West Yorkshire Combined Authority

GOVERNANCE AND AUDIT COMMITTEE

MEETING TO BE HELD AT 2.00 PM ON MONDAY, 30 JULY 2018 IN COMMITTEE ROOM B, WELLINGTON HOUSE, 40-50 WELLINGTON STREET, LEEDS

A G E N D A

11. ANNUAL ACCOUNTS 2017/18
(Pages 59 - 166)

12. DELIVERY OF THE INTERNAL AUDIT FUNCTION
(Pages 167 - 170)

13. INTERNAL CONTROLS AND FINANCIAL MONITORING
(Pages 171 - 178)

14. RISK MANAGEMENT UPDATE
(Pages 179 - 200)

Signed:

Director, Resources
West Yorkshire Combined Authority

West Yorkshire Combined Authority

MINUTES OF THE MEETING OF THE GOVERNANCE AND AUDIT COMMITTEE HELD ON THURSDAY, 29 MARCH 2018 AT WELLINGTON HOUSE, WELLINGTON STREET, LEEDS

Present:

Roger Marsh OBE (Chair)	Leeds City Region Enterprise Partnership
Andy Clayton	Department for Work and Pensions
Councillor Tim Swift	Calderdale Council (to minute 49)
Councillor Susan Hinchcliffe	Bradford Council (to minute 49)

In attendance:

Mark Dalton	Mazars
David Brown	Leeds City Council (minute 43 only)
Bhupinder Chana	Leeds City Council (minute 43 only)
Angela Taylor	West Yorkshire Combined Authority
Russell Gott	West Yorkshire Combined Authority
Rebecca Brookes	West Yorkshire Combined Authority (from minute 46)
Ruth Chaplin	West Yorkshire Combined Authority

39. Apologies for Absence

Apologies for absence were received from Councillor A Carter.

40. Declarations of Disclosable Pecuniary Interests

There were no pecuniary interests declared by members at the meeting.

41. Exclusion of the Press and Public

There were no items on the agenda requiring exclusion of the press and public.

42. Minutes of the Meeting of the Governance and Audit Committee held on 25 January 2018

Resolved: That the minutes of the meeting held on 25 January 2018 be approved.

43. Treasury Management

The Committee considered a report which provided Members with information on the treasury management arrangements in place for the West Yorkshire Combined Authority.

The Combined Authority's treasury management is undertaken jointly by Combined Authority and Leeds City Council officers, under the terms of a Service Level Agreement (SLA) and the meeting was attended by Bhupinder Chana and David Brown from Leeds City Council. They provided an overview and answered questions in respect of the Combined Authority's treasury management including underlying risks, the measures in place to manage the risks and the role of the Governance and Audit Committee in monitoring these arrangements.

The Committee discussed their responsibility for considering treasury management arrangements including the adequacy of treasury management policies and practices and the need to ensure compliance with statutory guidance. Members considered it would be beneficial to receive information, advice and guidance on treasury management procedures including the Service Level Agreement (SLA), the strategy for borrowing and investment and the impact of new regulations.

It was noted that the Governance & Audit Committee also had the responsibility of approving the Annual Accounts which would include information on treasury performance.

The Committee thanked officers for their informative presentation and Members would be provided with the further information requested. A further report addressing the aspects set out above would be prepared for the next meeting and officers from Leeds City Council invited to attend.

Resolved: That the presentation be noted.

44. External Audit

The Committee considered a report which provided information on matters relating to external audit and set out the conclusion on audit fees for 2018/19 from Public Sector Audit Appointments Limited (PSAA).

Members were advised that following the outcome of the consultation which had taken place, confirmation had now been received from the PSSA that the audit fee for 2018/19 had been reduced from £33,720 to £25,964. The meeting was attended by Mark Dalton from Mazars who confirmed and reassured the Committee that this would not compromise the completeness and quality of their audit.

It was reported that Mazars had undertaken its interim audit and Members discussed and noted the audit strategy memorandum for the 2017/18 year end audit which was attached at Appendix 1.

The Committee thanked Mark Dalton for attending the meeting and presenting the report.

Resolved:

(i) That the outcome of the audit fee consultation for 2018/19 be noted.

(ii) That the audit strategy memorandum from Mazars be noted.

45. Strategic Internal Audit Plan

The Committee considered a report which:

- Sought approval of the strategic internal audit plan commencing on 1 April 2018.
- Provided options and evaluated the benefits and weaknesses of models for the provision of internal audit within West Yorkshire Combined Authority.

Members welcomed the strategic internal audit plan which had been developed following the last meeting and had taken into account the comments from the Committee to produce a three year strategic plan.

The Committee discussed the delivery of the internal audit function and considered a range of models which were outlined in the submitted report. It was requested that further information including a more detailed options analysis on the proposals including comparative costs be provided at the next meeting.

Resolved:

(i) That the strategic internal audit plan be approved.

(ii) That further information and an options analysis for the future delivery of internal audit be provided at the next meeting.

46. Internal Audit Progress Report

The Committee considered a report on the work undertaken by Internal Audit.

Members discussed the three audit actions which were classified as high priority and are now overdue. It was requested that officers provide further information concerning the implementation of actions to address these matters if they remain incomplete at the next meeting. They highlighted the need for officers to agree implementation dates and that failure to do so could result in action from the Committee.

The Committee welcomed the internal audit dashboard which was attached at Appendix 1 and a copy of the full audit report on risk management would be circulated to Members.

Resolved: That the report be noted.

47. Internal Controls & Financial Monitoring

The Committee considered a report which:

- Provided information on the operation of, and changes to, internal controls since the last meeting of the Committee.
- Provided information on the current financial position.

It was reported that there had been no significant changes to internal controls in the period and no reportable (RIDDOR) accidents in the period 1 April 2017 to 28 February 2018.

In respect of financial monitoring, Members noted the original budget and forecast for 2017/18 and the budget for 2018/19 which had been approved by the Combined Authority on 1 February 2018, a summary of which was attached at Appendix 1. It was proposed that future financial performance reports be presented in the subjective format provided in the summary table at Appendix 2 which also included a revised forecast for 2017/18.

Members noted that the overall forecast position as at 31 March 2018 is a deficit of £2.5m which is to be funded by general reserves. This was a £1m improvement against the original forecast for this year.

Details of the budget approved in respect of capital funding and expenditure were provided in the submitted report.

Resolved: That the report be noted.

48. 2017/18 Annual Accounts Year End

The Committee considered a report which provided an update on the year end procedures for the 2017/18 annual accounts.

It was noted that work was underway to consider the changes and updates required to the Annual Governance Statement. This will form part of the annual accounts and a copy of the 2016/17 Annual Governance Statement was attached at Appendix 1 for information. Members considered the possible changes and updates required which were outlined in the submitted report. The final version will form part of the 2017/18 annual accounts which will be brought to the July 2018 meeting for approval. It was suggested that for completeness a report also be prepared for the Combined Authority for their information.

Resolved: That the key changes to be included in the 2017/18 Annual Governance Statement be noted.

49. Standards in Public Life on Local Government Ethical Standards - Consultation

The Committee considered a report which provided information on a consultation exercise being carried out by the Committee on Standards in Public Life.

It was reported that a review of local government ethical standards was being undertaken by the Committee on Standards in Public Life and a public stakeholder consultation was being held as part of the review.

Members considered the background information provided at Appendix 2 to the submitted report and it was agreed that no response would be made to the consultation.

Resolved: That the report be noted and no response made to the consultation.

Councillors Hinchcliffe and Swift had to leave and the meeting became inquorate. The following remaining items were for noting only.

50. Corporate Risk Register

A review of the corporate risk management arrangements has been undertaken and a revised corporate risk management strategy developed. The corporate risk register had also been updated and a risk workshop held with the Combined Authority on 1 February 2018.

51. General Data Protection Regulation Progress

The approach the Combined Authority has developed to ensure compliance and readiness prior to implementation on 25 May 2018 was outlined together with the risk areas identified. A progress report would be considered by the Combined Authority on 10 May 2018 and a copy of the report, together with a RAG rating, will be circulated to the Committee in advance highlighting any concerns.

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West Yorkshire Combined Authority

Report to:	Governance and Audit Committee
Date:	30 July 2018
Subject:	**Appointment of Deputy Chair**
Director(s):	Angela Taylor, Director, Resources
Author(s):	Angela Taylor

1. Purpose of this report

1.1 To appoint a Deputy Chair to the Governance and Audit Committee.

2. Information

2.1 The Committee is not required to appoint a Deputy Chair but may do so if it chooses. The Committee is asked to consider whether such an appointment would be useful and to then nominate and appoint a Deputy Chair.

3. Financial Implications

3.1 There are no financial implications directly arising from this report.

4. Legal Implications

4.1 The Committee may appoint a Deputy Chair.

5. Staffing Implications

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

6. External Consultees

6.1 No external consultations have been undertaken.

7. Recommendations

7.1 To consider the appointment of a Deputy Chair of the Governance and Audit Committee for the municipal year 2018/19.

8. Background Documents

None.

9. Appendices

None.

West Yorkshire Combined Authority

Report to:	Governance and Audit Committee
Date:	30 July 2018
Subject:	**Terms of Reference and Forward Plan of Work 2018-19**
Director(s):	Angela Taylor, Director, Resources.
Author(s):	Angela Taylor

1. Purpose of this report

1.1 To set out the terms of reference for the Governance and Audit Committee.

1.2 To set out the programme of work for the Governance and Audit Committee for 2018-19.

2. Information

Terms of Reference

2.1 The terms of reference for this Committee are set out in **Appendix 1**. These were reviewed and re-approved at the annual meeting of the Combined Authority in June.

Work Programme

2.2 In line with good practice it is intended that this Committee should meet quarterly. At each meeting there will be an update on the work of internal audit for the preceding quarter. In addition there will be a paper on any changes to the internal control environment, an update on the revenue budget position and any significant changes to risk. The external auditors of the Combined Authority, Mazars, are invited to attend each meeting and audit matters will be tabled as required

2.3 At this meeting (agenda item 11), the Committee will receive the annual accounts and Mazars, the external auditors, will present their report on the accounts to inform the Committee's decision to approve the accounts. A treasury management update will also be provided with the accounts

2.4 The Committee will also receive the internal audit annual report (agenda item 8) and the review of internal control (agenda item 10). These in turn feed into

the Annual Governance Statement that forms part of the annual accounts under consideration.

2.5 At the November meeting the Committee will receive confirmation that all required external audit work is complete (including grant returns and submission of whole of government accounts). It is also proposed that treasury management arrangements are considered in some detail at this meeting, following requests from Committee members

2.6 At the January meeting the Committee will consider the internal audit strategy, early input to the internal audit plan for the following year, and any changes required to treasury arrangements for the coming year.

2.7 At the March meeting the Committee will receive the audit fee letter, early planning from the external auditors with regard to the year-end audit and approve the internal audit plan for 2018/19.

2.8 Other items will be brought to the Committee as and when they occur, for example in connection with the appointment of external auditors and the consultation on their fees. Any issues arising in connection with the Members' Code of Conduct would also be referred to this Committee

3. Financial Implications

3.1 As set out in the report.

4. Legal Implications

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

5. Staffing Implications

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

6. External Consultees

6.1 No external consultations have been undertaken.

7. Recommendations

7.1 That the Committee note the work programme for the year.

8. Background Documents

None.

9. Appendices

Appendix 1 – Terms of Reference

Terms of Reference

Governance and Audit Committee[1]

The Governance and Audit Committee is authorised:

1. To review and scrutinise the Combined Authority's financial affairs.

2. To review and assess the Combined Authority's risk management, internal control and corporate governance arrangements.

3. To review and assess the economy, efficiency and effectiveness with which resources have been used in discharging the Combined Authority's functions.

4. To make reports and recommendations to the Combined Authority in relation to reviews conducted under paragraphs 1, 2 and 3 above.

5. To consider the findings of a review of the effectiveness of the system of internal control and approve the annual governance statement[2].

6. To consider and approve the statement of accounts.

7. To consider external audit arrangements and reports, and consider any audit letter from the local auditor following an audit.

8. To promote and maintain high standards of conduct by members and co-opted members of the Combined Authority.[3]

9. To advise the Combined Authority in relation to:

   - adopting, revising or replacing its Members' Code of Conduct[4];
   - appointing at least one independent person[5];
   - arrangements for investigating and making decisions about allegations of failing to comply with the Members' Code of Conduct.

10. To consider and determine any allegation of failing to comply with the Members' Code of Conduct[6].

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[1] Appointed in accordance with Schedule 5A paragraph 4 of the Local Democracy, Economic Development and Construction Act 2009.
[2] Regulation 6 of the Accounts and Audit Regulations 2015.
[3] This function does not extend to adopting, revising or replacing the Members' Code of Conduct.
[4] The Code applies to members and voting co-opted members of the Combined Authority and includes provision about registering and disclosing interests.
[5] In accordance with Section 28(7) Localism Act 2011.
[6] In accordance with arrangements made by the Combined Authority.

11. To consider and determine any matter within the delegated authority of a Director[7], which is referred to the Committee by that Director.

[7] A Director, in this context, is any officer to whom functions are directly delegated by the Combined Authority under the Officer Delegation Scheme.

West Yorkshire Combined Authority

Report to:	Governance and Audit Committee
Date:	30 July 2018
Subject:	Annual report on complaints and concerns about the LEP
Director(s):	Angela Taylor, Director of Resources
Author(s):	R Gott and E Davenport

1. Purpose of this report

1.1 To provide an annual report in respect of any complaints and concerns raised about the Leeds City Region Local Enterprise Partnership (the LEP) and/or members of the LEP Board.

2. Information

2.1 Concerns from a member of the public or a third party about the LEP may be reported through:

- the LEP's whistleblowing policy,
- the LEP's procedure for considering complaints alleging a failure to comply with the LEP Board Members' Code of Conduct, and
- the LEP's confidential complaints procedure.

2.2 These documents were approved by the LEP Board earlier this calendar year, further to a review of LEP transparency. The documents comply with the Government's best practice guidance on local enterprise partnership governance and transparency (the LEP whistleblowing policy and confidential complaints procedure follow the model documents issued under the guidance).

2.3 Prior to these documents being approved, any concern about the LEP would have been considered under the West Yorkshire Combined Authority's complaints policy and whistleblowing policy. Complaints about the LEP may still be channelled through the Combined Authority's complaints policy.

Annual reports

2.4 The LEP's whistleblowing policy provides for the Combined Authority's Internal Audit Manager to provide an annual report to the Combined

Authority's Governance and Audit Committee. The Internal Audit Manager has confirmed that during the last municipal year, no concerns were received under this policy, nor under the Combined Authority's whistleblowing policy in relation to the LEP. Nor have any concerns been received to date this municipal year.

2.5 At the annual meeting of the LEP Board in June 2018, the LEP Board amended the LEP's complaints procedures to provide for an annual report to the LEP Board and to the Combined Authority's Audit and Governance Committee.

2.6 The Monitoring Officer can now report that no complaint about the LEP or any member of the LEP Board has been received to date under either procedure, nor over the last municipal year under the Combined Authority's complaints procedure.

2.7 Item 8 on this agenda, the Annual Internal Audit Report and Opinion provides an update in respect of the Combined Authority's whistleblowing policy, and addresses compliance with the Combined Authority's Code of Conduct for members.

3. Financial Implications

3.1 There are no financial implications directly arising from this report.

4. Legal Implications

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

5. Staffing Implications

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

6. External Consultees

6.1 No external consultations have been undertaken.

7. Recommendations

7.1 That Governance and Audit Committee note the annual report in respect of complaints and concerns about the LEP.

8. Background Documents

None.

9. Appendices

None.

West Yorkshire Combined Authority

Report to:	Governance and Audit Committee
Date:	30 July 2018
Subject:	**Annual Internal Audit Report and Opinion**
Director(s):	Angela Taylor, Director, Resources
Author(s):	Russell Gott

1 Purpose of this report

1.1 To provide notice of the annual Internal Audit report and opinion of the risk management, governance and control environment in operation during 2017/18.

2 Information

2.1 Public sector Internal Audit Standard, PSIAS 2450, requires the Chief Audit Executive to provide an annual report to the Governance & Audit Committee timed to support the Annual Governance Statement. The report must include:

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

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

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

2.4 It should be noted that the opinion for the Combined Authority is that the framework of governance and control had operated adequately. However, risk management arrangements continued to be under development during

2017/18, therefore only partial assurance can be provided in respect of these matters.

2.5 The annual Internal Audit report for the Combined Authority is attached to this paper for information as Appendix 1.

3 Financial Implications

3.1 There are no financial implications arising from this report.

4 Legal Implications

4.1 The Accounts & Audit Regulations (2015) require the West Yorkshire Combined Authority to maintain an adequate and effective internal audit.

5 Staffing Implications

5.1 There are no staffing implications arising from this report.

6 External Consultees

6.1 No external consultations have been undertaken.

7 Recommendations

7.1 That the Committee notes the contents of the annual Internal Audit report & opinion.

8 Background Documents

None.

9 Appendices

Appendix 1 – Internal Audit Annual Report & Opinion 2017/18

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Internal Audit Annual Report and Opinion 2017/18

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Background

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

Information

Annual Reporting Process

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

- Provide an opinion on the overall adequacy and effectiveness of West Yorkshire Combined Authority's (the Combined Authority) framework of governance, risk management and control.
- Provide a summary of the audit work from which the opinion is derived, including reliance placed on work by other service providers.
- State the level of conformance with the UK Public Sector Internal Audit Standards and comment on the results of the Quality Assurance and Improvement Programme.

Scope and Purpose of Internal Audit

The Combined Authority's statutory responsibilities for maintaining an adequate and effective Internal Audit function are set out under the Accounts and Audit Regulations (2015). The Regulations require that the Combined Authority must:

- undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control;
- make available such documents and records necessary for the purposes of the audit; and
- supply information and explanation as considered necessary; and
- at least once in each year, conduct a review of the effectiveness of its internal audit.

The proper internal audit practices are those defined in the Public Sector Internal Audit Standards (PSIAS). The PSIAS set out a definition of internal auditing, a Code of Ethics and mandatory standards for all internal auditors working in the UK public

sector. Auditors are also required to adhere to the Code of Ethics of their professional bodies where appropriate. These are the standards to which the Internal Audit service works, with detailed requirements specified in the Combined Authority's internal audit manual.

Independence of Internal Audit

Internal audit is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the Combined Authority. The work of internal audit forms part of the organisation's overall assurance framework providing independent and objective assessment on governance, risk management and internal control. Throughout 2017/18 the Internal Audit function has remained organisationally independent. This is supported through the Internal Audit Charter and a risk-based audit plan being approved by the Combined Authority in April 2017.

How Internal Control is Reviewed

Internal Audit have developed a risk-based approach to delivering the audit function. References have been made to the Combined Authority's audit universe risk profile which was used to form the basis of internal audit's operational plan.
The review process draws on key indicators of risk to the organisation and attempts to ensure that suitable audit time and resources are provided for these areas. Factors used in assessing risk include financial materiality, legislative requirements, previous audit experience, and the potential for fraud. This risk-based approach to audit planning results in a comprehensive range of audits that are undertaken during the course of the year to support the overall opinion on the internal control environment.

Annual Governance Statement (AGS)

The Accounts and Audit Regulations establish the requirements related to systems of internal control and the review and reporting of those systems. Accordingly, the Combined Authority needs to have in place a process for establishing, maintaining and reviewing the system of internal control and risk management.
CIPFA/SOLACE have produced a governance framework for the creation of an Annual Governance Statement (AGS). This was updated in 2016 and has been adopted and applied as proper practice by the Combined Authority.
The opinion on governance, risk and internal control provided by Internal Audit, based upon the risk - based audit plan, is one of the key elements to consider when compiling the AGS.

Scope of Internal Audit Opinion 2017/18

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

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The matters raised in this report are only those which came to our attention during our internal audit work in the financial year 2017/18 and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.
In arriving at our opinion, the following matters have been taken into account:

- The results of all internal audits undertaken during the year ended 31 March 2018.
- The results of follow-up reviews of action taken to address audit recommendations.
- Whether or not any significant recommendations have not been accepted by management and the consequent risks.
- The effects of any material changes in the Combined Authority's objectives and activities.

Annual Opinion 2017/18

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

In reaching our opinion the following key factors were considered:

Risk Management

Risk Framework

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

additional guidance was required to support the Risk Management Strategy particularly in relation to the identification, assessment and treatment of risk.

ICT Business Continuity/Disaster Recovery

Improvements were identified in respect to the development of disaster recovery guidance. The review established that action is required to progress regular test restores and back-up processes at all sites where the Combined Authority's servers are located.

Governance

Corporate Governance

The Combined Authority demonstrates how it meets the principles of governance through the review and annual production of its Code of Corporate Governance.
It is recognised that the organisation is responding to significant changes in relation to its purpose, accountability, governance and stakeholders. Examples of this include an officer led review of internal governance arrangements, the appointment of a Lawyer (Regulatory) & Data Protection Officer along with the development of policies to comply with the introduction of the General Data Protection Regulations.

Code of Corporate Governance

WYCA demonstrates how it meets the principles of governance through the review and production of its Code of Corporate Governance. It is acknowledged that the organisation is going through a period of significant change in relation to its purpose, accountability, governance and stakeholders and the long term success of recently introduced arrangements will need to be monitored.

Internal Control

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Data Security/Data Protection

A follow up review of internal audit recommendations identified a number of key issues which were not fully resolved. These included the documentation of business critical systems, improvements to the monitoring and reporting of key security settings, the development of ICT back-up and recovery policy and the performance of periodic test restores of key programmes.

Programme/Project Management Assurance Framework

Internal Audit have provided opinion and assurance concerning the following programmes and projects;

- Local Transport Plan
- Resource Efficiency fund
- Housing & Regeneration
- Superfast Broadband
- Growing Places Fund
- Business Growth Programme

The results of these reviews highlighted a number of common themes associated with programme and project management arrangements. These included the development of project governance arrangements and the reporting of financial performance within some projects.

Third-Party Assurance

Metro Ticket Sales

The Combined Authority offers Metro ticket sales through Rail ticket offices. Under these arrangements, Northern Rail are required to periodically provide information relating to the value of sales, commissions and spoils.
A feature of the overall control environment is that robust systems operate to safeguard ticket income and that provide accurate information concerning sales transactions and levels of ticket stockholding.
For 2017/18, despite numerous attempts, the Combined Authority have been unable to obtain an assurance statement from Northern Rail in relation to the operation of key controls found within their processes.
However, an internal audit review of controls operated by the Combined Authority in respect of income reported for the sale of Metro ticket products through Rail outlets, indicated that there were no apparent material discrepancies identified.

Treasury Management

Leeds City Council (LCC) provides treasury management and related financial services under the conditions of a service level agreement. Internal Audit have performed some limited testing of aspects of the processes operated

under this agreement. In addition assurances provided by LCC, including the certification of financial information and the opinion issued by the council's own internal audit section were obtained and found to be satisfactory.

Summary of Whistleblowing Cases

Internal Audit continues to act as the primary contact point for the Combined Authority's Whistleblowing Policy. Arrangements to improve accessibility to information and mechanisms to make protected disclosures are provided on the Combined Authority's web site. In addition, information providing details of the Combined Authority's anti-fraud, bribery and corruption arrangements and how to report concerns about suspected fraud and/or corruption were provided to employees.
Further information is provided within the Combined Authority's Disciplinary, Conduct and Capability Policy and Procedure which contains guidance to employees where they suspect that bribery, fraud or corruption may be/have occurred.
In addition, the Whistleblowing Policy for the Leeds City Region Local Enterprise Partnership, LEP, has been updated to incorporate recommendations resulting from the Ney review[1].

During the period no referrals were made to Internal Audit.

Audit Performance

Conformance with PSIAS

A self-review of compliance with the UK Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note has been undertaken. This has been delivered through the completion of the checklist for assessing conformance with the PSIAS and Local Government Application Note as produced by the Chartered Institute of Public Finance and Accountancy.
Overall Internal Audit complies with the requirements of the PSIAS and Local Government Application Note. However there are some areas where the Combined Authority have accepted non-compliance with the standards or that require development.

Areas of Accepted Non Compliance

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

[1] Review of LEP governance and transparency conducted by Mary Ney, a MHCLG non-executive director.

The two areas of non-compliance are:

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

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

The performance appraisal of the Chief Audit Executive is undertaken by the Director, Resources in line with the Combined Authority's development processes. This is considered as an adequate method of providing feedback on performance.

Areas for Action

2050 Coordination - Assurance mapping

The Chief Audit Executive has identified and assessed all areas of assurance within the audit universe. However, it is accepted that assurance mapping should be developed as organisational objectives and risk management arrangements mature and as part of the process of identifying and determining the approach to using all sources of assurance.

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2110 Governance - Ethics

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

1210 Proficiency – CMIIA

The Chief Audit Executive is an experienced audit professional and a member of the Chartered Institute of Internal Auditors Heads of Internal Audit service. During 2018 he has applied for full CMIIA status.

Quality Assurance and Improvement Plan (QAIP)

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

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

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

Continuing Professional Development

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

Reporting

Arrangements for reporting on internal audit activities have continued through the Governance and Audit Committee. The Committee's primary roles are to advise the Combined Authority in relation to financial management, internal audit arrangements, the statement of accounts, external audit arrangements and corporate governance matters.

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

West Yorkshire Combined Authority

Performance Indicators

A range of performance indicators have been developed for Internal Audit based on costs for 2017/18 and other identified timescales. These have been compared with benchmark data produced by the Chartered Institute of Public Finance & Accountancy.

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	Actual	Benchmark[2] Average
Cost Per Audit Day	£314*	£308
Mainline Audit Days Per £m Turnover	1.54	1.80
Cost Per Auditor	£42,571	£52,577
Days Per Auditor	160	176
Total Cost per £m Turnover	£536	£544

Annual Audit Plan

Completion of audit reviews identified within the plan – Target	100%
Actual performance	91%

Client Feedback

Post audit client questionnaire ratings of “2” or better - Target	90%
Actual performance	78%

Issuing Reports

Internal Audit reports to be circulated within 5 working days of audit closure – Target	90%
Actual performance	72%

* It should be noted that throughout 2017/18 there have been difficulties relating to the recruitment of personnel to the internal audit function. This has resulted in the requirement to engage a number of internal auditors at short notice through agency arrangements. The costs of these measures have impacted on the overall expenditure of the function and corresponding benchmarking comparisons.

[2] CIPFA auditing benchmark comparator 2017/18 Local Authorities in England

West Yorkshire Combined Authority

Client Feedback

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

The cumulative results from questionnaires completed throughout 2017/18 are:

	Question	1	2	3	4
1	Communication prior to the audit work was appropriate and I was aware of visit dates and audit objectives.	5	5	2	
2	Throughout the audit process I was kept informed of the work being done and issues arising.	5	4	3	
3	Internal audit staff demonstrated a good understanding of the business and associated risks (or took the time to develop such understanding during the audit process).	4	4	4	
4	Internal audit staff demonstrated a pragmatic approach to developing solutions to issues identified during the audit.	4	6	2	
5	The audit report was issued in a timely fashion and was a fair summary of audit findings and management responses.	3	4	5	
6	Internal audit staff acted in a professional manner throughout the assignment.	8	4		
Scale ; 1 = Strongly agree, 2 = Agree, 3 = Disagree, 4 Strongly disagree					

The results are slightly disappointing when compared with surveys undertaken in previous years. This may be due to the changes in audit personnel and their relative lack of exposure to the Combined Authority's operations. In addition, delays have been encountered in capturing management responses to audit observations.

West Yorkshire Combined Authority

Audit Plan 2017/18

Details of the work performed by Internal Audit in 2017/18 and audit opinions provided are set out below.

Further information concerning the definition of internal audit assurance opinion categories is provided in the appendix to this report.

Audit Area	Assurance	Opinion	Direction of Travel
City Cycle Ambition Grant	Consideration of procurement arrangements and officer appointments	Controlled	⇔
LTP Capital Programme Management	Assessment of the extent of compliance with WYCA's assurance framework including arrangements to identify, monitor, control and report on the Capital Programme.	Controlled	⇓
C.A. Members Code of Conduct	Review of compliance with the requirements of the code of conduct including declarations of interest	Controlled	⇔
Code of Corporate Governance	Assessment to ensure compliance with applicable standards and assessment against SOLACE/CIPFA principles framework including appropriate arrangements for the safeguarding and accountability of public funds, clear and effective communication with WYCA's stakeholders, clearly defined roles and responsibilities at the head of the organisation.	Controlled	⇔
Gifts, Hospitality & Interests	Assessment of arrangements in place for officers' declarations of gifts, hospitality and interests. Independent examination of records.	Well Controlled	⇑
Pro –Active Anti- Fraud Exercise	Review of network system access	Controlled	⇔
Access Innovation Fund Certification of claims	Head of IA assurance. Periodic report and claim review and certification	Controlled	⇔
Growth Deal Fund Certification of claims	Head of IA assurance. Periodic report and claim review and certification	Controlled	⇔
Growth Hub Grant	Head of IA assurance. Periodic report and claim review and certification	Controlled	⇔

West Yorkshire Combined Authority

Audit Area	Assurance	Opinion	Direction of Travel
Certification of claims			
Data Hosting Arrangements	To provide assurance on the delivery of robust service in line with contract and ensure adequate management controls exist relating to operations and the security of data including recovery if necessary.	Requires Improvement	⇔
Resource Efficiency Fund	Head of IA assurance. Periodic report and claim review and certification	Controlled	⇔
SCIP Programme	Provision of independent, 3rd line of defence programme assurance in respect of Smart transactions Web and development of on-line payment facilities	Requires Improvement	⇔
Resource Efficiency Fund	Governance framework, operation & application of assurance framework, programme management, monitoring & reporting, cost control, risk management.	Controlled	⇔
Growing Places Fund	Evaluation of expressions of interest, business case, due diligence, loan agreements, drawdown arrangements, monitoring of loans. Administration of loans, evaluation criteria and monitoring procedures.	Requires Improvement	⇔
Cashbook/Treasury Management	Review of the operation of key controls including treasury management, segregation, review, authorisation, third part services and assurances.	Controlled	⇔
Local Transport Plan	Head of IA assurance. Periodic report and claim review and certification Systems and procedures to control the allocation of payments and provide evidence of eligible expenditure.	Controlled	⇔
Interreg SHARE NORTH Certification of claims	Head of IA assurance. Periodic report and claim review and certification	Controlled	⇔
L- CREATE – ERDF & ESIF	Head of IA assurance. Periodic report and claim review and certification	Controlled	⇔

West Yorkshire Combined Authority

Audit Area	Assurance	Opinion	Direction of Travel
Certification of claims			
Housing & Regeneration Projects	Publicity & promotion, outline business case appraisal, full basis case evaluation, due diligence, loan agreements, drawdown, programme monitoring, cost management.	Controlled	⇔
Metro Travel Centre Operations	To review the adequacy of Ticket sales, stock, cash handling security, reconciliations & reviews performed Cash collected is administered and properly controlled to reduce the risk of loss or fraud. Associated back-office operations	Controlled	⇔
Tendered Subsidised Contracts	Tendering arrangements, batches, de minimis contracts, insurance, operator's licences, lost mileage, payment calculations and processes. Arrangements support and provide contract compliance. To include "gross cost" contracts	Controlled	⇔
English National Concessions Travel Scheme	Validation rules for applicants, disabled and blind person applications are processed in liaison with district social services departments, robust processes and validation requirements for issuing replacements and renewals. Awareness and communication of requirements of Concessionary Bus Travel Act	Requires Improvement	⇓
West Yorkshire + York Broadband	Processes & procedures, Certification of expenditure, Compliance with funding agreements and compliance with partnership agreements/claw back provisions.	Controlled	⇑
Payroll & Personnel Records	Review of the operation of key controls including arrangements for starters, leavers, pay points, member's allowances, expenses & deductions	Controlled	⇔
Health & Safety	Health & Safety Policy meets legal requirements as provided in the Health & Safety at Work Act and other relevant Acts.	Requires Improvement	⇓

West Yorkshire Combined Authority

Audit Area	Assurance	Opinion	Direction of Travel
	Workplaces and welfare requirements, recording accidents, illness and first aid, use and maintenance of work equipment, control of exposure to hazardous substances, electrical equipment, noise and radiation.		
Business Growth Programme/ Access to Capital Grants Programme	Appraisal of applications & due diligence, grant claims and payment processes, project monitoring/reporting, compliance with SLA, cost monitoring control. WYCA expenditure - over £100k Compliance with SLA for schemes administered by LCC – less than £100K	Controlled	↑
Prepaid Tickets & Concessionary Travel	Calculations of prepaid ticket pool and distribution, concessionary fares reimbursements, on account payments and quarterly adjustments, Haven system controls and reporting. Arrangements for accounting for stocks, cash. Consider controls for smartcard transactions. Payzone sales processing system.	Controlled	⇔
Business Continuity	Assessment of the plan to be implemented in the event of incident(s) which impact on WYCA being able to operate.	Requires Improvement	⇔
CDM Compliance	Compliance with The Construction (Design and Management) Regulations 2015	Requires Improvement	⇔
Main Accounting – General Ledger	Review of the operation of key controls including System user rights, review, control, adequacy and timeliness, budgetary control, systems interface – education, bleep, and payroll. VAT.	Controlled	⇔
Creditors	Review of the operation of key controls including segregation, authorisation, reconciliation of statements, BACS controls	Controlled	⇔
Debtors	Test arrangements for write offs, requisitioning, reporting, review of accounts, debt age monitoring and reporting	Controlled	⇔

Audit Area	Assurance	Opinion	Direction of Travel
Procurement	Review of the operation of key controls including tendering, ordering, commitments, compliance with SOFRs, e-procurement, purchasing cards. Examination of the procurement of consultants services including an independent assessment of vfm and management arrangements	Controlled	↑
Risk Management	Effectiveness of risk management processes, risk management guidance and support, Identification of risk, risk evaluation, risk mitigation and control, monitoring risks, reporting the status of key risks and controls, recording the management of risks, including the effectiveness of the controls and other responses to them, risk awareness and training	Requires Improvement	⇔

Adding Value

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

This included:

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

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

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

- We have assisted the Combined Authority in the further development of risk management through consultation and a specific review of risk management and by consideration of risks as part of each individual audit assignment.

- Undertaken work in addition to the Internal Audit Plan in relation to the development of governance, risk, systems and other project assurance activities.

West Yorkshire Combined Authority

Appendix

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

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West Yorkshire Combined Authority

Report to:	Governance and Audit Committee
Date:	30 July 2018
Subject:	**Internal Audit Progress Report**
Director(s):	Angela Taylor, Director, Resources
Author(s):	Russell Gott

1 Purpose of this report

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

2 Information

2.1 In accordance with the Accounts & Audit (England) Regulations 2015, the Combined Authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards and guidance.

2.2 This report provides details of activities undertaken by the Internal Audit Section in the period from 1 April 2018 to 30 June 2018 and provides progress in delivering the 2017/18 and 2018/19 audit plans, audit opinion on reviews undertaken, summarises any significant issues identified and the status of any high priority audit recommendations which have not been implemented within the agreed timescales.

2.3 The Internal Audit Section has completed work contained within the Combined Authority's audit plans through the performance and release of the following audit reports:

- Growing Places Fund
- Housing & Regeneration Fund
- Payroll
- Debtors
- Health & Safety
- Prepaid Tickets & Concessionary Travel
- Business Growth Programme
- Data Hosting / Business Continuity

2.4 There were three reviews where a 'requires improvement' opinion was provided. The key issues resulting from these audits are summarised as;

Health & Safety

2.5 This review concluded that the Combined Authority should develop the training policy in respect of H&S matters, develop safety procedures, clarify roles and responsibilities in respect of fire risk assessments and report on the outcome of the H&S inspection programme.

Growing Places Fund

2.6 The structure and content of reports provided to the Business Investment Panel should be developed so that members of this group can be provided with information to enable them to be fully aware of all aspects of the fund and ensure this is consistent at all times with the information contained within the Combined Authority's financial system.

Data Hosting/Business Continuity

2.7 It was established that a formal ICT Disaster Recovery Policy should be developed. This policy should include provision for backup and recovery of data, ensuring that adequate servers are available to restore data following a disaster, test the reliability of backup processes and undertake test restores on a regular basis.

Work in Progress

2.8 Information relating to work currently underway in relation to the 2018/19 Strategic Audit Plan is provided within the appendix to this report.

Outstanding Audit Actions

2.9 The following high priority audit recommendations were overdue at the time of writing this report;

Audit Review	Recommendation	Risk	Progress
ICT	That written procedures be developed for business critical systems to comply with ISO27001001 guidelines. These procedures to include all application projects in development and 'live' system applications.	Data/System loss	Due Date: 30/12/17 Completion: 20% Written procedures already in place are being updated and extended to enable compliance with PSN and ITIL standards. This will be an ongoing process as new systems and

			infrastructure are introduced as part of the Corporate Technology Programme.
Business Continuity	A disaster recovery policy that includes clear roles and responsibilities and a review and maintenance schedule be developed.	There is inadequate corporate oversight of business continuity systems.	Due Date: 30/09/17 Completion 95% Completed in draft, due for final sign off on 27 July.
ICT	Periodic test restores of key programmes/data from back up media should be undertaken and documented.	Data/System loss	Due Date: 30/12/17 Completion: 80% Simple restores completed April 2017. System restores to separate environment (at same site) completed December 2017. Reproduction of major applications to DR environment (at different site) scheduled for completion September 2018.
Risk Management	Consider structure of reporting and escalation arrangements and include clearly in Corporate Risk Management Strategy	There is a risk that staff will fail to be fully aware of the risks that should concern them and that there will be progressively reduced levels of risk awareness and understanding within the Combined Authority. As a result, the system will fail to be comprehensive and therefore less effective.	Due Date: 31/05/18 Completion: 90% Enhanced risk escalation procedures developed and set out in updated Corporate Risk Management Strategy - to be considered by Governance and Audit Committee on 30 July.
Risk Management	To maintain a consistent and effective Risk Management System will require the consistent use of	There will be a risk that in the short term, until development of the new system is complete, the	Due Date: 31/05/18 Completion: 90% A common risk register template

	a common Risk Register Template and its maintenance on a system in a way that is easily accessible and allows the production of management and monitoring reports for a variety of stakeholder groups.	changes explained above will result in the Risk Registers becoming a series of disparate registers maintained in a wide variety of ways and locations.	developed and rolled out for corporate risk register, directorate risk register and for projects/prog-rammes. Further dissemination activities required after corporate risk management strategy considered by Governance and Audit Committee on 30 July
Risk Management	All components of Risk Management should be included within guidance documentation. The areas in which help may be required is the identification of risks and their treatment. The building of a risk aware culture will require a broad range of understanding both of the meanings of risk and its treatment. As well as written guidance a programme of education will help to introduce and develop risk management within the Authority.	There is a risk that staff may misunderstand the meaning and treatment of risks and as a consequence risks may not be identified and managed.	Due Date: 31/05/18 Completion: 75% New Corporate Risk Management Strategy developed and risk workshops held with all Directorates to disseminate details of enhanced procedures. Further guidance/training to take place following agreement of strategy by Governance and Audit Committee on 30 July.

3 Financial Implications

3.1 There are no financial implications directly arising from this report.

4 Legal Implications

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

5 Staffing Implications

5.1 The performance of some elements of the audit plan require the buying-in of audit specialisms.

6 External Consultees

6.1 No external consultations have been undertaken.

7 Recommendations

7.1 That this report be noted.

8 Background Documents

None.

9 Appendices

Appendix 1 - Internal Audit Dashboard July 2018

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West Yorkshire Combined Authority

Internal Audit Dashboard July 2018

Risk Category	Corporate Objective	Assurance Area	2018/19 Days	Actual Resource	Assurance	Direction of Travel
Financial Risk *Risk of failing to manage finances in accordance with public sector accounting requirements and funding constraints.*			70			
	Robust Financial Management	Creditors Payments	10			
	Robust Financial Management	Main Accounting – General Ledger	10			
	Robust Financial Management	Debtors, Debt Management	8			

Risk Category	Corporate Objective	Assurance Area	2018/19 Days	Actual Resource	Assurance	Direction of Travel
	Robust Financial Management	Treasury Management	12			
	Attainment of Value for Money. Statutory Compliance	Procurement including Tendered Subsidised Bus Service Contracts.	10			
	Robust Financial Management	Payroll	12			
	Robust Financial Management	Expenses & Allowances – compliance with guidance	8			
Legal Compliance Risk *Risks arising from non-compliance with legislative requirements.*			30			
	Improved Transparency	Gifts & Hospitality	8	4	In Progress	
	Statutory Compliance	Health & Safety including CDM.	10			

Risk Category	Corporate Objective	Assurance Area	2018/19 Days	Actual Resource	Assurance	Direction of Travel
	Statutory Compliance	Information Governance	12			
Governance Risk *Risk that losses or organisational performance is compromised as a result of unclear authorities, structures and accountabilities*			51			
	Effective Corporate Planning & Performance	Corporate Risk Management Framework	15			
	Improved Transparency	Code of Corporate Governance Declarations of Interest	10			
	Attainment of Value for Money.	Engagement and use of Consultants	10	8	In Progress	

Risk Category	Corporate Objective	Assurance Area	2018/19 Days	Actual Resource	Assurance	Direction of Travel
	Statutory Compliance	Recruitment Procedures & Temporary Employment Arrangements	10			
	Statutory Compliance	Annual Governance Statement	6	6		
Operational/ Risk *Risk of impaired service delivery resulting from inadequate or failed internal processes and systems, error and deficiencies in the performance of external suppliers and stakeholders.*			51			
	Bus Services Provision	Prepaid Tickets & Concessionary Fares	25			
	Bus Services Provision	Tendered Subsidised Bus Services Management/Monitoring	8			
	Retail Services	Metro Travel Centre Operations	18			

Risk Category	Corporate Objective	Assurance Area	2018/19 Days	Actual Resource	Assurance	Direction of Travel
Delivery Change Risk *Risk that programmes and projects are not delivered in time, within budget and do not deliver agreed benefits. Risk of fraud, misappropriation of funds*			55			
	Delivery of Projects & Programmes Robust Financial Management Attainment of Value for Money. Statutory Compliance	PMO Feasibility and Assurance controls, due diligence/approval management, Programme Monitoring. Programmes/ Projects; reporting, risk management, cost control, compliance with conditions of funding, fraud prevention controls. Includes; Transport Fund, Enterprise Zones, Resource Efficiency Fund, Housing & Regeneration, Skills Capital, Business, Sector Skills Initiative, Growth Programme.	55			

Risk Category	Corporate Objective	Assurance Area	2018/19 Days	Actual Resource	Assurance	Direction of Travel
		Superfast Broadband, Growing Places Fund – management of loans, Leeds Public Transport Investment Fund, Ultra-Low Emissions Vehicles ERDF and ESIF funding regimes. State Aid requirements. Use of third party service suppliers – procurement, administration and project management services. Operation of PIMs, reporting				
Information and Communication Risks *Failing to provide sufficient, appropriate, consistent and timely information to key internal and external stakeholders.*			16			

Risk Category	Corporate Objective	Assurance Area	2018/19 Days	Actual Resource	Assurance	Direction of Travel
	Improved Transparency	Transparency Code Compliance	8	4	In Progress	
	Improved Transparency	Freedom of Information Requests	8			
Data Security/Data Protection Risks *Failure to adequately maintain and protect business critical data and appropriately, hold sensitive personal information*			35			
	Secure Systems	Data Security/Data Protection - ICT systems and network controls,	*15			
	Statutory Compliance	Safeguarding children and vulnerable adults. (SEN Contracts, Concessionary Fares), GDPR compliance	10			
	Secure Systems	Cyber Attack/Systems	*10			

Risk Category	Corporate Objective	Assurance Area	2018/19 Days	Actual Resource	Assurance	Direction of Travel
		Penetration testing				
Counter Fraud			26			
	Statutory Compliance Robust Financial Management	Pro-active counter fraud, data matching tests	6			
	Statutory Compliance Robust Financial Management	Allowance/contingency to investigate any allegations of suspected fraud, bribery or corruption.	20			
Value for Money			20			
	Attainment of Value for Money.	Allowance for value for money reviews of functions and processes in operation.	20			
Consultation			12			
	Secure Systems	Allowance for the provision of advice in relation to the development and implementation of new or significant changes to systems and processes	12			

Risk Category	Corporate Objective	Assurance Area	2018/19 Days	Actual Resource	Assurance	Direction of Travel
		Development of Risk Management		2		
Certification			54			
	Head of Internal Audit Assurance	Access Innovation Fund	3	3	Controlled	⇔
	Head of Internal Audit Assurance	Growth Deal Fund	8	3	Controlled	⇔
	Head of Internal Audit Assurance	Growth Hub Grant	3	3	Controlled	⇔
	Head of Internal Audit Assurance	Resource Efficiency Fund	8	3	Controlled	⇔
	Head of Internal Audit Assurance	Local Transport Fund	8			
	Head of Internal Audit Assurance	Interreg SHARE North	8	3	Controlled	⇔
	Head of Internal Audit	City Cycle Grant	2			

Risk Category	Corporate Objective	Assurance Area	2018/19 Days	Actual Resource	Assurance	Direction of Travel
	Assurance					
	Head of Internal Audit Assurance	L-CREATE, ERDF & ESIF	6			
	Head of Internal Audit Assurance	Strategic Business Growth Fund	8	3	Controlled	⇔
Follow up			25			
	Head of Internal Audit Assurance	Allowance for the follow up of progress in implementing agreed actions to significant control weaknesses	25			
General Contingency		Contingency for the requirement for Internal Audit to perform unplanned work.	20			
		Flood Resilience Fund		4		
Total			**465**	**46**		

Work required to complete the 2018/19		419
To be provided by;		
Internal Team	399	
Contractor	25	(424)

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West Yorkshire Combined Authority

Report to:	Governance and Audit Committee
Date:	30 July 2018
Subject:	**Review of Internal Control and Effectiveness of Internal Audit**
Director(s):	Angela Taylor, Director, Resources
Author(s):	Angela Taylor

1. Purpose of this report

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

2. Information

2.1 There is a requirement under the Accounts and Audit (England) Regulations 2015 that 'The relevant body must conduct a review at least once in a year of the effectiveness of its system of internal control…..The findings…must be considered….by the members of the body meeting as a whole.' There is a further requirement that 'A larger relevant body must, at least once in each year, conduct a review of the effectiveness of its internal audit. The findings of the review…must be considered, as part of the consideration of the system of internal control … by the committee or body…' As a Combined Authority the appropriate body to consider these reviews is the Governance and Audit Committee.

2.2 The elements of the system of internal control are set out in the Corporate Governance Code and Framework, approved by the Combined Authority at its annual meeting in June. The Code was extensively rewritten in 2016 compared to the previous version in response to changes required by the revised CIPFA/SOLACE 'Delivering Good Governance in Local Government: Framework 2016' which is applicable for the 2016/17 year end onwards. The redrafted Corporate Governance Code and Framework now uses the seven principles as recommended by the new Framework. The revised principles reflect changes in local authority governance that have arisen since 2007 when the original guidance was issued, including but not restricted to, new roles and responsibilities, the impact of reduced funding and decisions that need to be made as a result, and the potential risks of working in new collaborative ways. The code was further reviewed and updated and approved at the 28 June 2018 meeting of the Combined Authority.

2.3 The review of the system of internal control is effectively set out in the Annual Governance Statement (AGS) which is required to be included in the annual accounts. This sets out the governance framework in place during the year and is in accordance with the guidance set out by CIPFA/SOLACE. It is also informed by the work undertaken by internal audit in the year and their overall conclusion in their Internal Audit Annual Report which is:

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

The full report from the Internal Audit Manager is included under agenda item 9. The AGS for the year to 31 March 2018 is included within the 2017/18 annual accounts which are appended in full to agenda item 11 that seeks the approval of the accounts.

2.4 At the time of the review of the risk management arrangements work was underway to update and refresh them. The item later on this agenda brings elements of this work to a conclusion that addresses the recommendations made by internal audit. Taking the body of work as set out in the round the conclusion is that the internal control environment is adequate but with capacity for continuing further improvement.

2.5 The Director, Resources has undertaken a review of internal audit, using the Public Sector Internal Audit Standards (PSIAS) checklist and the information in the Internal Audit annual report which sets out the work undertaken in the year. The overall conclusion is that the internal audit function complies with the necessary standards and has worked to an adequate standard during the year. There are a few instances of non-compliance with the PSIAS but these are deemed immaterial (they include for instance the non-involvement of the Chair of the Governance and Audit Committee in staffing appraisals for the Internal Audit Manager).

3. Financial Implications

3.1 There are no financial implications directly arising from this report.

4. Legal Implications

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

5. Staffing Implications

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

6. External Consultees

6.1 No external consultations have been undertaken.

7. Recommendations

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

8. Background Documents

None.

9. Appendices

None.

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West Yorkshire Combined Authority

Report to:	Governance and Audit Committee
Date:	30 July 2018
Subject:	**Annual Accounts 2017/18**
Director(s):	Angela Taylor, Director, Resources
Author(s):	Jonathan Sheard

1. Purpose

1.1 To present to the Committee for their approval the annual accounts for 2017/18 for the West Yorkshire Combined Authority.

2. Information

2.1 There is a statutory requirement for approval of the annual accounts to an earlier revised deadline of 31 July. Mazars and Combined Authority have worked together to complete this work to this deadline, reflecting the timing of the audit work and the fact that in the previous year work had been completed on the same timescale.

2.2 The accounts have been presented for audit and Mazars have completed their audit work. This report provides the information required to consider the accounts for approval. The following appendices are attached:

Appendix 1 Final accounts of the Combined Authority
Appendix 2 Treasury management statement
Appendix 3 Audit completion report

2.3 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.

2.4 There are a number of accounting matters in the accounts which are drawn to the Committee's attention below.

2.5 **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 Fund has undergone its triennial valuation, underlying assumptions were revisited and employer rates have been reset for the period up to 31 March 2020. The deficit has increased during the financial year 2017/18 from £72.4m to £74.8m as a result of the financial actuarial assumptions changing over the course of the year.

2.6 The **going concern principle** is always required to be considered as part of the year end process. The outcome of the accounting entries for pensions set out in the previous paragraph often results in a negative balance sheet which would ordinarily give rise to a question regarding going concern. For 31 March 2018 this is not the case, due to an increase in both cash and short term investments and the capital grants unapplied reserve which are increasing the total assets at the year end. In any event it is not thought likely that the pension deficit will crystallise and the Authority is making contributions to address this deficit as determined by the actuary. 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 Combined Authority's accounts have therefore been prepared on a going concern basis.

2.7 **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.

2.8 **Accounting policies –** although there are no significant changes to note from last year, an accounting policy relating to a useable capital receipt reserve has been added (page 29 in the accounts).

Final accounts of the Combined Authority (Appendix 1)

2.9 The Combined Authority's accounts comply fully with the required accounting standards.

2.10 The final position for 2017/18 is a use of reserves figure of £1.8m rather than the £3.5m budgeted at the start of the year. This 'saving' against budget is a net position and is attributable to the managed staff vacancy and recruitment position in the second half of the year and to the recovery of eligible costs against the capital projects.

2.11 In comparison to 2016/17 the Combined Authority's balance sheet shows a growth 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 a number of other upfront grant payments. This has resulted in increases in capital grants unapplied of £15m and in cash balances and short term investments of £35m. Whilst this is an improvement on the previous year and good progress is being made on accelerating the delivery of the capital programme, at 31 March 2018 this funding had still not all been approved. All projects are subject to the assurance framework and funding will only be released when the relevant information has been received and the appropriate approval is in place. The projected expenditure for 2018/19 shows, on Growth Deal alone, a minimum spend of £102m, some of which will be utilising funding already received. A number of projects that are currently spending relatively low levels of money on pre-development and feasibility are expected to get approval to move through to the delivery phase during 2018/19.

Treasury Management statement (Appendix 2)

2.12 The Treasury Management Statement for the year is set out in **Appendix 2**. The budget report to The Combined Authority in February 2018 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

2.13 Total capital expenditure in the year was £144m, 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 £41m which is then utilised by Combined Authority and the constituent District Councils. The Combined Authority also applied capital grants for the Cycle City Ambition scheme of £3.3m. Some funding was carried forward from 2016/17, reflecting the change by the Department for Transport in paying multi-year grants in advance and also reflecting some reprofiling of Local Transport Plan funded projects. Similarly funding will be carried forward to 2018/19 enabling committed schemes and projects to be delivered despite changes in the timing of delivery.

2.14 The Growth Deal funding of £72m received for 2017/18 plus the carried forward amount from 2016/17 of £48m have been applied to some £85m of projects originally identified within the programme submitted to government. Recognising the need to re-profile some of the projects within that programme the flexibility awarded with the Growth Deal has been applied resulting in Growth Deal funding being utilised for some projects in Combined Authority's capital portfolio with their original funding stream being carried forward to use in 2018/19. An underspend on the Growth Deal has been accounted for in

capital grants unapplied and will be utilised on projects that have been reprofiled to 2018/19 and beyond.

Audit Completion Report (Appendix 3)

2.15 Mazars have completed their audit work on the annual accounts and their conclusions are set out in their Audit Completion Report which is attached as **Appendix 3**. The Committee is required to consider this report before considering and approving the annual accounts. The Audit Senior Manager Mark Dalton will be in attendance at the meeting to present their report and answer any questions.

2.16 The key messages are set out in the Executive Summary on page 3 of the report which confirms that an unqualified audit opinion, without modification, is to be given on the financial statements and an unqualified value for money conclusion.

2.17 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 from page 9 onwards. There are three ICT related deficiencies in internal control that have been identified, none of which are high priority. A management response is included for each one that sets out the agreed actions to be taken. The Committee may be aware that a programme of improvements and enhancements to ICT systems has recently been approved into the capital programme by the Combined Authority, recognising a legacy of underinvestment in the systems. Significant work will be undertaken over the next two years to move towards a 'digital first' organisation that can work flexibly with reliable and effective tools and systems enabling better productivity.

2.18 One low priority internal control remains outstanding from the previous year and requires continued work with a local authority counterparty that has treated a loan as a grant despite a signed loan agreement being in place.

2.19 Some minor changes from the draft accounts are set out on page 11 and these have been addressed in the final accounts at **Appendix 1** and are largely reclassifications and/or presentational and therefore have no impact on the results for the year.

2.20 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 wording of that representation letter is included on pages 18-20 of Mazars report and the Director, Resources 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.

2.21 Mazars are required to issue an audit completion notice by the statutory date of 31 July to confirm that they have completed their work in relation to the annual accounts. Unlike in previous years, there is not a requirement to audit the Whole of Government Accounts submission which will take place in August/September. This is due to threshold changes and the Combined Authority, for 2017/18, falls below the required level.

3. Financial implications

3.1 The audit fee is set nationally by Public Sector Audit Appointments Ltd (PSAA) and is included in the Combined Authority's annual budget. Future audit fees 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 in **Appendix 2** 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 2018.

7. Appendices

Appendix 1 – WY Combined Authority – 2017/18 Statement of Accounts
Appendix 2 – Treasury management statement
Appendix 3 – Audit Completion Report 2017/18 (Mazars)

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West Yorkshire Combined Authority

Statement of Accounts

For the year ending 31 March 2018

CONTENTS

West Yorkshire Combined Authority

Narrative Report to the Annual Accounts 2017/18

Introduction

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

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

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

Responsibilities

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

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

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

The Combined Authority has an important role to play in providing the vehicle for closer partnership working between the local authorities of West Yorkshire and York and the LEP

in order to ensure improved economic outcomes for local people. It focuses on the areas that make the most sense to deliver at the city region level.

Review of the year

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

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

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

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

Key achievements are set out below.

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

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

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

Invested in our future workforce:

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

Connected people to jobs, education and opportunity:

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

Improved our transport network:

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

Improved air quality and protected our environment:

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

Galvanising and Powder Coating Ltd has halved its energy costs for compressed air, saving £10,000 a year. The company has also reduced its CO2 emissions by 60 tonnes per year.

Secured extra funding and powers for our region

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

Transforming the organisation

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

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

The changes we have made already include:

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

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

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

Meeting the challenges and opportunities ahead…

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

- **Boosting productivity:** closing the gap between Leeds City Region's productivity rate and the UK average could add £10 billion to our economy, creating thousands more skilled jobs. We will focus on boosting business productivity, innovation and growth – particularly in fast-growing sectors such as tech – to drive up economic growth and living standards.

- **Enabling inclusive growth:** as economies globally look to tackle inequality, we aim to be a leader in promoting inclusive economic growth that benefits everyone. Alongside this, we will continue our efforts to improve air quality and minimise the impact of climate change on communities and businesses.

- **Delivering 21st Century transport:** we will ensure that major transport schemes such as HS2, Northern Powerhouse Rail and improvements to the Trans-Pennine and East Coast main lines are delivered and benefit all parts of our region. We will transform how we deliver publicly supported transport for people in the city region.

- **Devolution:** we will continue to support local politicians' efforts to secure a devolution deal that ensures our region can continue investing in those issues that make people's lives better. We will also continue our efforts to attract government and business investment to the region, including a significant share of the UK Prosperity Fund to replace European funding.

- **Delivery** – we will continue to deliver our £1bn Growth Deal and £1bn Transport Fund, ensuring the right projects are delivered on time and on budget. We will also continue to modernise our organisation, ensuring we're in

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

The accounts

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

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

The Statement of Responsibilities for the Statement of Accounts.

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

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

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

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

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

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

Review of Revenue Expenditure for the West Yorkshire Combined Authority

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

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

Revenue funding

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

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

Revenue expenditure

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

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

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

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

Capital expenditure

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

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

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

Treasury management

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

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

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

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

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

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

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

corporate plan with key performance targets being measured regularly. Organisational changes will complement this enhanced focus.

Further Information

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

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

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

Telephone for general enquiries: 0113 251 7272

Metroline for travel enquiries etc: 0113 245 7676

Business Growth Team : 0113 348 1818

Statement of Responsibilities for the West Yorkshire Combined Authority

1. The Combined Authority's Responsibilities

The Combined Authority is required:

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

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

- To approve the Statement of Accounts.

2. The Chief Financial Officer's Responsibilities

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

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

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

3. Certification of the Accounts

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

A Taylor
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 26 July 2018 in accordance with the Accounts and Audit Regulations 2015. There are no material events after the balance sheet date that require reflecting in the Statement of Accounts.

Councillor Hinchcliffe
Chair of the Authority
July 2018

West Yorkshire Combined Authority Annual Governance Statement 2017/18

1. Scope of Responsibility

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

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

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

2. The purpose of the governance framework

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

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

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

3. The governance framework

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

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

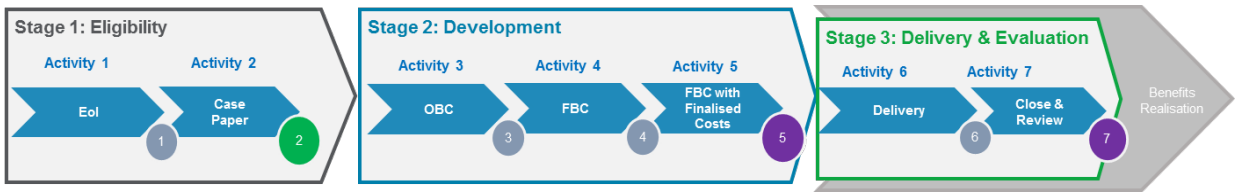
b) Over the last year the LEP panels (with their public and private sector representation) have been integrated into the Combined Authority's decision making process as advisory committees, thus providing a consistent, accountable and transparent framework across both the LEP and the Combined Authority,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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. Review of Effectiveness

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

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

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

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

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

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

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

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

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

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

framework and closer working with partner authorities will be key to successful delivery of the portfolio.

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

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

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

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

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

5. Programme of Improvement

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

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

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

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

6. Significant Governance Issues

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

No such significant issues have arisen in the year.

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

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

Councillor Hinchcliffe	B Still
Chair	Managing Director

July 2018

Movement in Reserves Statement

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

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

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

Comprehensive Income and Expenditure Statement

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

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

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

Balance Sheet

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

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

Cash Flow Statement

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

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

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

Explanatory Notes to the Accounts

1. Accounting Policies for the West Yorkshire Combined Authority

I. BASIS OF PREPARATION

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

Statement of Compliance with IFRS

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

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

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

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

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

Accruals of income and expenditure

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

- Revenue from the sale of goods is recognised when the Combined Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Combined Authority.

- Revenue from the provision of services is recognised when the Combined Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Combined Authority.

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Critical Accounting Estimates and Judgements

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

- Property revaluation: the Combined Authority carries its non- infrastructure land and buildings at fair value. Periodically, external surveyors are used, and the last full independent survey was carried out as at 31 March 2015. Between independent surveys, reviews are carried out by internal but qualified staff. Such valuations and any attached estimates are subject to some judgement. A revaluation update of Non-Infrastructure Land and Buildings was undertaken by Lambert Smith Hampton as at 31 March 2018.

- Leases: The Combined Authority has classified leases as either finance or operating leases based on the extent to which the risks and rewards incidental to ownership lie with the lessee or lessor. The Combined Authority has classified certain contracts as operating leases although the legal form of the arrangement is not a lease.

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

a) PROPERTY PLANT AND EQUIPMENT

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

external Chartered Surveyors. The revaluation was carried out as at 31 March 2015 on an Existing Use Value (EUV) and Depreciated

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

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

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

  Freehold and Long Leasehold Buildings between 5 and 50 years

  On-street Furniture and Infrastructure 20 years

  Vehicles Between 4 and 16 years

  Plant and Equipment Between 4 and 10 years

  Office Furniture and Equipment Between 4 and 10 years

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

b) **Progress payments for capital assets**

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

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

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

d) **Donated Assets**

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

II. 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.

III. REVENUE EXPENDITURE FINANCED FROM CAPITAL UNDER STATUTE

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

IV. RAIL INFRASTRUCTURE

Expenditure now 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.

V. 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.

VI. GOVERNMENT GRANTS

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

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

Amounts recognised as due to the Combined Authority are not credited to the Comprehensive Income and Expenditure Statement (CI&ES) until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the CI&ES.

Capital Grants

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

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

VII. INVESTMENTS

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

VIII. RESERVES

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

IX. PENSION COSTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

X. PROVISIONS

A provision is recognised in the balance sheet when the Combined Authority has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. A provision for restructuring is recognised when management has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. In accordance with the Combined Authority's environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land is recognised when the land is contaminated. Provisions for environmental issues are

judgemental by their nature and more difficult to estimate when they relate to sites no longer directly controlled by the Combined Authority. The Combined Authority has taken a consistent approach to estimating environmental provisions.

XI. 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.

XII. TAXATION

Corporation, Income and Capital Gains Tax

The West Yorkshire Combined Authority is exempt from Corporation, Income and Capital Gains tax by virtue of regulations section 74 of the Local Government Finance Act 1988.

Value Added Tax (VAT)

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

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

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

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

XIII. DEBTORS

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

XIV. LEASED ASSETS

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

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

XV. FINANCIAL INSTRUMENTS

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

Financial Assets

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

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

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

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

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

Financial Liabilities

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

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

recognised in the Income and Expenditure Statement when the liabilities are amortised, derecognised or impaired.

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

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

Offsetting of Financial Assets and Liabilities

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

XVI. FOREIGN CURRENCY TRANSLATION

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

XVII. CONTINGENT LIABILITY

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

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

XVIII. EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

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

XX. **CONSOLIDATION OF JOINT VENTURE**

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

2. The Account

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

3. Capital Expenditure and Financing

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

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

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be

financed in future years by charges to revenue as assets are used by the Combined Authority, the expenditure results in an increase in the Capital Financing Requirement, a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.

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

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

4. Expenditure and Funding Analysis

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

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

4 (a). Expenditure and Funding Analysis

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

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

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

4 (c). Expenditure and Income Analysed by Nature

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

5. Disposal of Fixed Assets

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

6. Financing Income and Costs

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

7. Pension Costs

7.1 Defined Benefit Pension Scheme

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

7.2 Capital Cost of Discretionary Increase in Pension Payments

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

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

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

7.3 Pension Disclosures required under ISA19

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

The main assumptions used:

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

Mortality assumptions

Post retirement mortality (retirement in normal health) :-

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

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

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

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

Pension Assets

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

7.4 Reconciliation of unfunded/funded status to Balance Sheet

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

7.5 Reconciliation of present value of scheme liabilities

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

7.6 Reconciliation of fair value of scheme assets

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

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

7.7 The amounts recognised in the Comprehensive Income and Expenditure Statement

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

7.8 Estimated pension expense in future periods

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

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

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

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

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

7.9 Sensitivity Analysis

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

Funded LGPS benefits

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

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:

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

9 Non-Specific Grant Income

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

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

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

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

10 Officers' Remuneration and Members Allowances

a) Employee costs

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

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

(b) Average number of employees

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

(c) Unused holiday entitlement

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

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

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

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

Senior Employees

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

		SalaryFees Allowances	Bonuses	Expenses Allowances	Pension Contributions	Total
Managing Director - Ben Still	2016/17	151,000		137	20,452	171,589
Service (Appointed 1/2/16)	2017/18	153,015	-	140	22,340	175,495
Director of Passenge Services (left March 2017, 50%)	2016/17	32,355	-	60	4,368	36,783
Director, Transport Services (appointed 01/10/2016)	2016/17	45,610			6157	51,767
Director, Transport Services	2017/18	92,132	-	30	13451	105,613
Director of Programme Delivery (left 30/06/16)	2016/17	41,853			4,084	45,937
Director of Delivery (appoited 14/11/2016)	2016/17	38,368	-	-	5,179	43,547
Director of Delivery	2017/18	101,831	-	42	14,867	116,740
Director of Resources-S73 Officer	2016/17	104,686	-	-	14,133	118,819
	2017/18	101,831	-	-	14,867	116,698
Director of Policy,Strategy and Communications	2016/17	99,403	-	59	13,419	112,881
(left Dec 2017)	2017/18	76,373	-	0	11,150	87,523
Interim Director (appointed January2018)	2017/18	20,035	-	0	2,925	22,960
Executive Head of Economic Services (appointed Sep 2016)	2016/17	67,150			9,065	76,215
Executive Head of Economic Services	2017/18	80,141	-	57	11,701	91,899
Assistant Director, Legal (left17/04/2016)	2016/17	3,009			406	3,415
Head of Democratic Services (appointed 04/07/16)	2016/17	49,958	-	131	6,744	56,833
Head of Legal & Governance Services	2017/18	71,588	-	10	10,452	82,050

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

Other employees

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

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

Costs of redundancies and other leavers

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

Costs of leavers

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

11 Property, Plant & Equipment

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

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

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

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

(b) Assets Held for Sale

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

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

(c) Donated Assets Account

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

Donated Assets Account

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

(d) The Movements of Fixed Assets

2017/18

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

2016/17

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

12 Related Party Transactions

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

Members

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

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

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

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

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

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

The figures for 2017/18 are set out below

Amounts received by the Combined Authority

	Education transport		Transport Levy		LCR LEP Funding	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
	£m	£m	£m	£m	£m	£m
Bradford MDC	1.7	1.7	23.7	24.0	0.1	0.1
Calderdale MDC	1.0	1.0	9.1	9.2	0.1	0.1
Kirklees MDC	0.4	0.4	18.6	18.8	0.1	0.1
Leeds City Council	1.5	1.8	34.1	34.3	0.2	0.2
Wakefield MDC	2.1	1.9	15.4	15.6	0.1	0.1
	6.7	6.8	100.9	101.9	0.5	0.5

Amounts paid by the Combined Authority

	LTP Block Funding		Transport Fund		Local Growth Fund Loans	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
	£m	£m	£m	£m	£m	£m
Bradford MDC	8.8	7.1	0.4	1.1	-	-
Calderdale MDC	5.2	4.7	0.1	0.6	-	-
Kirklees MDC	8.4	7.9	0.5	0.5	-	0.1
Leeds City Council	12.5	12.2	2.0	1.1	-	3.1
Wakefield MDC	5.7	5.5	5.5	8.9	-	-
	40.6	37.4	8.6	12.1	-	3.2

Officers

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

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

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

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

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

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

Payments to Operators

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

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

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

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

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

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

13 Exceptional Item

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

14 Taxation

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

15 Short Term Debtors

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

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

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

16 Cash & Cash Equivalents

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

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

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

17 Long Term Debtors – Loans

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

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

18 a). Trade and Other Payables

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

b). Accrued and Deferred Income

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

Notes

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

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

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

19 Loans Outstanding

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

20 Capital Expenditure and Financing

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

21 Financial Instruments

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

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

	2017/18		2016/17	
	£000's Carrying Amount	£000's Fair value	£000's Carrying Amount	£000's Fair value
Financial Assets				
Short term debtors	25,820	25,872	26,310	26,425
Cash and cash equivalents	42,891	42,891	42,475	42,475
Short term investment	133,088	132,772	98,274	98,331
Long term Debtors- Soft Loans Advanced	9,483	9,487	8,229	8,656
Long term Debtors- Commercial Loans Advanced	14,560	17,557	13,944	16,892
	225,842	228,579	189,232	192,779
Financial Liabilities				
Short-term Payables	77,534	77,534	65,773	65,773
Floating rate borrowing - due within 1yr	-	-	-	-
Fixed Rate borrowing - due within 1 yr	-	-	505	507
Floating rate borrowing - due after 1yr	-	-	-	-
Fixed Rate borrowing - due after 1 yr	76,048	113,657	76,048	114,414
	153,582	191,191	142,326	180,694

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

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

	2017/18			
	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Total £000
Financial Liabilities				
financial liabilities held at amortised cost:				
Loans/borrowings (PWLB and other market loans)	-	113,657	-	113,657
Trade payables	-	-	77,284	77,284
Total	-	113,657	77,284	190,941
Financial assets				
Loans and receivables:				
Soft loans to third parties	-	9,487		9,487
Other loans and receivables	-	17,557	25,872	43,429
Short term Investments	-	132,772		132,772
Total	-	159,816	25,872	185,688

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

21.2 Loans Advanced and Borrowings

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

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

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

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

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

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

21.3 Financial instruments not measured at fair value

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

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

21.4 Management of risks arising from financial instruments

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

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

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

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

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

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

The Authority is not exposed to any material currency risk.

22. Reserves

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

22.1 Useable Reserve

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

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

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

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

Capital Grants Unapplied

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

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

Useable Capital Receipt Reserve

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

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

22.2 Unusable Reserve

Capital Adjustment Account

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

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

Financial Instruments Adjustment Account

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

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

Pensions Reserve

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

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

Revaluation Reserve

	2017/18 £000's	2016/17 £000's
Balance at 1 April	12,925	12,329
Surplus on revaluation	862	596
Balance at 31 March	13,787	12,925

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

Donated Assets Account

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

23. Provisions

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

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

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

24. Joint Venture

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

Yorcard Ltd

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

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

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

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

25. Audit Fees

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

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

26. Financial Commitments

(a) Capital Commitments

	2017/18 £000's	2016/17 £000's
Contracted For but not Provided in the Accounts	166,897	192,814
Authorised but not Contracted For	17,280	20,641
	184,177	213,455

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

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

(b) Revenue Commitments - Operating Leases

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

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

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

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

27 Contingent Liabilities

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

28 Going Concern

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

29 Events after the Balance Sheet Date

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

30 New accounting standards not yet implemented

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

TREASURY MANAGEMENT STATEMENT 2018/19 AND REVIEW 2017/18

1. The following sets out the results of the West Yorkshire Combined Authority's borrowing and lending transactions in 2017/18 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 1/4/2017		**£m**
Interest:	Fixed (incl LOBOs)	75.5
Activity during 2017/18:		
Loan repayments		-0.5
Net movement in temporary loans		0.0
New borrowing		0.0
Loans outstanding at 31/3/2018		75.0
Activity expected during 2018/19		
New borrowing		0.0
Debt repayments		0.0
Anticipated loans outstanding at 31/3/2019:		75.0
Total Investments		
Investments at 1/4/2017		98.0
New Investment		34.5
Investments placed at 31/3/2018		132.5

2.1 The schedule of the loans outstanding at 31 March 2018 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 £132.5m 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 2018 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, previously undertaken by Leeds City Council. This has increased the funding being paid to the Combined Authority for example in relation to Growth Deal funding and has prompted the changes that have been agreed during previous year to enable these larger sums to be better managed.

3. COMMENT

3.1 2017/18 has seen a continuation of the overall situation from previous years, with interest rates remaining low. Bank base rate continued at its record low of 0.25% up to November 2017 when it was raised to 0.5%. This was the first rise in over a decade.

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 2017/18. 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 only reduced during the year by £0.5m due to the final instalment repayment of the EIP loan. This follows a reduction in the previous year also, due to all Combined Authority funding having been received as direct grant in recent years. Previously capital expenditure had been financed through borrowing. 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 is now likely to change as the Combined Authority considers the implication of the funding received through the local growth deal for the West Yorkshire plus Transport Fund. It is highly likely that as an integral part of such a Fund borrowing will be required to assist in maximising the funding available and also to assist with cashflow of the infrastructure investment. Additionally the Investment Committee has considered a number of projects received during a recent call and borrowing may be required to fully fund those that we approved into the programme, depending on the level of over programming that crystallises by 2021 when the Growth Deal funding come to an end. The implications of this on the Treasury Management Policy will be considered and progress will be reported back to this Committee.

3.7 It has previously been reported to this Committee that the instability in the banking sector had 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.

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 arranging 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 2017/18 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.

4.2 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 2018 took the appropriate decisions for 2018/19. Any further changes to the capital programme or changes as a result of the West Yorkshire plus Transport Fund will be considered to ensure there is no resultant requirement to amend the prudential indicators. Members can, having regard to changing circumstances, approve amendments during the year. This may become necessary as the implementation of the West Yorkshire Transport Fund progresses or as the financial and economic landscape changes.

5.3 It is therefore recommended that the following decisions, as taken in February 2018, 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 £20m will mature in each of 2018/19, 2019/20 **and 2020/21**;

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 £15m, 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 £15m 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 2018/19 – £83.392 million

5.4.2.2 authorised limit for 2018/19 - £103.392 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 31 March 2018

UID	Counterparty	Their Reference	Rate	Start	Maturity	Principal
LCR-Growing Places Fund						
Non-Treasury Loans						
7367	St Pauls Development PLC	GPF113 Knottingley East	3.94000	15/02/13	30/09/18	(2,450,000.00)
7430	LEP 102		5.90000	28/10/13	28/10/28	(1,697,914.06)
7432	Oxford GB Two Limited	GPF217-Hilton	6.50000	04/11/13	04/11/18	(4,800,000.00)
7433	Waystone 32 Limited	GPF201 Glasshoughton	6.50000	18/11/13	18/11/19	(2,393,682.00)
7460	Harworth Esates (Waverley Prince) Ltd	GPF107 Prince of Wales	2.49000	10/12/13	10/12/18	(409,536.89)
7483	Witt and Son	GPF210 Wiit Group	3.02000	26/02/14	26/02/24	(953,319.26)
7642	Aire Valley Land LLP	GPF109 - Aire Valley Land	3.75000	11/08/14	07/08/24	(3,000,000.00)
7645	Canal Road Urban Village Ltd	GPF209 - New Bolton Woods	2.94000	15/08/14	31/12/21	(187,386.76)
7684	GMV 12	GPF204 - Kirkstall Forge	2.63000	09/10/14	09/10/27	(5,000,000.00)
8574	Leeds City Council	GPF309 RIF GP - CITU Low I	8.50000	04/11/16	03/04/20	(1,000,000.00)
8697	OE Electrics Ltd	GPF309 OE Electrics Ltd	4.05000	10/03/17	07/03/22	(815,708.36)
8893	FP Processing LTD	GPF315 - FP Processing	4.78000	23/10/17	23/10/22	(800,000.00)
					Non-Treasury Loans	**(23,507,547.33)**
					LCR-Growing Places Fund	**(23,507,547.33)**
LCR-Local Growth Fund						
Non-Treasury Loans						
8161	Calderdale Metropolitan Borough Council	LGF001 - Northgate House	0.00000	01/02/16	01/02/26	(300,000.00)
8177	Kirklees Metropolitan Borough Council	LGF002A - Kirklees Housing	2.02000	16/02/16	26/02/27	(200,000.00)
8197	Barnsley Metropolitan Borough Council	LGF003 - Barnsley TC Devel	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 Brad	0.00000	05/04/16	28/02/27	(400,000.00)
8710	Kirklees Metropolitan Borough Council	LGF002B - Kirklees Housing	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	(1,221,500.00)
8714	Leeds City Council	LGF008 - Leeds Brownfield S	0.00000	31/03/17	28/02/27	(1,100,000.00)
					Non-Treasury Loans	**(9,662,500.00)**
					LCR-Local Growth Fund	**(9,662,500.00)**

Deposit - Fixed						
8326	Stockport Metropolitan Borough Council		0.90000	21/07/16	23/07/18	(5,000,000.00)
8327	City of Newcastle Upon Tyne		0.90000	31/08/16	31/08/18	(10,000,000.00)
8721	Dudley Metropolitan Borough Council		0.55000	27/04/17	04/04/18	(15,000,000.00)
8790	West Dunbartonshire Council		0.40000	14/07/17	20/06/18	(10,000,000.00)
8791	Highland Council		0.37000	30/06/17	30/04/18	(5,000,000.00)
8803	Slough Borough Council		0.40000	07/07/17	02/07/18	(5,000,000.00)
8813	Walsall Council		0.42000	01/09/17	17/07/18	(10,000,000.00)
8855	Bournemouth Borough Council		0.70000	29/09/17	20/09/19	(5,000,000.00)
8869	Dundee City Council		0.52000	29/09/17	30/07/18	(5,000,000.00)
8880	North Tyneside Council		0.60000	03/10/17	02/10/18	(2,500,000.00)
8910	London Borough of Enfield		0.70000	29/11/17	27/11/18	(10,000,000.00)
8917	Surrey County Council		0.53000	03/01/18	03/05/18	(10,000,000.00)
8918	Surrey County Council		0.55000	24/01/18	24/05/18	(5,000,000.00)
8921	Eastleigh Borough Council		0.48000	11/01/18	11/04/18	(10,000,000.00)
8923	Kingston Upon Hull Borough Council		0.50000	05/02/18	08/05/18	(5,000,000.00)
8946	Highland Council	Full Exchange	0.65000	14/03/18	17/09/18	(5,000,000.00)
8949	Mid Suffolk District Council	R/O U8937 P Only	0.75000	28/03/18	28/09/18	(5,000,000.00)
8980	Kingston Upon Hull Borough Council	Full Exchange	0.60000	29/03/18	29/06/18	(10,000,000.00)
					Deposit - Fixed	**(132,500,000.00)**
Deposit - Notice						
8281	Leeds City Council		0.43000	11/04/16	11/04/15	(15,000,000.00)
8875	National Westminster Bank PLC	WYCA	0.15000	29/09/17	03/10/16	(1,997,438.21)
8878	Svenska HandelsBanken AB	WYCA	0.18000	29/09/17	03/10/16	(10,704,945.90)
					Deposit - Notice	**(27,702,384.11)**
Lenders option/Borrowers option						
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**
						(85,202,384.11)

Audit Completion Report

West Yorkshire Combined Authority

Year ending 31 March 2018

MAZARS

CONTENTS

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Governance and Audit Committee
West Yorkshire Combined Authority
Wellington House
40-50 Wellington Street
Leeds
LS1 2DE

19 July 2018

Dear Members

Audit Completion Report – Year ended 31 March 2018

We are pleased to present our Audit Completion Report for the year ended 31 March 2018. 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 29 March 2018. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

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 387 8850.

Yours faithfully

Mark Kirkham
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1. EXECUTIVE SUMMARY

Purpose of this report and principle conclusions

The Audit Completion Report sets out the findings from our audit of West Yorkshire Combined Authority ('the Authority') for the year ended 31 March 2018, and forms the basis for discussion at the Governance and Audit Committee meeting on 30 July 2018.

The detailed scope of our work as your appointed auditor for 2017/18 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.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on the Authority's arrangements to achieve economy, efficiency and effectiveness in its use of resources. As we outline on the following page, our work is substantially complete and, subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

Opinion on the financial statements

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 conclusion

We anticipate concluding that the Authority had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report, including proposed conclusion, is provided in Appendix B.

Whole of Government Accounts (WGA)

We anticipate completing our work on your WGA submission, in line with the group instructions issued by the NAO, by the deadline of 31 August 2018. We anticipate reporting that the WGA submission is consistent with the audited financial statements

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 consider any objection made to the accounts.

Misstatements and internal control recommendations

Section 3 sets out the internal control recommendations that we make, together with an update on any prior year recommendations.

Section 4 outlines the misstatements noted as part of our audit as at the time of issuing this report. If any additional misstatements are noted on completion of the outstanding work, these will be reported to the Governance and Audit Committee in a follow-up letter.

1. EXECUTIVE SUMMARY

Status of our audit work

We have substantially completed our work on the financial statements and Value for Money conclusion for the year ended 31 March 2018. At the time of preparing this report the following matters remain outstanding:

Audit area	Description of outstanding matters
Long term debtor loans	We are awaiting direct confirmations from third parties for 1 items that we selected for sample testing.
Capital Commitments	Our work in relation to capital commitments remains in progress.
Revenue Commitments	We are awaiting evidence for 7 items that we selected for sample testing.
IAS 19 / Pension Disclosures	Our work in relation to IAS 19 Pension Disclosures remains in progress as we await assurance from the auditors of the West Yorkshire Pension Fund.
Whole of government accounts (WGA)	Completion of audit procedures supporting the WGA return to the NAO.
Final versions of the Annual Governance Statement (AGS) and amended financial statements	Review of the final versions of the AGS and amended financial statements.
Post balance sheet events	Review of post balance sheet events up to the point at which we sign our audit report.
Review and closure procedures	Completion of audit closure procedures and final manager and partner review.

We will provide the Governance and Audit Committee with a verbal update in relation to these outstanding matters via the 30 July Governance and Audit Committee meeting and in a follow-up letter, prior to signing the auditor's report.

Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in February 2018. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

We set materiality at the planning stage of the audit at £5m using a benchmark of 1.75% of Gross Revenue Expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors is £5m, using the same benchmark. We set our trivial threshold (the level under which individual errors are not communicated to the Governance and Audit Committee, at £150k based on 3% of overall materiality.

2. SIGNIFICANT FINDINGS

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding 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 8 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 and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Authority's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

Significant risk	Description of the risk
Management override of controls	In all entities, 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, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.
	How we addressed this risk We addressed this risk through performing audit work over: • accounting estimates impacting on 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 Our work has provided the assurance we sought and has not highlighted any material issues to bring to your attention. We identified no indication of management override of controls.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk	Description of the risk
Revenue recognition – fees and charges	In accordance with international standards on auditing (ISA 240) we presume there is a risk of fraud in respect of the recognition of revenue because of the potential for inappropriate recording of transactions in the wrong period. ISA 240 allows the presumption to be rebutted but, given the Authority's range of revenue sources, we have concluded that there are insufficient grounds for rebuttal in 2017/18. We have identified income from fees and charges as the key areas of audit testing. This does not imply that we suspect actual or intended manipulation but that we continue to deliver our audit work with appropriate professional scepticism.
	How we addressed this risk We evaluated the design and implementation of controls to mitigate the risk of income being recognised in the wrong period. In addition we undertook a range of substantive procedures including: • testing receipts in March, April and May 2018 to ensure they have been recognised in the right year; • testing material year end receivables; • testing adjustment journals; and • obtaining direct confirmation of year-end bank balances and testing the reconciliations to the ledger.
	Audit conclusion Our audit work has provided the assurance we sought and has not identified any material issues to bring to your attention. We found no indication of revenue being recognised in the wrong year.

Significant risk	Description of the management judgement
Property, plant and equipment (PPE) valuation	The financial statements contain material entries on the Balance Sheet as well as material disclosure notes. The Authority employs an external valuation expert, Lambert Smith and Hampton, to provide information on valuations. As with many other bodies, there remains a high degree of estimation uncertainty associated with the valuation of PPE due to the significant judgements and number of variables involved in providing valuations. We have therefore identified the valuation of PPE to be an area of audit risk.
	How our audit addressed this area of management judgement We evaluated the design and implementation of controls to mitigate the risk. We reviewed the scope and terms of the engagement with the Authority's valuer and how management used the valuers report to value land and buildings in the financial statements. We also • assessed the competence, skills and experience of the Authority's valuer; • considered regional valuation trends (provided by our valuation expert) to assess the reasonableness of the movement in valuations; and • where necessary performed further audit procedures on individual assets to ensure that the basis and level of valuation is appropriate.
	Audit conclusion We have completed our planned work reviewing the Combined Authority's use of experts to inform management judgements about valuation of PPE. We have also considered the evidence of regional valuation trends provided by our external expert. We have found no matters to bring to your attention.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk	Description of the risk
Defined benefit liability valuation	The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.

How we addressed this risk

We discussed with key contacts any significant changes to the pension estimates prior to the preparation of the financial statements. In addition to our standard programme of work in this area, we:

- evaluated the management controls you have in place to assess the reasonableness of the figures provided by the Actuary; and
- considered the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally which is commissioned annually by the NAO.

Audit conclusion

Our audit work has provided the assurance we sought and has not identified any material issues to bring to your attention. We found no indication of material estimation error in respect of the defined benefit liability valuation.

2. SIGNIFICANT FINDINGS (CONTINUED)

Qualitative aspects of the entity's accounting practices

We have reviewed the Authority's accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the Authority's circumstances.

In line with our expectations, there have been no significant changes to accounting policies for the year ended 31 March 2018.

Significant matters discussed with management

There were no significant matters discussed with management that we need to specifically report to the Governance and Audit Committee.

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.

Draft accounts were received from the Authority on 31 May 2018, in line with the statutory deadline, and the accounts were of a good quality. We will debrief with the Finance Team to share views on the final accounts audit. We would like to thanks the Finance Team for the quality of their supporting working papers and for being available throughout the audit visit to answer our queries in a prompt and timely manner. This co-operation has allowed the audit to progress smoothly and to complete within the allocated timeframe.

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 2017/18 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.

3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is 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. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor 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.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	none
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	2
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	1

3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Deficiencies in internal control – Level 2

Description of deficiency

IT user access testing for leavers identified that for a sample of 14 leavers, 1 had not had system access terminated on departure.

Testing was extended to cover all leavers in year. Of the additional sample of 55, 1 had not had system access terminated. Additional procedures were also carried out to check the last log on date. All accounts had not been accessed since the employee had left.

Potential effects

Leavers are not deactivated in a timely manner, meaning that inappropriate access to business critical systems would be possible.

Recommendation

In order to avoid unauthorised access to the Authority's network and programs, the Authority should ensure that formal access disabling requests are issued for all leavers before their leaving date.

Management response

A revised leavers procedure for the ICT service desk will be in place by 20 July 2018. This will confirm the requirements for leaving dates to be notified to the ICT Service Desk to ensure that from the following day the leaver will not have access to the system or their data.

A revised ICT security policy is being drafted. It will include specific reference to leavers and the revised policy will be in place by 31 October 2018.

Other recommendations on internal control - Level 2

Description of deficiency

The Authority's Information and Communications Technology (ICT) Accounts and Password Policy requires administrative privileges to be set up and assigned via an administration account.

Administrative privileges are currently set up and assigned on users main accounts.

Potential effects

Appropriate segregation of duties may not be maintained when making administrative changes to systems. There is a risk that administrative privileges are not subject to adequate control.

Recommendation

The Authority should ensure ICT policies in relation to administrative accounts and privileges are adhered to.

Management response

Accepted. This will be completed no later than May 2019 as part of the Corporate Technology Programme through the Active Directory redesign workstream.

3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Other recommendations on internal control – Level 3

Description of deficiency

There are opportunities to improve the Authority's ICT Change Management procedure to ensure that it provides more comprehensive guidance to users.

Potential effects

Users may not follow best practice in relation to change management.

Recommendation

The Change Management procedure should be reviewed and updated to ensure that it includes comprehensive guidance with regards to change management procedures.

Management response

ICT Services have had a Change Management process for the last three years. The process is being updated, re-communicated to all staff and will be implemented next week.

Test environments are in place for six key systems (five of which are business critical). Although other systems do not have a test environment, the Change Management process means that roll back plans are submitted and approval by a manager is needed before changes are implemented.

The balance of risk is considered low for systems without a test environment. Every test environment incurs licence costs and staff time to keep it updated.

3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Follow up of previous internal control points

We set out below an update on internal control points raised in the prior year.

Description of deficiency - Level 3

We write to third parties to obtain confirmation of loans made by the Combined Authority. We received a response from another local authority that they do not recognise a loan of £300,000 made from Local Growth Fund in February 2016 and consider that it is a grant. Management have provided us with evidence of a loan agreement signed by the counterparty.

Potential effects

There is a risk that the counterparty might dispute the repayment of the loan.

2017/18 update

The Authority's original response (July 2017) was that 'The status of the loan will be resolved with the counterparty as soon as possible'.

As at July 2018, the Authority continues to assert that this agreement is a loan. Whilst we are content that this is consistent with supporting documentation, the Authority continues to discussion the future status of the loan with the counterparty continue.

4. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified for adjustment during the course of the audit, above the level of trivial threshold of £150k.

The first section 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 2017/18

We are pleased to report that there were no unadjusted audit differences.

Adjusted misstatements 2017/18

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr. Short term debtors			410	
	Cr. Long term debtors				410
	Correction of a short term debtor loan recorded as a long term debtor loan				
2	Dr: Long term debtor loans			1,128	
	Cr. Economic services gross expenditure		1,128		
	Correction of loans granted which had been recorded within expenditure rather than long term debtors. A number of associated notes have also been appropriately amended				

Disclosure amendments

Page 25, Note 1 Accounting policies – to ensure compliance with the Code, a number of amendments were required to the accounting policies.

Page 38, Note 4(a) Expenditure and Funding Analysis – amendments were made to correct a casting error within the note and to ensure consistency with the Comprehensive Income and Expenditure Statement.

Page 39, Note 7 Pension Costs – the disclosure has been amended to include all pension assets in the asset breakdown note (Note 7.3) and to show the full interest on net defined benefit in Note 7.8 – amendments of £37.1m and £390k respectively

Page 47 Note 10(d) Senior employees – the disclosure has been amended to include an omitted senior officer and to make a number of minor amendments to the salaries and allowances disclosed.

Page 48 Note 10 Cost of redundancies and leavers – the disclosure has been amended to include pension strain costs of £39k which had been omitted. This resulted in amendments required to the bandings included in the note.

Page 50 Note 11(c) Donated asset accounts – this disclosure has been amended to include the opening balance of £668k.

4. SUMMARY OF MISSTATEMENTS (CONTINUED)

Disclosure amendments (continued)

Page 51 Note 11(d) The Movements in Fixed Assets – the disclosure has been amended to correct the classification of £48k of asset disposals which were actually 'transfers from assets under construction' to 'plant and equipment owned'.

Page 55 Note 18 Trade and Other payables – the disclosure has been amended to correct the classification of payables with a college, of £2,573k, from payables due to Other Local Authorities from payables due to bodies external to government.

Page 56 Note 21 Financial Instruments – the disclosure was amended to ensure that it was internally consistent with figures elsewhere in the statement of accounts. The short term creditor figure carrying amount was increased by £250k to represent the value of short term creditors per Note 18 in the accounts.

Page 64 Note 25 Audit Fees – the disclosure has been amended to include the correct audit fee for 2017/18 of £33k (rather than £29k originally disclosed).

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

5. VALUE FOR MONEY CONCLUSION

Our approach to Value for Money

We are required to form a conclusion as to 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 in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Commentary against each of the sub-criteria, and an indication of whether arrangements are in place, is provided below.

Sub-criteria	Commentary	Arrangements in place?
Informed decision making	The Combined Authority has a clear governance structure which is described on its website and includes the expected features of an effective governance framework within local government. During the year the Combined Authority has continued its 'One Organisation' Programme designed to put in place the right structures, processes and people to deliver the Authority's objectives and priorities. The Corporate Plan sets out the Combined Authority's priorities and is closely aligned to the overarching aims of the Strategic Economic Plan. Clear and measurable targets and outcomes for key priorities have been identified and included in the Corporate Plan with key performance targets being measured regularly. The Corporate Plan is supported by revenue and capital budgets. The Medium Term Financial Strategy which is reviewed and refreshed annually reflects strategic objectives and allocates resources to priority areas. In addition, regular financial reporting takes place through the Organisational Management Team and Leadership Team, with regular reporting to the Combined Authority. Over the last year, Leeds City region Enterprise Partnership (LEP) panels (with their public and private sector representation) have been integrated within the Authority's decision-making structure as advisory committees, improving transparency and accountability. There is a Risk Manual which sets out the risk management strategy and the way risks are identified, recorded and monitored. Management have agreed to implement Internal Audit recommendations to strengthen risk management arrangements. The Authority continues to develop and refine its project management framework to ensure that there is greater accountability and improved governance with regard to the management and delivery of projects. The system of internal control is subject to Internal Audit and for 2017/18, the Authority's internal auditors, provided an overall opinion of reasonable assurance. A Governance and Audit Committee is in place to oversee the governance framework including the work of internal audit and approval of the Authority's financial statements. In accordance with changes in legislation and to strengthen arrangements an independent member was appointed to the Committee during 2017/18.	Yes

5. VALUE FOR MONEY CONCLUSION

Sub-criteria	Commentary	Arrangements in place?
Informed decision making (continued)	The Authority ensures its Corporate Governance Code and Framework reflects changes made to arrangements in the year, for example the improvements to governance arrangements relating to the LEP and the supporting panels.	Yes
Sustainable resource deployment	The Combined Authority has made good progress in addressing the financial challenges from public sector austerity and has a proven track record of strong budget management and delivering planned budget reductions. The Combined Authority delivered financial outturn for 2017/18 £1.6 million better than originally planned. This reflects additional operational savings mainly attributable to the managed staff vacancy and recruitment position in the second half of the year. A balanced budget has been set for 2018/19 with the use of £1.4m of reserves consistent with the three year Medium Term Financial Strategy covering the years 2018/19 to 2020/21. The Combined Authority has also recognised the significant financial challenge facing the districts and has agreed to ongoing reductions in the transport levy. The capital programme reflects priorities set out in the Corporate Plan flowing from the Strategic Economic Plan.	Yes
Working with partners and other third parties	The Combined Authority plays an important and active role 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. The Authority has clearly defined its ambitions to work with its partners across the region to effect economic growth in the Leeds City Region and these ambitions are set out in the Strategic Economic Plan (SEP). The SEP is kept under review to ensure it continues to align with the region's needs and recognises relationships with new and emerging strategies such as the Industrial Strategy for example. The SEP provides a framework for engagement with others within the City Region and beyond across private, public and third sectors to deliver good growth. The Combined Authority is an active participant in sub-regional networks and works with 'Transport for the North' on all transport related matters. It responds to and leads on transport consultations for the region for example 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 the Authority is building in youth engagement as it develops its bus and transport strategy. Up to date procurement arrangements are in place to secure cost effective purchasing.	Yes

5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Significant Value for Money risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our Value for Money work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Authority being inadequate. In our Audit Strategy Memorandum, we reported that we had identified one significant Value for Money risk. The work we carried out in relation to significant risks is outlined below.

Risk	Work undertaken	Conclusion
Sustainable resource deployment Our audit work in previous years has concluded that the Authority has appropriate arrangements in place for Medium Term Financial Planning. The Authority continues to face financial pressures including a reduction in the transport levy by £1m for 2017/18 and by £2m for 2018/19 to 2019/20. A reduction of £1m equates to a circa 2% saving requirement in discretionary expenditure. The Authority has recently updated its medium term financial strategy (MTFS). We need to ensure our knowledge of the Authority's MTFS arrangements and its monitoring of the planned delivery of a balanced budget and related savings, remains up to date in order to ensure we give the correct VFM conclusion.	Building on our work in previous years, our work included reviewing: • the Authority's updated 2018 MTFS to ensure it reflects the latest income projections and funding position from the transport levy; and • the arrangements the Authority has in place to monitor progress in delivering a balanced budget and related savings plans.	The Authority has revised its MTFS for 2018/19 to 2020/21 to provide a longer term view of the financial challenges it faces. This is based on appropriate income, funding, pay and non-pay assumptions and recognises the risks associated with these assumptions. A balanced budget has been set for 2018/19 with the use of £1.4m of reserves consistent with the three year MTFS. The MTFS and balanced budget for 2018/19 have been subject to appropriate scrutiny and challenge via established governance and reporting arrangements within the Combined Authority. Arrangements for monitoring progress in delivering a balanced budget and related savings plans have been enhanced in year. Including for example the extension of regular and routine financial reporting to the Overview and Scrutiny Committee (since May 2017), to the Combined Authority (from December 2017) and to senior management team meetings. It is noted that the Authority has a good track record of achieving its financial plans and the required savings. For 2016/17 and 2017/18 the Authority secured the planned savings plus additional savings of £1.4m and £1.6m respectively. There are no matters which give rise to VFM reporting issues for 2017/18. Arrangements are robust with a number of enhancements on prior years.

Our overall Value for Money conclusion

Our draft auditor's report included in Appendix B states that we intend to issue an unqualified Value for Money conclusion for the 2017/18 financial year.

APPENDIX A
DRAFT MANAGEMENT REPRESENTATION LETTER

Mr M Kirkham
Mazars LLP
Salvus House
Aykley Heads
Durham
DH1 5TS

30 July 2018

Dear Mark

West Yorkshire Combined Authority - audit for year ended 31 March 2018

This representation letter is provided in connection with your audit of the statement of accounts for West Yorkshire Combined Authority ('the Combined Authority') for the year ended 31 March 2018 for the purpose of expressing an opinion as to whether the statement of accounts give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code).

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 statement of accounts and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the statement of accounts in accordance with the Code.

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 statement of accounts 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 the Combined Authority you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Director of Resources (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.

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 Combined Authority 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 the Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the 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 the Combined Authority in making accounting estimates, including those measured at fair value, are reasonable.

APPENDIX A
DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

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 the 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 Code.

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

Fraud and error

I acknowledge my responsibility as Director of Resources (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 statement of accounts may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the 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 the Combined Authority's statement of accounts 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.

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

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 (CONTINUED)

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code 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.

Going concern

To the best of my knowledge there is nothing to indicate that the 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.

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements as included in the auditor's draft Audit Completion Report are immaterial, both individually and in aggregate, to the statement of accounts as a whole.

Yours sincerely

Director of Resources (s73 Officer)

Date……

APPENDIX B
DRAFT AUDITOR'S REPORT

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

Opinion on the financial statements

We have audited the financial statements of West Yorkshire Combined Authority ('the Authority') for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including the summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

APPENDIX B
DRAFT AUDITOR'S REPORT (CONTINUED)

Responsibilities of the Chief Financial Officer for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, West Yorkshire Combined Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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

APPENDIX B
DRAFT AUDITOR'S REPORT (CONTINUED)

Responsibilities of the Authority

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

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

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

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

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

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

We have nothing to report in these respects.

Use of the audit report

This report is made solely to the members of West Yorkshire Combined Authority, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Authority those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Certificate

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

Mark Kirkham
For and on behalf of Mazars LLP

Salvus House
Aykley Heads
Durham
DH1 5TS

30 July 2018

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.

CONTACT

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MAZARS

West Yorkshire Combined Authority

Report to:	Governance and Audit Committee
Date:	30 July 2018
Subject:	**Delivery of the Internal Audit Function**
Director(s):	Angela Taylor, Director, Resources
Author(s):	Russell Gott

1. Purpose of this report

1.1 To consider the outcome of a soft market testing exercise conducted for the provision of internal audit to the Combined Authority.

1.2 To consider a preferred model for the delivery of internal audit.

2. Information

2.1 This report provides information concerning a soft market testing exercise undertaken and seeks approval to commence the implementation of a preferred model for the delivery of the internal audit function.

2.2 Members will recall that a report was provided to the March 2018 meeting of the Governance and Audit committee which evaluated the weaknesses and benefits of a range of models for the provision of internal audit. The Committee requested that officers undertake a 'soft' market testing exercise to establish indicative costs for each of these options.

2.3 A range of local authority service providers along with a number of audit/accountancy firms were contacted and asked to submit costed proposals for providing a fully outsourced option and day rates for specialist audit services which could be provided as part of a co-sourcing arrangement. In addition, further work was undertaken to develop the effectiveness of the internal service offer, identifying improvements to the structure along with an assessment of anticipated costs.

2.4 Responses to this request were generally disappointing. There was some initial interest received from local authority service providers, however, none of the five authorities contacted were able to provide any formally costed proposals. There was slightly more interest provided from the accountancy/audit firms. Two of the five organisations contacted provided information for both a fully outsourced service and day rates for audit

specialisms. This information is commercially sensitive, however, it can be disclosed that both proposals for an outsource provision were competitive when compared with the costs of the existing internal service provision but provided fewer audit days than those identified within the approved audit plan. Their approach was to undertake the minimum level of audit work which would enable them to provide an annual opinion on the Combined Authority's control, governance and risk management arrangements. Other work including grant certification, the provision of advice and consultation, value for money reviews and counter-fraud activities were outside of their proposals.

Preferred option

2.5 It is proposed that a model which provides a depth of understanding of organisationally operations, the ability to respond quickly to provide consultation/ad-hoc advice and insight into organisational risk management activity, including the early identification of emerging risks and how this informs the assurance process, coupled with a degree of audit specialisms, is the most effective means of service delivery.

2.6 A hybrid co-sourcing model enables the Combined Authority to retain control over the internal audit function while at the same time leveraging the internal audit resources of the third party service provider, which provides access to valuable and diverse specialised skills as needed. The model includes the establishment of a core internal audit team, led by the Head of Internal Audit. Members of this team are essentially audit generalists with a partner providing subject matter specialists under the direction of the Head of Internal Audit.

2.7 This will provide a unified internal audit plan and an agreed audit methodology and, if need be, discussion and decisions can be made quickly to adapt the plan. Having an internal team gives internal audit a clear identity and profile and it is part of the organisation's culture. It allows the building and retention of knowledge relating to the Combined Authority which enables internal audit to be valued by the business areas. Finally, the annual budget is part of the organisation's costs and means that people who want advice and guidance on a consultancy basis do not have to be afraid to ask for it on the grounds of cost. This helps to reinforce the message that risk management and control are important.

2.8 It is necessary to provide improvements to the structure of the internal delivery team to allow increased emphasis and focus on strategy, planning, delivery, reporting and performance whilst providing greater flexibility and resilience within the function.

2.9 To achieve these objectives it is proposed that the post of the Head of Internal Audit be redefined. The key responsibilities of this role would be for setting and delivering strategic objectives and plans, developing and leading the service, developing policies, monitoring and ensuring the adequate resourcing of the function, liaising with key stakeholders including the Governance and Audit Committee and the Combined Authority's Leadership Team and providing commentary on the status of the organisation's control environment,

risk management and governance arrangements. The post will also lead on counter-fraud initiatives and investigations and meet statutory requirements by being the Combined Authority's Responsible Officer - this is the person, appointed with overall responsibility for maintaining and operating the whistleblowing policy nominated contact for reported incidents and money laundering reporting officer.

2.10 A post of Principal Auditor will allow the day to day supervision of work undertaken within the audit plan to be undertaken and allow capacity to undertake a number of more complex reviews within the plan. In addition, this post would be responsible for ensuring the implementation and operation of internal audit quality processes, determining the scope of audit assignments, liaising on audit findings, monitoring the progress of management in implementing audit recommendations and deputising for the Head of Internal Audit when necessary.

2.11 Internal auditor posts will perform the bulk of audit testing under the direction of the Principal Auditor. These are audit generalist roles and would include participation in the audit planning process, performing audit testing, participating in audit closures and the completion of internal audit reports to draft stage.

2.12 The exact audit activities to be provided by external specialist are identified under the following headings;

- IT systems including network penetration testing and cyber security.
- Governance – consider and compare against other local authorities.
- Data Analytics – embedding systems to enable continuous audit capabilities and to support fraud detection.
- Local Assurance Framework –Review processes around investment appraisal and monitoring benefits realisation.

Initial indications are that this could require an input of around 50 audit days per annum. Further work will be required in working up detailed specifications and service level requirements for this work prior to undertaking any procurement of these services.

3. Financial Implications

3.1 The costs of resourcing the current internal audit establishment are identified at £151,483. These include on-costs for employers National Insurance and pension contributions and are set at the top of current grading bands.

3.2 Costs will need to be established for any requirement to develop the internal audit structure and for the procurement of third-party audit specialisms.

4. Legal Implications

4.1 The Accounts & Audit Regulations require the West Yorkshire Combined Authority to maintain an adequate and effective internal audit.

5. Staffing Implications

5.1 The preferred option would require the reappraisal of the internal audit structure and roles. Full consultation would take place with any affected staff.

6. External Consultees

6.1 As described in section 2.3 and 2.4 of this report.

7. Recommendations

7.1 That the Committee note the outcomes of the market testing exercise undertaken.

7.2 That the Committee approve the preferred model for the delivery of internal audit to the Combined Authority.

7.3 That the Committee support the development of the internal audit team structure through the Combined Authority's organisational development programme.

8. Background Documents

None.

West Yorkshire Combined Authority

Report to:	Governance and Audit Committee
Date:	30 July 2018
Subject:	**Internal Controls and Financial Monitoring**
Director(s):	Angela Taylor, Director, Resources
Author(s):	Jonathan 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 and to consider the current financial position.

2. Information

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

Internal controls

2.2 There have been no significant changes to internal controls in the period and monthly reconciliations are up to date. From the work undertaken during the financial year 2017/18 and taking into account other sources of assurance, Internal Audit have reached the opinion that, overall, the Combined Authority's framework of control and governance is operating adequately.

2.3 Regular governance meetings continue to be held with Leeds City Council to consider and review the transactions relating to investments and treasury management being carried out jointly with Leeds City Council.

Key indicators

2.4 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.

2.5 There have been two reportable (RIDDOR) accidents since the previous meeting. The incidents were:

- two services buses colliding in Huddersfield bus station, three passengers were injured and one was taken directly to hospital for minor treatment;

- an employee who had a manual handling incident resulting in them having more than seven days absence from work.

2.6 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 budgets

2.7 The table at **Appendix 1** shows the final outturn for 2017/18. The final position is a £1.9m deficit to be met from general reserves and in line with the indicated position reported to the Combined Authority in May 2018. This is an improved position than both the £3.5m deficit budgeted at the start of the year and the £2.5m deficit reported in April 2018.

2.8 The reduced expenditure position is mainly attributable to the managed staff vacancy and recruitment position in the second half of the year and to the recovery of eligible costs against the capital projects. As such it represents a one off boost to general reserves but it is not expected to recur in 2018/19.

2.9 The table at **Appendix 2** shows the budget for 2018/19 as approved by the Combined Authority on 1 February 2018 and includes actual expenditure / income figures for April – June 2018. With only three months of the year gone it is too early to predict the outturn position. Future reports to this meeting will update members on the forecast position. A RAG rating has been included to identify budgets that need further review. There are no ‘red’ areas of concern to report.

2.10 Progress on capital budgets is being monitored through the Investment Committee which receives regular reports on expenditure forecasts and information on this is available via the papers on the website.

Risk management

2.11 A review of corporate risk management arrangements has been undertaken and has resulted in the development of an updated corporate risk management strategy. There have been no significant changes to risk since the last meeting of this Committee. A separate report on this agenda provides further detail and provides the latest version of the corporate risk register for information.

3. Financial Implications

3.1 As set out in the report.

4. Legal Implications

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

5. Staffing Implications

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

6. External Consultees

6.1 No external consultations have been undertaken.

7. Recommendations

7.1 That the Committee note the information contained in this report.

8. Background Documents

None.

9. Appendices

Appendix 1 - West Yorkshire Combined Authority - Summary - 2017/18 Final Outturn

Appendix 2 - West Yorkshire Combined Authority - Summary 2018/19 as at 30 June 2018

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West Yorkshire Combined Authority - 2017/18 Budget Summary - Final Outturn

Title	Original Budget 2017/18 £	Forecast (reported in April 2018) £	Final Outturn Mar 2018 £	Variance 2017/18 £	% Actual to Forecast
Expenditure					
Salary & Pay Related Costs	16,392,961	17,220,000	17,281,959	(61,959)	100.4%
Indirect Employee Related Costs	485,481	870,000	860,869	9,131	99.0%
Premises Related Costs	6,344,277	6,217,693	6,110,848	106,845	98.3%
Travel, Transport & Subsistence Related Costs	92,650	125,380	107,279	18,101	85.6%
Member Related Costs	153,168	153,168	150,694	2,474	98.4%
Office Supplies & Services	682,585	770,000	754,138	15,862	97.9%
ICT & Telephony Costs	2,401,884	2,461,451	2,421,905	39,546	98.4%
Professional & Consultancy Fees	642,935	1,131,676	1,203,034	(71,358)	106.3%
Corporate Subscriptions	25,364	21,597	22,459	(862)	104.0%
Marketing & PR Costs	922,200	1,331,598	1,251,500	80,098	94.0%
Insurance	303,400	263,880	283,555	(19,675)	107.5%
Operator Payments (Transport)	26,924,000	27,832,000	27,299,140	532,860	98.1%
Pre Paid Ticket Cost	29,580,000	31,000,000	31,804,307	(804,307)	102.6%
Concessions	55,994,000	55,755,478	55,693,348	62,130	99.9%
Additional Pension Costs	2,495,292	2,261,000	2,162,662	98,338	95.7%
Financing Charges	5,256,000	5,598,000	5,586,325	11,675	99.8%
Grants	5,572,560	6,315,156	5,805,041	510,115	91.9%
Other Miscellaneous Costs	385,400	458,037	776,767	(318,730)	169.6%
Admin Recharges	(1,842,070)	(2,073,267)	(2,121,326)	48,059	102.3%
Contribution to External / Related Parties	258,699	268,949	268,949	(0)	100.0%
Capitalisation of Revenue Costs	(484,242)	(4,020,000)	(4,571,413)	551,413	113.7%
Additional Savings Target	(220,000)		0	0	0.0%
Contingency	1,319,360		0	0	0.0%
Total Expenditure	153,685,904	153,961,796	153,152,039	809,757	99.5%
Income					
Rail Income	(904,000)	(918,000)	(919,675)	1,675	100.2%
LEP General Funding Income	(1,233,875)	(1,234,000)	(1,246,283)	12,283	101.0%
LEP Grant Income	(8,469,577)	(7,561,478)	(6,758,290)	(803,188)	89.4%
Growing Places Fund Interest	(179,000)	(300,000)	(198,065)	(101,935)	66.0%
Enterprise Zone Receipts	(669,000)	(712,000)	(727,182)	15,182	102.1%
Transport Levy	(95,198,000)	(95,198,000)	(95,198,000)	0	100.0%
BSOG	(1,942,000)	(2,063,592)	(2,063,592)	0	100.0%
Education Contribution to Transport	(6,747,000)	(6,709,000)	(6,127,471)	(581,529)	91.3%
Bus Station Tenant Income	(1,343,624)	(1,398,794)	(1,406,924)	8,130	100.6%
Bus Station / Services - Other Income	(2,824,939)	(2,728,957)	(2,735,176)	6,219	100.2%
Pre Paid Ticket Income	(29,580,000)	(31,000,000)	(31,804,307)	804,307	102.6%
Other Income	(1,072,813)	(1,586,526)	(2,080,994)	494,468	131.2%
Total Income	(150,163,828)	(151,410,347)	(151,265,960)	(144,387)	99.9%
Net Expenditure	3,522,076	2,551,449	1,886,080	665,369	73.9%

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West Yorkshire Combined Authority - Summary

Title	Budget 2018/19 £	Actual June 2018 £	%	Comment on Variances	RAG
Expenditure					
Salary & Pay Related Costs	20,799,698	4,532,411	21.8%	Vacancies & pay award pending.	
Indirect Employee Related Costs	316,170	171,574	54.3%	Higher costs than budgeted in HR - recruitment / severance	
Premises Related Costs	6,184,194	1,861,067	30.1%	Mainly impact of annual business rates in advance	
Travel, Transport & Subsistence Related Costs	112,984	21,084	18.7%	Travel claims in arrears	
Member Related Costs	153,168	36,193	23.6%		
Office Supplies & Services	540,050	60,083	11.1%	Reflects normal low spend in first few months	
ICT & Telephony Costs	2,342,778	781,849	33.4%	Some ICT / telephony costs paid in advance (eg line rentals)	
Professional & Consultancy Fees	2,284,998	332,580	14.6%	Low spend to be reviewed with budget holders (Economic Services)	
Corporate Subscriptions	39,398	22,263	56.5%	Some corporate subscriptions paid annualy in advance	
Marketing & PR Costs	1,315,079	98,494	7.5%	Low spend to date - marketing campaigns, MIPIM etc…further review needed	
Insurance	279,400	294,176	105.3%	Annual invoice paid - above approved budget	
Operator Payments (Transport)	27,397,250	7,639,555	27.9%	Savings target from Qtr4 - revised budget profile needed	
Pre Paid Ticket Cost	31,500,000	8,834,505	28.0%		
Concessions	56,270,200	13,607,984	24.2%		
Additional Pension Costs	2,245,800	1,508,616	67.2%	One pension invoice paid annually £1.3m (additional contribution)	
Financing Charges	5,670,000	603,220	10.6%		
Grants	4,154,661	227,371	5.5%	Low spend to be reviewed with budget holders (Eco Serv)	
Other Miscellaneous Costs	506,158	198,606	39.2%	High spend profile to be reviewed with budget holders	
Admin Recharges	(2,247,672)	(505,760)	22.5%	Includes accruals in the actual	
Contribution to External / Related Parties	277,606	81,885	29.5%	Only UTG in actual & paid annually in advance	
Capitalisation of Revenue Costs	(6,803,125)	(1,264,979)	18.6%	Includes accruals in the actual	
Additional Savings Target	(1,335,000)	0	0.0%	Saving target to be offset against savings in salary budget.	
Contingency	200,000	0	0.0%	Awaiting pay award agreement	
Total Expenditure	152,203,795	39,142,777	25.7%		
Income					
Rail Income	(918,000)	(135,077)	14.7%	One month in arrears - forecast is £810k due to reduction	
LEP General Funding Income	(1,234,000)	(26,100)	2.1%	Received in arrears towards year end - new budget profile needed	
LEP Grant Income	(1,385,958)	0	0.0%	Received in arrears - new budget profile needed	
Growing Places Fund Interest	(200,000)	0	0.0%	Received in arrears - new budget profile needed	
Enterprise Zone Receipts	(1,968,000)	0	0.0%	Received in arrears - new budget profile needed	
Transport Levy	(94,198,000)	(28,259,400)	30.0%	10 instalments - three received - new profile needed	
BSOG	(1,942,000)	(2,063,592)	106.3%	All received in May (£2.1m)	
Education Contribution to Transport	(6,768,000)	(1,298,407)	19.2%	In arrears - new profile needed	
Bus Station Tenant Income	(1,472,464)	(632,358)	42.9%	Higher than expected - need to review profile with budget holder.	
Bus Station / Services - Other Income	(2,866,121)	(201,317)	7.0%	Lower than expected - need to review profile with budget holder.	
Pre Paid Ticket Income	(31,500,000)	(8,856,140)	28.1%		
Other Income	(6,299,015)	(371,438)	5.9%	Lower than expected - need to review profile with budget holder.	
Total Income	(150,751,558)	(41,843,829)	27.8%		
Net Expenditure	1,452,237	(2,701,052)	-186.0%		

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West Yorkshire Combined Authority

Report to:	Governance and Audit Committee
Date:	30 July 2018
Subject:	**Risk Management Update**
Director(s):	Angela Taylor, Director, Resources
Author(s):	Louise Porter

1 Purpose of this report

1.1 To provide an update on corporate risk management issues and to seek endorsement of the Governance and Audit Committee to the updated corporate risk management strategy.

2 Information

2.1 As previously reported to Governance and Audit Committee, in recent months work has been undertaken to review and update the Combined Authority's corporate risk management arrangements. Following feedback previously received from the Committee and also from the Combined Authority, further work has recently been undertaken to update the corporate risk management strategy in more detail.

2.2 The updates to the strategy include additions which have been made following advice from the Data Protection Officer. These updates have focussed on ensuring that robust escalation processes are in place for information governance risks, in view of the General Data Protection Regulations which came into force in May 2018.

2.3 In addition the strategy has also been updated to address the recommendations made by an Internal Audit review into risk management arrangements, which was concluded in March 2018. This review rated the risk management approach as 'orange' (requires improvement), but acknowledged that much had been achieved through the work already undertaken to update corporate risk management arrangements and that further improvements were already underway during the time of the audit work.

2.4 There were five high priority recommendations made by the Internal Audit review which were largely focussed around opportunities to further develop risk management processes and ensure greater consistency of approach.

These high priority recommendations are presented in the table below along with details of the measures in place to address these.

Recommendation	Timescale	Progress
Roll out of Risk Management Strategy to be accompanied by risk workshops and other training initiatives	August 2018	Risk workshops already held with each Directorate management team to disseminate risk management approach and review directorate risk registers. Risk management toolkit in development to sit alongside strategy document.
Consider structure of reporting and escalation arrangements and include clearly in Corporate Risk Management Strategy.	May 2018	Risk escalation and reporting process strengthened in the strategy.
Make existing Audit and Risk Management Group more responsible for development and operation of risk management system. Review membership and Terms of Reference of Group	August 2018	Proposals to formalise the officer led Audit and Risk Management Group have been developed and revised terms of reference are in development. These proposals have been progressed alongside the wider project to review internal governance arrangements (as reported to the Combined Authority on 28 June 2018)
Consistent use of a common risk register template and its maintenance on a system in a way that is easily accessible and allows the production of management and monitoring reports.	May 2018	Consistent corporate risk register template developed and rolled out for directorate risk registers and project, programme and portfolio risk registers. Further dissemination activities required following final sign off of strategy
All components of risk management should be included within guidance documentation. As well as written guidance a programme of education will help to introduce and develop risk management	May 2018	Dissemination of the corporate risk management approach has already taken place through directorate level workshops. However further work is required to finalise a risk management toolkit which is in development to sit alongside the strategy document and roll out further dissemination activities once the strategy is approved.

2.5 A copy of the draft Final Corporate Risk Management Strategy is attached at **Appendix 1**. Members of the Governance and Audit Committee are requested to endorse this in order that it can be formally agreed by Leadership Team and rolled out across the organisation.

2.6 A fundamental component of the Combined Authority's risk management approach is to define the level of risk appetite that the organisation has and to regularly review this. This is set out in a Risk Appetite Statement which defines the level of risk appetite that the organisation has within a number of specific categories. The current Risk Appetite Statement can be found in Section 5 of the appended Strategy (Table 5.1). Members of the Governance and Audit Committee are requested to review the current Risk Appetite Statement and provide any feedback on this.

2.7 In parallel to the ongoing work to enhance the Corporate Risk Management system, the key strategic risks affecting the organisation also continue to be reviewed regularly and collated within the Corporate Risk Register. A copy of the current register is attached at **Appendix 2** for information. Regular updates on the corporate risk will continue to be routinely provided to all meetings of both the Governance and Audit Committee and the Combined Authority.

3 Financial Implications

3.1 There are no financial implications arising from this report.

4 Legal Implications

4.1 There are no legal implications arising from this report.

5 Staffing Implications

5.1 There are no staffing implications arising from this report.

6 External Consultees

6.1 No external consultations have been undertaken.

7 Recommendations

7.1 That members of the Governance and Audit Committee endorse the corporate risk management strategy attached at Appendix 1 and provide feedback on the current risk appetite statement at section 5 of the strategy.

7.2 That members of the Governance and Audit Committee note the current corporate risk register as provided at Appendix 2.

8 Background Documents

None.

9 Appendices

Appendix 1 - Draft Final Corporate Risk Management Strategy
Appendix 2 – Current Corporate Risk Register

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West Yorkshire Combined Authority

Corporate Risk Management Strategy

Document History

Version	Comments	Date
0.1	First draft for approval 06/10/17	September 2017
0.2	CT Amends	October 2017
0.3	LP Further Amends	October 2017
0.4	LP amends following LT/Governance & Audit Committee feedback	November 2017
0.5	LP amends following consultation with DPO and to include Internal Audit recommendations	May 2018

1. Policy Statement

1.1. Risk management is a planned and systematic approach to the identification, evaluation, prioritisation and control of risks and opportunities facing an organisation and to establish and maintain an appropriate risk appetite with proportionate boundaries and tolerances.

1.2. The West Yorkshire Combined Authority[1] (CA) recognises that effective risk management is an integral part of good corporate governance and as such should be a part of everyday management processes across the organisation. The CA is committed to ensuring robust risk management arrangements are in place and operating effectively at all times.

1.3. The Senior Leadership Team will champion risk management by ensuring that appropriate arrangements are maintained, monitored and controlled. This is demonstrated by the appointment of the Director of Resources as the Combined Authority's Senior Information Risk Officer (SIRO), to reinforce to all employees the importance of compliant and effective Information Management and Governance.

1.4. This strategy clearly sets out the roles and responsibilities of the day to day management of the Combined Authority's risks that sit with Senior Management Team and our risk owners.

1.5. The Combined Authority commit to:

- Use a structured and consistent risk management approach to focus discussion, prioritise resources and enable justifiable risk-taking.
- Ensure that risk management is applied in a scaleable and proportionate way.
- Make the best use of management information to build a complete picture of the key risks and issues and to jointly report on risk and performance management.
- Publish the corporate risk register.
- Ensure risks are owned and managed in line with the organisation's commitment to outcomes-based accountability.
- Listen to feedback and regularly review our risk management arrangements to make sure they are still fit-for-purpose.

2. Achieving Effective Risk Management

2.1. This will be achieved by:

- Clear risk management roles and responsibilities (see Appendix 1) and formal risk reporting lines.
- Clear risk owners, process for continuous review of risks and proactive management and mitigation and action required.
- Incorporating risk management into the CA's decision-making arrangements.

- Applying risk management to budget, project and business planning processes.
- Actively involving elected members in identifying and managing key risks.
- Providing risk management guidance and training to staff and elected members.
- Monitoring and reviewing our risk management arrangements regularly to ensure they remain effective and comply with risk management standards, legislation and good practice.

3. Benefits

3.1. Risk management is acknowledged as an integral part of good management and a key feature of corporate governance. Effective risk management works alongside our financial management, performance management and other elements of strategic and operational management to demonstrate transparency and accountability and to support the successful delivery of the Strategic Economic Plan (SEP).

4. Risk and Risk Management Definition

"Risk is most commonly held to mean "hazard" and something to be avoided. But it has another face - that of opportunity. Improving public services requires innovation - seizing new opportunities and managing the risks involved. In this context risk is defined as uncertainty of outcome, whether positive opportunity or negative threat, of actions and events. It is the combination of likelihood and impact, including perceived importance.

Risk management covers all the processes involved in identifying, assessing and judging risks, assigning ownership, taking actions to mitigate or anticipate them, and monitoring and reviewing progress. Good risk management helps reduce hazard, and builds confidence to innovate."

-HM Treasury

<u>Risk v Issue</u>

4.1. Risk can be defined as uncertainty of outcome and can be either a threat or an opportunity.

4.2. Issues are events that have happened, were not planned, are currently affecting the CA, the portfolio, a project etc. in some way and need to be actively dealt with and resolved. Risks, should they occur become issues.

5. Risk Appetite Statement

5.1. Risk appetite is the level of risk the CA is prepared to tolerate or accept in the pursuit of our strategic objectives. Our aim is to consider all options to respond to risk appropriately and make informed decisions that are most likely to result in successful delivery whilst also providing an acceptable level of value for money.

5.2. The acceptance of risk is subject to ensuring that all potential benefits and risks are fully understood and that appropriate measures to mitigate risk are established before decisions are made.

5.3. It is recognised that the appetite for risk will vary according to the activity undertaken and hence different appetites to risk apply. The approach is to ensure legal compliance in all we do and minimise exposure and reputational risk, whilst accepting and encouraging an increased degree of risk in other areas in pursuit of strategic objectives.

Risk Appetite

5.4. The appetite that the organisation has for certain types of risk can be described in the following key categories:

5.4.1. **Legal Compliance & Regulation** – the CA recognises the need to place highest importance on compliance, regulation and public protection and has no appetite for breaches in statute, regulation, professional standards, ethics, bribery or fraud.

5.4.2. **Operational/Service Delivery –** the CA accepts a moderate level of risk arising from the nature of the Authority's business operations and service delivery to deliver an appropriate level of service at value for money, whilst minimising any negative reputational impact.

5.4.3. **Finance and Resource Management –** the CA aims to maintain its long term financial viability and its overall financial strength whilst aiming to achieve its strategic and financial objectives and to innovate in getting value for money, subject to the following minimum criteria:

- the CA requires to set a balanced overall revenue budget by February every year and Directors must then contain net expenditure within approved service totals;
- An appropriate level of unallocated general reserves, calculated in accordance with the approved risk based reserves strategy; and
- Working within a set of Treasury management principles that seek to protect funds rather than maximise returns.

5.4.4. **Reputational –** It is regarded as essential that the CA preserves a high reputation and hence it has set a low appetite for risk in the conduct of any of its activities to avoid damage to that reputation through adverse publicity which would impact on the CA meeting its strategic objectives.

5.4.5. **Strategic Transformational Change –** The environment the CA works in is continually changing through both its internal operations and the services it provides. Change projects provide the CA with an opportunity to be the leading force in the Region and also to establish benefits for the longer term. The CA recognises that this may require increased levels of risk and is comfortable accepting some risk subject to always ensuring that risks are appropriately managed.

5.4.6. **Development and Regeneration –** the CA has a continuing obligation to invest in the development and regeneration of the Region. To continue to be progressive and innovative in the work performed the CA is willing to accept a higher risk appetite whilst ensuring that benefits are assessed and

risks are fully scrutinised and appropriately mitigated before developments are authorised.

5.4.7. **People and Culture –** the CA recognises that its staff are critical to achieving its objectives and therefore the support and development of staff is key to making CA a fulfilling and supportive place to work. It has moderate to high appetite for decisions that involve staffing or culture to support transformational change and ensure the CA is continually improving.

5.4.8. **Information Governance –** the CA is committed to being compliant with information rights legislation and implementation of the General Data Protection Regulation and Data Protection Bill (together the "new legislation") and its Information Governance Strategy goes further to cover all aspects of Information sharing and management, communication and data security. The CA's Senior Information Risk Owner (SIRO), Data Protection Officer (DPO) and Information Governance Officer (IGO) and the Head of ICT Services together champion the information governance agenda in a flexible and responsive way to new or changed operational requirements and respond to increased regulatory risks brought about by the new legislation. This enables the CA to demonstrate legal compliance with information rights legislation and take proportionate risk, strictly in line with the agreed risk appetite.

Review

The levels of risk appetite set out above and summarised below have been developed through consultation with and combining the views of the Audit and Risk Management Group of Officers, the Health and Safety Committee, the Senior Leadership Team and the Organisational Management Team, and the Members' Governance and Audit Committee. The CA's risk appetite statement is reviewed annually by these groups.

Table 5.1: CA risk appetite levels

	Low Risk Appetite ↔ High Risk Appetite				
	1	***2***	***3***	***4***	***5***
Legal Compliance and Regulation		2			
Operational/Service Delivery			3		
Finance and Resource Management			3		
Reputational/Marketing/PR		2			
Strategic Transformational Change				4	
Development and Regeneration				4	
People and Culture			3		
Information Governance		2			

6. Risk Management Approach

Risk Registers

6.1. The Combined Authority collates risks into the following registers. These can be summarised as follows:

- **Corporate Risk Register** – contains the main on-going or long term risks to the CA on an organisation wide basis, including legal compliance in relation to Data Protection, Health and Safety, financial management and other statutory requirements. These risks are owned and managed by the Senior Leadership Team.
- **Directorate Risk Registers** – contain risks specific to the processes and actions for each directorate. These risks are be managed by Directors and their Heads of Service. Risks within Directorate Risk Registers can be escalated to the Corporate Risk Register by Senior Management Team.
- **Portfolio Risk Register** – contains risks specific to the portfolio of funding programmes. These risks are managed by the Portfolio Management Group. Risks within the Portfolio Risk Register can be escalated to the Corporate Risk Register by the Portfolio Management Group.
- **Funding Programme Risk Registers** – contains risks specific to each of the Funding Programmes that the CA is responsible for. These risks are managed by the relevant Programme Funding Group (e.g. Growth Deal Management Group). Risks within Funding Programme Risk Registers can be escalated to the Portfolio Management Risk Register by the relevant Programme Funding Group.
- **Project and Programme Risk Registers** – contain specific risks related to individual projects and programmes and are owned by project and programme managers with oversight from the relevant Head of Service. Risks within these registers can be escalated to the relevant Funding Programme Risk Register by the relevant Project or Programme Board.

6.2. All risk registers must use the Risk Register Template available here LINK.

6.3. All risk registers, other than project and programme risk registers, must be saved on the CA's Risk Management SharePoint Site. Project and programme risk registers must be available on request.

Assessment of Risks

6.4. The assessment of probability and impact for risks must be undertaken according to the matrices below and as set out in more detail at Appendix 2.

Risk Rating

6.5. Once each risk has been assessed for probability and impact, the risk rating is determined by considering both probability of the risk occurring and the impact it would have if it did occur. The scoring system is demonstrated by the following matrix:

Impact	Highly Sig.	High	High	Very High	Very High	Very High
	Major	High	High	High	Very High	Very High
	Moderate	Medium	Medium	High	High	High
	Minor	Low	Low	Medium	Medium	Medium
	Insignificant	Low	Low	Low	Low	Low
		Rare	Unlikely	Possible	Probable	Almost certain
		Probability				

Programme and Project Risk

6.6. All programmes and projects must create, baseline and maintain a risk register. The format of these is to be determined by the promoters. However, promoters as a minimum are required to submit their key risks to the Combined Authority's PMO team using the Risk Register template and included in the Expression of Interest and Business Case at the appropriate Decision Points, as part of any change request and as part of the CA's monitoring and reporting requirements.

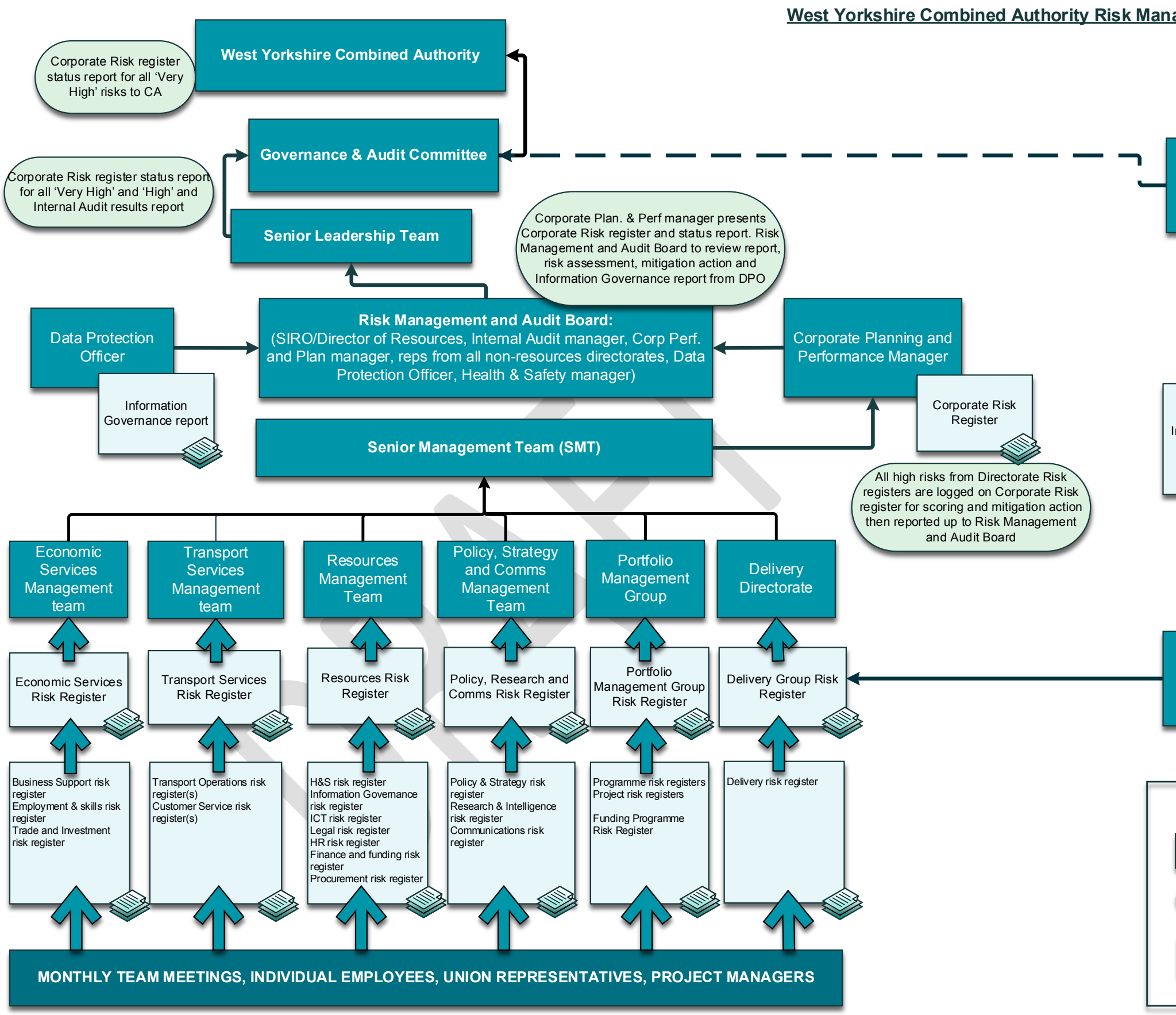
6.7. All transport projects must also include a Quantified Risk Allowance (QRA) at Decision Points 3, 4 and 5 of the Assurance Framework (Outline Business Case, Full Business Case and Full Business Case with Finalised Costs). The probability value will be agreed with the CA. It would typically be expected that the Promoter would include either the P50 or P85 value. The value would be decided by the Promoter in association with the CA and would depend on local circumstances associated with the project.

6.8. Non transport projects must include a costed risk register, which can be in a simpler form, which must be agreed with the CA.

6.9. The QRA / Costed Risk Register amount will not be held by the CA and therefore will not be managed at portfolio level, but will managed by the programme and / or project and included in the funding agreed and detailed in the funding agreement between the CACA and the Promoter. It will be the responsibility of the Promoter to manage the QRA. It is also the responsibility of the Promoter to advise the CA through the CA' monitoring and reporting requirements on the status of the QRA amount.

7. Risk Reporting and Escalation Process

7.1. The formal route for reporting, monitoring and escalating risks is summarised by the diagram below:



7.2. The formal route for reporting on risks is further summarised below, along with further details regarding alternative escalation arrangements in-between formal reports.

7.3. All risks will be recorded and made accessible to the Risk Management and Audit Board. The focus of reporting to the Risk Management and Audit Board will however be on the 'very high' and 'high' risks.

Risk Register	Reporting arrangements	Alternative Escalation Arrangements	Responsibility
Corporate Risk Register	**Senior Leadership Team** Quarterly risk report to include quarterly review **Senior Management Team** Monthly performance snapshot Quarterly risk report to include quarterly review	Significant changes to be reported through weekly Leadership Team meetings	Corporate Planning and Performance Team
Directorate Risk Registers	**Directorate Management Teams** Monthly review **All staff** Regular review at team meetings and staff 1 to 1's	Significant changes to be reported through regular Directorate Management Team meetings or with relevant Director / Head of Service If changes affect the corporate risk register, Directors to report to Leadership Team.	Directors

Risk Register	Reporting arrangements	Alternative Escalation Arrangements	Responsibility
Portfolio Risk Register	**Portfolio Management Group (Including Funding Groups e.g. Growth Deal Management Group)** Bi monthly review	Significant changes to be reported to Director of Delivery If changes affect the corporate risk register, Director of Delivery to report to Leadership Team.	Portfolio Management Office (PMO)
Programme Risk Registers	**Programme Boards** Review at each Programme Board meeting	Significant changes to be reported to the relevant Senior Responsible Owner (SRO) If changes affect the funding programme risk register, SROs to report to PMO	Programme Managers
Project Risk Registers	**Project Boards** Review at each Project Board meeting	Significant changes to be reported to the relevant SRO If changes affect the programme risk register, SROs to report to relevant Programme Board If the project is not part of a programme, if changes affect the funding programme risk register, SROs to report to PMO	Project Managers

APPENDIX 1 – RISK MANAGEMENT ROLES AND RESPONSIBILITIES

Group	Responsibilities
Governance and Audit Committee	• Provides a Member overview of the audit and risk arrangements in place. • Reviews and assesses the Risk Management Policy annually and Corporate Risk Register quarterly
Senior Leadership Team	• Approves the Risk Management Policy • Reviews the Risk Management Policy annually • Owns and reviews the Corporate Risk Register • Reviews any changes to corporate risk as these are escalated
Audit and Risk Management Board	• Reviews risk management arrangements and the Corporate Risk Register bi-monthly • Considers new areas of risk to which the CA is exposed, the management of these risks, training in risks and awareness of risks across the organisation. • Reviews progress on the internal audit plan, ensuring any emerging risk issues are appropriately addressed in the plan
Health and Safety Committee	• Identifies and Reviews Health and Safety risks which need to be escalated to the Corporate Risk Register
SMT	• Reviews the Corporate Risk Register
Directorate Management Teams	• Owns the Directorate Risk Register • Reviews Directorate Risk Register and escalates corporate risk issues to SMT
Portfolio Management Group and Programme Funding Groups	• Owns their Risk Register • Reviews and escalates risks as necessary.
Project, Programme and Service Managers	• Owns individual project, programme and service risk registers • Reviews and escalates risks as necessary

Group	Responsibilities
Corporate Planning & Performance Team	• Updates and administers the Risk Management Policy and the Corporate Risk Register • Prepares risk and performance reports for OMT, Leadership Team • Reports to Audit and Risk Management Group and Governance and Audit Committee on risk matters
All CA Staff	• Consider the risks to the achievement of their day-to-day objectives and the CA's priorities. • Ensure that any risks which they cannot manage or that have a cross-cutting impact are escalated to their managers. At a Head of Service level, this may mean adding the risks to the directorate risk register. At a directorate level, this may mean proposing a risk for referral to the corporate risk register.
Internal Audit (3rd line defence)	• Uses risk management techniques in its audit processes • Considers the corporate risk register when developing its audit plan.

APPENDIX 2 – ASSESSMENT MATRICES

ASSESSMENT OF RISKS

Probability

If you're not sure about the percentage chance of a risk happening over a given timescale and you don't have the data to assess its frequency, use the probability descriptors (i.e. 'Unlikely', 'Almost certain' etc.) to determine the most suitable score.

The risk timescale – i.e. the period of time during which the risk could materialise - will vary according to the type of risk it is. For example:

• For a budget risk, it might be expected to materialise over this financial year or over the period of the Medium Term Financial Plan.

• For a project risk, it could be either over the whole of the project lifecycle or for a particular phase within the project.

• With regard to an event, the timescale will be from now until the date of the event.

• For a number of the more cross-cutting strategic risks such as those on the corporate risk register, it is likely that the risk could materialise at any time. In these instances, it would be useful to consider the frequency: e.g. has this ever happened in the past in Leeds and, if so, how often and how recently? Has anything changed to make the risk more likely to occur?

Impact

Many risks could have a range of consequences: for example, a Health & Safety breach could affect an individual as well as lead to reputational and financial damage for an organisation. It's therefore possible that you assess the risk as having an impact of '3' using the Health & Safety impact, '2' for Finance and '4' for reputation.

Although you could break the risk down into several different risks covering all these areas and then score each of them to address the varying impact scores, often this can crowd a risk register and take the focus away from the actual risk 'event': i.e. the Health & Safety incident. Where possible, it's better to have 1 risk and use your best judgement to give an overall single impact assessment score. In the example above, this might be a '3' if you were to average the 3 impact scores or '4' if you decided to go with a worst-case scenario.

Probability Score	**1**	**2**	**3**	**4**	**5**
Probability Descriptor	**Rare**	**Unlikely**	**Possible**	**Probable**	**Almost certain**
Frequency *(How often might it happen)*	This will probably never happen	Not expected to happen	Might happen	Will probably happen	Will undoubtedly happen
% Likelihood	Less than 5% chance	Around 10% chance	Around 25% chance	Around 60% chance	Around 90% chance

Impact Score	1	2	3	4	5
Impact Descriptor	**Insignificant**	**Minor**	**Moderate**	**Major disruption**	**Highly significant**
Projects / Programmes	Little or no schedule slippage. No threat to anticipated benefits & outcomes.	Minor delays but can be brought back on schedule within this project stage. No threat to anticipated benefits & outcomes.	Slippage causes delay to delivery of key project milestone but no threat to anticipated benefits / outcomes.	Slippage causes significant delay to delivery of key project milestone(s). Major threat to achievement of one or more benefits / outcomes.	Significant issues threaten entire project. Could lead to project being cancelled or put on hold.
Financial Impact	No or minimal financial cost.	Losses / costs incurred of 1-2% of budget.	Losses / costs incurred of 3-5% of budget.	Losses / costs incurred of 6-10% of budget.	Losses / costs incurred of more than 10% of budget. Not covered by insurance.
Reputation	No adverse publicity. Rumours.	Single adverse article in local media or specific professional journal. WYCA / Partner one of a number of agencies referred to.	A number of adverse articles in regional / social media mentioning WYCA / Partner. Some recirculation via social media. Single request for senior officer / member to be interviewed on local TV or radio. Adverse reaction by LCR residents in social media / online forums. Short-term reduction in public confidence.	Series of adverse front page / news headlines in regional or national media. Wider recirculation via social media. Sustained adverse reaction by LCR residents in social media etc. Repeated requests for senior officer / member to be interviewed on local TV or radio. Long-term reduction in public confidence.	Sustained adverse publicity in regional media and / or national media coverage. Extensive / prolonged recirculation via social media channels. Repeated requests for Leaders / Chief Execs / WYCA MD to be interviewed on national TV or radio. Possible resignation of senior officers. Total loss of public confidence.

Service Interruption	Negligible. No impact on services.	Minor inconvenience for service users and staff. Services quickly restored.	Some client dissatisfaction but services restored before any major impacts.	Major disruption to service delivery. This could be through a single event or a series of outages.	Massive disruption to services. Recovery difficult or even impossible.
Staff	No impact on staff or service delivery.	Short-term low staffing level that temporarily reduces service quality. No impact on staff morale.	Medium-term low staffing level / insufficient experienced staff to deliver quality service. Some minor staff dissatisfaction.	Late delivery of key objective / service due to lack of experienced staff. Low staff morale.	Non-delivery of key objective / service due to lack of experienced staff. Very low staff morale.
Statutory Duties	No or minimal impact or breach of guidance / statutory duty.	Minor breach of statutory legislation / regulation. Reduced performance rating if unresolved.	Single breach in statutory duty. Challenging external recommendations / improvement notice.	Several breaches in statutory duty. Enforcement action and improvement notices. Critical report. Low performance rating.	Multiple breaches in statutory duty. Prosecution. Complete systems / service change required. Severely critical report. Zero performance rating.
Health & Safety	No ill effects	Short-lived / minor injury or illness that may require First Aid or medication. Small number of work days lost.	Moderate injury / ill-effects requiring hospitalisation. Risk of prosecution from enforcement agencies.	Single fatality and / or long-term illness or multiple serious injuries.	Multiple fatalities and / or multiple incidences of permanent disability or ill-health.
Environment	No effect on local infrastructure, communities or the environment.	Superficial damage to local infrastructure (e.g. minor road) but little disruption caused.	Medium damage to local infrastructure (e.g. minor road) causing some disruption.	Key elements of local infrastructure (e.g. school, major road) damaged causing major disruption.	Extensive damage to critical elements of local infrastructure (e.g. school, hospital, trunk road) causing prolonged disruption.

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Appendix 2: Corporate Risk Register

Current Date: Jul 18
Current Version: v0.05

ID	Type	Description	Probability	Impact	Rating	Existing Controls	Action Countermeasure and Owner	Risk Owner	Last Review Date	Status
F1	Financial	Failure to secure enhanced funding and devolved powers	Possible	Highly Significant	Very high risk	1. Devolution discussions continuing as a key organisational priority	1. Continue devolution discussions taking account of recent developments in South Yorkshire 2. Development of pipelines to be 'bid' ready	Interim Director of Policy, Strategy	06/07/18	Open
SD3	Service Delivery/Service User Risk	Failure to deliver Growth Deal funding programmes within timescales/costs	Possible	Highly Significant	Very high risk	1. Significant monitoring and controls in place through PMO	1. Call for projects to ensure healthy pipeline of projects/programmes	Director of Delivery	06/07/18	Open
CS1	Communication/Stakeholder Management	Failure to properly communicate the purpose of CA/LEP to internal and external stakeholders	Possible	Moderate	High risk	1. New communications team established 2. Brand/identity rolled out internally on 5th Feb 3. Brand/identity rolled out externally from 12 Feb	1. continued implementation of brand / identity project - next phase to focus on brand families	Head of Comms & Marketing	06/07/18	Open
F2	Financial	Failure to secure continued funding for key economic services including the Growth Service, Skills Service, Apprenticeship support and Enterprise in Education programmes;	Unlikely	Highly Significant	High risk	1. additional funding secured for Growth Service for 2 years 2. Business Rates Pool application submitted in August 17 3. BRP funding not currently sufficient to cover all requirements	1. Regularly review funding opportunities 2. Lobbying activities	Executive Head of Economic Services	06/07/18	Open
F3	Financial	National and local investment in the Inclusive Industrial Strategy is insufficient to make the transformational change we need	Possible	Major Disruption	High risk	1. Ongoing dialogue with Government	1. Continued development of draft strategy	Interim Director of Policy, Strategy	06/07/18	Open
HR1	Human Resources	Failure to have in place the capacity and resources to deliver the increased workload	Possible	Major Disruption	High risk	1. One Organisation Change programme has identified new organisational structures to address this and these are now largely implemented	1. Complete implementation of One Organisation Change programme 2. Complete recruitment to remaining OD structures	Director of Resources	06/07/18	Open
PC1	Partnerships/Commercial	Failure to develop appropriate working arrangements with districts	Unlikely	Major Disruption	High risk	1. Work to strengthen key partnerships being led by policy teams 2. Assurance process implemented and contributing towards more consistent working arrangements on the delivery of projects and programmes with districts	1. Continue to strengthen key partnerships - policy teams 2. further embed assurance process - PMO	Head of Comms & Marketing	06/07/18	Open
R2	Regulatory/Legal	Risk of legal challenge as a result of not being compliant with regard to HR, Financial, procurement and Governance Legislation	Possible	Moderate	High risk	1. Policies and processes in place 2. Training undertaken	1.Continued review of policies and procedures	Director of Resources	06/07/18	Open
R3	Regulatory/Legal	Risk of financial penalty/legal proceedings as a reuslt of not being compliant with the new GDPR regulations which came into force in May 2018	Possible	Major Disruption	High risk	1. LCC have undertaken and audit on our behalf and action plan has been identified 2. Working group set up to implement action plan 3. Training rolled out to all staff	1. Data Protection Officer continuing to review Information Asset register for ongoing compliance 2. Prioritised action plan in place	Director of Resources	06/07/18	Open
SD1	Service Delivery/Service User Risk	Failure to deliver CA objectives and outcomes to demonstrate that CA/LEP is making a difference	Unlikely	Highly Significant	High risk	1. One Organisation programme is delivering structure and process changes designed to deliver key organisational objectives	1. Complete remaining elements of One Organisation programme to deliver structure and process changes - Directors	Director of Resources	06/07/18	Open
SD4	Service Delivery/Service User Risk	Poor outcome of the 2019 Growth Deal Peer Review	Unlikely	Highly Significant	High risk	1. Significant monitoring and controls in place through PMO	1. Robust monitoring and reporting in place to identify issues early	Director of Delivery	06/07/18	Open
SS1	Safety/Security	Risk of Major incident at CA facility, accident or injury to vulnerable person(s)	Unlikely	Highly Significant	High risk	1. policies, procedures and processes in place 2. staff training 3. Ongoing review of Health and Safety risks	1. Working with district emergency planning units to share knowledge and develop joint plans 2. Continued working with police on preventative measures	Director of Transport Services	06/07/18	Open

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