STATEMENT OF ACCOUNTS

SOUTH YORKSHIRE PASSENGER TRANSPORT EXECUTIVE

STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2021

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NARRATIVE REPORT

1. INTRODUCTION

Purpose of the Report
This report provides a narrative context to accompany the Accounts of the South Yorkshire Passenger Transport Executive which shows its financial position and performance for the year and its prospects for future years.

The Statement of Accounts contains all the Financial Statements and Disclosure Notes required by statute. They have been prepared in accordance with the 2020/21 Code of Practice on Local Authority Accounting (the Code) together with guidance notes, as published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

2. AIMS AND OBJECTIVES

South Yorkshire Passenger Transport Executive (SYPTE) is the local government body responsible for public transport within South Yorkshire and is an executive body of, and accountable to, the Sheffield City Region Mayoral Combined Authority (MCA). The MCA has ambitious plans to transform the City Region economy, these ambitions are set out in the recently approved 20-year Strategic Economic Plan (2021-41) and focus on the importance of infrastructure investment to create the conditions for businesses to thrive, especially in the context of economic recovery from the devastating impact of the Covid-19 pandemic. Public transport connectivity and local sustainable transport are central to this.

In May 2018 the Sheffield City Region elected its first Mayor and in December 2018, the Mayor launched his Transport Vision, which aims to build a transport system that works for everyone, connecting people to the places they want to go within the Sheffield City Region as well as nationally and internationally. The vision is for a transport system that is safe, reliable, clean, green and affordable and one of the best in the United Kingdom and Europe.

The Mayor's Transport Vision is underpinned by ten commitments to:

1. Invest in tram, tram-train, bus rapid transit, bus networks, active travel and tackle congestion hotspots;
2. Invest in services to ensure that residents with disabilities, young people, the elderly and those who are isolated economically and geographically are able to travel easily, confidently and affordably;
3. Develop a plan for road investment that takes a co-ordinated long-term perspective;
4. Ensure that local, regional and national road and rail investment delivers for the region;
5. Put pedestrians and cyclists at the centre of transport plans;
6. Work with partners to deliver a zero-emissions public transport network and eliminate the need for Air Quality Management Areas (AQMAs);
7. Ensure that safety is planned into all future transport investment and that road safety education initiatives are prioritised;
8. Ensure that new technology improves the customer experience of travelling in and around the Sheffield City Region;
9. Actively support improved public transport connections to Doncaster Sheffield Airport and ensure that regional rail investment delivers fast and efficient rail links to major airports;
10. Undertake a review of the bus network in South Yorkshire, to look at all options for improving local bus services.

These commitments set the framework for the full Transport Strategy, which was adopted by the MCA Board in January 2019, outlining the evidence base and key policies which will be adopted to help deliver the goals and mayoral commitments.

The Vision and the Strategy have shaped and informed SYPTE's delivery strategy and plans and provided the imperative for the launch of an independent review into bus services in South Yorkshire by Clive Betts MP.

In line with its current mandate, SYPTE continues to deliver attractive, customer focused and value for money transport solutions that support the MCA's sustainable and inclusive economic growth aspirations for South Yorkshire. It administers the English National Concessionary Travel Scheme and supports the commercial bus network through provision of financially supported ("Tendered") bus services and Community Transport.

Nonetheless, the impact of COVID-19 on public transport has made 2020/21 an incredibly difficult and challenging year, to which SYPTE has had to respond by adapting its operating model to react to rapid developments as they emerged.

In June 2020 the MCA Board approved a seven-point plan to address the recommendations set out in the Bus Review report by Clive Betts. One of the recommendations is to integrate the MCA and SYPTE into one organisation, and steps were taken during the year to initiate the integration project which will be one of the Senior Management Team's key priorities for 2021/22.

3. KEY DEVELOPMENTS IN THE YEAR

Despite the significant financial and operational disruption precipitated by the pandemic, 2020/21 saw significant progress on a number of SYPTE key strategic projects designed to improve the public transport network in the region:

- The final third of three years of Supertram network re-railing was completed. This work was to replace sections of track which have experienced accelerated wear and required replacement to ensure continued safe operation of the network and to prepare its use beyond the current concession arrangement ending in 2024.

- Following the award of £166m of Transforming Cities Fund grant from DfT in 2019/20, project development is now well underway on a range of projects, with delivery planned to commence in 2021/22. These projects focus on improving infrastructure for the public transport, rail and active travel networks. Notable examples include new tram-train stops with park and ride facilities at Parkgate and Magna in Rotherham, iPort Bridge in Doncaster and rail station improvements across the region.

- Almost 100 bus shelter digital screens have now been installed across the city region as part of a 10 year on-street advertising deal, providing vital commercial funding.

- The National Bus Strategy was announced on 15 March 2021, setting out Government's plans for future bus services and the process for managing recovery. One of the immediate decisions sought by Government is whether local transport authorities will opt for an enhanced partnership or franchising model. Officers were already in the process of compiling the evidence base to support the business case, as it forms part of the MCA's response to the Bus Review undertaken by Clive Betts MP and his fellow commissioners.

- A series of investments in public transport services were agreed at the March 2021 MCA meeting as part of a wider range of measures to support the Region's recovery from the impact of COVID-19. The MCA agreed to introduce a signature policy, extending the current 18 and under notified single fare of 80p to all people aged under 22. It is anticipated that this will also give access to value for money (e.g. weekly) products, though negotiations with operators are required to secure this. At present we are planning on a launch on 21 June and will run for one year to June 2022. A budget of £6.7m has been agreed for this concession for one year.

- Agreement was also reached on investing in improving the standards of the bus shelter estate across the region, as well as increasing the number of real-time displays across shelters. Work is required to agree how shelters are identified for upgrade; this will likely be based on asset condition or on a corridor basis to invest along key bus routes. Similarly, specific locations for real-time units have yet to be agreed.

- The agreed investment also included funding to upgrade a proportion of the current Community Transport vehicle fleet from internal combustion engine vehicles to electric vehicles. This helps support and kick-starts the region's intent to move to a zero-emission public transport network.

- A total of £3.2m for bus capital investment for the above three schemes (shelters, real-time and CT vehicles) has been made available from the MCA's devolution 'gainshare' funding. Funding for these schemes comes from a variety of sources; £4.5m from gainshare, and the remaining £2.2m comes from transport levy (2 years of the £1.1m ‘investment fund’ which arose from freezing the levy in 2020/21).

Impact of Covid-19

SYPTE mobilised its operations immediately in response to the Covid-19 crisis, one of the landmark events being full national lockdown with effect from 23 March 2020. This event directly resulted in patronage on public transport falling by around 90%.

The following section covers 7 key areas which demonstrate the effects of the pandemic on SYPTE’s services, operations, performance, strategic direction, resources and financial sustainability.

a) Provision of Services

The key frontline services provided by SYPTE which were immediately and directly affected by Covid-19 are the Interchanges, where the health and safety of passengers has been paramount throughout the past year.

Plans for the Interchanges and communications to customers were continually updated to take into account the anticipated shifts in demand at each milestone during the year, principally the relaxation of lockdown restrictions at various points in Spring and Summer 2020 (resulting in demand increasing particularly in May and June) and subsequent re-tightening in Autumn and Winter 2020 as infection rates rapidly increased.

Steps taken to manage increasing demand at various stages during the year included the display of posters at all stops, the installation of temporary barriers in Interchanges to manage passenger flow, and floor markings being put down to remind passengers of the rules on 2-metre social distancing.

SYPTE remained in constant dialogue with all the major bus operators to understand their readiness for increasing capacity (where possible to maximum available resources) from the start of June. The timetable and service frequency used with operators was re-modelled, and based on the “Saturday Plus” timetable. This had also been successfully trialled in March 2020 prior to lockdown.

For the operators, the primary concern was their commercial sustainability. With fare-box income collapsing in line with patronage, operators became reliant on public subsidy from SYPTE and national Government. Throughout the year there was ongoing uncertainty regarding central government funding, which was rolled out in short phases with no clear long-term plan at the time, and often with very little notice for operators to instigate their resource changes and incur costs without assurances that such costs would be covered.

SYPTE supported operators financially through an agreement to continue to pay concessionary fare payments at pre-pandemic levels whilst so ever government contributed funding directly to operators. Maintaining concessionary fares at this level meant that SYPTE paid significantly in excess of demand, but to budget, enabling a guaranteed stream of funding to operators.

Whilst bus operators received direct support from central government, funding arrangements in respect of Supertram were negotiated locally, with SYPTE playing a key role alongside, DfT and Stagecoach. The negotiations led to a funding package which allowed the light rail system to continue to operate throughout the year, thus allowing key workers to travel to work.

b) Workforce

As soon as it became apparent that the lockdown would come into effect, SYPTE put its contingency plans into effect, resulting in the majority of staff working from home. The head office at Broad Street West was closed, and access to this and other worksites was restricted to those classified by the Senior Management Team as essential workers.

No staff were furloughed or redeployed, and sickness levels were reported to be broadly in line with pre-covid-19 levels.

c) Supply Chains

SYPTE has relatively low exposure to supply chain failure. At the start of the pandemic, the highest priority supplies were ICT hardware, personal protective equipment (PPE) for frontline staff, hand sanitiser and temporary barriers for the interchanges. The ICT and Business Operations teams were able to secure all of the requisite equipment to enable the entire workforce to shift to home-working within a matter of weeks.

d) Reserves, Financial Performance and Financial Position

The impact of Covid-19 was regularly reviewed throughout the year, in order to understand the implications for the SYPTE 2020/21 revenue budget. The major threat was initially expected to be the income budget of £4.1 million covering park and ride charges, commercial income, property rent, departure charges and service charges. A risk of £1.6 million was identified and a new earmarked reserve was created in the 2019/20 accounts to cover the impact in 2020/21. A further £3 million was added to this reserve to deal with additional pressures on expenditure that the recovery from Covid-19 was expected to place upon SYPTE budgets. In spite of significant income losses and increased bad debt risk, SYPTE has not needed to draw down on these resources in year, and £1.5 million continues to be held in an earmarked income resilience reserve; this has been made possible by putting in place a fixed agreement for the payment of concessionary reimbursement to the operators, thus yielding a saving of around £1.5 million.

Further work was undertaken as part of the newly introduced MCA group-wide business planning process to assess a number of other risks, particularly the impact on the bus tendered services budget in the event that operators cut or withdraw vital public transport services in response to central government support (e.g. CBSSG) ceasing. Consequently, the MCA agreed to set aside £7 million in reserves for the protection of priority services. Around £1.1 million of this reserve is currently held by SYPTE, with the remainder held at group level.

Reserves have also been set aside for the Bus Recovery project (£3 million), Mass Transit project readiness (£3 million), Asset Management (£1.8 million), and the remaining £1 million cover pensions smoothing, redundancy and pay inflation risk and IT projects.

e) Cash Flow Management

SYPTE's cashflow management is governed by the SCR MCA group's Annual Treasury Management Strategy, the 2021/22 update of which was approved by the MCA Board on 22 March 2021. In common with most other public sector bodies, the MCA's approach to its Investment Strategy is governed by a hierarchy of considerations centred on protecting public funding. This hierarchy places a greater emphasis on the security and the liquidity of the MCA's investments than it does on the yield generated from them. This relatively conservative approach limits the MCA's exposure to losses arising from counterparty default, but also limits the returns that can be generated from investing cash resource until it is required.

f) Major Risks to the Authority

Throughout the year, the ongoing risk of a collapse of the public transport network hung over the region, casting a pale of uncertainty over how the MCA should use its status and resource to support the immediate position whilst planning for a post-pandemic world. Crucially however, Government recognised the MCA and local partners as an effective instrument through which to channel its fiscal response. SYPTE used national funding and local resources raised from the transport levy to provide an effective cocktail of subsidy funding for commercial transport operators, enabling the public transport system to continue to operate despite the collapse of fare-paying patronage. These efforts ensured access to mobility for key workers and communities and provides a platform for economic recovery efforts.

g) Plans for Recovery

The plan for recovery is a standing agenda item on SYPTE Senior Management Team's daily and weekly calls. A Covid-19 restart project has been initiated which pulls in resources from every department as well as key stakeholders from every Local Authority in the region.

Regular briefings take place with members of the Audit & Risk Committee, the Transport Officers Board and the Local Resilience Forum.

Recovery plans remain sensitive to the scale and longevity of government funding. Whilst Government have provided some detail on their plans for continued support to bus networks, linked to future regulatory change, there is still significant uncertainty around its plans for support to light-rail.

Activity required by Government around Bus Improvement Plans continues apace. This work should enable the MCA to continue to attract further government support.

4. FINANCIAL PERFORMANCE

Financial Headlines

The loss of fare-paying patronage has significantly impacted upon revenue generation, leading to concerns around the commercial viability of services. As services are generally run on a for-profit basis by commercial operators, there remains a significant underlying risk that unviable services are withdrawn by operators to the detriment of community mobility and the wider recovery effort. In mitigation of this risk, the bus and tram network received significant public subsidy throughout the year. The MCA, through SYPTE budgets, contributed material support through paying concessionary fares at pre-Covid volume levels, which guaranteed a baseline of income for operators. This has been complemented by significant amounts of direct grant support to the operators by Government.

Over £16m of funding for bus and tram services was received from Government, in addition to the funding Government awarded directly to bus operators. The cost of maintaining concessionary fare payments over and above actual demand-led costs is estimated at c.£17m. Accordingly, around £33m of public funding has been directed through the MCA in support of maintenance of the network.

The following summarises the year's financial performance:

- SYPTE generated an operational surplus of £0.8 million from a budget of £60.4 million primarily due to savings on concessionary fare reimbursement payments to bus operators.

- SYPTE's net worth decreased by £0.6 million. This decrease is primarily due to a decrease in unusable reserves in respect of the Deferred Capital Grants Reserve (£2.1 million) and Revaluation Reserve (£0.6 million), offset by an increase in the Pension Reserve (£2.4 million). Total usable reserves decreased by £0.4 million from £24.3 million to £23.9 million primarily due to the draw down of £0.6 million from the Capital Grants Unapplied Reserve to finance capital expenditure during the year, offset by smaller movements in the Operational Revenue Reserve.

- £8.9 million of capital investment was delivered during the year. Of this £6.2 million related to assets owned by SYPTE.

Revenue Budget

The 2020/21 Revenue Budget of £60.4 million was approved by the Mayoral Combined Authority in January 2020 and was funded by grants from the Mayoral Combined Authority and Government together with planned use of the Levy Reduction Reserve.

The following table shows the final operating budget outturn position for 2020/21:

2020/21 BUDGET OUTTURN	Budget £'000	Actual £'000	Variance £'000
Concessions and Ticketing	27,052	25,477	1,575
Capital Financing and Pensions	16,433	16,306	127
Network Costs	6,532	6,186	346
Public Transport Operations	5,882	7,091	(1,209)
Planning and Support	2,499	2,354	145
Customer Services	1,964	2,104	(140)
Total	**60,362**	**59,518**	**844**

The revenue budget surplus results from savings on concessionary travel, offset by income pressures resulting from the pandemic.

Capital Expenditure

The £8.9 million of capital expenditure was primarily funded through grant receipts including: Mayoral Combined Authority £4.0 million, DfT (Tram-Train) £1.8 million and others, including Integrated Transport Block funding, £1.7 million and Transforming Cities Fund £0.9 million. For 2021/22 the MCA Board has approved capital expenditure for SYPTE of £19.4 million, of which £14.4 million relates to Transforming Cities Fund (TCF), £2.5m from Integrated Transport Block funding and the remainder from a variety of sources. The 2020/21 outturn report will include a request to carry forward unspent ITB from 2020/21 and a further request to increase the capital budget by £3.2 million for bus capital investment for three schemes (shelters, real-time and community transport electric/hybrid vehicles) from gainshare.

There were no significant disposals of non-current assets in the year.

Borrowing

As at 31 March 2021, the SYPTE loans portfolio totalled £110.6 million. £53 million of repayments were made during the year. No further borrowing was undertaken in 2020/21 as all capital investment was funded from Capital Grants awarded to SYPTE, principally from DfT and the Mayoral Combined Authority.

SYPTE also has PFI liabilities of £10.8 million, down from £11.0 million in 2019/20.

Private Finance Initiative (PFI) Scheme

SYPTE controls the operations of Doncaster Interchange, which is funded under a PFI scheme. The contract runs until June 2039 and incorporates the future maintenance and upkeep of the building and the fixtures and fittings. The net book value of £11.2 million is recognised in the Financial Statements. In 2020/21 and future periods, SYPTE incurs costs in relation to the PFI, being lease repayment, interest charge and contingent rents.

Pension

In accordance with IAS19, SYPTE fully recognises any deficit in the pension fund in its Accounts. The Pension Liability as at 31 March 2021 was £34.0 million, a decrease of £2.4 million during the year.

Statutory provisions require that any pension fund deficit be made good by increased contributions over the remaining working life of the employees. At the last triennial valuation on 31st March 2017, SYPTE agreed a strategy with the scheme's Actuary to achieve a funding level of 100% over the next 19 years. SYPTE paid £4.0 million contributions for the three-year period 2017/18 to 2019/20 on 3 April 2017.

At the most recent triennial valuation on 31st March 2020, the scheme's Actuary deemed that the pension fund was now in surplus. Hence, SYPTE will not be required to make any deficit contributions for the three-year period 2020/21 to 2022/23.

Reconciliation of the Revenue Budget Outturn to the Comprehensive Income and Expenditure Account (CIES)

Revenue expenditure is reported in SYPTE's Financial Statements in the Comprehensive Income and Expenditure Statement (CIES). The CIES takes a wider view of financial performance than the revenue budget outturn position and shows the accounting position for the year, namely the deficit of £4.5 million. This deficit is included in the total movement in SYPTE's net worth during the year as shown in the Balance Sheet. The difference between the two represents accounting rules around when income and expenditure is recognised and when costs need to be funded from other resources. A reconciliation is shown in the table below:

	£'000
2020/21 BUDGET OUTTURN	**59,517**
Revenue Grant	(52,278)
Capital Financing Adjustments	(3,768)
Pension Adjustments	886
Other Items	131
Deficit on Comprehensive Income & Expenditure	**4,488**

Material and Unusual Transactions

Over the course of the year SYPTE continued to remit concessionary payments to bus and tram operators at pre-pandemic levels. These payments were significantly in excess of those that would have been made if based on actual demand. As payments were paid to a previous profile, they did not impact upon the budget.

Throughout the year the MCA received support for the subsidy of tram operations through the Light Rail Revenue Restart Grant (LRRRG) from the Department for Transport. This funding was passed through to the tram operator of the Supertram system, South Yorkshire Supertram Ltd (SYSL). The receipt of this funding and its on-remittance to SYSL results in elevated gross income and expenditure for the year.

Change in Accounting Policies

A review of the application of IFRS9 – Financial Instruments and IFRS15 – Revenue from Contracts with Customers has concluded that there is no material impact on the Accounts of SYPTE and consequently there have been no changes to accounting policies in the year.

Reserves

At 31 March 2021 total Reserves stood at £117.2 million (2020: £117.9 million). The £0.6 million decrease is made up of a £0.4 million decrease in usable reserves and a £0.3 million decrease in unusable reserves. The decrease in usable reserves is due to a £0.5 million decrease in the capital grants unapplied reserve, a decrease of £0.1 million in the capital receipts reserve offset by an increase of £0.2 million in the operational revenue/earmarked reserves.

The decrease in unusable reserves is due to a £2.1 million decrease in the Deferred Capital Grants reserve, a £2.4 increase in Pension Reserve and a £0.6 deccrease in Revaluation Reserve.

Financial Outlook

In January 2021, the MCA Board voted in favour of retaining the 2020/21 Transport Levy at the same level as in 2019/20. The Board recognised that in order to tackle the sustained fall in public transport usage, investment in the bus network should not be cut further. This is only the second time in 11 years that the Levy has not been reduced year-on-year.

SYPTE will continue to identify and deliver operational efficiency savings and increase commercial income streams and grant funding where possible. Changes to the discretionary travel scheme concessions, tendered bus services and community transport services will be explored with partners to ensure that these policies continue to meet regional aspirations for public transport and are appropriately funded.

South Yorkshire has seen a sustained and gradual decline in public transport patronage, in particular bus patronage over the last 40 or more years, which not only presents a challenge to SYPTE in terms of its role encouraging use, but also puts significant pressure on operators of services' ability to provide sustainable and appealing services to the public which do not necessarily require heavy public subsidy, particularly at a time where budgets continue to be under pressure to make savings, and exacerbated by the impact of Covid-19. In order to understand the reasons for bus patronage decline, the Mayor appointed Clive Betts MP to undertake an independent Bus Review. The review has been concluded, and the report was published in June 2020.

2021/22 will see work on several major capital programmes including a number of schemes funded through Transforming Cities Fund to improve public transport and active travel. Further work will also be undertaken on the business case for the Sheffield City Region Mass Transit scheme to seek funding to deliver sustainable arrangements for the future operation of the tram network (or its alternative) beyond 2024.

SYPTE will continue to work together with the Mayoral Combined Authority and Local Authority partners to ensure that it is able to successfully deliver the region's public transport objectives and remain financially sustainable.

1 SCOPE OF RESPONSIBILITY

SYPTE 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.

In discharging this overall responsibility, SYPTE must put in place proper arrangements for the governance of its affairs, and to facilitate the effective exercise of its functions, which includes arrangements for the management of risk.

This statement explains how SYPTE has complied with its Local Code of Corporate Governance and associated Action Plan and also meets the requirements of Regulation 6 (1a and 1b) of the Accounts and Audit (England) Regulations 2015 in relation to conducting a review at least once per year of the effectiveness of its systems of internal control and including a statement reporting on the review with the published Statement of Accounts in the form of an Annual Governance Statement.

SYPTE approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE *Delivering Good Governance in Local Government Framework 2016.* A copy of the 2020/21 Local Code is available on its website and the related Action Plan can be obtained from the Principal Solicitor & Secretary, SYPTE, 11 Broad Street West, Sheffield, S1 2BQ.

2 THE PURPOSE OF THE CIPFA/SOLACE GOVERNANCE FRAMEWORK

The aim of the Governance Framework is to ensure: that resources are directed in accordance with agreed policy and according to priorities; that there is sound and inclusive decision making; and that there is clear accountability for the use of those resources in order to achieve the desired outcomes for the service users and communities.

The Framework positions the attainment of sustainable economic, societal and environmental outcomes as a key focus of governance processes and structures. In addition, there is a focus on sustainability and the link between governance and public financial management.

The Framework defines the principles that should underpin the governance of SYPTE and provides a structure to help with its approach to governance. The Framework does not just reflect rules and procedures but also the values integrated into the culture of SYPTE and embedded in its behaviour and policies.

SYPTE's Local Code of Corporate Governance 2020/21 has been in place for the year ended 31 March 2021 and up to the date of approval of the Statement of Accounts.

3 REVIEW OF EFFECTIVENESS OF SYPTE's CODE OF CORPORATE GOVERNANCE

SYPTE's Code of Governance includes those documents, policies, procedures and expected behaviours that it has in place to help it deliver its objectives. SYPTE assessed the effectiveness of its Code of Governance in light of the Governance Framework and recognises that it has areas that need to be improved, and these were captured in an Action Plan which was approved by the Transport Officers Board on 13 April 2021. In addition, areas for improvement identified by the Audit and Risk Committee are highlighted in the relevant sections of this Annual Governance Statement.

The key aspects of SYPTE's Code of Governance, considered in the context of the CIPFA/SOLACE Governance Framework are set out in this document.

Vision and Strategy

SYPTE is an executive body of Sheffield City Region Mayoral Combined Authority (the MCA) and as such is dependent upon it for its strategic direction. During the year the outcomes delivered by SYPTE have been aligned to the key elements of the MCA Transport Strategy. SYPTE continues to deliver improved public transport connectivity, infrastructure investment, and local sustainable transport programmes helping people access jobs and training.

The 2020/21 corporate priorities of SYPTE were set and agreed by the former SYPTE Transport Executive Board (now the Transport Officers Board) on 20 April 2020 within the context of the MCA Transport Strategy and Strategic Economic Plan (SEP), and were as follows:

1. Developing the business case for the future of Supertram to build on the Outline Business Case submission in April 2020 with an aim to achieve programme entry by the end of 2020/21, with work on the Full Business Case proceeding in the meantime.
2. Progressing our plans for developing operational delivery options following the end of the current tram concession with Stagecoach Supertram in March 2024. The Director of Transport Operations who joined the organisation in May 2020 will lead on this and the development of the business case through to implementation of the asset renewal from 2024.
3. Commence implementation planning and delivery for Transforming Cities Fund schemes following the award of £166m to the region.
4. Deliver the final of three years of tram rail replacement work to ensure that the Supertram network remains safe and operable beyond the current concession agreement expiry in 2024.
5. Working with the MCA and Mayor, to respond to the recommendations made in the South Yorkshire Bus Review led by Clive Betts MP and commence work on future bus operating model options including the development of a refreshed set of principles describing a fit-for-purpose Bus Network Design.
6. Continue to support Transport for the North in the development and implementation of its Integrated and Smart Travel Programme and multimodal ticketing solutions.
7. Deliver bus network improvements utilising the levy freeze funding and DfT Bus Funding announced in February 2020.
8. Progress an electric bus trail within South Yorkshire to understand the benefit of this technology in tackling climate change.

These Corporate Priorities were then cascaded through the organisation via the business planning process to ensure that resources were used effectively to deliver them.

Consideration of Impact on Stakeholders

Any impacts from the delivery of the corporate priorities on SYPTE or its customers are considered as part of the formal Board planning and decision-making processes, which included Impact Assessments presented on all Board papers, completion of Equality Impact Assessments, evidence from public consultations, as well as public transport operator partners and Local Authority engagement.

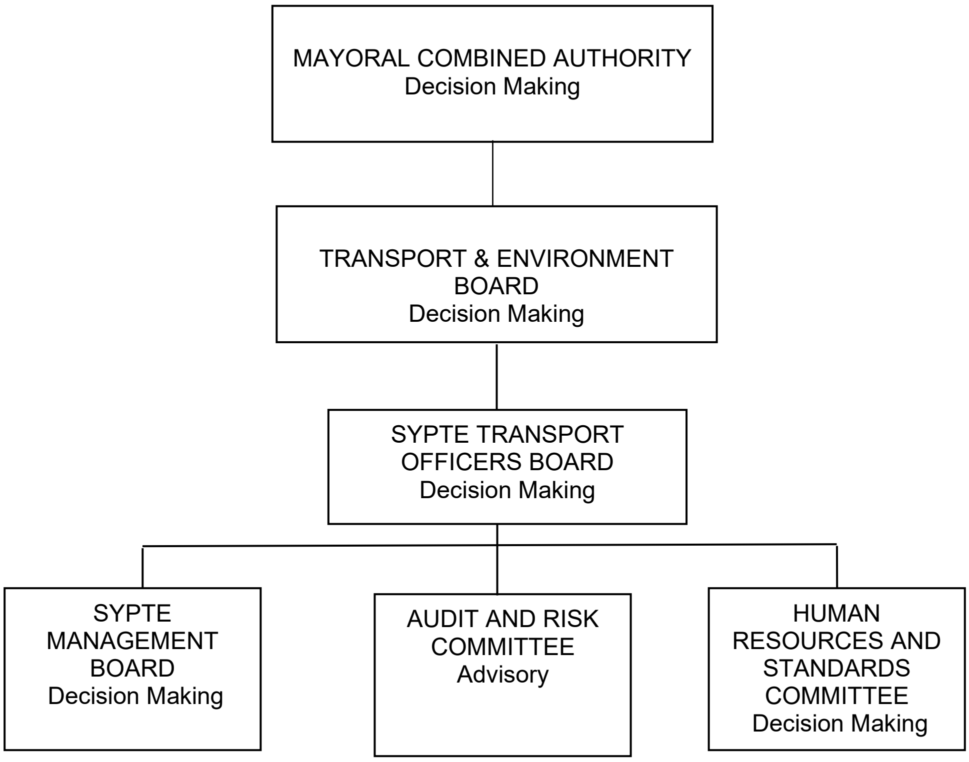
SYPTE acts in an open and transparent way wherever possible, regularly engaging with members, the public and statutory bodies to ensure that its plans and decisions are fully understood.

SYPTE acts with integrity with a strong commitment to ethical values and respect of the law, which is embedded via training programmes, corporate rules and guidance, across all of its activities, and is reflected in its interactions with customers, suppliers, partners, and stakeholders alike.

Performance Management and Monitoring

The delivery of SYPTE's corporate objectives as well as specific grant funded projects are closely monitored through regular updates on key performance measures to Management Board, Transport Officers Board, Transport & Environment Board and the Mayoral Combined Authority.

The organisational governance structure that was in place during the year is shown below:



The Transport & Environment Board is co-chaired by Cllr Chris Read the Leader of Rotherham MBC and Peter Kennan the private sector LEP Board member with responsibility for Transport, and its role is to:

- Oversee the implementation of the Transport Strategy;
- Lead the implementation of the Climate Emergency Response Framework;
- Shape future policy development and priorities on issues related to transport and the environment;
- Develop new transport programmes and environmental programmes;
- Make investment decisions within the agreed budget and policy on transport, as delegated by the Mayoral Combined Authority (MCA);
- Accept grants with a value of less than £2 million;
- Monitor programme delivery and performance on transport and on the environment; and
- Oversee the performance of SYPTE in delivering operational transport services and its capital programme and providing SYPTE with political direction.

The terms of reference of the Transport & Environment Board can be found in the Constitution of the MCA.

SYPTE had previously identified the need to improve the effectiveness of communication between the Audit and Risk Committee (A&RC) and the Transport Officers Board. Good progress continues to be made in this respect with routine inclusion of A&RC Members in corporate updates, consultation with A&RC Members on appropriate matters and periodic A&RC Chair briefings to the Transport Officers Board. Membership of the A&RC includes nominated members of the Transport Officers Board who attended all of the A&RC meetings held during the year. Governance and scrutiny were further enhanced by the appointment in June 2018 of the two Independent Members of the A&RC to the MCA Audit & Standards Committee, which receives copies of Minutes of the A&RC for review.

Individual corporate projects are monitored via separate, specific Boards including the Capital Programme Board, and the use of project management tools at an operational level supports delivery of all capital projects on time and within budget.

Financial Management

A key role within SYPTE to ensure proper administration of its financial affairs is the Head of Financial Services who fulfils the statutory role of Chief Financial Officer as set out in the CIPFA Statement on the Role of Chief Financial Officer in Local Government (2016). The permanent Head of Financial Services left SYPTE employment in September 2017. Since then, acknowledging the importance of this role but the continuing uncertainty about the future organisational structure, this position has been filled on an interim basis. The first interim Head of Financial Services resigned in August 2019 and was replaced by the SCR MCA's Senior Finance Manager (the Authority's Deputy Section 73 Officer). The Senior Finance Manager reports to both the Executive Director of SYPTE and the Group Chief Financial Officer who joined the Authority on 22 June 2020. These interim arrangements have ensured that the role of Section 151 Officer within SYPTE has been effectively fulfilled during the year, and there are no issues to report in terms of the interim arrangements which have impacted on effective governance of SYPTE during 2020/21.

SYPTE has a comprehensive management accounting system in place providing management with regular financial and performance information against budget. The system was successfully renewed in January 2020. The Management Board reviews the detailed Management Accounts each quarter and variances from budget are analysed, explained and acted on in a timely manner. In addition, the Management Board receives a financial and progress report on the Capital Programme on a quarterly basis for discussion and action.

A business partner process has been established whereby a member of the Finance team will work closely with all budget holders to identify and monitor variances in their budgets. This leads to more informed reporting to Management Board and is also used to inform the short and medium-term financial planning processes.

During the year, preparations were made for the introduction of the new CIPFA Code of Financial Management. The Code includes six principles of good financial management:

1. Leadership
2. Accountability
3. Transparency
4. Standards
5. Assurance
6. Sustainability

The Code then translates these principles into an explicit set of standards (17 in total) with which SYPTE is expected to comply. The Section 151 Officer has undertaken a preliminary assessment of SYPTE's compliance with the Code, and he has concluded that SYPTE meets the requirements of each standard.

Nonetheless, there are a number of areas for improvement, and an action plan to implement these improvements is being developed. One area includes FM Code awareness training. The Group Finance team received training on the Code on 17 February 2021.

Internal Control

The system of internal control is based on an ongoing process designed to identify and prioritise risks to the achievement of SYPTE's Business Plan and Strategies, to evaluate the likelihood of those risks materialising and the impact should they be realised. There are three themes within the Local Code of Governance which support good governance: The Standing Orders and Financial Regulations, the Code of Conduct and its related policies and Information Governance.

The Standing Orders, Financial Regulations and Code of Conduct are periodically reviewed and updated to reflect recent changes to SYPTE's governance arrangements. The Standing Orders were last updated in January 2020. The most recent review of SYPTE's Financial Regulations took place informally in March 2021. No changes were deemed necessary, pending a further review in 2021/22 as part of the integration project when a combined set of financial regulations, including anti money laundering provisions, will be developed.

There have been no breaches of internal controls or case of suspected or actual fraud during 2020/21.

SYPTE's Policy on Anti-Fraud, Bribery & Corruption was reviewed during 2020/21, and the refreshed version of the policy was approved by the Audit & Risk Committee on 10 December 2020.

SYPTE deploys a number of counter fraud measures. As well as having the facility to commission Internal Audit to undertake investigations if suspected fraud is detected, the organisation also takes preventative steps such as completing fraud risk assessments when entering into major new areas of activity involving the transfer of significant sums of money, a prime example being the conduit for DfT's payment of Light Rail Recovery Restart Grant to Supertram.

Audit & Risk Committee and Risk Management

The Audit & Risk Committee (A&RC) is a sub-committee of the Transport Officers Board. Its principal role is to assure the Board that the basic processes of internal control, risk management and corporate governance are in place and operating effectively.

The Committee meets at least four times per year; it is independently chaired and includes another external, Independent Member and a Non-Executive member of the Transport Officers Board who is also a Local Authority Officer. The Committee reviews the Internal Audit Plan to ensure it provides adequate coverage of the business and then recommends it to the Transport Officers Board for approval. It reviews the Annual Statement of Accounts to ensure the adequacy and comprehensiveness of the process and recommends that it be adopted by the Transport Officers Board. It receives, and reviews reports from Internal Audit, External Audit and the Management Board on all aspects of internal control, governance and risk management and makes recommendations to management as appropriate.

The Committee endeavours to reflect in its work programme the continuing challenging and changing environment in which SYPTE operates. In light of the pandemic and its economic impact on public transport operators, this year has been no exception and the A&RC's key priority has been to seek assurance of SYPTE's ability to meet its objectives and maintain effective standards of governance, risk management, financial management and control under these challenging circumstances.

In June, the MCA agreed a seven-point plan arising from the recommendations of the Bus Review. One of these recommendations was to integrate SYPTE and the MCA. Until the requisite legislation can be found parliamentary time, a "soft" integration of the two bodies in operational terms is planned in 2021/22 ahead of the full legal arrangements. In the transition period, the integration process will changes ways of working across the whole organisation, including the A&RC, the duties of which in the merger will be taken over by the Audit & Standards Committee of the MCA. The A&RC will work through this process with the MCA and SYPTE colleagues to ensure that assurance and good governance is maintained throughout the transition period and into the new organisation.

In terms of the work of the A&RC this year, there have been delays to the delivery of the Audit Plan, added to which further development of the Risk Management Framework had to be postponed. This work and the development of an assurance map will now become part of the Integration project. The pace at which the pandemic developed and the changes that it made to working arrangements, to regulation, control and funding, often at very short notice, presented a serious challenge for SYPTE. The delivery of audits has had to be adjusted to accommodate remote working and with the many competing demands upon staff resources, we have seen a delay in the delivery of the plan. This lead to some carry forward of audits and audit days to the new financial year. The focus will be upon clearing the 2020/21 plan as soon as possible in the new financial year. In the coming year, the plan is to have larger but fewer audits spread over the year to focus efforts in key areas.

SYPTE has a Risk Management Strategy in place and, as well as the Corporate Risk Register, is subject to continuous improvement. There has been steady progress in improving the risk management system input and output and in the reports that the A&RC, Management and Transport Officers Boards receive to help them fulfil their responsibilities. The focus of the development work has been to ensure that the Risk Register and its reports can be used as an effective management tool by the Senior Management Team as well as an effective reporting tool for A&RC and the Boards.

The Minutes of each A&RC meeting are submitted to the Transport Officers Board and the MCA's Audit & Standards Committee for information. The Chair of A&RC produces an Annual Report for the Transport Officers Board on the work the Committee has undertaken during the year. This includes the Committee's overall assessment of issues identified in the year and its priorities for its work programme for the year to come. The Committee also considers its effectiveness each year and reports the outcome to the Transport Officers Board along with any plans for improvement.

Nine risks were identified as high priority at the start of the year:

1. Organisational delivery affected by COVID-19 (Coronavirus).
2. Continued patronage decline results in increased support costs for SYPTE and reduce quality/scope of public transport provision in South Yorkshire.
3. SYPTE is unable to secure funding for the asset investment costs required at the end of the current infrastructure working life (2024).
4. Risk of loss income due to delayed mobilisation of the on-street advertising contract.
5. Risk Management and Forecasting. Variations/errors in forecasting patronage result in significant under/overspends.
6. Loss of network due to infrastructure wear or failure - Tram, leading to potential loss of the network or parts of the network or serious injury or fatalities in the event of major infrastructure failure.
7. There is a risk that the quality of the Supertram Asset Management System means SYPTE do not have full visibility of Supertram asset condition. The impact of this is the asset is in poorer condition than reported leading to potential investment by SYPTE.
8. Risk of the retention and lack of handover of data records and IP by Stagecoach Group PLC.
9. Rail Breaks on Supertram Infrastructure.

Working with partners and stakeholders, these risks have been effectively managed and those that remain will continue to be monitored during 2021/22.

The main risk which emerged during the course of 2020/21 was the impact of COVID-19 on financial sustainability. Senior management continues to monitor this risk on a weekly basis, and substantial resources have been set aside as part of the 2021/22 budget and business planning process.

Looking forward, the A&RC consider that although the main priority must always be the key business risks facing SYPTE and how they are monitored and managed, within this they will give particular attention to:

- Integration with the MCA
- Cyber Security
- Counter Fraud Standards
- Procurement and Outsourcing

Assurance and Effective Accountability

<u>Internal Audit</u>

The role of SYPTE's Internal Auditors is to provide an independent appraisal of the system of internal control. They undertake a cyclical review of the main financial and operational systems on a rolling three-year Audit Plan based on an analysis of risk. The core financial systems are reviewed on an annual basis. Internal Audit works closely with External Audit and complies with the Public Sector Internal Audit Standards (PSIAS).

The Internal Audit Services is provided on contract by Grant Thornton LLP to both SYPTE and the MCA. The three year contract became operational from April 2019.

The annual internal audit plan is agreed at group level and is split into three categories:

- Compliance audits covering the whole group
- Risk-based and advisory reviews specifically on the MCA

- Risk-based and advisory reviews specifically on SYPTE

In terms of the latter category, the plan allowed for the completion of one review brought forward from 2019/20 on an area where there had been a breach of control reported by senior management, and five risk-based audits. Of the five audits/reviews, one review (Business Continuity, Resilience and Disaster Recovery Planning) has been deferred till 2022/23. Of the remaining four, Internal Audit had submitted the following reports to the Committee at the time of writing the AGS:

- Ticketing & Concessions (2019/2020) – significant assurance with some improvement required
- Health and safety compliance – significant assurance with some improvement required
- Policy Management Framework – partial assurance with improvement required

The remaining two risk audits for 2020/21 were:

- Grant Claims related to the Covid-19 emergency funding – work complete with nothing of note to report.
- Ticketing & Concessions (2020/21) – report is planned to be completed early June.

The Committee monitors progress in the implementation of outstanding audit recommendations. All recommendations for improvement are actively followed up. The Committee reviews a tracker report on outstanding recommendations at each meeting, seeking explanations where implementation is overdue or where any barriers to implementation have been identified. This year, it became clear that implementation of recommendations was slowing as a result of the pandemic and the year ended with 32 recommendations outstanding, of which 26 were overdue recommendations with many being outstanding for a considerable amount of time. The Committee asked Officers to review all the overdue and outstanding recommendations and come back with a plan for tackling implementation as quickly as possible.

SYPTE's management team is committed to improving governance, and in light of the slippage in progress against these recommendations, decisive action was taken to address the backlog (a workshop on 23 April 2021 to review all Internal Audit recommendations for which SYPTE is responsible), resulting in 24 out of 32 recommendations being closed off as complete. The Committee were reassured by this prompt action.

The Head of Internal Audit's Annual Report for 2020/21, which was in draft at the time of writing the AGS included the following opinion:

"Our overall opinion for the period 1 April 2020 to 31 March 2021 is that based on the scope of reviews undertaken and the sample tests completed during the period, **Significant assurance with some improvement required** can be given on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The level of non-compliance in certain areas puts some system objectives at risk. We identified weaknesses which put system objectives at risk in relation to the Policy Management Framework. Otherwise, there are only minor weaknesses in the risk management activities and controls designed to achieve the risk management objectives required by management. Those activities and controls that we examined were operating with sufficient effectiveness to provide reasonable assurance that the related risk management objectives were achieved during the period under review."

External Audit

At the time of writing the AGS, the external audit of SYPTE's accounts for the financial year 2020/21 had not commenced.

For the financial year 2019/20, External Audit issued an unqualified opinion on SYPTE's Financial Statements. This means that the Auditors believe the Financial Statements gave a true and fair view of the financial position of SYPTE as at 31 March 2020 and of its expenditure and income for the year then ended.

The Auditors also reported an unqualified conclusion on SYPTE's arrangements to secure value for money. This means that in their opinion, in all significant respects, SYPTE had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2020.

SYPTE supports External Audit and considers any recommendations made in the Annual Audit Letter, for the year ended 31 March 2020, the Auditors did not make any recommendations.

4 CONSIDERATION OF THE LEVEL OF ASSURANCE

The last 12 months have placed significant demands on the organisation to respond to the effects COVID-19 has had on the Region's transport networks. This has presented a number of both operational and financial risks for the organisation. Much of the Senior Management Team's focus has been on responding to and managing these risks and communicating the impact to stakeholders. As well as the challenges presented by COVID-19, the governance arrangements for the Mayoral Combined Authority have continued to evolve. In June 2020 the MCA formally agreed to the integration of the PTE and the wider MCA Group, and as this work progresses it will see a consolidation of the wider governance activities.

During the year we have continued to improve the corporate oversight of organisational risks including improvements in the usability of the risk data produced and how it is reported to both Management and Transport Officer Boards.

COVID-19 has required the majority of employees to work from home and, despite the logistical challenge presented, this was achieved with little or no impact on the organisation's ability to undertake its day to day activities. Furthermore, the systems and processes we have in place have continued to support the organisation's activities and have provided robust levels of control. The restrictions on movement and social distancing have also meant a change to the way in which audits have been completed and the wider demands on management have slowed the completion of some actions. As working patterns have stabilised, it has been possible to provide greater focus on completing these tasks and the last quarter in particular has seen the completion of a significant number of actions.

Review and challenge of the Corporate Governance Action Plan has continued to drive improvements in our corporate oversight of risks and deliver effective management. A significant proportion of the work this year has been on the integration of the PTE and MCA, providing a common platform as this work accelerates in 2021/22. This year has also seen a common approach to business planning for the MCA Group and the production of a consolidated Business Plan.

SYPTE commits to monitor implementation of the Action Plan which includes the above actions as well as those highlighted throughout this Annual Governance Statement and to report progress in the next annual review.

On the basis of the review of the sources of assurance set out in this Statement, the Directors are satisfied that throughout the year and up to the date of the approval of the Accounts, SYPTE had in place satisfactory systems of internal control which facilitate sound governance of its affairs and the effective exercise of its functions.

STEPHEN EDWARDS
Executive Director
20 September 2021

SYPTE'S RESPONSIBILITIES

SYPTE 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 SYPTE, that Officer is the Head of Financial Services;

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

- approve the Statement of Accounts.

THE RESPONSIBLE FINANCIAL OFFICER'S RESPONSIBILITIES

The Head of Financial Services 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 (The Code).

In preparing those Financial Statements, the Head of Financial Services has:

- Selected suitable accounting policies and then applied them consistently;

- made judgements and estimates that are reasonable and prudent;

- complied with the Code;

- kept proper accounting records which were up to date;

- taken reasonable steps for the prevention and detection of fraud and other irregularities;

- assessed SYPTE's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;

- used the going concern basis of accounting on the assumption that the functions of SYPTE will continue in operational existence for the foreseeable future; and

- maintained such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

I certify that the Statement of Accounts presents a true and fair view of the financial position of SYPTE as at 31 March 2021 and its income and expenditure for the year then ended.

MIKE THOMAS
Interim Head of Financial Services
20 September 2021

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR YEAR ENDED 31 MARCH 2021

The Comprehensive Income and Expenditure Statements show the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

2020 Gross Expenditure adjusted £'000	2020 Gross Income adjusted £'000	2020 Net Expenditure adjusted £'000		Notes	2021 Gross Expenditure £'000	2021 Gross Income £'000	2021 Net Expenditure £'000
69,061	71,481	(2,420)	Transport Services		85,167	81,305	3,862
69,061	**71,481**	**(2,420)**	**Cost of Services**		**85,167**	**81,305**	**3,862**
1	41	(40)	Other Operating Expenditure		-	14	(14)
13,901	3	13,898	Financing and Investment Income and Expenditure	9	9,028	1	9,027
-	12,029	(12,029)	Taxation and Specific Grant Income and Expenditure	27	-	8,387	(8,387)
82,963	**83,554**	**(591)**	**(Surplus)/Deficit on the Provision of Services**		**94,195**	**89,707**	**4,488**
		(5,265)	**(Surplus) on Revaluation of Property, Plant and Equipment**				(142)
-	-	-	**(Surplus) on Revaluation of Available for Sale Assets**		**-**	-	-
		(6,923)	**Re-measurement of the Net Defined Benefit Liability**	34			(3,705)
		(12,188)	**Other Comprehensive Income and Expenditure**				**(3,847)**
		(12,779)	**Total Comprehensive Income and Expenditure**				**641**

Income and expenditure arises solely from continuing operations. SYPTE has had no material acquisitions or disposals in the year.

The prior year comparator has been adjusted to reclassify reversal of impairments from previous valuations from Financing and Investment Income and Expenditure to Transport Services (see note 37).

MOVEMENTS IN RESERVES STATEMENT FOR YEAR ENDED 31 MARCH 2021

The Movement in Reserves Statements show the movement in the year on the different reserves held by SYPTE analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure) and 'unusable reserves'. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences (for example the Deferred Capital Grants Reserve). The Surplus/(Deficit) on the Provision of Services line shows the economic cost of providing SYPTE's services and the provision of grants to fund the introduction of capital assets, more detail of which is shown in the Comprehensive Income and Expenditure Statement.

	USABLE RESERVES				**UNUSABLE RESERVES**					
	Operational Revenue Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Reserve £'000	**Total Usable Reserves £'000**	Deferred Capital Grants Reserve £'000	Revaluation Reserve £'000	Pension Reserve £'000	Accumulating Absences Account £'000	**Total Unusable Reserves £'000**	**Total Reserves £'000**
2021										
Balance at 1 April 2020	**16,017**	**914**	**7,320**	**24,251**	**100,030**	**30,112**	**(36,407)**	**(67)**	**93,668**	**117,919**
Surplus/(Deficit) on the Provision of Services	(4,488)	-	-	**(4,488)**	-	-	-	-	**-**	**(4,488)**
Other Comprehensive Income and Expenditure	(5)	-	-	**(5)**	-	142	3,705	-	**3,847**	**3,842**
Total Comprehensive Income and Expenditure	**(4.493)**	**-**	**-**	**(4,493)**	**-**	**142**	**3,705**	**-**	**3,847**	**(646)**
Adjustments Between Accounting Basis and Funding Basis Under Regulation										
Reversal of Comprehensive Income and Expenditure Statement Entries	2,527	-	-	**2,527**	-	-	(2,527)	-	**(2,527)**	**-**
Employer's Pension Contributions	(1,258)	-	-	**(1,258)**	-	-	1,258	-	**1,258**	**-**
Transfer Pension Deficit Contribution	-	-	-	**-**	-	-	-	-	**-**	**-**
Transfer to Accumulated Absences Account	33	-	-	**33**	-	-	-	(33)	**(33)**	**-**
Grants Received and Receivable During the Year	(8,336)	-	(576)	**(8,912)**	8,912	-	-	-	**8,912**	**-**
Grants Released to Operational Revenue Reserve	11,025	-		**11,025**	(11,025)	-	-	-	**(11,025)**	**-**
Release from Revaluation Reserve	694	-	-	**694**	-	(694)	-	-	**(694)**	**-**
Transfer from Capital Receipts Reserve	81	(81)	-	**-**	-	-	-	-	-	**-**
Transfer to Capital Grants Unapplied Reserve	(51)	-	51	**-**	-	-	-	-	-	**-**
Net Increase/(Decrease) Before Transfers to Earmarked Reserves	**4,715**	**(81)**	**(525)**	**4,109**	**(2,113)**	**(694)**	**(1,269)**	**(33)**	**(4,109)**	**-**
Increase/(Decrease) in Year	**222**	**(81)**	**(525)**	**(384)**	**(2,113)**	**(552)**	**2,436**	**(33)**	**(262)**	**(646)**
Balance at 31 March 2021	**16,239**	**833**	**6,795**	**23,867**	**97,917**	**29,560**	**(33,971)**	**(100)**	**93,406**	**117,273**

MOVEMENTS IN RESERVES STATEMENT FOR YEAR ENDED 31 MARCH 2020

	USABLE RESERVES				UNUSABLE RESERVES					
	Operational Revenue Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Reserve £'000	**Total Usable Reserves £'000**	Deferred Capital Grants Reserve £'000	Revaluation Reserve £'000	Pension Reserve £'000	Accumulating Absences Account £'000	**Total Unusable Reserves £'000**	**Total Reserves £'000**
2020										
Balance at 1 April 2019	**13,265**	**1,021**	**7,245**	**21,531**	**100,724**	**25,406**	**(42,454)**	**(67)**	**83,609**	**105,140**
Surplus/(Deficit) on the Provision of Services	591	-	-	**591**	-	-	-	-	**-**	**591**
Other Comprehensive Income and Expenditure		-	-	**-**	-	5,265	6,923	-	**12,188**	**12,188**
Total Comprehensive Income and Expenditure	**591**	**-**	**-**	**591**	**-**	**5,265**	**6,923**	**-**	**12,188**	**12,779**
Adjustments Between Accounting Basis and Funding Basis Under Regulation										
Reversal of Comprehensive Income and Expenditure Statement Entries	3,810	-	-	**3,810**	-	-	(3,810)	-	**(3,810)**	**-**
Employer's Pension Contributions	(1,576)	-	-	**(1,576)**	-	-	1,576	-	**1,576**	**-**
Transfer Pension Deficit Contribution	(1,358)	-	-	**(1,358)**	-	-	1,358	-	**1,358**	**-**
Transfer to Accumulated Absences Account	-	-	-	**-**	-	-	-	-	**-**	**-**
Grants Received and Receivable During the Year	(11,593)	-	(360)	**(11,953)**	11,953	-	-	-	**11,953**	**-**
Grants Released to Operational Revenue Reserve	12,647	-		**12,647**	(12,647)	-	-	-	**(12,647)**	**-**
Release from Revaluation Reserve	559	-	-	**559**	-	(559)	-	-	**(559)**	**-**
Transfer from Capital Receipts Reserve	107	(107)	-	**-**	-	-	-	-	-	**-**
Transfer to Capital Grants Unapplied Reserve	(435)	-	435	**-**	-	-	-	-	-	**-**
Net Increase/(Decrease) Before Transfers to Earmarked Reserves	**2,161**	**(107)**	**75**	**2,129**	**(694)**	**(559)**	**(876)**	**-**	**(2,129)**	**-**
Increase/(Decrease) in Year	**2,752**	**(107)**	**75**	**2,720**	**(694)**	**4,706**	**6,047**	**-**	**10,059**	**12,779**
Balance at 31 March 2020	**16,017**	**914**	**7,320**	**24,251**	**100,030**	**30,112**	**(36,407)**	**(67)**	**93,668**	**117,919**

BALANCE SHEET AS AT 31 MARCH 2021

The Balance Sheet shows the value, as at the Balance Sheet date, of the assets and liabilities recognised by SYPTE. The net assets (assets less liabilities) are matched by the reserves held by SYPTE. Reserves are reported in two categories – usable and unusable. Usable are those reserves that SYPTE may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. Unusable reserves are those that SYPTE is not able to use to provide services. 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.

31 March 2020 £'000		**NOTES**	**31 March 2021 £'000**
148,577	Property Plant and Equipment	10	145,730
1,275	Investment Property	11	1,300
130,214	Amounts Receivable from MCA	14	118,017
280,066	**Long-Term Assets**		**265,047**
66	Assets Held for Sale		66
1	Short-Term Investments		1
3,553	Short-Term Debtors	15	4,384
43	Amounts Receivable from Yorcard	15	-
54,859	Amounts Receivable from MCA	15	14,451
557	Cash and Cash Equivalents		1,003
59,079	**Current Assets**		**19,905**
(56,267)	Short-Term Borrowings	16	(9,299)
(6,176)	Short-Term Creditors	17	(10,553)
(1,471)	Short-Term Provisions	18	(901)
-	Amounts Payable to MCA		(107)
(246)	PFI Finance Lease Liability	16	(268)
(605)	Capital Grants Receipts in Advance	17	(782)
(64,765)	**Current Liabilities**		**(21,910)**
(109,281)	Long-Term Borrowing	30	(101,293)
(10,773)	PFI Finance Lease Liability	19	(10,505)
(36,407)	Net Pension Liability	34	(33,971)
(156,461)	**Long-Term Liabilities**		**(145,769)**
117,919	**NET ASSETS**		**117,273**
24,251	**Usable Reserves**	20	**23,867**
93,668	**Unusable Reserves**	21	**93,406**
117,919	**TOTAL RESERVES**		**117,273**

APPROVAL OF THE STATEMENT OF ACCOUNTS

The Accounting Policies and the Financial Statements replace the unaudited Statements authorised by the Interim Head of Financial Services on May 2021. They were approved for issue by the MCA Board on 20 September 2021. Events after the Balance Sheet date have been considered up to the date of approval.

Signed on behalf of the Transport Executive Board

STEPHEN EDWARDS
Executive Director
20 September 2021

MIKE THOMAS
Interim Head of Financial Services
20 September 2021

CASH FLOW STATEMENT

The Cash Flow Statements show the changes in cash and cash equivalents of SYPTE during the reporting period. The Statements show how SYPTE generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations are funded by way of grant income or from the recipients of services provided by SYPTE. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to SYPTE's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to SYPTE.

	Notes	2021 £'000	2020 £'000
Net (Deficit) or surplus on the Provision of Services		(4,488)	(1,009)
Adjustment to Surplus or Deficit on the Provision of Services for Non-Cash Movements	22a	66,756	12,986
Adjust for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	22b	(8,072)	(11,571)
Net Cash Flows from Operating Activities		**54,196**	**406**
Net Cash Flows from Investing Activities	22c	(504)	79
Net Cash Flows from Financing Activities	22d	(53,246)	(227)
Net Increase in Cash and Cash Equivalents		**446**	**258**
Cash and Cash Equivalents at the Beginning of the Reporting Period		557	299
Cash and Cash Equivalents at the End of the Reporting Period		1,003	557

NOTES TO THE CORE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

1.1 General Information

The role of SYPTE is to promote the maximum use of public transport throughout South Yorkshire, encourage growth of the public transport network, and to fund services which would otherwise not run on a commercial basis. Essentially, the role is to provide the information and infrastructure to help people access public transport, working closely with operators of transport services, Local Authorities, and other key stakeholders to develop the network and services.

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

1.2 General Policies

The Statements summarise the transactions of SYPTE, for the 2019/20 financial year and its position at 31 March 2020. SYPTE is required to prepare an annual Statement of Accounts in accordance with the Accounts and Audit Regulations 2015. These regulations require the Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) and the CIPFA Service Reporting Code of Practice 2019/20, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 7 of the 2015 Regulations.

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 Accounts are prepared on the basis that SYPTE is a going concern:

1.2.1 **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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.

- 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 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 based on 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.

1.2.2 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. All deposits placed within instant access call accounts and money market funds are classified in the Accounts as cash equivalents due to these being highly liquid investments which offer instant access to the funds and are therefore deposited to meet short-term cash requirements. All fixed term investments are not classified as cash equivalents as at the point of making the deposit SYPTE is unable to convert these to cash until the maturity date of the investment.

1.2.3 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

1.2.4 Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off;
- amortisation of intangible assets attributable to the service.

1.3 Employee Benefits

1.3.1 Benefits Payable During Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense in the year in which employees render service to SYPTE. An accrual is made for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following financial year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

1.3.2 **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by SYPTE to terminate an Officer's employment before the normal retirement date or an Officer's decision to accept voluntary redundancy in exchange for those benefits. They are charged on an accruals basis to the appropriate service line in the Comprehensive Income and Expenditure Statement at the earlier of when the SYPTE can no longer withdraw the offer of those benefits or when SYPTE recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the Operational Revenue Reserve Balance to be charged with the amount payable by SYPTE to the Pension Fund or Pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the Pension Fund and Pensioners and any such amounts payable but unpaid at the year end.

1.3.3 **Post-Employment Benefits**

The requirements of IAS19 "Employee Benefits" have been fully adopted in the Financial Statements. Detailed disclosures can be found in Note 34.

IAS19, together with IFRIC14 requires that the limit on a defined benefit asset, minimum funding requirements and their interaction sets out the extent to which a pension scheme surplus can be recognised as an asset of SYPTE and also considers how a pension balance sheet asset or liability could be affected by statutory or contractual minimum funding requirements.

SYPTE is an employing authority within the South Yorkshire Pension Fund which is a funded pension scheme. The majority of employees participate in this scheme which provides defined benefits payable to members after their employment. Usual contributions made to the Fund for both current and past services are charged to the Revenue Account as they are paid. Contribution levels are determined by the Fund. Deficit recovery contributions made to the fund are accounted for on an accrual's basis over the period to which they relate. The Fund is a statutory body and the benefits are paid under the provisions of the Local Government Pension Scheme Regulations 1997.

SYPTE has a continuing responsibility for any payments to the Fund in respect of service for all staff employed by SYPTE and for all staff within South Yorkshire Transport Limited up to the point that it was taken over by Mainline in 1993.

Disclosure will be made in accordance with the Code.

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

Liabilities are discounted to their value at current prices, using a discount rate of 2.4% (2019: 2.4%).

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

- quoted securities – current bid price;
- unquoted securities – professional estimate;

- unitised securities – current bid price;
- property – market value.

SYPTE currently has a net pensions liability which is offset in the Balance Sheet by a Pensions Reserve.

The change in net pension's liability during the year is analysed into the following components:

Service Cost Comprising:

- Current Service Cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past Service Cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- Net Interest Cost – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement - this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period-taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Remeasurements Comprising:

- Return on Plan Assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pension Reserve as Other Comprehensive Income and Expenditure.
- 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 – charged to the Pension Reserve as Other Comprehensive Income and Expenditure.
- 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 retirement benefits, statutory provisions require the Operational Revenue Reserve balance to be charged with the amount payable by SYPTE 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 Pension 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 but unpaid at the year-end. The negative balance that arises on the Pension Reserve thereby measures the beneficial impact on the Operational Revenue Reserve of being required to account for retirement benefits based on cash flows rather than as benefits earned by employees.

1.3.4 **Discretionary Benefits**

SYPTE also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

1.4 Events After the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events;
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.5 Financial Instruments

1.5.1 Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when SYPTE becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that SYPTE has, this means that the amount present in the Balance Sheet is the outstanding principal repayable; and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

SYPTE's non-derivative financial liabilities include bank overdrafts, and trade and other creditors. These financial liabilities are initially recognised at cost in accordance with IAS 39 on the trade date at which SYPTE becomes a party to the contractual provisions of the instrument. SYPTE derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Trade creditors are non-interest-bearing borrowings and are initially measured at fair value and subsequently carried at amortised cost.

SYPTE in accordance with IFRS7 has disclosed the significance of the financial instruments and the nature and extent of risks arising from such financial instruments in Note 13.

1.5.2 Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

SYPTE's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when SYPTE becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by SYPTE, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

SYPTE recognises expected credit losses on all its financial assets held at amortised cost (or where relevant FVOCI), either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by SYPTE.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed based on 12-month expected losses.

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when SYPTE becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price;
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 Inputs – quoted prices (unadjusted) in active markets for identical assets that SYPTE can access at the measurement date.
- Level 2 Inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 Inputs – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

1.6 Foreign Currency Transactions

Where SYPTE has entered into a transaction in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

1.7 Government Grants and Other Contributions

Whether paid on account, by instalments or in arrears, Government Grants and third-party contributions and donations are recognised as due to SYPTE when there is reasonable assurance that:

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

Amounts recognised as due to SYPTE are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of 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 and Expenditure (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the Operational Revenue Reserve Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Deferred Capital Grants Reserve. Amounts in the Capital Grants Unapplied reserve are transferred to the Deferred Capital Grants Reserve once they have been applied to fund capital expenditure.

1.8 Intangible Assets

Expenditure on non-financial assets that do not have physical substance but are controlled by SYPTE as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to SYPTE.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and SYPTE will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and restricted to that incurred during the development phase (research expenditure is not capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise SYPTE’s goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by SYPTE can be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired

– any losses recognised are posted to the relevant service line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Comprehensive Income and Expenditure Statement.

1.9 Interests in Companies and Other Entities

SYPTE has interests in companies and other entities that have the nature of subsidiaries and jointly controlled entities. Group Accounts are not required as the interests are not material. In SYPTE's Accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

These Accounts have been prepared in accordance with the form approved by the MCA.

SYPTE's interests in subsidiary companies are listed below. All the companies are incorporated in England.

Non-Trading

Supertram Assets Limited.

Trading

Yorcard Limited – A joint venture with West Yorkshire Combined Authority.

1.10 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are initially recognised at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the Operational Revenue Reserve balance. However, revaluation gains and losses are not permitted by statutory arrangements to have an impact of the Operational Revenue Reserve balance. The gains and losses are therefore reversed out of the Operational Revenue Reserve in the Movement in Reserves Statement and posted to the Revaluation Reserve (for any sale proceeds greater than £10,000) or the Capital Receipts Reserve.

1.11 Leases

Leases are classified as Finance Leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant, or equipment from the Lessor to the Lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

1.11.1 **As Lessee**

1.11.1.1 **Finance Leases**

Property, plant, and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the Lessor. Initial direct costs of SYPTE are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant, or equipment - applied to write down the lease liability, and

- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under Finance Leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to SYPTE at the end of the lease period).

1.11.1.2 **Operating Leases**

Rentals paid under Operating Leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant, or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

1.12.1 **As Lessor**

1.12.1.1 **Operating Leases**

Where SYPTE grants an Operating Lease over a property or an item of plant or equipment, the asset is retained on the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

1.14 <u>Property, Plant and Equipment</u>

Assets that have physical substance and are held for use in the supply of goods or services, for rental to others or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

1.14.1 **Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to SYPTE and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Plant, Machinery and Equipment is capitalised if it forms part of the initial cost of a new scheme or has a cost value of over £2,000.

1.14.2 **Measurement**

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management;
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

SYPTE does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of SYPTE). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by SYPTE.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Property – depreciated replacement cost;
- infrastructure – depreciated historical cost;
- assets under construction – not depreciated;
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of current value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a revaluation or impairment loss previously charged to a service.

Where decreases in value are identified, the revaluation loss is accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

- Where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Property assets are measured at replacement cost less accumulated depreciation and/or accumulated impairment losses, if any. Assets classified as property include Interchanges and Park and Ride sites. All Interchanges and Park and Ride sites were valued as at 31 March 2020 by Sanderson Weatherall on a depreciated replacement cost basis. Due to short useful lives or low values (or both) depreciated historical cost is used as a proxy for fair value for Plant, Equipment and Vehicles.

1.14.3 **Impairment**

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist, and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);

- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

1.14.4 **Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following basis:

- Buildings and Interchanges – straight-line allocation over the useful life of the property as estimated by the Valuer, or 40 years.

- Vehicles, Plant and Equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified Officer.

  Plant, Machinery and Fixtures and Fittings, 10 years
  Motor Vehicles, 5 years
  Computer Equipment, 3 years
  Park and Ride - straight-line allocation over the useful life of the site as estimated by the Valuer, or 15 years.

- Infrastructure – straight-line allocation:

  Operational Equipment, 10 years
  Route Equipment, 20 years
  Trams, depreciated over the useful life of components, between 10 and 30 years
  Track bed and system, 24 years
  Replacement Tram Rails, 20 years

Where an item of property, plant and equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost, being transferred each year from the Revaluation Reserve to the Operational Revenue Reserve.

1.14.5 **Disposals and Non-Current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Surplus or Deficit on disposal of property, plant and equipment assets line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposal (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal).

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts and remain in the Capital Receipts Reserve. They can only be used for new capital investment or set aside to reduce the need to borrow. Receipts are appropriated to the Reserve from the Operational Revenue Reserve Balance in the Movement in Reserves Statement.

1.14.6 **Expenditure that Does Not Result in the Creation of a Non-Current Asset**

This is either capital expenditure that has contributed to a fixed asset not owned by SYPTE or preconstruction costs on existing assets which do not enhance the value of the asset. Examples are rail and highway infrastructure and grants payable. SYPTE has no ownership/legal rights in respect of these assets and as a consequence the costs are charged to Revenue.

1.15 Private Finance Initiative (PFI) Transactions

PFI contracts are agreements to receive services, where the responsibility for making available the non-current assets needed to provide the services passes to the PFI contractor. As SYPTE is deemed to control the services that are provided under its PFI schemes and as ownership of the non-current assets will pass to SYPTE at the end of the contracts for no additional charge, SYPTE carries the non-current assets used under the contracts on the Balance Sheet as part of Property, Plant and Equipment.

SYPTE's PFI scheme is the provision and operation of Doncaster Interchange. PFI transactions which meet the IFRIC 12 (Service Concession Arrangements) definition of a service concession, as interpreted in HM Treasury's FReM, are accounted for as 'on-balance sheet' by SYPTE.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by SYPTE.

The original recognition of these non-current assets was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets.

The amounts payable to the PFI operators each year are analysed as follows:

- Fair value of the services received during the year – this is debited to the relevant service in the Comprehensive Income and Expenditure Statement.

- Finance Cost – an interest charge on the outstanding Balance Sheet liability is debited to Interest Payable and Similar Charges in the Comprehensive Income and Expenditure Statement.

- Contingent Rent – increases in the amount to be paid for the property arising during the contract are debited to Interest Payable and Similar Charges in the Comprehensive Income and Expenditure Statement.

- Payment Towards Liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).

- Lifecycle Replacement Costs – where these represent payments to maintain the asset rather than being a fixed asset addition they are charged to the relevant service in the Comprehensive Income and Expenditure Statement.

1.16 Provisions, Contingent Liabilities and Contingent Assets

1.16.1 **Provisions**

Provisions are made where an event has taken place that gives SYPTE a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that SYPTE becomes aware of the obligation and measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the Comprehensive Income and Expenditure Statement.

Where some or all of the payment required to settle a provision is expected to be recovered from another party, this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if SYPTE settles the obligation.

1.16.2 **Contingent Liabilities**

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

1.16.3 **Contingent Assets**

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

Contingent assets are not recognised in the Balance Sheet but disclosed in a Note to the Accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.17 Reserves

SYPTE sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the Operational Revenue Reserve in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

Certain reserves are kept to manage the accounting processes for non-current assets and retirement benefits and do not represent usable resources for SYPTE – these reserves are explained in the relevant policies.

1.18 Taxation

SYPTE is a public body and most of its activities are not subject to payment of Corporation Tax and therefore the management of SYPTE have been advised that it is unlikely that there will be any Corporation Tax payable in the foreseeable future.

1.19 VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

1.20 Fair Value Measurement

SYPTE measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

SYPTE measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, SYPTE takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the assets in its highest and best use.

SYPTE uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets that the Authority can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 – unobservable inputs for the asset.

2 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The following Accounting Standards have been issued but not yet adopted:

Paragraph 3.3.2.13 of the Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. Paragraph 3.3.4.3 requires an authority to disclose information relating to the impact of an accounting change that will be required by a new Standard that has been issued but not yet adopted by the Code for the relevant financial year.

Paragraph 3.3.4.3 and Appendix C of the Code adapt IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors on an annual basis to limit the impact of standards that have been issued but not yet adopted to those listed in Appendix C of the Code in the relevant year of account (in this case the 2021/22 Code). This adaptation has been in place since the inception of the IFRS based Code in 2010/11. Additional clarification confirming this adaptation has been included in the 2021/22 Code which at the time of drafting has been approved by CIPFA and LASAAC (though the Code has not yet fulfilled its final due process steps). However, this clarification has not changed the Code’s requirements in this area.

This means that only the Standards listed below are included in the requirements for IAS 8 for Standards that have been issued and not yet adopted. This excludes IFRS 16 Leases and IFRS 17 Insurance Contracts from being included in these reporting requirements.

The Standards introduced by the 2021/22 Code and relevant for additional disclosures that will be required in the 2020/21 Financial Statements in accordance with the requirements of paragraph 3.3.4.3 of the Code are:

a. Definition of a Business: Amendments to IFRS 3 Business Combinations.

b. Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7.

c. Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of SYPTE's Accounting Policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. These estimates and associated assumptions have been based on historical experience and other relevant factors. Due to the nature of such items, the actual results may differ from those estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised by SYPTE in the period in which the estimate is revised if the revision affects only that period or in the period of the revisions and future periods, where the revision affects both current and future periods.

The areas where SYPTE believe, such assumptions, estimates and judgements may give rise to a material adjustment to the carrying values of assets and liabilities in the next financial year are as follows:

Critical Judgements

- There is a high degree of uncertainty about future levels of funding for Local Government. However, SYPTE has determined that this uncertainty is not yet sufficient to provide an indication that assets might need to be impaired as a result of any changes to service provision.

- SYPTE is deemed to control the operations of the Doncaster PFI Interchange, a contract was signed in December 2003 and runs until June 2039, incorporating the future maintenance and upkeep of the building and the fixtures and fittings. The Accounting Policies for the PFI scheme have been applied consistently and the net book value of £11.7m is recognised in the Financial Statements.

Assumptions made about the future and other major sources of estimation uncertainty:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Plant Property and Equipment	Assets are depreciated over useful economic lives that are dependent on assumptions made by SYPTE and its Valuers. The current economic climate and capital investment could impact on the useful economic lives of the assets and in turn the valuation of the asset when reviewed by SYPTE's Valuers. There are uncertainties around land and buildings valuations due to political factors including the development of HS2, affecting the UK economy. Valuers have reported the unavailability of comparable	If the asset lives are reduced, depreciation increases and the carrying amount of the asset would fall. Reductions in the carrying value of assets may also be identified by SYPTE's Valuers on an annual basis, increasing the volatility of the carrying value. Values could differ year on year due to assumptions made about political and economic factors, particularly if there is a change in Valuer.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	evidence of specialised public transport sites. The Valuer has stated that the valuations provided at the end of 2019/20 are subject to a higher degree of uncertainty than would normally be the case due to the potential impact of the COVID 19 emergency on the real estate market. However, at this stage there is no evidence to justify a change in the values as reported in the Balance Sheet.	
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of Actuaries (Mercer Ltd) is engaged to provide SYPTE with expert advice about the assumptions applied.	The effects on the net pension's liability of changes in individual assumptions can be measured and understood. For example, an increase in the discount rate would lead to a decrease in the pension liability. However, the assumptions interact in complex ways. For example, during 2018/19 the actuary advised that the liability had decreased by £5m, before increasing by £5m in 2019/20 reflecting changes in assumptions.

4 GOING CONCERN

The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

Local authorities carry out functions essential to the local community and are themselves revenue raising bodies (with limits on their revenue raising powers, arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by Central Government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis.

The Accounts have been prepared on the going concern basis. This conclusion relies upon support as confirmed by the ultimate parent of SYPTE, SCRMCA to provide assistance to the Executive to the extent that money is not otherwise available for settling liabilities as they fall due for a period of at least 12 months from the approval of these Financial Statements.

5 MATERIAL ITEMS OF INCOME AND EXPENSE (Exceptional Items)

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

6 EXPENDITURE AND FUNDING ANALYSIS

Expenditure and Funding Analysis for the Year Ended 31 March 2021

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources by SYPTE in comparison with those resources consumed or earned in accordance with generally accepted accounting practices. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2020 Net Expenditure Chargeable to the Operational Revenue Reserve £'000	2020 Adjustments between the Funding and Accounting Basis £'000	2020 Net Expenditure in the Comprehensive Income and Expenditure Statement (adjusted) £'000		Notes	2021 Net Expenditure Chargeable to the Operational Revenue Reserve £'000	2021 Adjustments between the Funding and Accounting Basis £'000	2021 Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
(4,581)	2,161	(2,420)	Transport Services		(853)	4,715	3,862
(2,730)	**2,161**	**(2,420)**	**Net Cost of Services**		**(853)**	**4,715**	**3,862**
(40)	-	(40)	Other Operating Expenditure		(14)	-	(14)
13,898	-	13,898	Financing and Investment Income and Expenditure		9,027	-	9,027
(12,029)	-	(12,029)	Taxation and Specific Grant Income and Expenditure		(8,387)	-	(8,387)
(2,752)	**2,161**	**(591)**	**(Surplus) or Deficit**	6	**(227)**	**4,715**	**4,488**
13,265			Opening Operational Revenue Reserve		16,012		
2,750			Less/Plus Surplus or (Deficit) on Operational Revenue Reserve		227		
16,015			Closing Operational Revenue Reserve at 31 March		16,239		

Transport Services comparator has been adjusted by £1,851k for the reversal of impairment of land and buildings.

Adjustments between Funding and Accounting Basis 2020/21.

Adjustments from Operational Revenue Reserve to Arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£'000	£'000	£'000	£'000
Transport Services	3,414	1,269	32	4,715
Net Cost of Services	**3,414**	**1,269**	**32**	**4,715**
Other Income and Expenditure from the Expenditure and Funding Analysis	-	-	-	-
Difference Between Operational Revenue Reserve Surplus or Deficit and Comprehensive Income and Expenditure Statements Surplus or Deficit on the Provision of Services	**3,414**	**1,269**	**32**	**4,715**

Adjustments between Funding and Accounting Basis 2019/2020

Adjustments from Operational Revenue Reserve to Arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£'000	£'000	£'000	£'000
Transport Services	1,285	876	-	2,161
Net Cost of Services	**1,285**	**876**	**-**	**2,161**
Other Income and Expenditure from the Expenditure and Funding Analysis	-	-	-	-
Difference between Operational Revenue Reserve Surplus or Deficit and Comprehensive Income and Expenditure Statements Surplus or Deficit on the Provision of Services	**1,285**	**876**	-	**2,161**

Note 1 Adjustments for Capital Purposes

This column adjusts the Transport Services line by adding in depreciation and impairment and revaluation gains and losses. Capital Grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue Grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Transport Services line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Note 2 Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

For Transport Services, this represents the removal of the employer pension contributions made by SYPTE as allowed by statute and the replacement with current service costs and past service costs. The net interest on the defined benefit liability is charged to the CIES.

Note 3 Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable under statute.

7a EXPENDITURE AND INCOME ANALYSED BY NATURE

SYPTE's expenditure and income is analysed as follows:

Expenditure/Income	2021 £'000	2020 (adjusted) £'000
Expenditure		
Employee Benefits Expenses	6,372	6,782
Pension Valuation Adjustments	1,269	2,234
Other Services Expenses	66,272	50,487
Depreciation & Impairment	7,521	5,361
Expenditure on Non SYPTE Assets	4,619	6,332
Interest Payments	8,142	11,766
Total Expenditure	**94,195**	**82,962**
Income		
Fees, Charges & Other Service Income	10,380	11,102
Revenue Grant from MCA	52,278	57,347
Interest & Investment Income	283	3
Government Grants & Contributions	26,761	15,096
Gain on the Disposal of Assets	5	5
Total Income	**89,707**	**83,553**
(Surplus) or Deficit on the Provision of Services	**4,488**	**(591)**

The comparator for reversal of impairment of land and buildings has been moved from the Interest & Investment income line to the Depreciation & impairment line, amount £1,851k.

Government grant and contributions includes government support in relation to the Covid19 pandemic of £16,140k, in 2020/21 (2019/20 nil).

7b SEGMENTAL ANALYSIS

SYPTE has determined that the Chief Operating decision maker (as defined by IFRS8: Operating Segments) is the Transport Executive Board, on the basis that all strategic decisions are made by the Board.

The Board reviews the operating and financial results of SYPTE and considers the position of SYPTE as a whole in its decision-making process, rather than as individual components which comprise the total, in terms of allocating resources. Consequently, the Transport Executive Board considers that all activities fall under the single segment of Transport Services, and no further segmental analysis is therefore required.

8 MOVEMENTS IN RESERVES

This note sets out the amounts set aside from the Operational Revenue Reserve in Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet Operational Revenue Reserve expenditure in 2019/20 and 2020/21:

Earmarked Reserves	Balance at 1 April 2019 £'000	Transfers Out 2019/20 £'000	Transfers In 2019/20 £'000	Balance at 31 March 2020 £'000	Transfers Out 2020/21 £'000	Transfers In 2020/21 £'000	Balance at 31 March 2021 £'000
Customer Service/Improvements	488	17	-	471	-	-	471
Asset Management	-	-	1,500	1,500	-	-	1,500
IT Project Work	415	10	-	405	-	-	405
Network Maintenance, Consultation and Upgrades	1,058	-	-	1,058	-	-	1,058
Support for Transport Levy (Revenue Budget)	3,031	-	-	3,031	-	-	3,031
Covid-19 Recovery Reserve	-	-	4,600	4,600	-	-	4,600
Other	-	-	-	-	-	412	412
Total	**4,992**	**27**	6,100	**11,065**	**-**	412	**11,477**

The table above allows for direct year-on-year comparison of the earmarked reserves. As part of the 2021/22 budget, a revised reserves strategy was approved which has the effect of re-classifying SYPTE earmarked reserves as follows:

Description	£'000
Mass Transit Project Readiness	3,000
Bus Recovery Project	3,000
Asset Management	1,812
Income Resilience	1,500
Protection of Priority Services	1,110
Pensions Smoothing	412
Redundancy and Pay Inflation	394
IT	249
Total	**11,477**

9 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2021 £'000	2020 adjusted £'000
Interest Payable	8,142	11,766
Interest Receivable	(1)	(3)
Net interest on the Net Defined Benefit Liability	886	2,135
Total	**9,027**	**13,898**

The reversal of impairment of land and buildings has been removed from this note as it is not applicable to financing and investment income. The 2020 comparative has therefore been adjusted.

10 PROPERTY, PLANT AND EQUIPMENT

2021	Land and Buildings	Infrastructure	Plant, Equipment and Vehicles	Assets Under Construction	Total	PFI Assets included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000
COST/VALUATION						
As at 1 April 2020	90,848	102,213	22,784	-	215,845	11,740
Reclassify Non-Current Assets	-	-	-	-	-	-
Additions During Year	6	3,970	296	-	4,272	-
Other Movements	142	-	-	-	142	-
Revaluation Adjustments	(1,638)	-	-	-	(1,638)	(540)
As at 31 March 2021	89,358	106,183	23,080	-	218,621	11,200
DEPRECIATION						
As at 1 April 2020	(774)	(45,925)	(20,569)	-	(67,268)	-
Charge for the Year	(2,475)	(4,716)	(328)	-	(7,519)	(366)
Disposals During Year	-	-	-	-	-	-
Other Movements	1,632	-	-	-	1,632	-
Revaluation Adjustments	264	-	-	-	264	366
As at 31 March 2021	(1,353)	(50,641)	(20,897)	-	(72,891)	-
NET BOOK VALUE AS AT 31 MARCH 2021	88,005	55,542	2,183	-	145,730	11,200

2020	Land and Buildings	Infrastructure	Plant, Equipment and Vehicles	Assets Under Construction	Total	PFI Assets included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000
COST/VALUATION						
As at 1 April 2019	72,577	97,186	22,550	14,186	206,499	12,080
Adjustment to Opening Balance	(942)	-	-	-	(942)	-
Adjusted Opening Balance	71,635	97,186	22,550	14,186	205,557	12,080
Reclassify Non-Current Assets	14,186	-	-	(14,186)	-	-
additions During Year	356	5,027	234	-	5,617	-
Other Movements	-	-	-	-	-	-
Revaluation Adjustments	4,671	-	-	-	4,671	(340)
As at 31 March 2020	90,848	102,213	22,784	-	215,845	11,740
DEPRECIATION						
As at 1 April 2019	(1,828)	(41,408)	(20,241)	-	(63,477)	-
Adjustment to Opening Balance	1,005	-	-	-	1,005	-
Adjusted Opening Balance	(823)	(41,408)	(20,241)	-	(62,472)	-
Charge for the Year	(2,305)	(4,517)	(328)	-	(7,150)	(366)
Disposals During Year	-	-	-	-	-	-
Other Movements	164	-	-	-	164	-
Revaluation Adjustments	2,190	-	-	-	2,190	366
As at 31 March 2020	(774)	(45,925)	(20,569)	-	(67,268)	-
NET BOOK VALUE AS AT 31 MARCH 2020	90,074	56,288	2,215	-	148,577	11,740

The restatement of opening balances is to reconcile balances on cost, valuation, and depreciation of three Park & Ride sites. It has no impact on their overall value.

Infrastructure Assets comprise land and buildings, trams and infrastructure associated with the Supertram system. Interchanges and Park & Rides are classified as Land and Buildings.

Depreciation
The depreciation rates used by SYPTE are listed in Accounting Policy 1.13.4.

Capital Commitments

SYPTE has entered into a number of contracts for the construction or enhancement of property, plant, and equipment in 2020/21 and future years at a cost of £1,371k. Similar contracts at 31 March 2020 were £6,653k.

Revaluations

SYPTE has reviewed its property, plant, and equipment for indications of impairment. A desktop revaluation of property was carried out at 31 March 2020, by Sanderson Weatherall. The methods and significant assumptions used by the Valuer are build costs and individual Depreciated Replacement Costs calculations, in accordance with RICS Valuation Professional Standards.

11 INVESTMENT PROPERTY

SYPTE defines investment property as "Property held to earn rentals or for capital appreciation or both", rather than for:

- Use in the production or supply of goods or services or for administrative purposes; and
- Sale in the ordinary course of business.

All assets classified as investment properties have been done so under the Fair Value Model as defined under IAS 40 Investment Properties.

SYPTE utilised the services of Sanderson Weatherall, independent qualified Chartered Surveyors, to value those assets classified as Investment Property.

There are no restrictions on SYPTE's ability to realise the value inherent in its investment property, or on SYPTE's right to the remittance of income and the proceeds of disposal.

SYPTE has no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance, or enhancement:

	2020/2021		2019/2020	
	Rent Received £'000	Direct Operating Expenses £'000	Rent Received £'000	Direct Operating Expenses £'000
Chesterfield Road Land	-	-	-	-
Leicester Avenue Land & Buildings	75	-	75	-
Total	**75**	**-**	**75**	**-**

The following table summarises the movement in the fair value of investment properties over the year:

	2021 £'000	2020 £'000
Balance at 1 April	1,275	1,250
Disposals	-	-
Net Gains/(Losses) from Fair Value Adjustments	25	25
Balance Carried Forward 31 March	**1,300**	**1,275**

Fair Value Hierarchy

Details of SYPTE's investment properties and information about the fair value hierarchy as at 31 March 2021 and 2020 are as follows:

2021 Recurring Fair Value Measurements Using:	**Quoted Prices in Active Markets for Identical Assets (Level 1) £'000**	**Other Significant Observable Inputs (Level 2) £'000**	**Significant Unobservable Inputs (Level 3) £'000**	**Fair Value as at 31 March 2020 £'000**
Commercial Units	-	1,200	-	1,200
Total	**-**	**1,200**	**-**	**1,200**

2020 Recurring Fair Value Measurements Using:	**Quoted Prices in Active Markets for Identical Assets (Level 1) £'000**	**Other Significant Observable Inputs (Level 2) £'000**	**Significant Unobservable Inputs (Level 3) £'000**	**Fair Value as at 31 March 2019 £'000**
Commercial Units	-	1,175	-	1,175
Total	**-**	**1,175**	**-**	**1,175**

There were no transfers between Levels 1 and 2 during the year.

12 CAPITAL EXPENDITURE THAT DOES NOT RESULT IN THE CREATION OF A NON-CURRENT ASSET

	Grants for Vehicles		**Preconstruction**		**Infrastructure**		**Total**	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000	**2021 £'000**	**2020 £'000**
Expenditure in Year	-	70	4,371	4,747	248	1,515	4,619	6,332

This is either capital expenditure that has contributed to a Non-Current Asset not owned by SYPTE or preconstruction costs on existing assets which do not enhance the value of the asset. Examples are rail and highway infrastructure and grants payable. SYPTE has no ownership or legal rights in respect of these assets and consequently the costs are charged to revenue.

13 FINANCIAL INSTRUMENTS

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	Long-Term		Current	
	31 March 2021 £'000	31 March 2020 £'000	31 March 2021 £'000	31 March 2020 £'000
Debtors				
Loans and Receivables	-	-	14,863	55,892
Cash and Cash Equivalents				
Loans and Receivables	118,017	130,214	1,003	558
Borrowings				
Financial Liabilities at Amortised Cost - Principal	100,400	108,375	7,975	53,000
Financial Liabilities at Amortised Cost - Interest	-	-	1,324	3,267
Financial Liabilities at Amortised Cost - Adjustments	893	906	-	-
Financial Liabilities at Amortised Cost	**101,293**	**109,281**	**9,299**	**56,267**
Other Liabilities				
Financial Liabilities at Amortised Cost (PFI)	10,505	10,773	268	246
Creditors and Provisions				
Financial Liabilities at Amortised Cost	-	-	12,236	8,251

Note 1 – Under accounting requirements the carrying value of financial instruments shown in the Balance Sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including accrued interest.

Accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year. The effective interest rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

	Financial Liabilities	Financial Assets	Total
2021 **Income, Expense, Gains and Losses**	**Liabilities Measured at Amortised Cost £'000**	**Investments and Debtors £'000**	**£'000**
Interest Expense – Debt	7,180	-	7,180
Interest Expense - PFI	962	-	962
(Increases)/Reductions in Fair Value	-	(968)	(968)
Impairment Losses/(Gains)	-	-	-
Total Expense in Surplus or Deficit on the Provision of Services	**8,142**	**(968)**	**7,174**
Interest Income	-	1	1
Total Income in Surplus or Deficit on the Provision of Services	**-**	**1**	**1**
Net Gain/(Loss) for the Year	**(8,142)**	**969**	**(7,173)**

2020 Income, Expense, Gains and Losses	Financial Liabilities Liabilities Measured at Amortised Cost £'000	Financial Assets Investments and Debtors £'000	Total £'000
Interest Expense – Debt	10,784	-	10,784
Interest Expense - PFI	982	-	982
(Increases)/Reductions in Fair Value	-	(11)	(11)
Impairment Losses/(Gains)	-	-	-
Total Expense in Surplus or Deficit on the Provision of Services	**11,766**	**(11)**	**11,755**
Interest Income	-	3	3
Total Income in Surplus or Deficit on the Provision of Services	**-**	**3**	**3**
Net Gain/(Loss) for the Year	**(11,766)**	**14**	**(11,752)**

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by investments, debtors, cash, creditors, and borrowing are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments (all Level 2 Inputs), using the following assumptions:

- estimated ranges of interest rates at 31 March 2021 for loans from the Public Works Loan Board (PWLB) and Wertmanagement which are Lender Option. Borrower Option Loans (LOBO's);
- for loans from the PWLB payable, early repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- no early repayment or impairment is recognised;
- where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value;
- the fair value of trade and other debtors is taken to be the invoiced or billed amount.

SYPTE has considered its Balance Sheet carrying values of financial instruments and 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.

With the exception of borrowing, all financial assets and liabilities are carried at cost as this is a fair approximation of their value.

The fair values calculated are as follows:

Borrowing	2021 Carrying Value £'000	2021 Fair Value £'000	2020 Carrying Value £'000	2020 Fair Value £'000
Public Works Loan Board (PWLB)	88,375	105,463	141,375	158,348
Wertmanagement	20,893	32,027	20,906	29,786
Doncaster Interchange PFI	10,773	10,773	11,019	11,019

The fair value of these liabilities is higher than the carrying amount because SYPTE's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date.

The fair value of loans held with PWLB is calculated by reference to the 'premature repayment' set of interest rates in force on the Balance Sheet date.

The fair value of the PWLB loans of £105.5m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the Authority will pay over the remaining terms of the loans under the agreement with the PWLB against what would be paid if the loans were at the prevailing market rates.

However, SYPTE has a continuing ability to borrow at concessionary rates from the PWLB rather than the markets. A supplementary measure of the additional interest that the Authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £88.3m would be valued at £102.2m. However, if SYPTE were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging an additional premium for the additional interest that will not now be paid. The exit price for the PWLB loans, based on premature repayment rates including the penalty charge, would be £105.5m.

The fair value of loans held with Wertmanagement was provided by Capita Asset Services and is calculated by reference to the prevailing new borrowing rates.

The fair value of Doncaster Interchange PFI is the estimated cost to purchase the asset, at initial recognition. Subsequently, it is measured at current value, which will follow the appropriate class of property, plant, and equipment.

Nature and Extent of Risks Arising from Financial Instruments

SYPTE's Policies with regard to financial instruments are in accordance with IAS 39 and IFRS 7. A financial instrument is any contract which gives rise to a financial asset in one entity and a financial liability in the other.

Management of Risks Arising from Financial Instruments

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

Credit Risk

Credit risk is the risk that amounts due to SYPTE on short-term deposits and trade debtors may not be received. Almost all of SYPTE's short-term deposits are made for day to day cash flow purposes. The parameters within which these investments are made are set out within the MCA Treasury Management Policy, as adopted by SYPTE. The effect of this Policy is to restrict, as far as is practicable, SYPTE's exposure to risk from the failure of a financial institution. Almost all SYPTE's material trade debtors are with recognised, creditworthy third parties which restricts, as far as is practicable, SYPTE's exposure to risk of loss. There is no further credit risk provision required in excess of the normal provision for doubtful debtors.

The following analysis summarises SYPTE's potential maximum exposure to credit risk on other financial assets, based on experience of default and collectability over the last five financial years, adjusted to reflect current market conditions:

	Amount at 31 March 2021 £'000 A	Historical Experience of Default % B	Historical Experience Adjusted for Market Conditions at 31 March 2021 % C	Estimated Maximum Exposure to Default and Collectability at 31 March 2021 £'000 A X C	Estimated Maximum Exposure at 31 March 2021 £'000
Customers	4,125	0%	23.94%	988	988

	Amount at 31 March 2020 £'000 A	Historical Experience of Default % B	Historical Experience Adjusted for Market Conditions at 31 March 2020 % C	Estimated Maximum Exposure to Default and Collectability at 31 March 2020 £'000 A X C	Estimated Maximum Exposure at 31 March 2020 £'000
Customers	1,032	0%	2.27%	23	23

No credit limits were exceeded during the reporting period and SYPTE does not expect any losses from non-performance by any of its counterparts in relation to deposits and bonds. SYPTE does not generally allow credit for customers, such that only £1,126k of the £4,384k balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2021 £'000	31 March 2020 £'000
Less than Three Months	42	363
Three to Six Months	168	26
Six Months to One Year	36	4
More than One Year	880	4
Total	**1,126**	**397**

Liquidity Risk is the risk that SYPTE may not have sufficient cash available to meet its day to day payment obligations. SYPTE's daily cash flow requirements were satisfied by the MCA ensuring SYPTE meets these payment obligations. The maturity analysis of financial liabilities is as follows:

	31 March 2021 £'000	31 March 2020 £'000
Less than One Year	7,975	53,000
Between One and Two Years	51,500	7,975
Between Two and Five Years	2,900	54,400
More than Five Years	46,893	46,906
Total	**109,268**	**162,281**

Trade and other creditors are due to be paid in less than one year.

Interest Rate Risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. SYPTE has no exposure to interest rate risk arising from floating rate short-term deposits on the basis that it only retains cash balances for day to day cash flow purposes. The impact on SYPTE of a change is minimal as larger deposits are held on SYPTE's behalf by the MCA in line with the MCA's Annual Treasury Management and Investment Strategies.

All borrowings are held at fixed interest rates.

The PWLB loans are at fixed interest rates ranging between 4.45% and 8.5%.
The Wertmanagement loans are at fixed interest rates ranging between 4.5% and 4.95%.

These rates are fixed for the full term of the loan and, as such, do not represent an interest rate risk.

Foreign Exchange Exposure Risk refers to the degree which SYPTE is affected by exchange rate changes and the variability of its value due to uncertain changes in the rate of exchange.

SYPTE has no material financial assets or liabilities denominated in foreign currencies and therefore have no exposure to losses arising from movements in exchange rates.

14 LONG-TERM DEBTORS

	2021 £'000	2020 £'000
Amount Owed by Group Undertakings		
Mayoral Combined Authority	118,017	130,214
Prepayments and Accrued Income	-	-
Balance at 31 March	**118,017**	**130,214**

15 SHORT-TERM DEBTORS

	2021 £'000	2020 £'000
Amounts Falling Due Within One Year		
Trade Debtors	412	989
Amount Owed by Group Undertakings	14,451	54,859
Prepayments and Accrued Income	3,972	2,562
Balance at 31 March	**18,835**	**58,410**

16 SHORT-TERM BORROWINGS

	2021 £'000	2020 £'000
Amounts Falling Due Within One Year		
Interest Payable on Loans	(1,324)	(3,267)
Loans Payable Within One Year	(7,975)	(53,000)
Balance at 31 March	**(9,299)**	**(56,267)**
Obligations: Finance Leases	(268)	(246)
Balance at 31 March	**(9,567)**	**(56,513)**

17 SHORT-TERM CREDITORS

	2021 £'000	2020 £'000
Amounts Falling Due Within One Year		
Trade Creditors	(2,415)	(1,714)
Other Creditors	(8,138)	(4,462)
Balance at 31 March	**(10,553)**	**(6,176)**
Amounts Owed to Group Undertakings	(107)	-
Grants Received in Advance	(782)	(605)
	11,442	**6,781**

18 PROVISIONS

	2021 £'000			2020 £'000
	Legal Claims	**Other**	**Total**	**Total**
Balance 1 April	170	1,301	1,471	1,958
Provided in the Year	-	-	-	300
Provisions Not Required Written Back	-	(570)	(570)	(787)
Provisions Utilised in the Year	-	-	-	-
Balance 31 March	**170**	**731**	**901**	**1,471**

	2021 £'000			2020 £'000
	Legal Claims	Other	Total	Total
Expected Timing of Cash Flow				
Within One Year	170	731	901	1,471
Between One and Five Years	-	-	-	-
After Five Years	-	-	-	-
Total	**170**	**731**	**901**	**1,471**

Legal Claims

This represents provisions for certain legal and insurance claims brought against SYPTE, including ongoing claims for industrial injury and legal expenses relating to compulsory purchase of land.

Other

Provisions for liability for works in respect of Supertram infrastructure, repayment of grant and other ex gratia payments.

19 OTHER LONG-TERM LIABILITIES (PFI Lease Liability)

	2021 £'000	2020 £'000
Balance 1 April	11,019	11,246
Repayments During Year	(246)	(227)
Balance 31 March	10,773	11,019
Amounts Falling Due Within One Year Included in Short-Term Borrowings (Note 16)	(268)	(246)
Other Long-Term Liabilities 31 March	**10,505**	**10,773**
Which is Repayable as Follows		
Within 2-5 Years	1,326	1,220
After 5 Years	9,179	9,553
Total	**10,505**	**10,773**

20 USABLE RESERVES

Movements in SYPTE's Usable Reserves are detailed in the Movement in Reserves Statement and also in Note 8 (Movements in Earmarked Reserves).

21 UNUSABLE RESERVES

31 MARCH 2021	2021 £'000	2020 £'000
Deferred Capital Grants Reserve	97,917	100,030
Revaluation Reserve	29,560	30,112
Pension Reserve	(33,971)	(36,407)
Accumulated Absences Account	(100)	(67)
Total Unusable Reserves	**93,406**	**93,668**

Deferred Capital Grants Reserve

Where a Capital Grant is subsequently transferred to the Unusable Reserve – Deferred Capital Grants. An amount is transferred annually from the Deferred Capital Grants Account to the Operational Revenue Reserve to correspond to the depreciation, charged to expenditure, of the assets funded by the receipt of the grants:

	2021 £'000	2020 £'000
Balance 1 April	100,030	100,724
Grants Received and Receivable During the Year	8,912	11,954
Release to Income & Expenditure Account	(11,025)	(12,648)
Balance 31 March	**97,917**	**100,030**

Revaluation Reserve

The Revaluation Reserve contains the gains made by SYPTE arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost;
- used in the provision of services and the gains are consumed through deprecation;
- disposed of and the gains are realised.

	2021 £'000	2020 £'000
Balance 1 April	30,112	25,406
Revaluation During the Year (adjustment to existing revaluation)	142	5,265
Transferred to Income & Expenditure Account	(694)	(559)
Balance 31 March	**29,560**	**30,112**

Pension Reserve

The Unusable Reserve – Pension Reserve represents the accounting for the Net Pension Liability in the Balance Sheet. The Pension Reserve matches the Net Pension.

	2021 £'000	2020 £'000
Balance 1 April	(36,407)	(42,454)
Re-measurement of the Net Defined Pension Liability/(asset)		
- Actuarial gains/(losses) arising from changes in demographic assumptions		
- Actuarial gains/(losses) arising from changes in financial assumptions		
- Actuarial gains/(losses) on liabilities – experience	3,705	6,923
IAS19 Adjustment Transferred to Operational Revenue Reserve	(1,269)	(2,234)
First Year Prepayment of Pension	-	1,358
Balance 31 March	**(33,971)**	**(36,407)**

22a NOTES TO THE CASH FLOW STATEMENT – NON-CASH MOVEMENTS

The cash flows for operating activities include the following items:

	2021 £'000	2020 £'000
Interest Received	1	2
Interest Paid	6,199	11,767

The following table provides a breakdown of the adjustment for non-cash movements shown in the Cash Flow Statement:

	2021 £'000	2020 £'000
Depreciation	7,520	7,212
Impaired and Downward Valuations	-	-
Amortisation	4,619	6,333
Decrease in Impairment for Bad Debts	(3)	(3)
(Increase)/decrease in Creditors	2,527	(1,388)
Increase in Debtors	51,820	694
Movement in Pensions Liability	1,269	876
Other Non-Cash Items Charged to the Net Surplus or Deficit on the Provision of Services	(996)	(2,338)
Total	**66,756**	**11,386**

22b NOTES TO THE CASH FLOW STATEMENT – OPERATING ACTIVITIES

	2021 £'000	2020 £'000
Any Other Items for which the Cash Effects are Investing or Financing Cash Flows	(8,072)	(11,571)
Total	**(8,072)**	**(11,571)**

22c NOTES TO THE CASH FLOW STATEMENT – INVESTING ACTIVITES

	2021 £'000	2020 £'000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(8,891)	(11,950)
Purchase of Short-Term and Long-Term Investments		
Other Payment for Investing Activities		
Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets		
Proceeds from Short-Term and Long-Term Investments		
Other Receipts from Investing Activities – Grant Income	8,387	12,029
Net Cash Flows from Investing Activities	**(504)**	**79**

22d NOTES TO THE CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2021 £'000	2020 £'000
Cash Receipts of Short and Long-Term Borrowing		
Other Receipts from Financing Activities		
Cash Payments for the Reduction of Outstanding Liabilities Relating to Finance Leases and On Balance Sheet PFI Contracts	(246)	(227)
Repayments of Short and Long-Term Borrowing	(53,000)	-
Other Payments for Financing Activities		
Net Cash Flows from Financing Activities	**(53,246)**	**(227)**

23 AGENCY SERVICES

SYPTE provides the Treasury and administrative functions on behalf of the South Yorkshire Safer Roads Partnership which is a multi-agency group consisting of representatives from SYPTE, South Yorkshire Police, the four Local Authorities and other key public-sector organisations in South Yorkshire. The objective of the partnership is collective responsibility for safety, collision prevention, risk, and casualty reduction through behavioural change. The balance of funds is included in Grants Received in Advance, in Note 17:

	2021	**2020**
	£'000	**£'000**
Safer Roads Partnership		
Balance 1 April	468	135
Received in Year	450	798
Issued in Year	(273)	(465)
Balance 31 March	**645**	**468**

24 OFFICERS' REMUNERATION

In accordance with the Accounts and Audit (England) Regulations 2015, Senior Employees' Remuneration and Employers Pension Contribution for SYPTE are as follows:

Officer	Salaries, Fees and Allowances	Expenses Allowances	Pension Employer Contribution	**Total**
	2021	2021	2021	**2021**
	£	£	£	**£**
Executive Director	109,050	-	17,884	**126,934**
Director of Customer Services	92,475	-	15,166	**107,641**
Director of Transport Operations	84,023	-	13,780	**97,803**
Principal Solicitor and Secretary	92,475	-	15,166	**107,641**

The Director of Transport Operations joined the organisation on 4 May 2020

Officer	Salaries, Fees and Allowances	Expenses Allowances	Pension Employer Contribution	**Total**
	2020	2020	2020	**2020**
	£	£	£	**£**
Executive Director	106,131	-	14,858	**120,989**
Director of Customer Services	90,000	-	12,600	**102,600**
Interim Head of Financial Services	26,596	16	3,723	**30,335**
Principal Solicitor and Secretary	86,650	-	12,131	**98,781**

The Interim Head of Financial Services left the organisation on 30 August 2019. The role was filled on an interim basis by the Senior Finance Manager of SCRMCA from 2 September 2019. SCRMCA met the costs of remuneration for the Senior Finance Manager for the whole of the financial year 2020/21.

SYPTE is required to provide an analysis of the number of their employees whose remuneration in the year, excluding employers' pension contributions, was £50,000 or more. This includes the Senior Managers disclosed above.

	2021 Number of Employees	2020 Number of Employees
Remuneration Band:		
£50,000 - £54,999	5	4
£55,000 - £59,999	3	2
£60,000 - £64,999	-	3
£65,000 - £69,999	2	-
£70,000 - £74,999	-	-
£75,000 - £79,999	-	-
£80,000 - £84,999	1	-
£85,000 - £89,999	-	1
£90,000 - £94,999	2	1
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	1	1

25 TERMINATION BENEFITS

There were no exit packages in 2020/21 or 2019/20.

26 EXTERNAL AUDIT COSTS

SYPTE has incurred the following cost in relation to the audit of the Statutory Financial Statements, certification of grant claims and statutory inspections and to non-audit services provided by SYPTE's External Auditors.

	2021 £'000	2020 £'000
Fees Payable to EY LLP with regard to External Audit Services Carried out by the Appointed Auditor for the Year	28	28

27 GRANT INCOME

SYPTE credited the following grants and contributions to the Comprehensive Income and Expenditure Statement.

	2021 £'000	2020 £'000
Local Transport Plan (Integrated Transport Block Funding)	1,693	2,258
Department for Transport	1,775	3,209
Mayoral Combined Authority	4,034	6,330
Local Authorities & Other	885	232
Total	**8,387**	**12,029**

28 RELATED PARTIES

A body or individual is a related party of SYPTE if the body or individual has the potential to control or significantly influence SYPTE's operating or financial decisions or SYPTE is able to control or exert a significant influence over the operating or financial decisions of the other body. Disclosure of related party transactions is required when material to either party to the extent that they are not disclosed elsewhere in the Accounts.

The power to control or significantly influence may come about due to Member or Officer Representation on other organisations, Central Government influence, relationships with other public bodies or assisted organisations to whom financial assistance is provided on terms which enable SYPTE to direct how the other parties financial and operating policies should be administered and applied. The fact that a voluntary organisation might be economically dependent on SYPTE does not in itself create a related party relationship.

IAS 24 "Related Party Transactions" requires material transactions with related parties to be disclosed in the Financial Statements. For SYPTE these parties are mainly the Sheffield City Region Mayoral Combined Authority, Subsidiary Companies, Directors and Officers and the Pension Fund. The figures relating to the Pension Fund are disclosed in Note 34.

Subsidiaries and Investments

SYPTE has one subsidiary, Supertram Assets Ltd., which is non-trading.

Certain SYPTE Directors and Officers are also Directors of Supertram Assets Limited, but do not receive any remuneration from the company.

Sheffield City Region Mayoral Combined Authority

Disclosure is made for Revenue Grant Payments to SYPTE in the Comprehensive Income and Expenditure Statements. The balance owing by the Mayoral Combined Authority to SYPTE at 31 March can be summarised as:

	2021 **£'000**	**2020** **£'000**
Amount Held by MCA to Repay SYPTE Loans	106,798	114,774
Grant Monies Owing to SYPTE	25,563	70,299
Total Owed to SYPTE by MCA	**132,361**	**185,073**

Investments – Financial Performance

Joint Venture

At 31 March 2021, the Executive had the following Joint Venture:

Yorcard Ltd

The Joint Venture is a trading company which was incorporated in England on 2 March 2007. It is limited by guarantee with two subscribers, West Yorkshire Combined Authority and SYPTE with control shared equally under a contractual arrangement.

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

As the Joint Venture is not material to SYPTE's Accounts, the Directors have decided not to consolidate Yorcard Ltd into SYPTE's Accounts. The performance and financial position of SYPTE's share of Yorcard Ltd is disclosed below in accordance with FRS102.

	2021 **£'000**	**2020** **£'000**
Turnover	696	806
Profit/(loss) Before Tax	-	-
Taxation	-	-
Profit/(loss) After Tax	-	-
Fixed Assets	-	-
Current Assets	99	194
Liabilities Due Within 1 Year	(121)	(213)
Liabilities Due After 1 Year or More	-	-

Directors and Officers

Directors and Officers are required to make disclosures of their financial and non-financial interests with related parties to the Management and Executive Boards.

Directors and Officers have not made any such disclosure.

29 CAPITAL EXPENDITURE AND CAPITAL FINANCING

Capital Financing Costs

	2021 £'000	2020 £'000
Depreciation	7,521	7,151
Amortisation	4,619	6,394
Clawback of previous impairment charges of Land and Buildings	(283)	(1,851)
Concessionary Support Payment	1,500	1,500
Total	**13,357**	**13,194**

30 LONG-TERM BORROWING

	2021 £'000	2020 £'000
Balance 1 April	109,281	162,293
Loans Raised	-	-
Loans Repaid	-	-
LOBOS Interest Rate Adjustment	(13)	(12)
Less Payable Within One Year (included in short-term borrowings)	(7,975)	(53,000)
Balance 31 March	**101,293**	**109,281**
Which is repayable as follows:		
Between One and Five Years	54,400	62,375
Between Five and Ten Years	26,000	22,000
More Than Ten Years	20,893	24,906
Total	**101,293**	**109,281**

At 31 March 2021 SYPTE has £88.4m (£121.4m 2019/20) fixed interest loans from the Public Works Loans Board. The average loan rate is 5.717% pa (6.436% 2019/20) and the loans are repayable on maturity from 2021 onwards.

SYPTE has a further £20m (£20m 2019/20) of loans from Wertmanagement. The average loan rate in 2020/21 was 4.72% pa (4.72% 2019/20) and the loans are repayable from 2043 onwards.

31 LEASES AND LEASE TYPE ARRANGEMENTS

At 31 March 2021 SYPTE had annual commitments under non-cancellable operating leases expiring as follows:

SYPTE as Lessee

	2021 £'000	2020 £'000
Land and Buildings		
Not Later Than One Year	17	17
Later Than One Year and Not Later Than Five Years	-	-
Later Than Five Years	-	-
Total	**17**	**17**

SYPTE as Lessor

SYPTE leases out property under operating leases for the following purposes:

- For the provision of transport infrastructure to support customer experience such as shops and bus depot.
- For economic development purposes to improve return on assets.

The future minimum lease payments receivable under non-cancellable leases are:

	2021 £'000	2020 £'000
Land and Buildings –		
Not Later Than One Year	535	572
Later Than One Year and Not Later Than Five Years	1,127	1,293
Later Than Five Years	1,161	1,398
Total	**2,823**	**3,263**

Where SYPTE act as a lessor it relates to 29 property leases for terms up to 15 years.

Contingent Rents

The minimum lease payments receivable does not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

There are no contingent rents payable where SYPTE is the Lessee.

32 PRIVATE FINANCE INITIATIVES (PFI)

Doncaster Interchange PFI

SYPTE has one operational PFI scheme. Under agreement, SYPTE is contracted to pay an annual sum to the operator, known as a unitary charge, and receives PFI credits via the MCA to partially offset these costs. SYPTE is required to provide details about the outstanding payments in relation to this scheme. Due to changes in SYPTE's accounting policy, the assets and liabilities associated with this scheme are now reflected on SYPTE's Balance Sheet.

SYPTE's PFI contract, Doncaster Interchange was signed on 3 December 2003 with Teesland Property Company (Northern) Limited and involved the construction of a new Bus Station. It became operational in June 2007. The contract runs until June 2039 and incorporates the future maintenance and upkeep of both the building and the fixtures and fittings. The net book value of the Interchange as at 31 March 2021 is £11.2m (£11.7m at 31 March 2020).

In 2020/21 unitary charge payments of £2.6m (£2.5m in 2019/20) were paid. Unitary charge payments over the whole life of the contract will total £94.5m which will be recovered in the form of PFI credits. The actual level of payments will depend on inflation rates and the satisfactory contract performance by the operator.

	Repayment of Liability £'000	Interest Charge £'000	Contingent Rental £'000	Service Charge £'000	Lifecycle Costs £'000	Total £'000
Within 1 Year	268	941	142	1,141	128	**2,620**
Within 2 -5 Years	1,326	3,508	845	4,796	539	**11,014**
Within 6 – 10 Years	2,423	3,620	1,719	6,555	737	**15,054**
Within 11 – 15 Years	3,682	2,360	2,527	7,237	814	**16,620**
Within 16 - 20 Years	3,074	552	1,939	4,699	529	**10,793**
Total	**10,773**	**10,981**	**7,172**	**24,428**	**2,747**	**56,101**

	2021 Doncaster Interchange PFI Asset £'000	2020 Doncaster Interchange PFI Asset £'000
Net Book Value as at 1 April	11,740	12,080
Revaluation Adjustments	(540)	(340)
Depreciation	-	-
As at 31 March	**11,200**	**11,740**

	2021 Doncaster Interchange PFI Liability £'000	2020 Doncaster Interchange PFI Liability £'000
As at 1 April	11,019	11,245
Lease Repayments	(1,326)	(1,295)
Interest Charge	963	982
Contingent Rentals	117	87
As at 31 March	**10,773**	**11,019**

33 IMPAIRMENT LOSSES

SYPTE has reviewed its property, plant and equipment for indications of impairment and following the revaluation of land and buildings, charged to the Surplus/Deficit on the Provision of Services line in the Comprehensive Income and Expenditure Statement with a credit of £283k, (2019/20 £1,851k).

34 POST EMPLOYMENT BENEFITS

As part of the Terms and Conditions of Employment of its employees, SYPTE offers post-employment benefits in the form of a Pension Scheme under the Local Government Pension Regulations 1995 and administered by the South Yorkshire Pensions Authority. This provides members with defined benefits related to pay and service. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

Local Government Pension Scheme

Transactions Relating to Post-Employment Benefits

SYPTE continues to be responsible for payments to the Fund in respect of service for all staff employed by SYPTE, including all employees transferred to South Yorkshire Transport Limited and those transferred to First South Yorkshire Limited (formerly Mainline Group Limited), under the provisions of the Transport Act 1985.

For service from 26 October 1986, SYPTE makes employer contributions to the Fund in respect only of its own employees who are also members of the Scheme.

Contributions made to the Fund in respect of current and past service (including in respect of South Yorkshire Transport Limited and SYITA Properties Ltd) are charged to the Comprehensive Income and Expenditure Statement.

Comprehensive Income and Expenditure Statement		
	2021	**2020**
	£'000	**£'000**
Current Service Cost	1,641	1,675
Financing Investment Income and Expenditure	886	2,135
Remeasurement in other Comprehensive Income and Expenditure	(3,705)	(6,923)
Total Post-Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	**(1,178)**	**(3,113)**

Movement in Reserves Statement		
	2021	2020
	£'000	£'000
Reversal of Net Charges Made to the (Surplus)/Deficit for the Provision of Services for Post-Employment Benefits in Accordance with the Code	(2,527)	(3,810)
Actual Amount Charged Against the Operational Revenue Reserve Balance for Pensions in the Year:		
Employer's Contributions Payable to Scheme	1,258	1,576
Transfer of Year Pension Deficit Contribution	-	1,358

SYPTE paid £4m deficit recovery contributions for the three-year period 2017/18 to 2019/20 on 3 April 2017.

Assets & Liabilities in Relation to Post-Employment Benefits		
Reconciliation of Present Value of the Scheme Liabilities:		
	2021	2020
	£'000	£'000
Opening Balance at 1 April	(144,188)	(159,536)
Current Service Cost	(1,641)	(1,675)
Interest Cost	(3,387)	(3,758)
Contributions by Scheme Participants	(370)	(354)
Re-measurements	(15,993)	15,946
Past Service cost (gain)	-	(1,141)
Benefits Paid	6,523	6,330
Closing Balance at 31 March	**(159,056)**	**(144,188)**

Reconciliation of Fair Value of the Scheme (Plan) Assets:		
	2021	2020
	£'000	£'000
Opening Balance at 1 April	107,781	118,440
Interest on Plan Assets	2,528	2,790
Re-measurements	19,698	(9,023)
Administration Expenses	(27)	(26)
Contributions by Employer	1,258	1,576
Contributions by Scheme (plan) Participants	370	354
Benefits Paid	(6,523)	(6,330)
Closing Balance at 31 March	**125,085**	**107,781**

Pension Scheme Assets Comprised:	2021	2020
	£'000	£'000
Equities	61,042	55,799
Bonds		
Government Bonds	16,386	14,496
Other Bonds	9,881	7,868
Property	11,008	9,657
Other	26,768	19,961

The Actuaries have taken account of the changes in the Local Government Pension Scheme regulations in assuming that 50% of scheme members will take up the option for increased lump sum payments.

Scheme History	2019	2020	2021
	£'000	£'000	£'000
Present Values of Liabilities	(159,536)	(144,188)	(159,056)
Fair Value of Scheme Assets	118,440	107,781	125,085
Surplus/(Deficit) in the Scheme	**(41,096)**	**(36,407)**	**(33,971)**

Basis for Estimating Assets and Liabilities

The pension fund liabilities have been assessed by the actuaries, Mercer Ltd and the main assumptions used in their calculations are as follows:

Mortality Assumptions	2021	2020
Longevity at Age 65 for Current Pensioners:		
Men	22.5 years	22.4 years
Women	25.3 years	25.2 years
Longevity at Age 65 for Future Pensioners:		
Men	24.0 years	23.9 years
Women	27.2 years	27.1 years

Financial Assumptions		
Rate of CPI Inflation	2.7%	2.1%
Rate of increase in Salaries	4.0%	3.4%
Rate of increase in Pensions	2.8%	2.2%
Discount Rate	2.1%	2.4%

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. A sensitivity analysis is shown in the table below:

	Central	Sensitivity 1	Sensitivity 2	Sensitivity 3	Sensitivity 4	Sensitivity 5	
		+ 0.1% pa discount	+ 0.1% pa inflation	+ 0.1% pa pay growth	1 year increase in life expectancy	1 year increase in 2019/20 investment returns	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Disclosure item						**+1%**	**-1%**
Liabilities	159,056	156,827	161,316	159,216	163,974	159,056	159,056
Assets	(125,085)	(125,085)	(125,085)	(125,085)	(125,085)	(126,311)	(123,859)
Deficit/(Surplus)	33,971	31,742	36,231	34,131	38,889	32,745	35,197
Projected Service Cost for next year	2,099	2,043	2,158	2,099	2,168	2,099	2,099
Projected Net interest Cost for next year	700	685	756	712	812	675	726

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pension Reserves can be analysed into the following categories, measured as a percentage of assets or liabilities:

	31 March 2017	31 March 2018	31 March 2019	31 March 2020	31 March 2021
	%	%	%	%	%
Differences Between the Expected and Actual Return on Assets	19.4	1.6	3.2	3.2	17.8
Experience Gains and Losses on Liabilities	17.1	4.9	4.6	4.8	2.3

Impact on SYPTE's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. SYPTE agreed a strategy with the scheme's Actuary to achieve a funding level of 100% over the next 18 to 19 years. Funding levels are monitored on an annual basis. The most recent triennial valuation was completed on 31 March 2020 in respect of the three-year period 2020/21 to 2022/23.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2015. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earning schemes to pay pensions and other benefits to certain public servants.

SYPTE expects to pay contributions of £887k to the scheme in 2021/22. The weighted average duration of the defined benefit obligation for scheme members was 14 years during 2020/21.

35 LONG-TERM COMMITMENTS

As part of the legal arrangements put in place when the Supertram operating concession was commenced in 2000, SYPTE is legally obliged under the Concession Agreement dated 30 March 2000 to pay annual concessionary support payments to Stagecoach Supertram of £1.5m per annum until March 2024.

36 CONTINGENT LIABILITIES

A number of investigations into light rail incidents across the country have been carried out due to fatalities so there is a potential risk that, on review of the recommendations arising from the investigations, SYPTE may be required to incur expenditure. However, the cost of implementing such recommendations cannot be reliably estimated at this time.

37 PRIOR PERIOD ADJUSTMENT

The prior year comparator has been adjusted to reclassify reversal of impairments from previous valuations from Financing and Investment Income and Expenditure to Transport Services in order to maintain consistency with the classification of the original impairment. The adjustment has no impact on Surplus/deficit on the Provision of Services.

Transport services	**Original balance**	**Adjusted balance**
Gross expenditure	70,912	69,061
Net expenditure	(569)	(2,420)
Financing and Investment Income and Expenditure		
Gross income	1,854	3
Net expenditure	12,047	13,898

38 CONTROL

During 2020/21 SYPTE's ultimate parent undertaking was the Sheffield City Region Mayoral Combined Authority.

SYPTE reports seeking required approvals go to the Sheffield City Region Mayoral Combined Authority. In particular the Sheffield City Region Mayoral Combined Authority has the power to approve the Budget and set the Transport Levy.

Group Financial Statements are prepared, and copies can be obtained from:

Sheffield City Region Mayoral Combined Authority
11 Broad Street West
SHEFFIELD
S1 2BQ

GLOSSARY

Glossary Term	Definition
Abbreviations	The symbol ‘k’ following a figure represents £thousand. The symbol ‘m’ following a figure represents £million.
Accounting Period	The period of time covered by the accounts. Normally 12 months, beginning on 1 April. Also known as the Financial Year.
Accounting Policies	These are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting Financial Statements.
Accruals Concept	Income and Expenditure are recognised as they are earned or incurred, not as money is received or paid.
Actuarial Gains and Losses	For a Defined Benefit Pension Scheme, the changes in actuarial deficits or surpluses that arise because: • events have not coincided with the actuarial assumptions made for the last valuation; • experience gains or losses, or; • the actuarial assumptions have changed.
Amortisation	An accounting technique of recognising a cost or item of income in the Comprehensive Income and Expenditure Statement over a period of years rather than when the initial payment is made. Its purpose is to charge/credit the cost/income over the accounting periods that gain benefit for the respective item.
Annual Governance Statement	An annual statement by SYPTE setting out the ways in which it ensures that 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.
Asset	Something of value, measurable in monetary terms.
Assets under Construction	Assets which are under construction, but not considered to be in an operational condition at the Balance Sheet date.
Bad (and doubtful) Debts	Debts which may be uneconomic to collect or unenforceable in law.
Budget	A statement of SYPTE’s expected level of service expressed as an amount of spending over a set period, usually one year.
Capital Expenditure	Expenditure that is incurred to acquire, create, or add value to a non-current asset.
Capital Receipts	The proceeds from the sale of capital assets which, subject to various limitations (e.g. Pooling Arrangements introduced in the Local Government Act 2003) can be used to finance capital expenditure, invested, or to repay outstanding debt on assets originally financed through borrowing.
Cash	Comprises cash on hand and demand deposits.

GLOSSARY

Cash Equivalents	These are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
Component	A significant part of an asset (such as a roof or major item of plant or equipment), which has to be separately identified for the purposes of accounting and asset management.
Concessionary Travel	The provision of free or discounted travel on local public transport services to qualifying residents of South Yorkshire under the provisions of the Transport Acts 1985 and 2000.
Consistency Concept	The consistency concept requires that there should be a consistent method of accounting treatment of like items within each accounting period and from one period to the next.
Contingency	A condition which exists at the Balance Sheet date, where the outcome will be confirmed only on the occurrence of one or more uncertain future events not wholly within SYPTE's control.
Credit Risk	The possibility that one party to a financial instrument will fail to meet their contractual obligations, causing a loss to the other party.
Creditors	Amounts owed by SYPTE for work done, goods received, or services rendered, for which no payment has been made at the date of the Balance Sheet.
Debtors	Amounts owed to SYPTE for work done, goods received, or services rendered, for which no payment has been received at the date of the Balance Sheet.
Defined Benefit Scheme	A pension or other retirement benefit scheme, other than a Defined Contribution Scheme. Usually, the Scheme Rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the Scheme. The Scheme may be funded or unfunded (including notionally funded).
Defined Contribution Scheme	A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.
Depreciation	The measure of the wearing out, consumption or other reduction in a non-current asset either as a result of its use, ageing or obsolescence.
Fair Value	Fair Value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
Finance Lease	A lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the Lessee. The payments usually cover the full cost of the asset together with a return for the cost of finance.

Financial Instrument	A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term "financial instrument" covers both financial assets and financial liabilities and includes both the most straight forward financial assets and liabilities such as trade receivable (debtors) and trade payables (creditors) and the most complex ones such as derivatives.
Impairment	A reduction in the value of a non-current asset below its carrying amount on the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a fixed asset's market value and evidence of obsolescence or physical damage to the asset.
Intangible Assets	Non-financial assets that do not have physical substance but are identified and are controlled by the entity through custody or legal rights. The two broad types of intangible non-current assets applicable to Local Authorities are goodwill and other intangible assets. Examples of other intangible assets might be patents or software licences.
International Financial Reporting Standards (IFRS)	Accounting standards developed by the International Accounting Standards Board which determine the standards to be adopted in the preparation and presentation of SYPTE's accounting records.
Inventories	Inventories are assets: • in the form of materials or supplies to be consumed in the production process or consumed or distributed in the rendering of services; • held for sale or distribution in the ordinary course of operations; • in the process of production for sale or distribution.
Investment Property	Property held solely to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administration purposes or sale in the ordinary course of operations.
Liabilities	Amounts due to individuals or organisations, which will have to be paid at some time in the future.
Materiality	Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the Financial Statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.
Net Book Value	The amount at which non-current assets are included on the Balance Sheet, i.e. their historical cost or current value less the cumulative amount provided for depreciation.
Net Current Replacement Cost	The cost of replacing or recreating the particular asset in its existing condition and in its existing use i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current position of the existing asset.
Net Realisable Value	The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses incurred in realising the asset.

Operating Lease	A lease other than a Finance Lease. An agreement in which SYPTE derives the use of an asset in exchange for rental payments, though the risks and rewards of ownership of the asset are not substantially transferred to SYPTE.
Private Finance Initiative (PFI)	A contract in which the private sector is responsible for supplying services that are linked to the provision of a major asset and which traditionally have been provided by SYPTE. SYPTE will pay for the provision of this service, which is linked to availability, performance, and levels of usage.
Property, Plant and Equipment	Tangible assets that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period.
Provisions	Amounts charged to revenue during the year for costs with uncertain timing, though a reliable estimate of the cost involved can be made.
Prudence Concept	Requires that revenue is not anticipated until realisation can be assessed. Provision is made for all known liabilities whether the amount is certain or can only be estimated in light of the information available.
Public Works Loan Board (PWLB)	A Government Agency, which provides loans to Authorities at favourable rates.
Related Party	The definition of a Related Party is dependent upon the situation, though key indicators of Related Parties are if: • One party has direct or indirect control of the other party; • One party has influence over the financial and operating policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests.
Remuneration	All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK Income Tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.
Reserves	Result from events that have allowed monies to be set aside, surpluses, decisions causing anticipated expenditure to have been postponed or cancelled, or by capital accounting arrangements.
Revenue Expenditure	Expenditure incurred on the day-to-day running of SYPTE, for example, staffing costs, supplies and transport.
Specific Government Grants	These are designed to aid particular services and may be revenue or capital in nature. They typically have specified conditions attached to them such that they may only be used to fund expenditure which is incurred in pursuit of defined objectives.

Termination Benefits	These are benefits payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTH YORKSHIRE PASSENGER TRANSPORT EXECUTIVE

Opinion

We have audited the financial statements of South Yorkshire Passenger Transport Executive [*"the Executive"*] for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement and the related notes 1 to 38

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion the financial statements:

- give a true and fair view of the financial position of South Yorkshire Passenger Transport Executive as at 31 March 2021 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 2020/21.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Executive 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 the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Interim Head of Financial Services use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the Interim Head of Financial Services with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Executive's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report set out on pages 2 to 17, other than the financial statements and our auditor's report thereon. The Interim Head of Financial Services is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of 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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Executive;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014;
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014;
- we are not satisfied that the Executive has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in these respects

Responsibility of the *Financial Officer*

As explained more fully in the Statement of the Head of Financial Services Responsibilities set out on page 18, the Interim Head of Financial Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Interim Head of Financial Services is responsible for assessing the Executive's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Executive either intends to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- *We obtained an understanding of the legal and regulatory frameworks that are applicable to the Executive and determined that the most significant are the Local Government Act 1972, the Transport Act 2000, The Local Audit and Accountability Act 2014, andThe Accounts and Audit Regulations 2015. In addition, the Executive has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment Legislation, tax Legislation, general power of competence, procurement and health & safety.*

- *We understood how South Yorkshire Passenger Transport Executive is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, head of internal audit and those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our review of the Executive's committee minutes, through enquiry of employees to verify Executive's policies, and through the inspection of employee handbooks and other information.*

Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

- *We assessed the susceptibility of the Executive's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified manipulation of reported financial performance (through improper recognition of revenue), inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.*
- *To address our fraud risk around the manipulation of reported financial performance through improper recognition of revenue, we obtained the Executive*'s *manual year end income accruals, challenging assumptions and corroborating the income to appropriate evidence.*

- *To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the Executive*'s *capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.*

- *To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately.*

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General (C&AG) in April 2021, as to whether the Executive had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Executive put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

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 Executive had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Executive has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Executive's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

We certify that we have completed the audit of the accounts of South Yorkshire Passenger Transport Executive in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of South Yorkshire Passenger Transport Executive, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Executive and the Executive's members as a body, for our audit work, for this report, or for the opinions we have formed.

Hassan Rohimun (Key Audit Partner) Ernst & Young LLP (Local Auditor) Manchester
30 September 2021