout 2020/21 the Combined Authority has demonstrated an ongoing commitment to best practice and good corporate governance consistent with the principles of the CIPFA/SOLACE Framework in Local Government and this is clearly demonstrated by the adoption of an updated Corporate Governance Code and Framework which captures and summarises these updated principles. We are also satisfied with the improvements that are continuing under the guidance of the Governance and Audit Committee.

Finally, the Combined Authority in June 2021 reviewed and approved new decision-making arrangements and committee structures that reflected both the Mayor's priorities and the new functions, roles and responsibilities and funding that arose from the West Yorkshire devolution deal. These new arrangements will be implemented during 2021/22.

Tracy Brabin

B Still

Mayor and Chair

Managing Director

30 September 2021

Movement in Reserves Statement

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

2020/21

	General Fund reserve	Earmarked GF revenue reserves	Usable capital receipt reserves	Capital Grant Unapplied reserve	Total Usable reserves	Unusable reserves	Total authority reserves	notes
	£000	£000	£000	£000	£000	£000	£000	
Balance brought forward 1st April 2020	8,173	39,435	18,247	110,838	176,693	(65,605)	111,088	
Surplus / (deficit) on provision of services	74,951				74,951		74,951	
Other comprehensive income and expenditure					-	2,028	2,028	4
Total comprehensive income and expenditure	74,951	-	-		74,951	2,028	76,979	
Statutory adjustments between accounting basis and funding basis	(41,333)	130	9,161	29,534	(2,508)	2,508	-	5
Increase / (decrease) before transfers	33,618	130	9,161	29,534	72,443	4,536	76,979	
Transfers to/(from) earmarked revenue reserves	(28,840)	28,839			(1)	-	(1)	6
Increase / (decrease) during year	4,778	28,969	9,161	29,534	72,442	4,536	76,978	
Balance at 31st March 2021 carried forward	12,951	68,404	27,408	140,372	249,135	(61,069)	188,066	

2019/20

	General Fund Reserve	Earmarked reserves	Usable capital receipt	Capital Grant Unapplied	Total usable reserves	Unusable reserves	Total authority reserves	notes
	£000	£000	£000	£000	£000	£000	£000	
Balance brought forward 1st April 2019	6,848	36,120	9,435	70,974	123,377	(60,370)	63,007	
Surplus / (deficit) on provision of services	51,578				51,578		51,578	
Other comprehensive income and expenditure					-	(1,494)	(1,494)	4
Total comprehensive income and expenditure	51,578	-	-		51,578	(1,494)	50,084	
Rebasing adjustment			4,577	(6,581)	(2,004)	-	(2,004)	
Total comprehensive income and expenditure after rebasing	51,578	-	4,577	(6,581)	49,574	(1,494)	48,080	
Statutory adjustments between accounting basis and funding basis	(46,243)	(695)	4,234	46,445	3,741	(3,741)	-	5
Increase / (decrease) before transfers	5,335	(695)	8,811	39,864	53,315	(5,235)	48,080	
Transfers to/(from) earmarked revenue reserves	(4,010)	4,010			-	-	-	6
Increase / (decrease) during year	1,325	3,315	8,811	39,864	53,315	(5,235)	48,080	
Balance at 31st March 2020 carried forward	8,173	39,435	18,247	110,838	176,693	(65,605)	111,088	

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure statement shows the accounting cost in the year of providing services in accordance with International Financial Reporting Standards ("IFRS") adopted by the Code of Practice on Local Authority Accounting 2020/21 and the Accounts and Audit Regulations 2015.

2019/20			2020/21			
Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's		Gross Expenditure £000's	Gross Income £000's	Net Expenditure £000's
227,927	(16,999)	210,928	Transport Services	349,903	(27,013)	322,890
35,444	(7,439)	28,005	Economic Services	64,832	(10,215)	54,617
5,805	(1,007)	4,798	Policy, Strategy & Communications	6,661	(859)	5,802
4,020	(4,039)	(19)	Delivery	7,063	(6,722)	341
10,213	(4,219)	5,994	Corporate Services	14,473	(4,383)	10,090
283,409	(33,703)	249,706	Net cost of services	442,932	(49,192)	393,740
3,229		3,229	Interest Payable	3,214		3,214
	(3,324)	(3,324)	Interest and Investment income		(2,984)	(2,984)
1,912		1,912	Net interest on the pension defined benefit liability	1,973		1,973
202		202	(Gain) or loss on disposal of assets	7		7
288,752	(37,027)	251,725	Net Expenditure after financing and investment	448,126	(52,176)	395,950
Non-Specific Grant Income						
-	(98,901)	(98,901)	Local Authority Levies		(97,901)	(97,901)
-	(204,402)	(204,402)	Government and Other Grants		(373,000)	(373,000)
288,752	(340,330)	(51,578)	(Surplus)/Deficit on Provision of Services	448,126	(523,077)	(74,951)
2,365		2,365	(Surplus)/Deficit on remeasurement of the net Defined benefit liability		(1,751)	(1,751)
-	(871)	(871)	(Surplus)/Deficit on revaluation of long term assets		(277)	(277)
2,365	(871)	1,494	Other Comprehensive Income and Expenditure	-	(2,028)	(2,028)
			(50,084)			(76,979)

Balance Sheet

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

<u>31 March 2020</u>	£000s	<u>31 March 2021</u>	<i>notes</i>
		£000	
74,516	<i>Long term assets</i>		
21,623	Property, plant and equipment	86,435	11(d)
	Long-term debtors	19,465	17
96,139		105,900	
	<i>Current assets</i>		
186,711	Short term investment	345,972	22
40,621	Short term debtors	27,224	15
55,277	Cash and cash equivalents	35,260	16
282,609		408,456	
	<i>Current liabilities</i>		
(1,056)	Short term borrowing	(1,049)	19
(80,452)	Short term creditors	(134,964)	18
(10,653)	Deferred income	(13,097)	18
(205)	Provisions for current liabilities	(635)	25
(92,367)		(149,745)	
286,380	Total assets less current liabilities	364,611	
	<i>Long-term liabilities</i>		
(75,000)	Long-term borrowing	(75,000)	19,22
(89,036)	Net pensions liability	(91,346)	7
(11,256)	Capital Grant Receipt in Advance	(10,199)	18
(175,292)		(176,545)	
111,088	Total assets less liabilities	188,066	
	<i>Financed by</i>		
176,693	Usable reserves	249,135	23
(65,605)	Unusable reserves	(61,069)	24
111,088	Total reserves and balances	188,066	

Cash Flow Statement

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

2019/20		2020/21
£000	Operating activities :	£000
51,578	Surplus/(Deficit) on the Provision of Service	74,951
3,802	Depreciation	11d 4,835
(1,592)	Write down of loans	(437)
13,715	Increase in creditors	18 55,892
(1,958)	Decrease in debtors	15,17 8,650
2,031	Transfer to the Pension Reserve	24 4,061
8	Provisions	25 430
202	(Profit)/Loss from disposal of assets	2 7
1,023	Fixed assets charged to revenue	11d -
68,809	Net cash generated from operating activities	148,389
	Cash flows from investing activities	
(4,128)	Purchase of property, plant & equipment,	11d (18,382)
(86,750)	Short term investment	22 (159,000)
365	Proceeds from the sale of property, plant & equipment	2 -
(90,513)	Net cash flows from investing activities	(177,382)
	Cash flows from financing activities	
3,947	Receipt of Debtor Loan repayments	17 8,976
3,947	Net cash used from financing activities	8,976
(17,757)	Increase/(Decrease) in cash and cash equivalents	(20,017)
73,034	Cash and cash equivalents at the beginning of the reporting period	55,277
55,277	Cash and cash equivalents at end of reporting period	16 35,260

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

2019/20		2020/21
£000's		£000's
3,229	Interest paid	3 3,214
(3,324)	Interest received	3 (2,984)

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

Explanatory Notes to the Accounts

ACCOUNTING POLICIES

1. General Principles

The Statement of Accounts summarises the Combined Authority's transactions and its position for the year end of 31 March 2021. The Combined Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, following the appropriate accounting standards as required by the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code). The Code constitutes a "proper accounting practice" under the terms of section 21(2) of the Local Government Act 2003. The Code is based on approved accounting standards, supported by International Financial Reporting Standards (IFRS).

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

2. Prior period adjustments, changes in accounting policies and estimates and errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

3. Accounting Standards that have been issued but have not yet been adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new accounting standard, but one which has not yet been implemented.

The standards introduced by the 2021/22 Code are:

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.
- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). The planned introduction has been

delayed in response to the coronavirus pandemic, and it is now expected to apply from 1st April 2022.

4. Critical Accounting Estimates and Judgements

The preparation of financial statements in accordance with IFRS requires management to make certain assumptions, estimates and judgements that may affect the reported amounts of assets, liabilities, income and expenses. These are based on historical experience and any other factors, including expectations of future events, that are considered appropriate and consistent. Subsequent actual results may however differ from these estimates and judgements. Where the effect of a change to an estimation technique is material, a description of the change and, if practical, the effect on the current period result is disclosed. Areas where assumptions, estimates and judgements may give rise to adjustments to the carrying values of assets and liabilities in the financial year are as follows:

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

5. Accrual of expenditure and Income

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

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

- Revenue from the provision of services is recognised when the Combined Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Combined Authority.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debtors, which are not financial instruments, the carrying amount has been adjusted by an impairment provision for doubtful debts, which should be provided for, and known uncollectable debts have been written off in full. For financial instrument debtors, the carrying amount is adjusted by an allowance for expected credit losses.

6. Employee Benefits and Pension Costs

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

6.2 Pension Costs

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

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

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

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

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

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

The change in the net pension's liability is analysed into seven components:

Current service costs - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employee worked;

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

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

Interest income on assets - the interest income applied to the asset and net changes in the asset during the year - credited to the Pensions interest expense/income on the net liability in the Comprehensive Income and Expenditure Statement;

Gains or losses on settlements and curtailments - the result of actions to relieve the Combined Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of the service costs;

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

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

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

7. Leases

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

7.1 Finance Lease

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

7.2 Operational Lease

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

8. Investments

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

9. Reserves

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

10. Provisions

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

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

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

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

11. Revenue Expenditure Funded from Capital under Statute

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

12. Rail Infrastructure

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

13. Charges to Revenue

For the Combined Authority depreciation has been shown as part of the service expenditure. The Combined Authority has considered the impairment of fixed assets in accordance with

IAS 36 and no charges for impairment have been made. Such depreciation or impairment is then required by the Code to be credited in the Movement in Reserves Statement on the General Fund Balance to avoid it being a net charge to the accounts. Amounts set aside from revenue for the repayment of external loans are also shown separately through the Movement in Reserves Statement on the General Fund Balance.

14. Government Grants and Contributions

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as deferred income. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or General government grants (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

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

15. Recognition of capital expenditure (de-minimis policy)

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

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

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

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

16. Property, Plant and Equipment

16.1 Recognition of assets

All expenditure on the acquisition, construction or enhancement of property, plant and equipment, as defined by the Code has been capitalised and classified as a long-term asset, where the asset brings benefit to the Combined Authority for a period of more than one year. This includes both economic benefit and benefits derived from service potential.

16.2 Classification and valuation

Non-Infrastructure Land and buildings are measured at current value which is Existing Use Value (EUV) where there is an active market or Depreciated Replacement Cost (DRC) where it relates to a specialised asset.

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

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

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

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

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

16.3. Depreciation and amortisation

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

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

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

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

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

16.4 Asset Disposal

When an asset is disposed of or decommissioned, the gain or loss arising on disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement. Receipts from disposals are credited to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

16.5 Progress payments for capital assets

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

16.6. Discontinued Operations and Non-current Assets Held for Sale

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

A sale is considered to be highly probable if the appropriate level of management is committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan has been initiated.

16.7 Donated Assets

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

17. Capital Receipts

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

18. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The term 'financial instrument' covers both financial assets and financial liabilities. The Combined Authority accounts have been prepared in accordance with IFRS 9 (which replaced IAS 39) which is effective from 2018/19 accounts. The main implication of the change is in the classification and measurement of financial assets and for recognising and measuring impairment.

18.1. Financial Assets

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

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

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

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

recognised.

Impairment of financial assets: the Combined Authority assesses at each period end whether there is any evidence that a financial asset, or group of assets, is impaired. The Combined Authority recognises expected credit losses on all financial assets held at amortised cost and fair value. Impairment losses are calculated to reflect the prospect that expected future cash flows might not take place due to default. If risk has increased significantly between initial recognition and the balance sheet date, impairment is based on expected credit losses from all possible defaults over the expected life of the instrument, otherwise impairment is based on a 12 month expected loss (that is the lifetime expected credit loss multiplied by the probability of the default occurring within the next 12 months). A simplified approach is applied to trade receivables whereby the loss allowance is measured at an amount equal to lifetime expected credit losses thus avoiding the need to consider annually whether there has been an increase in credit risk. This is based on probability weighted outcomes and other supporting information.

18.2. Financial Liabilities

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

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

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

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

18.3. Offsetting of Financial Assets and Liabilities

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

19. Cash and cash equivalents

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

20. Foreign Currency Transaction

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

21. Value Added Tax (VAT)

Value Added Tax is included within the accounts only to the extent that it is irrecoverable and therefore charged to service expenditure or capital expenditure as appropriate.

22. Consolidation of Joint Venture

The concept of materiality has been considered in respect of the consolidation of Yorcard Ltd into the Combined Authority's accounts. Materiality is determined as an omission or misstatement that may influence an economic decision of the user of the accounts. On this basis Management have adopted a policy to exclude the Yorcard Ltd Joint Venture from full consolidation but have disclosed in note 26 the financial performance and position in accordance with IAS31 "Interests in Joint ventures".

23. Contingent Assets and Liabilities

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

24. Exceptional Items

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

25. Events after the Balance Sheet Date

The Statement of Accounts are to be authorised for issue by the Chief Financial Officer as at 30 September 2021. 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 2021, the figures in the financial statements and notes will be adjusted in all material respects to reflect the impact of the information (adjusting events). Events indicative of conditions that arose after the reporting period are not adjusted (non-adjusting events).

Explanatory Notes to the Accounts

These notes provide information that supports, and helps in interpreting, the main financial statements.

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

1.1 IFRS15 Revenue from Contracts with Customers has been adopted in the accounts. The Combined Authority (CA) administers a prepaid ticket scheme. The CA receives revenues from prepaid ticket sales which are then pooled and distributed to operators based on passenger journey and usage data collected. Under IFRS15 the net income from the scheme is included in the CA's revenue account within Transport Services. The total payment to operators was £8.2m in 2020/21 (£32.5m in 2019/20). There was a significant decrease in payment to operators in 2020/21 in comparison to the previous year, reflecting the impact fully from Covid-19.

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

1.2 (a) Expenditure and Funding Analysis

2019/20				2020/21		
Expenditure Chargeable to General Fund	Adjustment between funding and accounting	Net Expenditure in the CI&E (1)		Expenditure Chargeable to General Fund	Adjustment between funding and accounting	Net Expenditure in the CI&E (1)
79,114	131,814	210,928	£000s	74,193	248,697	322,890
(386)	28,391	28,005	Transport Services	599	54,018	54,617
4,771	27	4,798	Economic Services	5,349	453	5,802
(40)	21	(19)	Policy, Strategy & Communications	(55)	396	341
3,890	2,103	5,994	Delivery	6,704	3,386	10,090
		-	Corporate Services			-
87,349	162,356	249,706	Net cost of services	86,790	306,950	393,740
4,523	(2,707)	1,816	Financing and investment income and expenditure	6,218	(4,015)	2,203
-	202	202	Loss on disposal of assets		7	7
(93,198)	(210,104)	(303,302)	General grant income	(97,785)	(373,116)	(470,901)
(1,325)	(50,253)	(51,578)	(Surplus) / deficit on provision of services	(4,778)	(70,174)	(74,951)
<u>General Fund</u>						
(1,325)			Reserve Balance brought forward	(8,173)		
			(Increase) / decrease for the year	(4,778)		
(1,325)			Reserve Balance carried forward	(12,951)		

1.2 (b) Note to the Expenditure and Funding Analysis

2019/20				2020/21				
Adjustments for Capital Purposes (2)	Net Change for Pensions Adjustments (3)	Other Differences (4)	Total Adjustments	£000s	Adjustments for Capital Purposes (2)	Net Change for Pensions Adjustments (3)	Other Differences (4)	Total Adjustments
(131,780)	(34)	-	(131,814)		(248,177)	(520)	-	(248,697)
(28,375)	(16)	-	(28,391)	Transport Services	(53,685)	(333)	-	(54,018)
	(27)	-	(27)	Economic Services		(453)	-	(453)
	(21)	-	(21)	Policy, Strategy & Communications		(396)	-	(396)
(478)	(1,625)	-	(2,103)	Delivery	(1,253)	(2,358)	225	(3,386)
(160,633)	(1,723)	-	(162,356)	Corporate Services	(303,115)	(4,060)	225	(306,950)
				Net cost of services				
		2,707	2,707	Financing and investment income and expenditure			4,015	4,015
		(202)	(202)	Loss on disposal of assets				(7)
204,402		5,702	210,104	General grant income	344,500		28,616	373,116
				Difference Between Surplus or Deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit on the provision of Services				70,174

- (1) This column shows income and expenditure recognised in accordance with the IFRS can be seen in the Comprehensive Income and Expenditure Statement on page 21.
- (2) This relates to adjustments to meet the IFRS, including depreciation, impairment and revaluation gains/losses, and the adjustment within General Grant Income relates to capital grants.
- (3) These adjustments relate to pension contributions and other employee benefits under IAS19.
- (4) These adjustments relate to gains/losses on the disposal of non-current assets (within the other operating expenditure), and statutory charges for capital financing within the net cost of service and other movement between earmarked reserves.

1.3 Subjective Analysis of Comprehensive Income and Expenditure

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

2019/20	£000s	2020/21
	Income	
(54,031)	Other service income	(29,268)
(3,324)	Interest and investment income	(2,984)
(214,386)	Government Grants	(396,251)
(98,900)	Transport Levy	(94,901)
(370,641)	Total Income	(523,404)
	Expenditure	
23,227	Employee expenses	26,176
286,691	Other service expenses	412,248
3,803	Depreciation, amortisation and impairment	4,835
3,229	Interest payments	3,214
202	Gain or loss on disposal of non-current assets	7
1,912	Pension interest costs	1,973
319,064	Total Expenditure	448,453
(51,578)	(Surplus)/ deficit	(74,951)

2. Disposal of Fixed Assets

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

	2019/20 £000's	2020/21 £000's
Net Book Value of Assets	567	-
Proceeds from sale	(365)	7
(Profit)/Loss on disposal of fixed assets	202	7

3. Financing Income and Costs

	2019/20 £000's	2020/21 £000's
Interest receivable on Loans, deposits and other debts	(3,324)	(2,984)
Interest payable on Loans	3,229	3,214
Effect of early settlement of Loans	6	6

4. Other comprehensive income and expenditure

The following table gives a breakdown of the figures for Other comprehensive income and expenditure shown within the Movement in Reserves Statement.

	2019/20 £000's	2020/21 £000's
Surplus/(deficit) on revaluation of long term assets	(871)	(277)
Actuarial gains/(losses) on pension fund	2,365	(1,751)
Total Other Comprehensive Income and Expenditure	1,494	(2,028)

5. Adjustments between the accounting basis and the funding basis

The Comprehensive Income and Expenditure Statement shows the CA's income and expenditure for the year on the basis of International Financial Reporting Standards. However, the amounts actually chargeable to the CA's General Fund reserves are controlled by legislation and include a number of statutory adjustments and transfers to specific reserves. The statutory adjustments which are required largely relate either to the arrangements for the funding of the CA's capital expenditure or to the timing with which some items are charged or credited to the general fund.

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Combined Authority in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the CA to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of the CA is required to be paid and out of which all liabilities of the CA are to be met, except to the extent that statutory

rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund balance, which is not necessarily in accordance with proper accounting practice. The General Fund balance therefore summarises the resources that the CA is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the CA is required to recover) at the end of the financial year.

Usable capital receipts reserve

The usable capital receipts reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. However, in the 2015 spending review these rules were relaxed, to allow Local Authorities to spend up to 100% of their fixed asset receipts on the revenue costs of reform projects to deliver more efficient and sustainable services. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital grants unapplied

The capital grants unapplied reserve holds the grants and contributions received towards capital projects for which the CA has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

<u>Adjustments for 2020/21</u>	General Fund Balance £000's	Capital Grants Unapplied £000's	Usable Capital Receipt Reserve £000's	Total Movement £000's
<u>Adjustments to the revenue resources</u>				
Amounts by which income and expenditure included in the CIES and differs from revenue for the year calculated in accordance with statutory requirements:				
Pension Costs (Transfer to or from the pension reserve)	(4,061)			(4,061)
Financial instruments (to or from the financial instruments adjustments account)	187			187
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	25,012			25,012
Total adjustments to revenue resources	21,138	-	-	21,138
<u>Adjustments to the Revenue and Capital Resources</u>				
Transfer of non-current asset sale proceeds from revenue to the Usable Capital Receipts Reserve	(7)		7	-
Transfer of capital loan repayments to usable capital receipts reserve			(9,189)	(9,189)
Transfer of capital grants and contributions to capital grants unapplied		(29,533)		(29,533)
Statutory provision for the repayment of debt (transfer from the CAA)	3,515			3,515
Capital expenditure financed from revenue balances (transfer to the CAA)	(298,280)			(298,280)
Total adjustments between revenue and capital resources	(294,772)	(29,533)	(9,182)	(333,487)
<u>Adjustments to Capital Resources</u>				
Use of the Capital Receipts Reserve to finance capital expenditure			20	20
Application of capital grants to finance capital expenditure	314,837			314,837
Total adjustments to capital resources	314,837	-	20	314,857
Total adjustments	41,203	(29,533)	(9,162)	2,508

<u>Adjustments for 2019/20</u>	General Fund Balance £000's	Capital Grants Unapplied £000's	Usable Capital Receipt Reserve £000's	Total Movement £000's
<u>Adjustments to the revenue resources</u>				
Amounts by which income and expenditure included in the CIES and differs from revenue for the year calculated in accordance with statutory requirements:				
Pension Costs (Transfer to or from the pension reserve)	(2,031)			(2,031)
Financial instruments (to or from the financial instruments adjustments account)	(198)			(198)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	43,865			43,865
Total adjustments to revenue resources	41,636	-	-	41,636
<u>Adjustments to the Revenue and Capital Resources</u>				
Transfer of non-current asset sale proceeds from revenue to the Usable Capital Receipts Reserve	365		(365)	-
Transfer of capital loan repayments to usable capital receipts reserve			(3,952)	(3,952)
Transfer of capital grants and contributions to capital grants unapplied		(46,445)		(46,445)
Statutory provision for the repayment of debt (transfer from the CAA)	3,115			3,115
Capital expenditure financed from revenue balances (transfer to the CAA)	(156,830)			(156,830)
Total adjustments between revenue and capital resources	(153,350)	(46,445)	(4,317)	(204,112)
<u>Adjustments to Capital Resources</u>				
Use of the Capital Receipts Reserve to finance capital expenditure			83	83
Application of capital grants to finance capital expenditure	158,652			158,652
Total adjustments to capital resources	158,652	-	83	158,735
Total adjustments	46,938	(46,445)	(4,234)	(3,741)

6. Movements in earmarked reserves

This note sets out the amounts set aside by the CA from the general fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2020/21.

	Balance at 1 April 2019 £000	Transfer out 2019/20 £000	Transfer in 2019/20 £000	Balance at 31 March 2020 £000	Transfer out 2020/21 £000	Transfer in 2020/21 £000	Balance at 31 March 2021 £000
<u>Earmarked capital reserves</u>							
Rail Reserve	862	(695)	-	167	-	129	296
NGT Reserve	971	-	-	971	-	-	971
<u>Earmarked Revenue Reserves</u>							
WY Transport Fund	34,287	(2,166)	6,176	38,297	(3,249)	6,176	41,224
Gainshare reserve	-	-	-	-	(2,587)	28,500	25,913
Total earmarked reserves	36,120	- 2,861	6,176	39,435	- 5,836	34,805	68,404

7. Pension Costs

7.1. Defined Benefit Pension Scheme

The Combined Authority is a member of the West Yorkshire Pension Fund, administered by Bradford Metropolitan City Council. The West Yorkshire Pension Fund is part of the Local Government Pension Scheme (LGPS) and is subject to statutory Local Government Pension Scheme Regulations, which specify the benefits earned, the contribution rates for

employees, and the framework for calculating employers' contribution rates, which are determined by triennial actuarial valuations.

The West Yorkshire Pension fund is treated as a defined benefit scheme under IAS19, meaning that the Combined Authority and their employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets. The contribution rate for 2020/21 is 17.2% (14.6% for 2019/20), and the deficit lump sums are £0.18m and £1.295m for 2020/21 and 2019/20 respectively.

7.2. Capital Cost of Discretionary Increase in Pension Payments

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

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

	2019/20 £000's	2020/21 £000's
Current Employees	3,726	3,490
Former Employees	922	857

7.3. Actuarial Assumptions

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

The main assumptions used:

	2019/20		2020/21	
	Unfunded 12yrs	Funded 14.3yrs	Unfunded 12yrs	Funded 14.3yrs
Duration of liabilities				
Inflation : CPI	2.0%	2.0%	2.7%	2.7%
Rate of increase in salaries	-	3.3%	-	4.0%
Rate of increase for pensions in payment	2.0%	2.0%	2.7%	2.7%
Pension account revaluation rate	-	2.0%	-	2.7%
Rate used to discount funded scheme liabilities	2.3%	2.3%	2.1%	2.1%

Post retirement mortality (retirement in normal health)

	2019/20	2020/21
Standard SAPS Normal Health All Amounts		Standard SAPS S2N tables
Males : CMI 2018 Long term rate of improvement of 1.5%		Males : CMI 2018 Long term rate of improvement of 1.5%
Females : CMI 2018 Long term rate of improvement of 1.5%		Females : CMI 2018 Long term rate of improvement of 1.5%
Life Expectancy		
- of a male (female) future pensioner aged 65 in 20yrs time	2019/20 22.5 (25.7) Years	2020/21 22.6 (25.8) Years
- of a male (female) current pensioner aged 65	21.8 (24.6) Years	21.9 (24.7) Years

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

7.4. Sensitivity Analysis

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

Adjustment to discount rate	+0.1%pa	Base Figure	-0.1%pa
Present value of total obligation £m	203.344	207.282	211.220
% change in present value of total obligation	-1.9%		1.9%
Projected service cost £m	9.189	9.532	9.885
Approximate % change in projected service cost	-3.6%		3.7%
Adjustment to rate of increase in salaries	+0.1%pa	Base Figure	-0.1%pa
Present value of total obligation £m	207.904	207.282	203.965
% change in present value of total obligation	0.3%		-0.3%
Projected service cost £m	9.532	9.532	9.532
Approximate % change in projected service cost	0.0%		0.0%
Adjustment to pension increase rate and the rate of revaluation of pension accounts	+0.1%pa	Base Figure	-0.1%pa
Present value of total obligation £m	210.599	207.282	203.965
% change in present value of total obligation	1.6%		-1.6%
Projected service cost £m	9.885	9.532	9.189
Approximate % change in projected service cost	3.7%		-3.6%
Adjustment to mortality age rating assumption	-1 year	Base Figure	+1 year
Present value of total obligation £m	214.951	207.282	199.820
% change in present value of total obligation	3.7%		-3.6%
Projected service cost £m	9.932	9.532	9.132
Approximate % change in projected service cost	4.2%		-4.2%

7.5. Reconciliation of unfunded/funded status to Balance Sheet

£000's	2019/20			2020/21		
	£000's	£000's		£000's	£000's	
Unfunded	Funded	All Benefits		Unfunded	Funded	All Benefits
	142,364	142,364	Fair Value of assets		172,254	172,254
			Present value of unfunded/ funded defined benefit obligation			
7,690	223,710	231,400		7,287	256,313	263,600
(7,690)	(81,346)	(89,036)	Funded status	(7,287)	(84,059)	(91,346)
			Impact of minimum funding requirement /asset ceiling	-	-	-
			Asset/(liability) recognised on the balance sheet			
(7,690)	(81,346)	(89,036)		(7,287)	(84,059)	(91,346)

7.6. Pension Assets

2019/20			2020/21	
£000's	£000's		£000's	£000's
Unfunded	All Benefits		Unfunded	All Benefits
	153,571	Opening balance 1 April		142,364
	3,648	Interest income on scheme assets		3,264
	(11,618)	Remeasurement of (losses)/gains		29,594
895	4,689	Contributions paid by employer	852	4,461
	1,189	Member Contributions		1,345
		Net increase in liabilities from disposals/aquisitions		
(895)	(9,115)	Benefits paid	(852)	(8,774)
-	142,364	Closing balance 31 March	-	172,254
2019/20		Actual return on assets	2020/21	
£000's			£000's	
	3,648	Interest income on assets		3,264
	(11,618)	Remeasurement gain/(loss) on assets		29,594
	(7,970)	Actual return on assets		32,858

Assets in the West Yorkshire Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories set out below. The latest valuation of the pension scheme proportion as applied to the Combined Authority is rolled forward for 31 March 2021 (showing the proportion of assets between the classes of investment) and are as follows:-

	2019/20			Asset £000's	2020/21			Asset £000's
	Quoted %	Unquoted %	Total %		Quoted %	Unquoted %	Total %	
Equities	67.4	10.1	77.5	110,332	69.7	10.0	79.7	137,286
Government Bonds	9.6	-	9.6	13,667	8.3	-	8.3	14,297
Other Bonds	5.1	-	5.1	7,261	4.6	-	4.6	7,924
Property	1.9	2.6	4.5	6,406	1.6	2.2	3.8	6,546
Cash/Liquidity	-	1.9	1.9	2,705	-	2.0	2.0	3,445
Other	-	1.4	1.4	1,993	-	1.6	1.6	2,756
Total	84.0	16.0	100.0	142,364	84.2	15.8	100.0	172,254

7.7. Reconciliation of present value of scheme liabilities

2019/20			2020/21	
£000's	£000's		£000's	£000's
Unfunded	All Benefits		Unfunded	All Benefits
10,300	238,211	Opening balance 1 April	7,690	231,400
	6,080	Current service cost		6,527
237	5,560	Interest cost	167	5,237
	1,189	Member Contributions		1,345
	(1,272)	Past service cost		22
(61)	(3,519)	Actuarial gain/loss financial assumption	385	41,581
(929)	(8,593)	Actuarial gain/loss Demographic	0	(2,869)
(962)	2,859	Actuarial gain/loss experience	(103)	(10,869)
		Curtailments		
		Net increase in liabilities from disposals/acquisitions		
(895)	(9,115)	Benefits paid	(852)	(8,774)
7,690	231,400	Closing balance 31 March	7,287	263,600

There were three current national pension issues - McCloud Judgement, Guaranteed Minimum Pension (GMP) Equalisation and Goodwin ruling in the year ended 31 March 2021. Allowance has been made for potential McCloud 'underpin' liability and full pension increase to be paid on GMPs in the 2020/21 account.

In June 2020 an Employment Tribunal ruled, in relation to the Teachers Pension Scheme, that provisions for survivor's benefits of a female member in an opposite gender marriage are less favourable than for a female in a same gender marriage or civil partnership, and that treatment amounts to direct discrimination on grounds of sexual orientation. The chief secretary to the Treasury announced in a written ministerial statement on 20 July 2020 that he believed that changes would be required to other public service pension schemes with similar arrangements. These changes are yet to be reflected in the Local Government Pension scheme regulations, nor allowance for this ruling in the 2020/21 account. However, this impact is expected to be very low base on the Combined Authority's membership profile.

7.8. The amounts recognised in the Comprehensive Income and Expenditure Statement

2019/20		2020/21
£'000	Cost of Service	£'000
6,080	Current Service Cost	6,527
(1,272)	Past Service Cost	22
	Curtailments or settlements	
	Financing Investment Income and Expenditure	
1,912	Interest on net defined benefit liability	1,973
6,720	Total pension cost recognised	8,522
	Remeasurements in Other Comprehensive Income and Expenditure	
	Return on plan assets (in excess)/below that recognised in net interest	(29,594)
(3,519)	Actuarial (gains)/losses due to change in Financial assumption	41,581
(8,593)	Actuarial (gains)/losses due to change in Demographic assumption	(2,869)
2,859	Actuarial (gains) due to liability experience	(10,869)
2,365	Total amount recognised in Other Comprehensive income	(1,751)
9,085	Total amount recognised	6,771

7.9. Estimated pension expense in future period

This is an estimate of the charges to the surplus or deficit on the income and expenditure account in future period, based on the assumptions as at 31 March 2021

Funded LGPS benefits - Expected amounts charged to Surplus or Deficit on the Provision of Services	
	31/03/2022
	£'000
Projected service cost	9,532
Past Service cost	-
Interest on the net defined benefit liability/(asset)	1,731
	11,263
Unfunded LGPS benefits - Expected amounts charged to Surplus or Deficit on the Provision of Services	
	31/03/2022
	£'000
Interest on the net defined benefit liability/(asset)	144
	144

8. Government and Other Grant Income

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

	2019/20 £000's	2020/21 £000's
<u>Revenue credited to cost of Service</u>		
<u>Transport Services:</u>		
Special Rail Grant (SRG) - Department for Transport	878	895
Bus Service Operator Grant - Department for Transport	2,063	2,063
Covid Bus Service Support Grant - Department for Transport	-	5,458
Travel Demand Management Grant - Department for Transport	-	24
Dedicated Home to School and College Transport grant - Department for Education	-	3,091
Emergency Active Travel Fund - Department for Transport	-	752
Sales, Fees and Charges income support scheme - MHCLG	-	972
Supported Bus Services - Department for Transport	-	57
Other Covid PPE & Job retention grant - Department for Transport	-	118
	<u>2,941</u>	<u>13,430</u>
<u>Economic Services & Strategy, Policy and Communications:</u>		
Apprentice Grant for Employers - Dept. Business Innovation & Skills	123	77
Enterprise Advisor - Careers & Enterprise Company	587	636
Business Growth Hub - Dept. Business, Energy & Industrial Strategy	546	573
Growth Hub, Creative Industries & International Trade - Business Rates Pool	846	297
Careers Learning Pilot - Learning & Work Institute	(8)	-
Employment Hub, [re]boot, Investment Readiness & Skills for Growth - European Structural Fund	1,936	3,257
Access&Innovation, Resource Efficiency Fund- European Regional Development Fund	1,560	508
Connecting Innovation & ReBiz - European Regional Development Fund	20	551
Strategic Business Growth, Growth Service & SBG2 - European Regional Development Fund	596	2,090
Brexit Readiness - Ministry of Housing, Communities and Local Government	291	438
Travel Plan Network & SMARTY - Interreg	86	50
S31 Skills grant & Skills Bootcamp - Department for Education	272	957
Key Account Management - Dept. International Trade	200	200
Adult Education Budget - Department for Education	-	621
Housing Revenue Fund - Ministry of Housing, Communities and Local Government	-	250
Low Carbon Projects - Business Rates Pool	-	100
Energy Hub - Tees Valley Combined Authority	-	20
Local Digital Skills Partnership - Dept. Culture, Media & Sport	-	38
	<u>7,055</u>	<u>10,663</u>

9. Non-specific Grant Income

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

	2019/20 £000's	2020/21 £000's
<u>Capital grants and other Contributions</u>		
Local Growth Fund Allocation - Ministry of Housing, Communities and Local Government	73,510	100,338
Leeds Public Transport Package - Department for Transport	63,739	88,761
One Public Estate - Ministry of Housing, Communities and Local Government	80	152
ULEV Taxi Scheme - Department for Transport	878	1,058
ULEV Bus Scheme - Department for Transport	-	41
Integrated Transport Block/Maintenance - Department for Transport	41,507	41,098
Section 31 Cycle City Ambition Grant - Department for Transport	106	61
Cleaner Bus Technology Grant - Department for Transport	3,448	3,136
Flood Resilience/Pothole Fund - Department for Transport	1,727	21,944
Emergency Active Travel Fund - Department for Transport	-	10,027
Transforming City Fund - Department for Transport	17,966	39,995
Getting Buidling Fund - Ministry of Housing, Communities and Local Government	-	26,300
Brownfield Housing Fund - Ministry of Housing, Communities and Local Government	-	600
Other Capital Contributions	<u>1,440</u>	<u>1,489</u>
	<u>204,401</u>	<u>335,000</u>
Local Authority Levies	<u>98,900</u>	<u>97,901</u>
Devolution Gainshare funding	<u>-</u>	<u>38,000</u>

10. Officers' Remuneration and Members Allowances

10.1 Employee costs

	2019/20 £000's	2020/21 £000's
Wages and Salaries	16,836	19,617
National Insurance Contribution	1,683	1,981
Other Pension Costs	3,726	3,490
	<u>22,245</u>	<u>25,088</u>

The total Members' allowances paid in the year to 31 March 2021 was £139,427 (£132,698 at 31 March 2020).

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

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

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

		Salary Fees Allowances	Expenses Allowances	Pension Contributions	Total
Managing Director - Ben Still	2019/20	159,665	117	23,311	183,093
	2020/21	164,056	-	28,218	192,274
Director, Transport Services	2019/20	106,257	-	15,513	121,770
	2020/21	114,378	-	19,673	134,051
Director of Delivery	2019/20	111,317	24	16,252	127,593
	2020/21	114,378	-	19,673	134,051
Director of Corporate & Commercial Services-S73 Officer	2019/20	111,317	-	16,252	127,569
	2020/21	114,378	-	19,673	134,051
Director of Policy, Strategy and Communications	2019/20	101,197	340	14,775	116,312
	2020/21	109,179	122	18,779	128,080
Executive Head of Economic Services (to 29.04.19)	2019/20	7,189	10	1,050	8,249
Interim Executive Head of Economic Services to 05.01.20	2019/20	57,337	-	8,371	65,708
Director of Economic Services	2019/20	23,939	-	3,495	27,434
	2020/21	103,980	-	17,885	121,865
Head of Legal & Governance Services	2019/20	82,169	16	11,997	94,182
	2020/21	84,428	-	14,522	98,950

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

10.3. Other employees

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

Band	Senior Officers 2019/20	Senior Officers 2020/21
£50,001 - £55,000	18	11
£55,001 - £60,000	4	12
£60,001 - £65,000	7	6
£65,001 - £70,001	2	8
£70,001 - £75,000	2	3
£75,001 - £80,000	2	-
£80,001 - £85,000	1	3
£85,001 - £90,000	-	-
£90,001 - £95,000	1	1
£95,001 - £100,001	-	-
£100,001 - £105,000	-	-
£115,001 - £120,000	-	-
	<u>37</u>	<u>44</u>

10.4. Costs of redundancies and other leavers

The Code requires the Combined Authority to disclose any costs it has incurred as a result of compulsory and voluntary redundancies. Termination benefits were paid by the CA arising from the termination of employment incurring liabilities of £46,428 in 2020/21 (£8,936 in 2019/20). The exit package payable included voluntary redundancy payments and enhanced pension benefits payable arising from the re-structuring and rationalisation of specific business areas.

Costs of leavers

Exit Package cost band (inc. special payments)	Number of compulsory redundancies		Number of other departures		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21
							£	£
£0-£20,000	-	-	3	-	3	-	8,936	-
£20,001-£40,000	-	-	-	-	-	-	-	-
£40,001-£60,000	-	1	-	-	-	1	-	56,323
£60,001-£80,000	-	-	-	-	-	-	-	-
£80,001-£100,000	-	-	-	-	-	-	-	-
Total	-	1	3	-	3	1	8,936	56,323

11. Property, Plant & Equipment

- (a) As at 31st March 2021, a desk top revaluation of the Combined Authority's non-infrastructure land and buildings was carried out by an MRICS qualified valuer of Lambert Smith Hampton, a firm of external Chartered Surveyors. The desk top revaluation was on fair value basis in accordance with IAS16. Management has also considered the value of assets not included in the valuer's report, such as the On-street furniture assets under IFRS code were re-classified as infrastructure assets and valued at depreciated historical costs, and have concluded that asset values are materially accurate.

The Combined Authority have also considered the impairment of fixed assets in accordance with IAS 36 and after taking into account factors since external surveyors reviewed the property portfolio can identify no circumstances or events that would affect the carrying values of the assets.

(b) Assets Held for Sale

The Combined Authority has no asset held for sale as at 31 March 2021.

(c) Donated Assets Account

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

	2019/20	2020/21
	£000's	£000's
Balance at start of the year	668	1,728
Adjustment of depreciation	(333)	-
Adjusted at start of the year	335	1,728
Movement in year	1,393	(5)
Balance at end of the year	1,728	1,723

(d) The Balance Sheet movements of Fixed Assets

2020/21

	LAND AND BUILDINGS	INFRA-STRUCTURE ASSETS	DONATED ASSETS	VEHICLES OWNED	VEHICLES LEASED	PLANT & EQUIPMENT OWNED	PLANT & EQUIPMENT LEASED	PAYMENTS ON ACCOUNT AND ASSETS IN THE COURSE OF CONSTRUCTION	
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	
<u>COST VALUATION</u>									
Opening Balance	147,828	9,591	80,016	2,143	14,411	8	26,393	54	15,212
Additions	18,382	8,139	1,093		102		1,799		7,249
Transfer from payments on assets in course of construction	(1,906)								(1,906)
Disposals	-								
Revaluation Adjustments	(17)	(17)							
Write off to Revenue	-								
At 31 March 2021	164,287	17,713	81,109	2,143	14,513	8	28,192	54	20,555
<u>ACCUMULATED DEPRECIATION</u>									
Opening Balance	73,312	-	36,786	415	13,237	8	22,812	54	-
Charge for the year	4,835	255	2,801	44	382		1,352		
Disposals	-								
Revaluation Adjustments	(295)	(255)		(39)					
At 31 March 2021	77,852	-	39,587	420	13,619	8	24,164	54	-
<u>NET BOOK VALUES</u>									
31 March 2021	86,435	17,713	41,522	1,723	893	-	4,028	-	20,555
Opening Balance									
31 March 2020	74,516	9,591	43,230	1,728	1,174	0	3,581	0	15,212

	LAND AND BUILDINGS	INFRA-STRUCTURE ASSETS	DONATED ASSETS	VEHICLES OWNED	VEHICLES LEASED	PLANT & EQUIPMENT OWNED	PLANT & EQUIPMENT LEASED	PAYMENTS ON ACCOUNT AND ASSETS IN THE COURSE OF CONSTRUCTION	
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	
COST VALUATION									
Opening Balance	149,753	10,405	80,016	763	18,723	8	23,301	54	16,483
Additions	4,128				84		3,092		952
Transfer from payments on assets in course of construction	(1,201)								(1,201)
Disposals	(4,396)				(4,396)				
Revaluation Adjustments	566	(814)		1,380					
Write off to Revenue	(1,022)								(1,022)
At 31 March 2020	147,828	9,591	80,016	2,143	14,411	8	26,393	54	15,212
ACCUMULATED DEPRECIATION									
Opening Balance	73,644	-	34,200	428	16,348	8	22,606	54	-
Charge for the year	3,802	282	2,586	10	718		206		
Disposals	(3,829)				(3,829)				
Revaluation Adjustments	(305)	(282)		(23)					
At 31 March 2020	73,312	-	36,786	415	13,237	8	22,812	54	-
NET BOOK VALUES									
31 March 2020	74,516	9,591	43,230	1,728	1,174	-	3,581	-	15,212
Opening Balance 31 March 2019	76,108	10,405	45,816	335	2,375	-	695	-	16,483

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

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

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

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

The figures shown in the Comprehensive Income and Expenditure Statement for gains or losses on the disposal of fixed assets represents the difference between the carrying value of assets which have been disposed of and the proceeds of any sale, less any administrative costs of disposal. Please also see note 2.

12. Related Party Transactions

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

Members

The Combined Authority requires Members to complete a declaration of members' disclosable pecuniary interests, and a financial yearend related party transaction declaration covering their close family. Information of both declarations are used to prepare this note.

All members have at least two roles under the Local Government Act 1985 in that they are members of one of the five constituent levying local authorities or City of York Council and are appointed to the Combined Authority or co-opted to one or more of its committees.

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

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

The total transactions with the five constituent councils during 2020/21 are:

	Expenditure £m	Income £m
Bradford City Council	42.6	24.3
Calderdale Council	19.7	9.6
Kirklees Council	22.5	18.8
Leeds City Council	114.9	34.6
Wakefield Council	22.6	17.8

In 2020/21, there was a total of £1.97m transaction with York City Council.

During the year, one of the Transport Committee members is also an employee of First Group, of which the CA has had transactions throughout the year totalling £1.2m.

There are also two members of the CA have close family members that are employed at Enterprise Growth Solutions Ltd & The Leeds Teaching Hospital. The value of the total transactions between the related parties and the CA is £211k & £54k respectively.

Officers

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

The Managing Director is a board member of Transport for the North and also a board director for Urban Transport Group. Transactions with the two related parties were £204k and £106k respectively during 2020/21.

Yorcard Ltd is a Joint Venture trading company operated in conjunction with South Yorkshire Passenger Transport Executive (SYLTE), and is fully disclosed in note 26. The Director of Transport Services of the Combined Authority is a board director of Yorcard Ltd. Transactions with Yorcard during the year totalled £590k.

West Yorkshire Ticketing (TICCO) Ltd administers and develops a range of multi-operator, multi-modal tickets. The Director of Transport Services of the Combined Authority is a Director of TICCO Ltd. During the year ended 31 March 2021, there was a total of £180k transaction between TICCO and the Combined Authority.

During the year, two CA officers have close family members that are employed at Softcat Ltd and Balfour Beatty Construction Services. The value of the total transactions between the related parties and the Combined Authority is £1.1m and £1.6m respectively.

Payments to Operators

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

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

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

In accordance with its overall policies the Combined Authority administers a prepaid ticket scheme. The Combined Authority receives revenues from prepaid ticket sales which are then pooled and distributed to operators based on passenger journey and usage data collected by the Combined Authority. The total payment made to operators in 2020/21 was £8.2m (£32.5m in 2019/20).

13. Exceptional Item

There were no exceptional items in 2020/21 or in 2019/20.

14. Taxation

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

15. Short Term Debtors

As the balance sheet represents the position at the end of the financial year, there are monies owed to the Combined Authority (CA) at that date which are yet to be received as cash. The following analysis shows the amounts owed to the CA which had not been received at 31st March 2021.

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

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

	2019/20 £000's	2020/21 £000's
Central government bodies	4,614	6,257
Other Local Authorities	26,670	13,790
Bodies external to government	9,516	7,830
Impairment provision for bad and doubtful debts	(179)	(653)
	<u>40,621</u>	<u>27,224</u>

16. Cash & Cash Equivalents

	2019/20 £000's	2020/21 £000's
Bank Current Accounts	55,277	35,260
	<u>55,277</u>	<u>35,260</u>

Cash balances include £5.6m held on behalf of third parties at the end of 2020/21 (£5.6m in 2019/20). The liability to repay these amounts is included under Trade and Other Payables.

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

17. Long Term Debtors

	2019/20 £000's	2020/21 £000's
<u>Soft Loans</u>		
Balance at 1 April	8,183	9,108
Change in category	1,128	-
Fair Value Adjustment on Initial recognition	(455)	-
Effective interest to write back to carrying value	251	181
Balance at 31 March	<u>9,108</u>	<u>9,289</u>
<u>Other Loans Advanced</u>		
Balance at 1 April	18,582	15,297
Change in category	(1,128)	37
Loans transferred	1,422	-
Loans repaid	(3,579)	(8,875)
Loans advanced during the year	-	-
Balance at 31 March < 1year	<u>(6,500)</u>	<u>-</u>
Balance at 31 March > 1 year	<u>8,797</u>	<u>6,459</u>
Other long term debtor	3,718	3,718
Total Long Term Debtor	<u>21,623</u>	<u>19,466</u>

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

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

18. Creditors and Other Payables

Since the CA's Balance Sheet represents the financial position at the end of the financial year, there are monies owed by the CA at that date which have yet to be paid. There are also amounts which the CA has received before the end of the financial year which relate to services which have not yet been provided, or are to fund revenue schemes which have not yet taken place (Deferred Income). This analysis shows the amounts owed which had not yet been paid and the amounts received in advance as at 31st March 2021.

	2019/20	2020/21
	£000's	£000's
Central Government Bodies	562	1,342
Other Local Authorities	53,743	105,250
Bodies external to Government	26,147	28,372
	<u>80,452</u>	<u>134,964</u>

18.1. Deferred Income

	2019/20	2020/21
	£000's	£000's
Central Government Bodies	8,313	10,431
Other Local Authorities	1,825	1,467
Bodies external to Government	515	1,199
	<u>10,653</u>	<u>13,097</u>

18.2. Capital Grants Receipt in Advance

	2019/20	2020/21
	£000's	£000's
Central Government Bodies	6,182	7,366
Bodies external to Government	5,074	2,833
	<u>11,256</u>	<u>10,199</u>

Notes

- Central government deferred income relates to revenue grants received in advance where conditions have not been met at the year end.
- Other Local Authorities deferred income relates to contributions to small revenue projects that have not yet been completed and conditions remain outstanding.
- Central government capital grant received in advance relates to capital grants received in advance where conditions have not been met at the year end.
- Capital receipt in advance from bodies external to Government relates to capital contributions to small infrastructure projects that have not yet been completed and conditions remain outstanding.
- Trade and other payables are non-interest-bearing financial instruments. There is no material difference between the carrying value and the fair value of trade and other payables.

19. Loans Outstanding

	2019/20	2020/21
	£000's	£000's
Lender:-		
Public Works Loans Board	50,735	50,728
Other Market Loans	25,322	25,320
	<u>76,057</u>	<u>76,048</u>
Maturity:-		
Loans repayable within 12 months	1,057	1,049
More than 10 years	75,000	75,000
	<u>76,057</u>	<u>76,049</u>

20. Capital Expenditure and Financing

	2019/20	2020/21
	£000's	£000's
Capital Expenditure		
Fixed Assets	2,928	16,476
Revenue expenditure funded from capital under statute	155,808	298,281
Long-term investments and capital loans	-	100
	<u>158,736</u>	<u>314,857</u>
Capital Financing		
Borrowing (credit approvals)	2,367	6,068
Government grants	154,036	307,300
Other contributions	2,333	1,489
	<u>158,736</u>	<u>314,857</u>

The Combined Authority (CA) plans to spend over £1,270m in its capital programme for the next three financial years. Outstanding capital commitments at the balance sheet date for the CA's capital programme were £204m, include:

- Activity on the Transport Fund which includes significant commitment in the development of projects and increasing number of projects on site and the final year of the Leeds Public Transport Investment programme where majority of projects are near completion on site.
- The development of projects in the new Transforming City Fund programme which will be delivered over the next three or four years.
- Delivery of the Getting Building Fund programme where all projects will be completed by March 2022.

21. Capital Financing Requirement

The Combined Authority has a statutory obligation to make adequate provision to meet its liabilities in respect of capital expenditure financed by external borrowing. For 2020/21 the amount is £3.515m.

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

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

	2019/20	2020/21
	£000's	£000's
Opening Balance	74,968	75,041
Adjustment	820	
Opening CFR	75,788	75,041
<u>Capital Investment</u>		
Property, Plant and Equipment	2,928	16,477
Growing Places Fund/Other Loans	-	100
Revenue Funded from Capital		
Under statute	155,808	298,280
<u>Sources of Finance</u>		
Government grants and other capital contributions	(157,957)	(314,967)
Capital Reserve (other) contributions	(778)	110
Minimum Revenue Provision (MRP)	(3,115)	(3,515)
New Borrowing	2,367	6,068
Movement in year	(747)	2,553
Closing Capital Financing Requirement	75,041	77,594

The capital financing requirement increased slightly in 2020/21 by the level of provision for the repayment of debt as there was an increase in the requirement to borrow to fund capital expenditure.

22. 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.

22.2 Loans Advanced and Borrowings

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

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

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

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

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

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

22.3 Financial instruments not measured at fair value

Financial assets		Financial liabilities	
Type	Valuation Technique	Type	Valuation Technique
Loans Advanced (Long term Debtor)	Discounted cashflows: The valuation model considers the present value of the cashflows expected over the remaining life of each loan discounted using a risk adjusted representative rate for new loans indicative of economic conditions and security at the measurement date 31 March 2021.	Loans and Borrowings	Discounted cashflows: The valuation model considers the present value of the cashflows expected over the remaining life of each loan discounted using lending rates for new loans based on PWLB rates at the measurement date 31 March 2021.
Soft Loans	Discounted cashflows : The valuation model considers the present value of the cashflows expected over the remaining life of each loan discounted using the PWLB new loan rates at the	Trade Payables	The fair value of trade payables is deemed to be the invoiced or billed amount.
Trade and other receivables	The fair value of trade and other receivables is taken to be the invoiced or billed amount.		
Short term	deposits which have no secondary market would be based on an investment with a similar lender for the remaining period of deposit at rates available at the measurement date. The accrued interest added on this basis would provide a fair value for the short		

	Effective interest rate	Maturity	2019/20 £000's	2020/21 £000's
Current			-	-
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
Barclays - Fixed Rate Loan's (previously LOBO's)	3.97%	May 2065	5,000	5,000
Barclays - Fixed Rate Loan's (previously LOBO's)	3.80%	Aug 2065	5,000	5,000
Barclays - Fixed Rate Loan's (previously LOBO's)	3.99%	Oct 2066	5,000	5,000
Barclays - Fixed Rate Loan's (previously LOBO's)	4.30%	Dec 2076	5,000	5,000
Barclays - Fixed Rate Loan's (previously LOBO's)	4.32%	May 2077	5,000	5,000
			75,000	75,000
Total			75,000	75,000

22.4 Management of risks arising from financial instruments

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

Credit risk is the risk that amounts due to the Combined Authority may not be received. Almost all of the Combined Authority's loans and investments are made for treasury

management purposes, to generate income from available balances. The parameters within which these investments are made are set out within the approved Treasury Management Policy. The effect of this policy is to restrict as far as is practicable the Combined Authority's exposure to risk from the failure of a financial institution. It ensures that deposits are placed only with limited numbers of financial institutions whose credit rating is independently assessed as being sufficiently secure. The term and maximum deposit is also restricted to reduce risk exposure.

The Code requires that no impairment allowance is recognised for deposits with the government or with other local authorities. The CA's remaining financial assets held for treasury management purposes have been reviewed for impairment, using available market data on default rates for similar instruments. As a result, the CA has concluded that the level of impairment allowance required would be immaterial and so no impairment allowance has been recognised. Historically, the CA has not experienced any defaults on its treasury investments. The CA has considered the expected credit loss allowance under IFRS 9 and concluded that the impact will not be material.

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

The Combined Authority has exposure to credit risk on the Debtor Loans advanced to third parties. The Growing Places Fund Loans are riskier commercial loans with the interest rate reflective of the borrower's credit status and security provided. The financial status and credit score of the companies are regularly reviewed and monitored in order to minimise the instances of loss. As at 31 March 2021, there were four GPF loans outstanding. Two of which were loans issued to local government backed housing investment initiatives.

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

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

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

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

The Combined Authority is required to disclose the impact that a hypothetical change in market interest rates during the year would have had on its recognised gains and losses. It should be noted that had interest rates been different then in practice different decisions would have been taken in relation to rescheduling of debt and new borrowing and investment undertaken. It is not possible to quantify the likely impact of such different decisions. The Combined Authority's interest payable and receivable would have varied by a net £2,989k if interest rates varied by 1% in the year.

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

23 Useable Reserve

The Combined Authority's reserves have been split between usable and unusable reserves, and between general fund reserve and capital reserves. Usable revenue reserves and usable capital reserves are the only amounts within total reserves which are available to fund future expenditure. Usable capital reserves can only be used to fund capital expenditure, but revenue reserves can be used to fund either revenue or capital expenditure. Movements in usable reserves are detailed in the Movement in Reserves Statement.

	2019/20 £000's	2020/21 £000's
General Fund Reserve	8,173	12,951
Usable Capital Receipts Reserve	18,247	27,408
Capital grants unapplied	110,838	140,372
<u>Earmarked reserves:</u>		
Rail Reserve	167	297
New Generation Transport Reserve	971	971
WY Transport fund Reserve	38,297	41,224
Gainshare Reserve	-	25,912
Total Usable Reserves	<u>176,693</u>	<u>249,135</u>

23.1. General Fund Reserve

The General Fund balance is a non-earmarked usable reserve and can be applied to fund any form of general revenue expenditure that aligns with the policies and objectives of the Combined Authority. The General Fund Balance has a surplus of £13m at 31 March 2021 (£8.1m 31 March 2020).

23.2 Rail Reserve

The Useable Reserves balance for the Combined Authority includes a Rail Reserve which is ear-marked for legacy rail infrastructure projects. There is a balance of £297k at 31 March 2021.

23.3 New Generation Transport Reserves (NGT)

The Total Useable Reserves balance for the Combined Authority includes a New Generation Transport (NGT) Reserve of £0.97m as at 31 March 2021 (£0.97m 31 March 2020). This earmarked reserve is for the purpose of delivering the Leeds NGT scheme. In May 2016 the Secretary of State announced that the NGT scheme would not be approved to progress although the £173.5m allocated to it would be made available for public transport in Leeds. Plans to spend this money will be progressed during 2021 along with the future utilisation of the NGT reserve.

23.4 West Yorkshire Transport Fund Reserve

In addition to the Reserves include the West Yorkshire Transport Fund Reserve to reflect additional levy contributions from the Local Authorities to develop strategic transport schemes in West Yorkshire and York. The reserve has a balance of £41.2m at 31 March 2021 (£38.3m 31 March 2020).

23.5 Capital Grant Unapplied

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

	2019/20	2020/21
	£000's	£000's
Opening Balance	70,974	110,839
Ajustment	(6,581)	-
Capital Grant unapplied	46,445	29,533
Balance carried Forward	<u>110,839</u>	<u>140,372</u>

23.6 Useable Capital Receipts reserve

Income from the disposal of fixed assets and repayment of capital loans are credited to the usable capital receipts reserve. The usable element can be applied to the financing of new capital expenditure or remain in this account. The following table shows the movement on the reserve during 2020/21.

	2019/20	2020/21
	£000's	£000's
Opening Balance	9,435	18,246
Capital receipts unapplied	8,811	9,162
Balance carried Forward	<u>18,246</u>	<u>27,408</u>

24. Unusable Reserve

Unusable revenue reserves are those established by statute in order to adjust the timing with which certain items affect the tax payers. For example, the largest statutory revenue reserve relates to pensions liabilities measured under IAS19. The government has determined that tax payers should only be charged with the actual level of pension fund contributions payable by the CA, and thus the level of the pensions reserve reflects the extent to which pension liabilities already earned at the balance sheet date will be paid for through future pension fund contributions and income earned from pension fund assets.

	2019/20	2020/21
	£000's	£000's
Capital Adjustment Account	9,108	15,535
Financial Instruments Adjustment Account	(1,675)	(1,488)
Pensions Reserve	(89,036)	(91,346)
Revaluation Reserve	14,269	14,507
Donated Asset Account	1,729	1,723
Total Unusable Reserves	<u>(65,605)</u>	<u>(61,069)</u>

24.1 Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of capital investment, the depreciation charge and impairment losses, and credited with capital grants and contributions receivable and amounts set aside by the Combined Authority as finance for the costs of acquisition, construction and enhancement.

	2019/20	2020/21
	£000's	£000's
Opening Balance	10,278	9,108
Adjustment to Donated Asset reserve	333	-
	<u>10,611</u>	<u>9,108</u>
Revenue Funded from Capital		
Under statute	(156,830)	(298,280)
Depreciation	(3,792)	(4,791)
Statutory provision for the financing of Capital Investment (MRP)	3,115	3,515
Capital Grants applied	158,735	314,857
GPF Loans repayments	(3,585)	(2,375)
Other loan adjustment	1,422	(6,500)
Disposal of Fixed Asset	(566)	-
Balance at the end of the Year	<u>9,108</u>	<u>15,535</u>

24.2 Financial Instruments Adjustment Account

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

	2019/20	2020/21
	£000's	£000's
Balance at 1 April	(1,477)	(1,675)
Discounts received in year	6	6
Effective Interest rate adjustment- Soft Loans	(204)	181
Balance at 31 March	<u>(1,675)</u>	<u>(1,488)</u>

24.3 Pension Reserve

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

	2019/20	2020/21
	£000's	£000's
Balance at 1 April	(84,640)	(89,036)
Actuarial gains and (losses) on pension assets and Liabilities	(2,365)	1,751
Reversal of items relating to retirement benefits debited or credited to the Surplus or (Deficit) on the Provision of Services in the Comprehensive Income and Expenditure Statement	(6,720)	(8,522)
Net increase in liability on disposal/acquisition Employers pension contributions	4,689	4,461
Balance at 31 March	<u>(89,036)</u>	<u>(91,346)</u>

24.4 Revaluation Reserve

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

	2019/20	2020/21
	£000's	£000's
Balance at 1 April	14,801	14,269
Surplus/(Deficit) on revaluation	<u>(532)</u>	<u>238</u>
Balance at 31 March	<u>14,269</u>	<u>14,507</u>

24.5 Donated Assets Account

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

25. 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:

	2019/20	2020/21
	£000's	£000's
At 1 April	197	205
Arising during year	8	430
Utilised in year	<u>-</u>	<u>-</u>
At 31 March	<u>205</u>	<u>635</u>

The Combined Authority as at 31 March 2021 has provided for liabilities relating to the now insolvent company Mutual Municipal Insurance Ltd representing the potential clawback of claims made by the former West Yorkshire Passenger Transport Executive in previous years. Provision also made Under Part I of the Land Compensation Act 1973 relating to one of the highway capitals scheme. There were no further provisions for organisational restructure at 31 March 2021 as specified in IAS37.

26 Joint Venture

At 31 March 2021 the Combined Authority had the following Joint Venture:

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

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

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

	2019/20 £000's	2020/21 £000's
Turnover and other income	815	699
Expenses	(822)	(724)
Profit before Tax	(7)	(25)
Taxation	-	-
Profit after Tax	(7)	(25)
Fixed Assets		
Current Assets	513	344
Liabilities due within 1yr	(426)	(242)
Liabilities due after 1yr or more	(84)	(125)
Net Assets	3	(23)

27 Audit Fees

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

	2019/20 £000's	2020/21 £000's
Annual Audit Services	26	32
	26	32

28 Revenue Commitments – operating leases

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

	2019/20 £000's	2020/21 £000's
Minimum lease payments under IFRIC 12 recognised in the year :	4,814	5,703
Within 1 year	721	776
Within 2-5 years	-	-
Beyond 5 years	-	-
	721	776

29 Contingent Liabilities

The Combined Authority (CA) had a contingent liability at 1 April 2020 arising from possible claims relating land and property acquisitions under the New Generation Transport scheme that was rejected in 2016. The liability continues at 31 March 2021, but it is not possible or practical to disclose an estimate of the financial effect, amount and timing due to the ongoing uncertainty.

As at 31 March 2021, a legal proceeding has commenced against the CA with potential damage claim which could lead to a financial liability. At this stage it is not possible to disclose or estimate its outcome and financial impact.

30 Going Concern

The accounts of the Combined Authority have been prepared on a going concern basis. The budget approved by the Combined Authority in February 2021 sets out the proposed funding of the Combined Authority and formally approved the budget for the forthcoming year 2021/22. The budget ensures that the Combined Authority set the level of levy that allows services and functions to continue to operate at a level that is aligned to the policies and objectives of the organisation and ensures the reserves are maintained so as to mitigate risks to the organisation. Additionally a 3 year indicative capital programme complete with capital funding/finance is agreed as part of this process. In light of the unique and wide-ranging impact of the COVID-19 outbreak, the Combined Authority has carried out a financial impact analysis for 2020/21 and been in discussions through representations with Central Government for support both at senior officer, political level and collectively with other Mayoral Combined Authorities.

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

31 Events after the Balance Sheet Date

The Statement of Accounts was approved as presenting a true and fair view by the Chief Finance Officer on 30 September 2021. Events happening between the balance sheet date and the date the accounts were authorised for issue have been considered under the Combined Authority's accounting policy for events after the reporting date. There was a land disposal completed on 1st April 2021. Impact of this has been adjusted within the 2020/21 Accounts. No other event has happened after the balance sheet date which are sufficient material to require disclosure as post balance sheet event.

32 New accounting standards not yet implemented

The Code requires local authorities to disclose the likely impact of any new accounting standards which have been issued as at the Balance Sheet date but which will not apply to local authorities' accounts until subsequent financial years. The 2021/22 Code will incorporate some minor changes to accounting policies but it is not anticipated that these will have any impact on figures recognised within the authority's accounts.

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TREASURY MANAGEMENT STATEMENT 2020/21 and review of 2021/22

1. The following sets out the results of the West Yorkshire Combined Authority's borrowing and lending transactions in 2020/21 in accordance with the CIPFA Code of Practice "Treasury Management in Local Authorities" adopted by the Authority.

2. **BORROWING AND INVESTMENT**

Total Loans outstanding at 1/4/2020	£m
Fixed term	75.0
Activity during 2020/21:	
Loan repayment	0.0
Net movement in temporary loans	0.0
Net borrowing	0.0
Loan outstanding at 31/03/2021:	75.0
Activity expected during 2021/2022:	
New borrowing	0.0
Borrowing repaid	0.0
Anticipated loans outstanding at 31/3/2022	75.0
Total Investments	
Investments at 1/04/2020	186.0
Net of new Investment in year	159.0
Investment placed at 31/03/2021	345.0

- 2.1 The schedule of the loans outstanding at 31 March 2021 is set out in the notes to the accounts and is shown in the annex at the end of this appendix.
- 2.2 The Combined Authority'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 Combined Authority's regulations on placing money on deposit were reviewed during the previous 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 Combined Authority funds.
- 2.3 At the year end the Combined Authority had placed a number of sums totalling £345 million on fixed deposit with different counterparties. The approach agreed during the year was to place tranches of funding out ensuring that each quarter there was sufficient flexibility to enable a consideration of future cashflow requirements in order to determine an optimal

investment policy. Full details of the fixed deposits in place at 31 March 2021 are set out at the end of this appendix. In line with the strategy approved during the year there has been a shift to placing funds with appropriate local authorities rather than international banking institutions, in response to the unrest within the financial world.

- 2.4 The Combined Authority has continued with its accountable body responsibilities for the Leeds City Region Enterprise Partnership. This means increased funding being paid to the Combined Authority for example in relation to Growth Deal funding and has led to the changes agreed during previous years to enable these larger sums to be better managed.

3. COMMENT

- 3.1 2020/21 did see a continuation of the overall economic situation, until the Covid-19 pandemic that emerged during March 2020. The impact on 2020/21 has been mixed with some fixed term deposits returning the expected interest, whilst new short term investments have only achieved interest rates of between 0.1 % and 1.4%. In 2020/21 the interest rates have remained low, with the bank base rate of 0.1% since 11 March 2020. Opportunities both to refinance loans and to place money on the market at competitive rates remain limited.
- 3.2 Regular advice was received about the financial market which was closely monitored on behalf of the Combined Authority by Leeds City Council and its advisors. Further development and application of the stringent treasury management policy assisted in ensuring that the Combined Authority's funds were held securely. The agreed policy is to seek to minimise the rate at which the Combined Authority 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 above a strategy has been followed to manage these balances within the current investment criteria which are aimed at protecting balances.
- 3.3 The money market is being constantly monitored to ensure that the Combined Authority's bank account is maintained with a minimum cash balance with temporary borrowing and investments being used as appropriate. Two business reserve type accounts are being used to ensure interest from overnight funds is maximised but in the current climate the available rate is negligible and the focus has been on seeking to better forecast cashflow to be able to invest funds for longer periods.
- 3.4 The mechanism to utilise surplus Combined Authority funds by lending them to Leeds City Council has continued during 2020/21. The Chief Financial Officers of each organisation have agreed on the calculation of a rate that is deemed beneficial to both whilst not favouring one over the other. This is modelled on similar arrangements that are in place in other organisations.
- 3.5 As can be seen from the appendix the loan portfolio has not changed. Previously capital expenditure had been financed through borrowing. Due to all Combined Authority funding having been received as direct grant in recent years, the Combined Authority therefore has had no need to make further long

term borrowing and has been instead in a position where borrowings would need to reduce to meet the requirements of the prudential code.

- 3.6 This situation has changed as the Combined Authority is committed to borrowing to meet the local contribution for the West Yorkshire plus Transport Fund, agreed as part of the original City Deal. In addition, local funding has been committed to the Transforming Cities Fund and the arrival of gainshare funding provides an income stream which could be used to support borrowing. As plans are further developed the implications of these on the Treasury Management Policy will be considered and progress and any changes required will be reported back to this Committee..
- 3.7 It has previously been reported to this Committee that the instability in the banking sector led to increased difficulties in managing the Combined Authority's exposure risk. Previously the Combined 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. Under the current situation due to Covid-19 this activity has been restricted for the foreseeable future until the economic environment improves.
- 3.8 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.
- 3.9 The average borrowing rate for the Combined Authority continues to be at below 4.5%, well ahead of many local authorities historic debt.
- 3.10 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 Combined Authority's exposure risk or to reprofile the debt to assist in making repayments in the coming years.
- 3.11 The prudential limits set in February are reviewed below.

4 TREASURY MANAGEMENT

- 4.1 All placement of funds during 2020/21 was undertaken by Leeds City Council in accordance with rules approved by the Combined Authority adopting the advice from the Chartered Institute of Public Finance and Accountancy (CIPFA). This ensured all investment decisions sought to ensure the safety of those funds and to limit the Combined Authority's exposure to any one organisation, with the return on the investment being a secondary consideration.

- 4.1 As stated above the Combined Authority'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 Combined Authority budget meeting in February 2021 took the appropriate decisions for 2021/22. Any further changes to the capital programme or changes as a result of the West Yorkshire plus Transport Fund or devolution 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 planning for increased capital spend funded through borrowing progresses or as the financial and economic landscape changes due to the Covid-19 pandemic impact.
- 5.3 It is therefore recommended that the following decisions, as taken in February 2021, are endorsed:

5.3.1 That the treasury management policy shall be:

- 5.3.1.1 That the Combined Authority adopts the CIPFA code of practice for Treasury Management in the Public Sector.
- 5.3.1.2 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.
- 5.3.1.3 That there shall be no long-term investments for a term of greater than one year, other than to other local authorities and then only for a period not exceeding 36 months. The limits for each of the next three years are that for investments for a period greater than 364 days, that no more than £20 million will mature in each of 2021/22, 2022/23 and 2023/24;
- 5.3.1.4 To utilise the expertise of the treasury management team in Leeds City Council for future years.
- 5.3.1.5 To use the following rules for short-term investments:-
- 5.3.1.5.1 the investments shall be determined by the Chief Financial Officer.
- 5.3.1.5.2 the Chief Financial Officer shall determine the amounts and periods.

- 5.3.1.5.3 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.
- 5.3.1.5.4 no investment will be for a period exceeding one year, other than as set out in 5.3.1.3.
- 5.3.1.5.5 Investments with Leeds City Council will not exceed £15 million, the interest rate for such deposits being agreed between the Chief Financial Officers of both organisations.
- 5.3.1.5.6 Investments with any one counterparty should not exceed £15 million other than in 5.3.1.3.
- 5.3.1.5.7 Investments with the Combined Authority's bankers are specifically excluded from the limits set out, in recognition of the fluidity of such arrangements.
- 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 2021/22 – £100 million
 - 5.4.2.2 authorised limit for 2021/22 - £469 million
 - 5.4.2.3 maturity loan structure as set out in the budget approvals
 - 5.4.2.4 a variable rate loan limit of 40%
 - 5.4.2.5 a fixed loan limit of 200%

Outstanding Transactions as at 31st March 2021

<u>UID</u>	<u>Counterparty</u>	<u>Reference</u>	<u>Rate</u>	<u>Start</u>	<u>Maturity</u>	<u>Principal (£)</u>
LCR-Growing Places Fund						
<u>Non-Treasury Loans</u>						
7430	Unity House Wakefield Ltd	GPF102 - Unity Hall	5.90000	28/10/13	28/10/28	(1,697,914.06)
7483	Witt and Son	GPF210 - Witt Group	3.02000	26/02/14	26/02/24	(498,076.50)
7645	Canal Road Urban Village Ltd	GPF209 - New Bolton Woods	2.94000	15/08/14	31/12/21	(248,048.03)
7684	GMV 12	GPF204 - Kirkstall Forge	2.63000	09/10/14	09/10/27	(3,890,650.51)
8574	Leeds City Council	GPF308 - RIF GP - CITU Low Fold	6.60000	04/11/16	03/04/21	(1,492,746.51)
8893	FP Processing LTD	GPF315 - FP Processing	4.78000	23/10/17	23/10/22	(800,000.00)
9181	Canal Road Urban Village Ltd	GPF209a - New Bolton Woods	3.50000	29/01/19	31/03/23	(346,000.00)
LCR-Growing Places Fund						(8,973,435.61)
LCR-Local Growth Fund						
<u>Non-Treasury Loans</u>						
8177	Kirklees Metropolitan Borough Council	LGF002A - Kirklees Housing Sites Draw1	0.00000	16/02/16	26/02/27	(200,000.00)
8197	Barnsley Metropolitan Borough Council	LGF003 - Barnsley TC Development	0.00000	25/02/16	29/02/28	(1,757,000.00)
8198	Leeds City Council	LGF004 - Redhall/Whinmoor	0.00000	08/03/16	28/02/27	(4,000,000.00)
8205	Leeds City Council	LGF005 - Leeds Bath Road	0.00000	14/03/16	28/02/27	(575,000.00)
8267	City of Bradford	LGF006 - One City Park Bradford	0.00000	05/04/16	28/02/27	(400,000.00)
8710	Kirklees Metropolitan Borough Council	LGF002B - Kirklees Housing Sites	0.00000	23/03/17	28/02/27	(109,000.00)
8713	York City Council	LGF007 - York Central	0.00000	23/03/17	31/03/27	(2,350,000.00)
8714	Leeds City Council	LGF008 - Leeds Brownfield Sites	0.00000	31/03/17	28/02/27	(1,100,000.00)
LCR-Local Growth Fund						(10,491,000.00)

Outstanding Transactions as at 31st March 2021

<u>Deposit - Fixed</u>	<u>Reference</u>	<u>Rate</u>	<u>Start</u>	<u>Maturity</u>	<u>Principal (£)</u>	
9381	Worthing Borough Council	1.40000	28/02/20	28/02/22	(5,000,000.00)	
9431	Rotherham BC	1.00000	14/04/20	01/04/21	(15,000,000.00)	
9432	London Borough of Croydon	1.00000	30/04/20	01/04/21	(5,000,000.00)	
9439	Knowsley MBC	0.95000	04/05/20	29/04/21	(10,000,000.00)	
9441	Cambridgeshire CC	1.00000	03/06/20	06/05/21	(10,000,000.00)	
9446	Doncaster MBC	0.95000	31/07/20	26/05/22	(5,000,000.00)	
9447	Aberdeenshire Council	0.60000	02/07/20	25/05/21	(10,000,000.00)	
9448	Liverpool CC	0.50000	01/07/20	01/04/21	(5,000,000.00)	
9449	Liverpool CC	0.50000	06/07/20	06/04/21	(5,000,000.00)	
9450	Liverpool CC	0.50000	06/07/20	06/04/21	(5,000,000.00)	
9451	Guildford BC	0.60000	01/07/20	06/04/21	(10,000,000.00)	
9454	Doncaster MBC	0.65000	31/07/20	25/05/21	(5,000,000.00)	
9459	Doncaster MBC	0.60000	05/06/20	04/06/21	(5,000,000.00)	
9461	Guildford BC	0.50000	02/09/20	02/06/21	(5,000,000.00)	
9464	Kingston-Upon Hull	0.50000	28/08/20	08/06/21	(15,000,000.00)	
9466	Plymouth CC	0.60000	27/07/20	09/06/21	(15,000,000.00)	
9471	Highland Council	0.37000	15/07/20	15/04/21	(5,000,000.00)	
9472	Highland Council	0.42000	15/07/20	30/06/21	(5,000,000.00)	
9474	Wokingham BC	0.30000	14/08/20	09/07/21	(15,000,000.00)	
9475	Woking BC	0.30000	15/07/20	15/04/21	(10,000,000.00)	
9478	Cambridgeshire CC	0.35000	06/08/20	13/07/21	(5,000,000.00)	
9479	Cheltenham BC	0.30000	17/08/20	13/07/21	(5,000,000.00)	
9480	Aberdeenshire Council	0.35000	14/08/20	13/07/21	(5,000,000.00)	
9492	Telford & Wrekin Council	0.20000	26/08/20	26/05/21	(5,000,000.00)	
9493	Salford MBC	0.23000	01/09/20	25/08/21	(5,000,000.00)	
9500	Blackpool BC	0.25000	08/12/20	08/09/21	(5,000,000.00)	
9502	PCC Merseyside	0.33000	13/10/20	27/09/21	(10,000,000.00)	
9509	Luton BC	0.30000	23/10/20	29/09/21	(5,000,000.00)	
9510	Luton BC	0.30000	26/10/20	29/09/21	(10,000,000.00)	
9511	Stockport MBC	0.25000	27/10/20	29/09/21	(15,000,000.00)	
9513	Cheltenham BC	0.20000	08/12/20	08/06/21	(5,000,000.00)	
9514	Cheltenham BC	0.20000	09/12/20	09/06/21	(5,000,000.00)	
9515	Slough BC	0.27000	05/11/20	30/09/21	(5,000,000.00)	
9516	Kirkless MBC	0.10000	19/10/20	19/04/21	(5,000,000.00)	
9517	Conwy Council	0.10000	20/10/20	20/04/21	(5,000,000.00)	
9518	Glasgow CC	0.23000	22/10/20	30/09/21	(10,000,000.00)	
9519	Thurrock BC	0.40000	08/10/20	06/10/21	(10,000,000.00)	
9521	Woking BC	0.30000	22/10/20	19/10/21	(5,000,000.00)	
9523	Thurrock BC	0.36000	26/11/20	05/11/21	(5,000,000.00)	
9524	Warrington MBC	0.25000	09/11/20	05/11/21	(15,000,000.00)	
9525	Bleanau Gwent CBC	0.23000	21/12/20	21/09/21	(5,000,000.00)	
9526	Surrey CC	0.23000	27/11/20	09/11/21	(5,000,000.00)	
9527	West Dunbartonshire Council	0.20000	13/11/20	13/08/21	(5,000,000.00)	
9540	Blackpool BC	0.10000	29/01/21	18/01/22	(10,000,000.00)	
Deposit - Fixed					(330,000,000.00)	
Deposit - Notice						
9505	National Westminster Bank PLC	WYCA	0.01000	30/09/20 Call	(34,760,836.12)	
9508	Svenska Handelsbanken AB	WYCA	0.01000	30/09/20 Call	(14,821,113.35)	
9559	Leeds City Council	WYCA	0.10000	29/03/21 Call	(15,000,000.00)	
Deposit - Notice					(64,581,949.47)	
Fixed Term Deposit (long term)						
7532	Barclays Bank PLC	W4 ITA U4956	3.97000	31/05/05	31/05/65	5,000,000.00
7533	Barclays Bank PLC	W5 ITA U5006	3.80000	24/08/05	24/08/65	5,000,000.00
7534	Barclays Bank PLC	W7 ITA U5231	3.99000	27/10/06	27/10/66	5,000,000.00
7535	Barclays Bank PLC	W8 ITA U5374	4.30000	18/12/06	18/12/76	5,000,000.00
7536	Barclays Bank PLC	W9 ITA U5627	4.32000	02/05/07	02/05/77	5,000,000.00
Lenders option/Borrowers option					25,000,000.00	
PWLB - Maturity						
7537	Public Works Loans Board	491184W ITA U5135	3.70000	23/01/06	15/01/56	5,000,000.00
7538	Public Works Loans Board	491481W ITA U5223	4.40000	28/04/06	15/01/52	5,000,000.00
7539	Public Works Loans Board	492865W ITA U5505	4.40000	31/01/07	15/07/54	8,000,000.00
7540	Public Works Loans Board	492866W ITA U5507	4.40000	31/01/07	02/06/53	8,000,000.00
7541	Public Works Loans Board	493266W ITA U5645	4.55000	03/05/07	10/06/52	4,000,000.00
7542	Public Works Loans Board	493268W ITA U5646	4.55000	04/05/07	27/04/55	6,000,000.00
7543	Public Works Loans Board	493269W ITA U5647	4.55000	04/05/07	25/04/56	6,000,000.00
7544	Public Works Loans Board	493270W ITA U5648	4.55000	04/05/07	18/04/57	8,000,000.00
PWLB - Maturity					50,000,000.00	
WYCA					(319,581,949.47)	

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Audit Completion Report

West Yorkshire Combined Authority

Year ended 31 March 2021

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September 2021



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Appendix B: Draft audit report

Appendix C: Independence

Appendix D: Other communications

Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. Reports and letters prepared by appointed auditors and addressed to the Authority are prepared for the sole use of the Authority and we take no responsibility to any member or officer in their individual capacity or to any third party. Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

Governance and Audit Committee
West Yorkshire Combined Authority
Wellington House
Leeds
LS1 2DE

Mazars LLP
5th Floor
3 Wellington Place
LS1 4AP

22 September 2021

Dear Committee Members

Audit Completion Report – Year ended 31 March 2021

We are pleased to present our Audit Completion Report for the year ended 31 March 2021. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 18 March 2021. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0113 394 5316.

Yours faithfully



Mark Dalton
Mazars LLP

01

Section 01:

Executive summary

1. Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2020/21 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of controls;
- Net defined benefit liability valuations; and
- Valuation of property plant and equipment.

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements. Section 7 outlines our work on the Authority's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2021. At the time of preparing this report, some elements of our work remains in progress. These are detailed in section 2 with page 7 highlighting the status of the audit work in progress and page 8 highlighting our standard closure procedures that will also need to be completed before signing the auditor's report.

We will provide an update to you in relation to the matters outstanding through issuance of a follow up letter, prior to signing the auditor's report.



Audit opinion

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.



Value for Money

We anticipate having no significant weaknesses in arrangements to report in relation to the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our Value for Money work is provided in section 7 of this report.



Whole of Government Accounts (WGA)

At the time of writing, we have not yet received group instructions from the National Audit Office in respect of our work on the Authority's WGA submission. We are unable to commence our work in this area until such instructions have been received.



Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Authority and to consider any objection made to the accounts. We have not received any objections or questions from local electors.

02

Section 02:

Status of the audit

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2. Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

Audit area	Status	Description of the outstanding matters
Expenditure		We are awaiting evidence to support a low number of expenditure items.
Property plant and equipment		Work is substantially complete in this area and we are considering evidence to support our testing of valuation, rights of ownership and existence.
Investments		We are awaiting 3 rd party confirmations to support our testing of investments.
Pension fund liability valuation		Work is substantially complete in this area, however we are awaiting responses to our enquiries of the Pension Fund's auditor to enable us to complete our work in this area.

-  Likely to result in material adjustment or significant change to disclosures within the financial statements.
-  Potential to result in material adjustment or significant change to disclosures within the financial statements.
-  Not considered likely to result in material adjustment or change to disclosures within the financial statements.



2. Status of the audit

The following standard closure procedures also need to be completed before signing the auditor's report

Audit area	Status	Description of the outstanding matters
Final versions of the Annual Report and Annual Governance Statement		We will review the final versions of the Annual Report and Annual Governance Statement. This includes our final review of the financial statements.
Letter of Representation		Receipt of signed letter of management representation
Post balance sheet events		Review of post balance sheet events up to the point at which we sign our audit report.
Whole of government accounts		Completion of audit procedures supporting the WGA return to the NAO.
Audit review and quality control		Completion of Manager and Partner review and Mazars quality control processes in respect of the audit.

- Likely to result in material adjustment or significant change to disclosures within the financial statements.
- Potential to result in material adjustment or significant change to disclosures within the financial statements.
- Not considered likely to result in material adjustment or change to disclosures within the financial statements.

We will provide the Governance and Audit Committee with an update in relation to these outstanding matters in a follow-up letter, prior to signing the auditor's report.



03

Section 03: **Audit approach**

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3. Audit approach

Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in March 2021. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

Our provisional materiality at the planning stage of the audit was set at £5.5m using a benchmark of approximately 2% of gross operating expenditure. Our final assessment of materiality, based on the final financial statements, is £7m using the same benchmark.

Use of experts

Our audit approach in respect of management and auditor experts is consistent with that set out in our Audit Strategy Memorandum.

Item of account	Management's expert	Our expert
Defined benefit liability	AON Hewitt	We reviewed the work of PwC, the consulting actuary, on behalf of National Audit Office
Property, plant and equipment valuation	Lambert Smith Hampton (LSH)	We have taken into account relevant information which is available from third parties.
Financial instrument disclosures	Link Asset Services	We have reviewed Link Asset Services' methodology to gain assurance that the fair value disclosures of the Authority's financial assets and liabilities are materially correct.

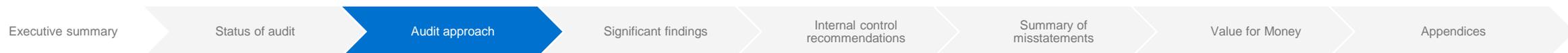
There are no reporting matters to highlight from our consideration of the work of experts.

Service organisations

Our audit approach in respect of service organisations is consistent with that set out in our Audit Strategy Memorandum.

Items of account	Service organisation	Audit approach
Treasury management (affecting bank balances, investments and borrowing)	Leeds City Council	We have obtained appropriate audit evidence from third parties.

There are no reporting matters to highlight from our consideration of the work of service organisations.



04

Section 04: **Significant findings**

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4. Significant findings

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding other significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 15 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant risks

124	Management override of controls	Description of the risk This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur. Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.
		How we addressed this risk We addressed this risk through performing audit work over: <ul style="list-style-type: none"> • Accounting estimates impacting amounts included in the financial statements; • Consideration of identified significant transactions outside the normal course of business; and • Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.
		Audit conclusion Subject to the satisfactory completion of the work highlighted in section 2 of this report, we do not expect there to be any matters to report in respect of management override of controls.

4. Significant findings

Significant risks (continued)

Valuation of land and buildings

Description of the risk

Land, buildings and infrastructure are the Authority’s highest value assets accounting for £59.2 million of the Authority’s £86.1 million Property, Plant and Equipment balance in 2020-21. The CIPFA Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date.

Management engages LSH as an expert to assist in determining the fair value of land and buildings to be included in the financial statements, however there remains a high degree of estimation uncertainty associated with the valuation of Property, Plant and Equipment due to the significant judgements and number of variables involved.

How we addressed this risk

We evaluated the design and implementation of any controls which mitigate the risk. This included liaising with management to update our understanding on the approach taken by the Trust in its valuation of land and buildings. We:

- assessed the scope and terms of engagement with the Valuer;
- assessed the competence, skills and objectivity of the Valuer;
- assessed how management use the Valuer’s report to value land and buildings included in the financial statements;
- tested the accuracy of the data used in valuations;
- challenged the Authority and Valuer’s assumptions and judgements applied in the valuations;
- reviewed the valuation methodology used, including the appropriateness of the valuation basis;
- considered the reasonableness of the valuation by comparing the valuation output with market intelligence; and

In line with 2019/20 and the continuing Covid-19 pandemic, we will considered the valuation approach and whether a material uncertainty disclosure should have been reported in 2020/21.

Audit conclusion

Our work on the valuation of the Authority’s land and buildings is ongoing (as set out in Section 2), We will report any issues to the Committee at its meeting and within our follow-up letter.

We have confirmed there is no further material valuation uncertainty disclosure required for 2020/21.

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4. Significant findings

Significant risks (continued)

Net defined pension liability valuation	<p>Description of the risk The defined benefit liability relating to the Local Government pension scheme represents a significant balance on the Authority's balance sheet.</p> <p>The Authority uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.</p> <hr/> <p>How we addressed this risk We have addressed this risk by:</p> <ul style="list-style-type: none">critically assessing the competency, objectivity and independence of the West Yorkshire Pension Fund's Actuary, Aon Hewitt;liaising with the auditors of the West Yorkshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate;reviewed the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information by the consulting actuary engaged by the National Audit Office; andagreed the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Authority's financial statements. <p>In line with 2019/20 and the continuing Covid-19 pandemic, we monitored the valuation approach to assess if a material uncertainty disclosure will be required for 2020/21.</p> <hr/> <p>Audit conclusion Our work on the valuation of the Authority's net pension liability valuation is ongoing (as set out in Section 2), We will report any issues to the Committee at its meeting and within our follow-up letter.</p> <p>We have confirmed there is no further material valuation uncertainty disclosure required for 2020/21.</p>
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4. Significant findings

Qualitative aspects of the Authority's accounting practices

We received the draft accounts from the Authority on the 27 June 2021. Our review of accounting policies and disclosures has not highlighted any significant issues, which could impact on the reader of the accounts understanding of the Authority's financial position. However, we have noted some minor departures from the suggested presentation and content in the 2020/21 Code of Practice on Local Authority Accounting. Management have agreed to update their financial statements template in preparation for the Mayoral Combined Authority financial statements in 2021/22, to ensure they are consistent with the latest Code.

Significant matters discussed with management

Significant matters discussed with management during the course of our audit included:

- Due to the impact of the pandemic on the Authority's income and expenditure, the Government has provided significant financial support to the sector. Use of management judgement has been required in relation to determining whether the recognition criteria has been met. We have therefore tested the accounting treatment of Covid-19 support grants, to ensure they have been accurately disclosed in the 2020/21 financial statements;
- As a result of independent quality reviews, in particular by the Financial Reporting Council, of our audit work and that of other audit suppliers we have needed to increase the level of work we do on defined benefit pension schemes and valuation of property, plant and equipment. This and other issues emerging during the year have had an impact on the fee required to complete the audit and we will discuss any fee variation request with management on completion of our audit work and update the Committee. As set out in our ASM all fee variation requests are subject to approval from PSA; and
- In 2021/22 the Authority takes on additional responsibilities and services, as it transforms to become a Mayoral Combined Authority. Our discussions with management have therefore focused on changes to the Authority's financial reporting and governance arrangements.

There are no additional matters in relation to these discussions that we need to highlight in this section of our report.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management. It is however worth noting that our audit work has been carried out through remote working arrangements as a result of the constraints imposed by the COVID-19 pandemic. Whilst challenging at times, through the effective use of technology and close liaison with finance and other officers of the Authority these challenges were overcome. We would like to thank the Finance Team for the quality of their supporting working papers and for being available throughout the audit work to answer our queries.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2020/21 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such questions or objections have been raised.



05

Section 05: **Internal control recommendations**

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5. Internal control recommendations

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

We have not made any control recommendations in 2020/21.

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5. Internal control recommendations

Follow up on previous internal control points

Description of deficiency

The Authority does not record 'yellow' bus values individually in the fixed asset register, the value is recorded as an aggregate balance. While this deficiency is unlikely to have a material impact, it does require additional procedures when calculating proceeds from disposals and other capital charges.

Potential effects

During our testing of fixed asset disposals relating to yellow buses we were unable to trace individual disposal values to the fixed asset register to ascertain its net book value. As yellow buses are shown in the fixed asset register as an aggregate balance, it is a difficult and time-consuming process to obtain sufficient audit evidence to support disposals and other capital charges included in the accounts.

Recommendation

We recommend that this type of asset is recorded individually in the fixed asset register, to improve accuracy and reduce the time required to obtain audit evidence relating to this type of asset.

2020/21 update

In the prior year, management agreed to add any new additions to the register on an individual asset basis. In 2020/21 there were no additions, therefore the control has not been tested.



06

Section 06:

Summary of misstatements

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6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £0.21m.

The first section below outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

The second section outlines the misstatements that have been adjusted by management during the course of the audit.

Unadjusted misstatements

To date there are no unadjusted misstatements.

Adjusted misstatements

To date our work has highlighted one adjusted misstatement above our trivial threshold (£0.21m):

- As part of our property, plant and equipment disposals testing, the Authority had recognised a loss on disposal totalling £0.36m in 2020/21. We noted the disposal took place in April 2021 and therefore it should be recorded as a transaction in 2021/22. The error is isolated and management has now adjusted for this error.

Disclosure amendments

The following disclosure amendments have been agreed with management:

- Note 10 (Officers' remuneration and members allowances) – as part of our testing we noted that the Authority had recorded 4 senior officers in the banding £80,001 to £85,000. Review of payroll records confirmed there is only 3;
- Note 10.4 (Costs of redundancies and other leavers) – the note has been updated to include payment in lieu of notice costs (totalling £9.9k), which had been omitted from the draft accounts; and
- Note 9 (Non-specific grant income) – as part of our testing, we noted £0.878m of income allocated to the line 'ULEV Bus Scheme - Department for Transport', review of the records confirmed it should have been recorded as taxi scheme.

In addition to the above, we did identified a small number of minor presentational issues during our audit and these have been amended by the Authority.

If any misstatements are identified on completion of the outstanding audit work highlighted in section 2, these will be reported to the Audit Committee in a follow-up letter.

Executive summary

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Value for Money

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07

Section 07: **Value for Money**

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7. Value for Money

Approach to Value for Money

We are required to consider whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Authority plans and manages its resources to ensure it can continue to deliver its services
- **Governance** - How the Authority ensures that it makes informed decisions and properly manages its risks
- **Improving economy, efficiency and effectiveness** - How the Authority uses information about its costs and performance to improve the way it manages and delivers its services

At the planning stage of the audit, we undertake work to understand the arrangements that the Authority has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

The table overleaf outlines the risks of significant weaknesses in arrangements that we have identified, the risk-based procedures we have undertaken, and the results of our work.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report.

The primary output of our work on the Authority's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report within the 3 months of issuing our audit opinion on the financial statements, consistent with NAO guidance.

Status of our work

We are yet to complete our work in respect of the Authority's arrangements for the year ended 31 March 2021. At the time of preparing this report, we have not identified any significant weaknesses in arrangements that require us to make a recommendation, however we continue to undertake work on the Authority's arrangements.

Our draft audit report at Appendix B outlines that we have not yet completed our work in relation to the Authority's arrangements. As noted above, our commentary on the Authority's arrangements will be provided in the Auditor's Annual Report within 3 months of issuing our audit opinion on the financial statements, consistent with NAO guidance.



Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

Appendix A: Draft management representation letter

Mazars LLP
5th Floor
3 Wellington Place
LS1 4AP

[Date]

Dear Mark

West Yorkshire Combined Authority - audit for year ended 31 March 2021

This representation letter is provided in connection with your audit of the financial statements of West Yorkshire Combined Authority for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within West Yorkshire Combined Authority you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Director, Corporate Services (s73 Officer) that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.



Appendix A: Draft management representation letter

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Board and committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on West Yorkshire Combined Authority's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by West Yorkshire Combined Authority in making accounting estimates, including those measured at current or fair value, are reasonable.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against West Yorkshire Combined Authority have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Authority has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.



Appendix A: Draft management representation letter

Fraud and error

I acknowledge my responsibility as Director, Corporate Services (s73 Officer) for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting West Yorkshire Combined Authority involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting West Yorkshire Region Combined Authority’s financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law.

I have disclosed to you the identity of West Yorkshire Combined Authority’s related parties and all related party relationships and transactions of which I am aware.

Charges on assets

All the Authority’s assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.



Appendix A: Draft management representation letter

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Covid-19

I confirm that we have carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the organisation, including the impact of mitigation measures and uncertainties, and that the disclosures in the Narrative Report fairly reflects that assessment.

Going concern

To the best of my knowledge there is nothing to indicate that West Yorkshire Region Combined Authority will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Uncorrected misstatements (if uncorrected misstatements are identified through completion of the outstanding audit work detailed on pages 7 and 8)

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this letter as an Appendix.

Yours faithfully
Director, Corporate Services (s73 Officer).....



Appendix B: Draft audit report

Independent auditor’s report to the members of West Yorkshire Combined Authority (DRAFT)

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of West Yorkshire Combined Authority (‘the Authority’) for the year ended 31 March 2021, which comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31st March 2021 and of the Authority’s expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director, Corporate Services (s73 Officer)’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director, Corporate Services (s73 Officer) with respect to going concern are described in the relevant sections of this report.



Appendix B: Draft audit report (continued)

Other information

The Director, Corporate Services (s73 Officer) is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of the Director, Corporate Services (s73 Officer) for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Director, Corporate Services (s73 Officer) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view. The Director, Corporate Services (s73 Officer) is also responsible for such internal control as the Director, Corporate Services (s73 Officer) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director, Corporate Services (s73 Officer) is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and prepare the financial statements on a going concern basis, on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future. The Director, Corporate Services (s73 Officer) is responsible for assessing each year whether or not it is appropriate for the Authority to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Authority and the Group, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21) and the Local Audit and Accountability Act 2014 (and associated regulations made under section 32), and we considered the extent to which non-compliance might have a material effect on the financial statements.



Appendix B: Draft audit report (continued)

We evaluated the Director, Corporate Services (s73 Officer)' incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management and the Audit and Governance Committee the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Authority and the Group which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Audit and Governance Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit and Governance Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Director, Corporate Services (s73 Officer)' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in April 2021.

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



Appendix B: Draft audit report (continued)

Report on the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception

We are required to report to you if, in our opinion, we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have not completed our work on the Authority’s arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in April 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2021.

We will report the outcome of our work on the Authority’s arrangements in our commentary on those arrangements within the Auditor’s Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

Responsibilities of the Authority

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

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

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

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021.

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

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

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

We have nothing to report in these respects.



Appendix B: Draft audit report (continued)

Use of the audit report

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

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed:

- the work necessary to issue our assurance statement in respect of the Authority’s Whole of Government Accounts consolidation pack; and
- the work necessary to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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Mark Dalton, Key Audit Partner
For and on behalf of Mazars LLP

5th Floor
3 Wellington Place
Leeds
LS1 4AP

Date



Appendix C: Independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

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Appendix D: Other communications

Other communication	Response
Compliance with Laws and Regulations	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations. Or detail significant matters identified.</p> <p>We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>
External confirmations	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
Related parties 146	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ul style="list-style-type: none"> a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
Going Concern	<p>We have not identified any evidence to cause us to disagree with the Chief Financial Officer that West Yorkshire Combined Authority will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements.</p>

Appendix D: Other communications

Other communication	Response
Subsequent events	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor’s report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
Matters related to fraud 147	<p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and Those Charged With Governance, confirming that</p> <ol style="list-style-type: none"> a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; b. they have disclosed to the auditor the results of management’s assessment of the risk that the financial statements may be materially misstated as a result of fraud; c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: <ol style="list-style-type: none"> i. Management; ii. Employees who have significant roles in internal control; or iii. Others where the fraud could have a material effect on the financial statements; and d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity’s financial statements communicated by employees, former employees, analysts, regulators or others.



Mark Dalton, Director – Public Services

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

Private and Confidential

Mark Outterside
Mazars
5th Floor, 3 Wellington Place
Leeds
LS1 4AP

30 September 2021

Dear Mark

Please find below the responses to the questions put to the Governance and Audit Committee in your letter dated July 2021, received by email on 8th July 2021.

1. How does the Governance and Audit Committee oversee management's processes to identify and respond to the risk of fraud and possible breaches of internal controls? In particular how the Committee oversees managements:

- **Assessment of the risk that the financial statements may be materially misstated due to fraud or error;**
- **Processes for identifying and responding to risks of fraud in the authority. This includes any specific risks of fraud which management have identified, and classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist;**
- **Processes for communicating to employees its view on business practice and ethical behaviour; and**
- **Processes for communicating to you for identifying and responding to fraud or error.**

Response:

A number of elements are in place to ensure that fraud or errors are not present in the financial systems and thereby the financial statements.

Management ensure internal controls are functioning effectively through monitoring and review. The performance of key financial controls are regularly reported to the officer Regulatory and Compliance Board and the Member Governance and Audit Committee. Internal Audit perform a review of all the key financial systems to check if they are set up effectively and undertake further work on a risk basis. The results of these audits are reported to this Committee. A robust and transparent financial system with comprehensive access controls is in place, with a reconciliation of the financial system to the financial statements.

The Combined Authority has in place clear procedures for reporting any suspected frauds, including adoption of the Whistleblowing policy which has been fully revised this year and adopted by both the Combined Authority and LEP. A revised Anti-Fraud policy and new Anti-Money Laundering policy have also been developed and accepted for use across the Combined Authority and LEP, any allegations and outcomes of investigations are reported to the Regulatory and Compliance Board and to the Governance and Audit Committee. Members adhere to the Code of Conduct which is taken each year to the Annual Meeting of the Combined Authority in order to remind Members of their obligations under the code – this has been updated in line with national best practice in the year. Deep dive sessions are held periodically at the Governance and Audit Committee where Internal and External Audit as well as senior management within the Combined Authority present updates and mitigation actions taken in response to the adequate management of risk and control activities.

The Combined Authority actively participates in the National Fraud Initiative exercise, with any key findings reported to both the officer Regulatory and Compliance Board and the Governance and Audit Committee.

The Combined Authority has a robust risk management process, with risk considered and risk registers maintained at all levels throughout the organisation. The Combined Authority (and sub committees) regularly review current and emerging risks and this process would pick up any related to potential fraudulent activity and controls required to mitigate such risks.

2. Has the Governance and Audit Committee knowledge of any actual, suspected or alleged fraud during the period 1st April 2020 to 31st March 2021?

Response:

To our knowledge there have been no identified frauds during 2020/21.

3. Has the Governance and Audit Committee identified any specific fraud risks within the organisation?

Response:

No.

4. Is the Governance and Audit Committee aware of any significant breaches of internal control during 2020/21?

And

5. Is the Committee satisfied that internal controls, including segregation of duties exist and work effectively. If not (i) what are the risk areas and (ii) what other controls are in place to detect / prevent fraud.

Response:

A governance report is provided to the Committee each quarter highlighting any key issues in relation to internal controls. Internal control reviews form part of the Internal Audit Plan 2020/21 and internal audit report back to this Committee each quarter. Internal Audit also produce an annual report that summarises the reviews undertaken and that supports the Annual Governance Statement in the Annual Accounts. This was considered by members at the last meeting and included a positive assurance from internal audit.

All policies and processes for identifying fraud are endorsed by the Governance and Audit Committee. A governance report is provided to the Committee each quarter highlighting any key issues in relation to risk. This would include any actual or suspected fraud matters. In areas where fraud might be deemed more likely to occur particular attention is paid to the internal controls in place. This is relevant to travel centres which is the only area where large volumes of cash are handled and the finance team which handles large volumes of electronic cash. Controls in these areas are monitored and any reviews of these undertaken by internal audit are reported back to the Governance and Audit Committee.

To our knowledge there have been no significant breaches of internal controls during 2020/21.

6. Is the Committee aware of any related party relationships or transactions that could give rise to instances of fraud?

And

7. How does the Committee mitigate the fraud risks associated with related party relationships and transaction?

Response

Declarations of interest are sought from all Members, key officers and new staff members and are available on the Combined Authority's website. Also, our Board / Committee meeting agendas require 'interests' to be declared on any agenda items.

In addition, since 2019/20, a more robust specific process has been introduced that captures the declarations required for related party disclosures. Reliance / assurance is also placed on both the internal audit and the external audit work undertaken during the year.

Contracts Standing Orders require that all relationships of a business or private nature with external contractors, or potential contractors, must be made known to the appropriate manager in accordance with the Officers' Code of Conduct.

To our knowledge there have been no risks associated with related party relationships during 2020/21.

8. Is the Committee aware of any entries made in the accounting records of the organisation that it believes or suspects are false or intentionally misleading?

Response

To our knowledge there have been no such entries to the accounting records during 2020/21.

9. Is the Committee aware of any organisational, or management pressure to meet financial or operating targets?

And

10. Is the Committee Aware of any inappropriate organisational, or management pressure being applied, or incentives offered, to employees to meet financial or operating targets?

Response

To our knowledge there has not been any inappropriate organisational or management pressure regarding targets during 2020/21. However, the Combined Authority do ensure 'stretching' targets, financial or otherwise are in place and management are held to account to achieve these.

11. How does the Committee gain assurance that all relevant laws and regulations have been complied with?

And

12. Are you aware of any instances where of significant non-compliance during 2020/21?

Response:

The Combined Authority employs a full legal team which is headed by a qualified solicitor who attends all meetings of the Combined Authority. As part of the work of that legal team, officers are specifically tasked with considering changes in legislation relating to their particular areas, such as health and safety, property, employment law and governance. This topic also forms a standing item on the agenda of the officer Regulatory and Compliance Board. Any non-compliance would be reported and would be expected to appear on the risk register - regular reviews of risk are undertaken by the Combined Authority and Governance and Audit Committee. A number of internal audit reports during the year also consider compliance matters.

To our knowledge there have been no instances of non-compliance during 2020/21.

13. Are you aware of any actual or potential litigation or claims that would affect the financial statements of the authority?

Response:

We are not aware of any outstanding claims against the Combined Authority that would have a significant impact on the financial statements as at 31 March 2021.

The NGT/Supertram land issues relating to on-going claims are disclosed in the financial statements as is the situation with claims arising from Mutual Municipal Insurance. Legal proceedings regarding a property matter have commenced against the Combined Authority which has the potential for a damage claim which could lead to a financial liability. At this stage it is too early to disclose the outcome.

14. How has the Governance and Audit Committee assessed and satisfied itself that it is appropriate to adopt the going concern basis in preparing the financial statements?

And

15. Has the Governance and Audit Committee identified any events or conditions since the assessment was undertaken which may cast significant doubt on the organisation's ability to continue as a going concern?

Response:

A comprehensive note is attached to this letter at Appendix 1.

For further information, the officer Senior Leadership Team receive and sign off a report each year, that details both the accounting policies and processes to be adopted during the year, along with details of the comprehensive 'closedown' timetable and responsibilities for all concerned in the year end process.

Yours sincerely

Councillor Susan Hinchcliffe
Chair, Governance and Audit Committee
(On behalf of the Governance and Audit Committee)

Going Concern Note West Yorkshire Combined Authority year end 31/3/2021

Going Concern Principle

The concept of a going concern assumes that an authority, its functions and services will continue in operational existence for the foreseeable future. Where this is not the case, particular care will be needed in the valuation of assets, as inventories and property, plant and equipment may not be realisable at their book values and provisions may be needed for closure costs or redundancies. An inability to apply the going concern concept can have a fundamental impact on the financial statements.

Accounts drawn up under the Code assume that a local authority's services will continue to operate for the foreseeable future. This assumption is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. A Combined Authority relies on funding from its constituent members, all of which are local authorities with revenue raising powers, and it is able to levy on them the funding it requires to deliver its services.

West Yorkshire Combined Authority – Going Concern Assumption

The medium term finance strategy / budget approved by the Combined Authority in February 2021 set out the proposed funding of the Combined Authority and formally approved the budget for the current year 2021/22. The budget and strategy ensure that the Combined Authority raises the level of transport levy that allows services and functions to continue to operate at a level that is aligned to the policies and objectives of the organisation and ensures the reserves are maintained so as to mitigate risks to the organisation.

The budget and strategy make suitable provision to address the pension deficit and as an Authority we collectively work with the West Yorkshire Pension Fund and actuary to ensure contributions are realistic and sustainable. Additionally, a 3 year indicative capital programme complete with capital funding/finance was agreed as part of this process.

Covid-19

The Covid19 situation that emerged in March 2020 evolved over the financial year 2020/21 and overall the position was well managed with no adverse impact on the Combined Authorities financial position.

The Combined Authority was still in receipt of its key funds and received support funding from Central Government following representations made at senior officer, political level and collectively with other Mayoral Combined Authorities. The general reserves were 'protected' and forecast to remain at the same level as 2019/20 – ie approximately £13 million as at 31.3.21 (some £8 million above minimum levels).

We had regular meetings with our partner local authorities, as our main funder of the revenue budget, and this includes the Directors of Finance, Chief Executives and Leaders.

We had engaged early with the Combined Authority Board, signalling that we planned to take further difficult actions in the early months of 2020/21 if no help was forthcoming, but fortunately this was not required. In parallel we signalled to Government that we could not continue to pay bus operators for services not being delivered (ie paying Concessionary Fares and Tendered Services - some £80 million per annum - at pre covid rates when patronage has plummeted) and this led to support / further guidance being issued. Payments to operators was kept under regular review throughout the year.

Additionally, we had the comfort of a near £40 million West Yorkshire plus Transport Reserve, which though prudently created for the purpose of funding the future borrowing costs for this programme, was actually available if required for such an emergency circumstance (subject to Combined Authority approval).

Mayoral Combined Authority / devolution deal

Finally, the Combined Authority secured a devolution deal in March 2020 and this became 'law' in January / February 2021, with the first 'gainshare' payment (£38m) being received in March 2021. With the appointment of a Mayor in May 2021, we will be a fully working Mayoral Combined Authority from that date. The overall devolution deal includes 'gainshare' funding for 30 years, worth £1.14 billion.

Other significant funding receipts - from the devolution deal – have started to be received. These include the Transforming Cities programme (which actually started in 2019/20), Brownfield Housing and Adult Education (confirmation of funding from 2021/22). Additionally, the Getting Building Fund (£26m for 2 years) commenced in 2020/21.

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Report to: Governance and Audit Committee

Date: 30 September 2021

Subject: **Compliance and Monitoring**

Director(s): Angela Taylor, Director, Corporate and Commercial Services

Author(s): Jon Sheard

1. Purpose of this report

- 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.

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.

Internal controls

- 2.2 There have been no significant changes to internal controls in the period and monthly reconciliations are up to date.
- 2.3 Measures put in place to enable business to continue during the pandemic remain robust and changes made were fully captured within guidance notes and procedures. Decision making meetings of members have had to revert to being in person since the legislation enabling virtual meetings ceased on 7 May 2021.
- 2.4 The Regulatory and Compliance Board at officer level continues to meet and will provide information as required to this Committee and the Combined Authority. Its meetings have considered assurances provided by the work undertaken by internal audit, health and safety, information governance, risks and controls and compliance including financial, procurement, HR and other policies, statutory returns and transparency arrangements. Actions are being identified to ensure compliance is adequately documented and evidenced. Enhanced dashboard reporting from the Health and Safety Committee is in progress.

Treasury Management

- 2.6 The regular governance meetings continue to be held with Leeds City Council to consider and review the transactions relating to investments and treasury management. The last meeting was on 15 July 2021 and no areas of concern were raised. The high level of cash balances was considered and the challenges this presents with regard to placing funds with approved counterparties.
- 2.7 Following the transfer of the Police and Crime functions to the Combined Authority from 10 May 2021, similar arrangements with regards to policing funds have been adopted. These treasury management arrangements are administered by Wakefield Council and in line with the treasury management policies agreed by the former Office of the Police and Crime Commissioner.
- 2.8 During the next twelve months a fuller review is planned to ascertain whether all the treasury management arrangements would benefit from being administered by a single partner authority.

Key indicators

- 2.9 The Committee has requested regular information via key indicators, specifically with regard to accidents reportable to the Health and Safety Executive and with regard to key controls.
- 2.10 No further RIDDOR incidents have been reported since the previous meeting, leaving the total for the year at two.
- 2.11 Key indicators are monitored in relation to the suite of financial controls undertaken monthly in both the finance and the concessions and integrated ticketing team. These are both up to date as at the time of writing this report.

Financial monitoring

Revenue Budget 2020/21 – Final Outturn

- 2.12 This is covered under the separate agenda item presenting the 2020/21 accounts for approval.

Revenue Budget and Capital budget 2021/22

- 2.13 The approved revenue budget for 2021/22 was a balanced position at the start of the year, whilst recognising the risks still being managed as due to the national pandemic.
- 2.14 The financial position is being monitored through the newly formed Finance, Resources and Corporate Committee which will receive regular reports on expenditure forecasts and financial performance information. The Committee is asked to consider which aspects of financial performance it wishes to

monitor at its meetings. The latest reporting on performance against budget is attached as **Appendices 1 and 2**.

Risk management

- 2.15 In line with the provisions of the corporate risk management strategy, regular review of the key strategic risks affecting the organisation continues to be undertaken at both a directorate level and a corporate level.
- 2.16 In parallel to the ongoing review of risks, work has also recently been undertaken to update the Combined Authority's operational business plans for 2021/22. This has been necessary in order to ensure that the continuing implications of the Covid-19 pandemic have been properly accounted for, and to ensure that day to day business priorities adequately reflect and support the Mayor's pledges.
- 2.17 Following on from this review of business plans, a full review of the corporate risk register is now in progress and it is proposed that the register is updated and re-baselined to take account of the findings from this review. In lieu of this review being completed an updated summary of the current Corporate Risk Register is attached at **Appendix 3**.
- 2.18 In line with feedback provided by the Committee at their July meeting, further information has been included within this summary on mitigation measures and to show direction of travel of each risk since the last reporting period. It should however be noted that the current methodology used to calculate an overall severity rating for each risk, places a greater emphasis on the impact of the risk in comparison to the likelihood. As such those corporate risks which are considered to have the highest rating in terms of their potential impact, are less likely to be downgraded in terms of their overall severity rating, even where the likelihood of the risk happening is reduced.
- 2.19 Following completion of the full update to the Corporate Risk Register, it is proposed to provide the Governance and Audit Committee with a more comprehensive corporate risk report at future meetings. It is proposed that this will include the following information
- Overview figures to show the total number of risks contained within the Corporate risk register, to be grouped by severity and to show change in these numbers since the last reporting period;
 - Full details for all of those risks within the register which are rated as 'very high' or 'high';
 - More comprehensive details of the mitigation measures in place for these risks and details of mitigation owners;
 - Direction of travel for each risk to show movement during the reporting period; and
 - Date showing when risks were originally escalated to the Corporate Risk Register to indicate the length of time that the risk has been 'live'.

2.20 In line with feedback previously received from the Committee, it is also proposed that a 'deep dive' is undertaken for all those risks within the Corporate risk register which have a 'very high' severity rating.

3 Tackling the Climate Emergency Implications

3.1 There are no climate emergency implications directly arising from this report.

4. Inclusive Growth Implications

4.1 There are no inclusive growth implications directly arising from this report

5. Financial Implications

5.1 As set out in the report.

6. Legal Implications

6.1 There are no legal implications directly arising from this report.

7. Staffing Implications

7.1 There are no staffing implications directly arising from this report.

8. External Consultees

8.1 No external consultations have been undertaken.

9. Recommendations

9.1 That the Committee consider the information contained in this report.

10. Background Documents

None.

11. Appendices

Appendix 1 – Financial monitoring (revenue).

Appendix 2 – Financial monitoring (capital).

Appendix 3 – Corporate risk register.

Agenda Item 9

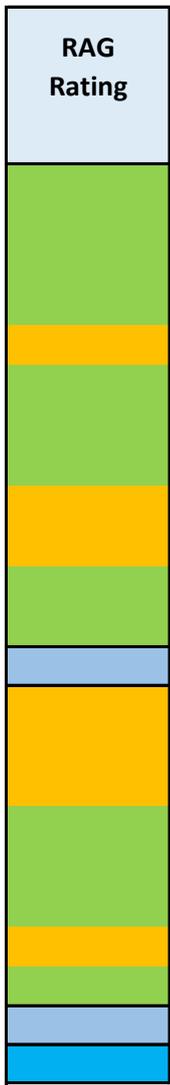
Appendix 1

West Yorkshire Combined Authority Revenue Budget 2021/22	Annual Budget	Actuals as at 30th June 2021	Utilised %
	£	£	
Employee Costs	29,999,129	7,056,318	23.5%
Indirect Employee Costs	1,583,800	250,127	15.8%
Premises Costs	6,665,597	585,427	8.8%
Supplies and Services	5,086,910	656,174	12.9%
ICT Related Costs	2,979,034	1,073,516	36.0%
Travel, Subsistence & Transport Costs	369,096	84,252	22.8%
Tendered Services	25,866,000	7,456,902	28.8%
Concessions	53,750,000	13,202,580	24.6%
Prepaid Tickets Costs	13,500,000	1,078,075	8.0%
Grants and Agency costs	55,542,737	267,505	0.5%
Consultancy and Professional Services	7,269,114	1,287,341	17.7%
Financing Charges	6,964,657	770,794	11.1%
Total Expenditure	209,576,074	33,769,009	16.1%
Income - Transport	(11,310,082)	(717,978)	6.3%
Funding - Grants	(70,950,738)	(6,288,878)	8.9%
Enterprise Zone Receipts	(3,202,886)	(1)	0.0%
Interest Received	(818,000)	(147,940)	18.1%
Income - Operational	(3,042,624)	(543,431)	17.9%
Capitalisation / Internal Recharges	(14,553,745)	(1,079,787)	7.4%
Pre Paid Ticket Income	(13,500,000)	(1,078,075)	8.0%
Transport Levy	(92,198,000)	(27,659,400)	30.0%
Total Income	(209,576,074)	(37,515,490)	17.9%
Net Expenditure Total	(0)	(3,746,482)	

Notes / Commentary

Spend profile reflects staff vacancy / turnover levels as at Qtr 1.
Spend to date - as expected due to timing of pension invoice.
Spend to date - as expected due to premises invoices paid in arrears
Spend profile lower than expected due to Covid 19 impact, election costs and invoices in arrears
Spend to date - as expected due to certain ICT costs paid in advance
Spend profile in line with expectations.
Spend profile in line with expectations.
Spend profile in line with expectations.
Mcard payment significantly reduced - Covid-19 - offset by Mcard sales ##
Low spend profile mainly due to Adult Education Budget commencing in Qtr 2.
Spend profile in line with expectations.
Spend profile in line with expectations, majority of cost (MRP) to be incurred in Qtr 4.

Covid19 - Impact on bus station & bus services income, departure fees in arrears
Grants received in arrears and Adult Education Budget commences in Qtr 2.
EZ receipts expected to be received in arrears
Investment interest in arrears
As expected - project claims in arrears
Capitalisation is collected in arrears.
Mcard sales significantly reduced - Covid-19 - offsets by payments ##
Levy receipts as expected



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Capital Programme Expenditure 2021/22	Programme End Date	Total Programme Budget (indicative)	Total Spend to 31 st March 2021
West Yorkshire plus Transport Fund / Growth Deal	31/03/35	£1,235,450,000	£504,997,497
Leeds Public Transport Investment Programme	31/03/22	£174,500,000	£126,992,771
Transforming Cities Fund	31/03/23	£457,000,000	£12,085,197
Integrated Transport Block / Highways Maintenance	Annual	Annual	Annual
Corporate Projects	N/A	£12,730,007	£9,319,479
Broadband	30/09/22	£25,266,000	£15,397,663
Getting Building Fund	31/03/22	£52,600,000	£8,042,643
Brownfield Housing Fund	31/03/25	£67,000,000	£644,448
Active Travel Fund	31/03/22	£12,566,000	£3,499,107
British Library	N/A	£25,000,000	£0
Other (eg Low Emission Vehicles, Clean Bus, City Connect etc.)	N/A	£43,857,125	£10,021,756
Total Capital Spend		£2,105,969,132	£691,000,562

Revised Capital Budget	Qtr 1 Expenditure 2021/22	%
£97,055,893	£15,681,378	16.2%
£57,595,374	£7,488,458	13.0%
£65,224,365	£3,049,738	4.7%
£57,461,017	£46,477,179	80.9%
£5,438,709	£993,544	18.3%
£4,363,915	£6,172	0.1%
£26,300,000	£1,992,917	7.6%
£20,000,000	£106,770	0.5%
£10,053,000	£171,882	1.7%
£25,000,000	£1,934	0.0%
£38,500,000	£308,678	0.8%
£406,992,273	£76,278,651	20.0%

Funding b/fwd from 2020/21	Funding Received to date in 2021/22	Total Funding to date For 2021/22
£12,678,837	£30,000,000	£42,678,837
£44,685,761		£44,685,761
£45,875,871	£123,248,290	£169,124,161
£8,308,553	£44,820,000	£53,128,553
£-6,067,668		£-6,067,668
£6,543,641		£6,543,641
£18,257,357	£26,300,000	£44,557,357
£-44,448		£-44,448
£7,805,868		£7,805,868
£0	£25,000,000	£25,000,000
£10,528,993	£29,000,000	£39,528,993
£148,572,765	£278,368,290	£426,941,055

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Corporate risk summary

			Probability	Impact	Mitigation summary	Direction of travel
16 Very High	CRR-SD5	There is a risk that there will be a major impact on achievement of organisational objectives and/or a need to reconsider objectives and divert resources, due to a major unanticipated change in national policy (Brexit; major change in govt policy).	Possible 3	Critical 5	<ul style="list-style-type: none"> Continued dialogue with Government Policy and Strategy directorate continuing to monitor emerging national trends Continued work with local LEPs and Combined Authorities 	
	CRR-SD6	There is a risk that key corporate objectives cannot be met due to the long term impacts of the COVID-19 pandemic on the regional economy and on travel habits.	Possible 3	Critical 5	<ul style="list-style-type: none"> Research and Intelligence team continue to model potential impacts and long term scenarios Working closely with partners and representative groups to identify possible long term impacts and develop joint responses Business plans have been updated and are subject to ongoing monitoring to identify key areas for re-prioritisation 	
	CRR - FR3	There is a risk that the immediate, medium and long term financial health of the Combined Authority will be adversely affected due to the financial impacts of the COVID-19 pandemic	Possible 3	Critical 5	<ul style="list-style-type: none"> Financial scenario planning undertaken and being continually updated/monitored Continued liaison with Government to understand funding opportunities Budget Working Group to oversee response 	
	CRR-SD8	There is a risk that there will be a significant increase in unemployment across the region, due to the ongoing economic disruption caused by the COVID-19 crisis and the end of the national Job Retention Scheme (furlough)	Likely 4	Serious 4	<ul style="list-style-type: none"> Joint intelligence gathering on the employment impacts– including the demographic, sectoral and geographical impact Current programmes – particularly the Employment Hub and [re]boot – have been flexed to support redundant and furloughed workers Lobbying government for Combined Authorities to be resourced to support people into work and for a national job creation/wage subsidy scheme. Recovery Plan developed including a focus on creating employment and self-employment opportunities. 	

			Probability	Impact	Mitigation summary	Direction of travel
	CRR-FR4	There is a risk that the Combined Authority is placed under pressure to fund the reinstatement of commercial bus services threatened with withdrawal, due to premature withdrawal of emergency government funding support	Possible 3	Critical 5	<ul style="list-style-type: none"> Continued liaison with Government on funding Close liaison with bus companies to identify cost neutral/effective solutions Review and adapt current mechanism to appraise social and commercial value of threatened services 	

			Probability	Impact	Mitigation summary	
168 High	CRR-DR1	There is a risk that a major contractor/supplier/recipient of Combined Authority funding encounters significant financial difficulties, or enters administration or liquidation, and are therefore unable to deliver agreed projects, due to current uncertainties within the construction industry.	Possible 3	Serious 4	<ul style="list-style-type: none"> Contractual KPIs & penalty clauses Agreed escalation routes in contracts Ability to de-scope via change requests with partner buy-in Embed security measures into as many contracts as possible e.g. bond, legal charge, priority in lending hierarchy Regular financial checks in place through Procurement & contract/loan monitoring External consultants procured to advise on future investment strategy/due diligence processes for more commercial deals 	
	CRR-SS1	There is a risk that a major accident or injury occurs at a Combined Authority facility, due to the high volume of people and inherent operational risks present in a bus station, transport interchange or Combined Authority facility.	Unlikely 2	Critical 5	<ul style="list-style-type: none"> Health and safety policies, procedures and processes in place Staff training Ongoing review of Health and Safety risks Working with district emergency planning units to share knowledge and develop joint plans Continued working with police on preventative measures Business Continuity and Disaster Management workshops taking place at corporate level 	
	CRR-SD1	There is a risk that we fail to fully deliver projects and programmes (i.e. Growth Deal) within timescales or budget, or with the anticipated level of benefits, due to over-optimistic profiles, capacity within both the Combined Authority and District partners and recruitment and retention challenges.	Possible 3	Serious 4	<ul style="list-style-type: none"> Significant monitoring and controls in place through PMO Continuing support through 'District Pool' project resource Ongoing Review of WY+TF portfolio with Chief Highways Officers 	

			Probability	Impact	Mitigation summary	
	CRR-SD2	There is a risk that there are challenges and disruption to the way in which the Combined Authority provides services and the resources available to deliver those, due to uncertainty surrounding the UK's future relationship with the EU.	Unlikely 2	Critical 5	<ul style="list-style-type: none"> • Organisation wide Brexit action plan in place • Ongoing liaison with Bus Operators for reassurance on preparation for fuel or labour shortages • Communications activities continuing to focus on effective signposting and support • Continued monitoring of legislative developments • Additional grant funding available to support local businesses • Continuing to monitor projects which may be vulnerable to shortages in skilled labour or supply chain disruption 	
	CRR-SS2	There is a risk that a cyber security malware infection could infiltrate the organisation, due to the growth of cyber crime and organisation targeting which is increasing due to covid-19	Possible 3	Serious 4	<ul style="list-style-type: none"> • Systems protected through firewalls • Additional cyber security software in place • Continual programme of training for all staff • Regular testing 	

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