

# STATEMENT OF ACCOUNTS



## SOUTH YORKSHIRE PASSENGER TRANSPORT EXECUTIVE

### STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

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## **1 INTRODUCTION**

### **Purpose of the Report**

The aim of this report is to provide a narrative context to accompany the accounts of South Yorkshire Passenger Transport Executives (SYLTE) which show 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 2016/17 Code of Practice on Local Authority Accounting (the Code) together with guidance notes, as published by the Chartered Institute of Public Finance and Accountancy.

## **2 AIMS AND OBJECTIVES**

South Yorkshire Passenger Transport Executive is an executive body of the Sheffield City Region Combined Authority (CA), who contribute to the delivery of the transport elements of the Sheffield City Region's Strategic Economic Plan across the four South Yorkshire districts of Barnsley, Doncaster, Rotherham and Sheffield. The CA continued to develop its plans for Devolution however a legal challenge to the process in November 2016 halted progress. The refresh of the CA's Strategic Economic Plan (SEP) and Transport Strategy is ongoing, and will shape and inform SYLTE's delivery strategy and plans.

In line with its current mandate, SYLTE continues to deliver attractive, customer focused and value for money transport solutions that support the CA'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 Tendered Services and Community Transport.

## **3 KEY DEVELOPMENTS IN THE YEAR**

- Enhancements to public transport services included the introduction of new sustainable bus networks in Doncaster and Barnsley. These networks see commercial operators working together with SYLTE and Local Authorities to provide improved bus reliability and punctuality.
- In conjunction with bus, tram and train operators, SYLTE oversaw the roll out of the ability for the public to buy multi operator TravelMaster smartcard tickets on board public transport.
- Completion of the Sheffield City Region's £29.8 million Bus Rapid Transit (BRT) North scheme. This scheme was funded in part by £15.8 million from the Department for Transport and £8.1 million from the European Union's Regional Development Fund (ERDF). The new eight mile route introduces a new link road; highway and junction modifications that provide bus priority traffic control, purpose built bus stops with real-time passenger information, and modern low emission vehicles. It meets local transport demands and supports economic growth, with frequent connections between the centres of Rotherham and Sheffield.
- Improvements to the application processes for the 16-18 travel pass were made in September 2016 and also the renewal of passes for elderly and disabled people entitled to ENCTS passes from January 2017.
- Introduction of an increase in the notified travel concession fare for children and students from 70p to 80p in September 2016 to support meeting the 2016/17 budget challenge.
- Delivery of the last of the seven new Citylink Tram Train vehicles. Initial testing and mileage accumulation was undertaken. Following further commissioning and testing of the vehicles and driver training in the new financial year, the Citylink vehicles will be introduced on the existing Supertram network from summer 2017, prior to operation on the Tram Train service between Sheffield Cathedral and Parkgate via

the heavy rail network in 2018. There is no financial impact on SYPTE resulting from the rescheduled delivery programme of the introduction of the Tram Train service.

- Secured £0.7m funding from the Department of Transport to prepare an Outline Business Case for the future investment in the existing Supertram Network.
- Along with the City Region partners, secured £7.5m from the Sustainable Travel Access Fund to support transport solutions across the Region.
- Appointed two new Directors to the organisation (Public Transport and Customer Services) to strengthen the management team and support the delivery of its corporate priorities.

#### **4 FINANCIAL PERFORMANCE**

##### **Financial Headlines**

SYPTE's current positive financial position will support its ability to meet the significant financial challenges over the coming years as Local Government funding declines, in turn reducing the funding available from Local Authorities to SYPTE via the Transport Levy.

The following bullet points summarise the headlines of this year's accounts:

- SYPTE generated an operational surplus of £0.6 million from a budget of £64.9 million primarily due to delivery of planned operational efficiencies and unmaterialised risk.
- SYPTE's net worth increased by £11.1 million. This increase is primarily due to an increase of usable reserves in respect of the recognition of capital grants for capital expenditure in future years (£7.3 million) and the unusable reserves in respect of deferred capital grant reserve (£5.0 million), revaluation reserve (£3.9 million) offset by an unfavourable pension valuation adjustment (£6.7 million) and increase in other reserves (£1.6 million).
- £2.6 million of the decrease in Pension Reserve is in respect of the merger with the pension fund of SYITA Properties Limited.
- Total usable reserves increased by £8.9 million from £13.8 million to £22.7 million.
- £20.9 million of capital investment was delivered during the year. Of this £7.2 million related to assets owned by SYPTE.

##### **Revenue Budget**

The 2016/17 revenue budget of £64.9 million was approved by the Combined Authority in January 2016, and is funded by grants from the Combined Authority and Government as well as the use of reserves.

The following table shows the final outturn position for 2016/17:

<b>2016/17 BUDGET OUTTURN</b>	<b>Budget £'000</b>	<b>Actual £'000</b>	<b>Variance £'000</b>
Customer Group	1,466	1,352	114
Interchanges and Infrastructure	2,970	3,068	(98)
Concessions and Ticketing	28,095	26,568	1,527
Planning and Support	5,865	6,684	(819)
Capital Financing and Pensions	18,653	18,645	8
Network Costs	7,898	7,987	(89)
<b>Total</b>	<b>64,947</b>	<b>64,304</b>	<b>643</b>

The revenue budget surplus results from a combination of unmaterialised risk following prudent budgeting for concessionary travel payments and savings from the delivery of additional operational efficiencies.

**Capital Expenditure**

The £20.9 million capital expenditure was primarily funded through grant receipts including: DfT (Tram Train) £10.3 million; Local Authority £6.8 million; Integrated Transport Block Grant £2.3 million; Better Bus Area and other £1.5 million.

The CA approved 2017/18 capital expenditure of £15.7 million (of which 14.5 million is contractually committed). Of this £8.3 million relates to assets owned by SYPTE, such as Rotherham Interchange and the Tram Train programme, and a further £7.4m to assets not owned by SYPTE, i.e. on highways and rail stations. The capital expenditure will be funded through the Integrated Transport Block Grant and other Government Grants as well as borrowing undertaken by the Combined Authority on SYPTE's behalf.

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

**Borrowing**

As at 31 March 2017, the SYPTE loans portfolio totalled £180.3 million. During the year, no further borrowing was taken as the capital investment undertaken has been funded from capital grants awarded to SYPTE. It has reduced by £3.6 million following repayments made during 2016/17. SYPTE also have PFI liabilities of £11.6 million down from £11.8 million in 2015/16.

**PFI Scheme**

SYPTE controls the operations of the Doncaster PFI interchange. 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 £11.1 million is recognised in the financial statements. In 2016/17 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 deficit on the Pension Reserve increased during the year to £48.3 million at 31 March 2017. £2.6 million of this increased deficit in the Pension Reserve is in respect of the inclusion of the assets and liabilities of SYITA Properties Limited (SYPL) pension fund.

The pension fund of SYPL has the assets and liabilities in respect of bus crews, maintenance staff and officers, who transferred from Local Authorities to South Yorkshire Transport Limited following bus deregulation. Following a management buy out of South Yorkshire Transport Limited, the company became SYITA Properties Limited and it was agreed that any historic pension fund assets and liabilities in respect of previous service would not transfer to the new Company created by the management buy out.

The annual payments made by SYPTE to the pension fund to reduce any deficit for its own scheme has always also included payments to make good any deficit on the SYPL pension scheme. SYPTE's Executive have also formally confirmed that this approach is supported now and into the future. The basis for the support being that the SYPL pension scheme is in respect of historic liabilities relating to public transport employees and SYPTE is funded through the Transport Levy. This approach is also supported by the Combined Authority.

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 prepaid £4.0 million contributions for the three year period 2017/18 to 2019/20 on 3 April 2017.

**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 surplus of £12 million. This surplus contributes to the total amount by which SYPTE's net worth

has increased 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:

	<b>£'000</b>
<b>2016/17 BUDGET OUTTURN</b>	<b>64,304</b>
Revenue Grant	(62,872)
Capital Financing adjustments	(14,682)
Pensions adjustments	1,026
Other items	233
<b>(Surplus) on Comprehensive Income &amp; Expenditure</b>	<b>(11,991)</b>

### **Material and Unusual Transactions**

There has been no material or unusual transactions in the year.

### **Change in Accounting Policies**

There have been no changes to accounting policies in the year.

### **Reserves**

Total revenue reserves stand at £79.1 million. The £11.1 million increase is made up of an £8.9 million increase in usable reserves and a £2.2 million increase in unusable reserves. The increase in usable reserves is primarily due to a £7.3 million increase in the capital grants unapplied reserve and a £1.8 million increase in the operational revenue reserve. The increase in unusable reserves is due to a £3.9 million increase following revaluation of the interchanges, £5.0 million increase in the recognition of capital grants for capital expenditure in future years offset by a £6.7 million reduction in the pension fund valuation.

### **Financial Outlook**

There has been little change in the economic outlook since last year. Central Government continues to drive Local Government to make significant savings, which in turn reduces the funding available to SYPTE from Local Authorities via the Transport Levy. 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 meet regional aspirations for public transport and are funded appropriately.

The impact of Britain leaving the EU is unknown, but at present any impact on SYPTE is considered to be minimal.

Two key events which may have implications for the role and funding of SYPTE in the future are: the potential election of a 'Metro Mayor' for the Sheffield City Region in May 2018; and Transport for the North becoming a statutory body in 2017/18. Any implications on SYPTE will be considered during this next financial year.

In addition, the introduction of the new Northern and Trans Pennine rail franchises on 1 April 2016, will impact upon the Rail Administration Grant which SYPTE receives and is only secured until the 2018/19 financial year. Rail focussed activities which are currently undertaken by SYPTE, may be at risk if this funding is transferred to Rail North.

Following the tram crash in Croydon in November 2016, SYPTE is working closely with South Yorkshire Supertram Limited (SYSL) who is responsible for operating and the day to day maintenance of the system, to consider if there are any implications for the tram network and service in Sheffield.

Work is underway to repair the areas of the Rotherham Interchange that were damaged in the fire in May 2016. There are a number of major capital programmes that require new funding including £12.5 million for a refurbishment of Rotherham Transport Interchange and Car Park and £15.2 million for the second phase of Supertram rail replacement. Funding sources for both projects are being identified to ensure that programmes can be delivered in a cost effective and financially sustainable way.

SYLTE was notified in April 2017 that MAS Special Engineering Ltd (Brightbus), which transports children to and from schools across South Yorkshire, will cease trading from September 2017 and SYLTE is in discussion with schools and operators to support identification of alternative arrangements.

SYLTE will continue to work together with the 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**

SYLTE 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, SYLTE 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 SYLTE has complied with its local Code of Corporate Governance and an 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 an Annual Governance Statement.

SYLTE has 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 Code and Action Plan is on our website at [sylte.co.uk](http://sylte.co.uk) or can be obtained from the Principal Solicitor & Secretary, SYLTE, 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 SYLTE 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 SYLTE and reflected in its behaviour and policies.

SYLTE's Governance Code has been in place for the year ended 31 March 2017 and up to the date of approval of the Statement of Accounts.

## **3 REVIEW OF EFFECTIVENESS OF SYLTE's CODE OF CORPORATE GOVERNANCE**

SYLTE's Code of Governance includes those documents, policies, procedures and expected behaviours that it has in place to help it deliver its objectives. SYLTE assessed the effectiveness of its Code of Governance in light of the new 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 Executive Board. In addition, areas for improvement identified by the Chair of the Audit and Risk Committee are highlighted in the relevant sections.

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

### **Vision and Strategy**

SYLTE is an executive body of Sheffield City Region Combined Authority (CA) and as such is dependent upon it for its strategic direction. During the year the outcomes delivered by SYLTE have been aligned to the CA Transport Strategy and the priorities of the four Local Authorities in South Yorkshire. These priorities are to support economic growth, enhance social inclusion, reduce emissions and maximise safety. SYLTE continues to deliver improved public transport connectivity, infrastructure investment, and local sustainable transport programmes helping people access jobs and training.



The 2016/17 Corporate Priorities of SYLTE were set and agreed by the Executive Board within the context of the SCR Transport Strategy and Strategic Economic Plan (SEP), and were:

1. Ensure SYLTE is prepared to meet the evolving needs and priorities of the Sheffield City region and its key stakeholders, supporting the delivery of its transport objectives.
2. Promote greater use of public transport across the region and shape the service offer to meet customer needs.
3. Ensure the delivery of efficient and effective networks, facilities and services that deliver value for money and enhance the offer to customers through the introduction of new services and facilities.
4. Develop the skills and capabilities needed by the organisation to deliver its service objectives.
5. Build a sustainable Financial Strategy that supports the regions public transport ambitions.

These Corporate Priorities were then cascaded through the organisation via its internal 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 SYLTE 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.

Effective assessment of the impact on stakeholders and customers of the introduction of the new bus networks in Barnsley and Doncaster and the increase in child concessionary fare from 70p to 80p in September 2016 informed and aided the introduction of the revised offer.

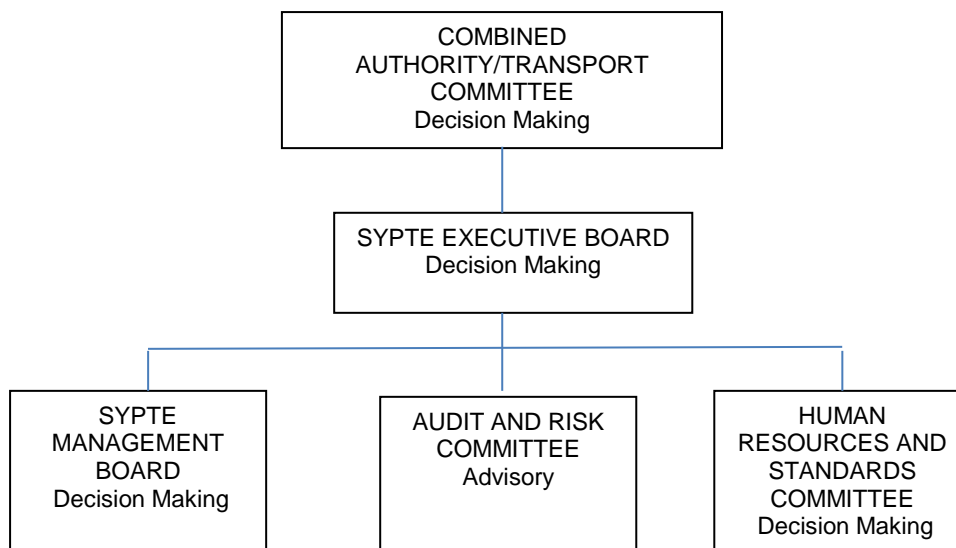
SYLTE acts in an open and transparent way wherever possible, regularly engaging with members, the public and statutory bodies to ensure that its plans and decisions are fully understood.

SYLTE 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 SYLTE's Corporate Objectives as well as specific grant funded projects are closely monitored through regular quarterly updates on key performance measures to Management Board, Executive Board and Transport Committee.

The organisational governance structure is shown below:



SYLTE has identified that it needs to improve the effectiveness of communication between the Audit and Risk Committee (A&RC) and the Executive Board. This is being addressed by routine inclusion of A&RC members in corporate updates, ensuring A&RC members are consulted on appropriate matters, periodic A&RC Chair briefings to the Executive Board, and more effectively aligning meetings dates.

Individual corporate projects are monitored via separate specific Boards including the Capital Projects 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 SYLTE 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). They have effectively fulfilled their role during the year and there are no issues in respect of their role which impact on effective governance of SYLTE during 2016/17.

SYLTE has a comprehensive management accounting system in place providing management with regular financial and performance information against budget. The Management Board reviews the detailed management accounts each quarter and variances from the plan 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 budget setting phase of the Planning Process.

### **Internal Control**

The system of internal control is based on an ongoing process designed to identify and prioritise risks to the achievement of SYLTE'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 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 2014 Standing Orders and Financial Regulations had not been updated to reflect recent changes to SYLTE's Governance arrangements and these are now being updated.

### **Audit and Risk Committee and Risk Management**

The Audit and Risk Committee meets quarterly, is independently chaired and includes another independent Member and a Non-Executive Member of the Executive Board who is also a Local Authority Officer. The Committee approves the Internal Audit Plan, recommends to the Executive Board that the Annual Report and Accounts be adopted and receives reports from Internal Audit, External Audit and the Management Board on all aspects of internal control, governance and risk management.

The Minutes of A&RC meetings go to the Executive Board for information and the Chair of A&RC produces an Annual Report for the Executive Board on the work the Committee has undertaken throughout the year, its overall assessment of issues identified during the year and its priorities for its work programme for the year to come. The Committee considers its effectiveness each year and reports the outcome to the Executive Board along with any plans for improvement.

The Committee try to reflect in their work programme the continuing challenging and changing environment in which SYLTE operates. This year has seen more changes for SYLTE, and the A&RC's key priority has been to seek assurance that the changes being made across the organisation do not compromise SYLTE's ability to meet its objectives and that the efficiency savings required do not leave SYLTE unable to maintain effective standards of risk management and control.

The A&RC Chair's report to the Executive Board identified areas for Governance improvement as follows: attendance at A&RC meetings; communication between A&RC and the Executive and the Combined Authority; risk management and assurance; and training for A&RC members. All of these issues will be addressed in 2017/18.

SYLTE has a Risk Management Strategy in place; however the aspects of the strategy covering reporting and formal management of risks by the Management and Executive Boards have not been fulfilled during the year. Risk monitoring has been undertaken via reports to Audit and Risk Committee. An IT-based Risk Management System is used which prompts regular and timely review of all risks, related controls and actions through automatically generated reminders and reports. These prompts have not been used effectively during the year with risks and actions being not updated in a timely manner as well as controls and actions not being shown to mitigate risk. SYLTE's management team recognise the importance of continuing the improvements made in this area and the risk management process will be further developed during 2017/18.

Key risks throughout the year have been: the continued financial pressures with continued reductions in revenue grant from Local Authorities, securing funding for capital asset investments; reputational risk of delays to the Tram Train pilot. Working with partners and stakeholders, these have been effectively managed during the year, and we will continue to monitor those risks that still exist during 2017/18.

## **Assurance and Effective Accountability**

### **Internal Audit**

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

During 2016/17 the Internal Audit function continued to be undertaken by the Internal Audit Services of Barnsley MBC.

Throughout the year, Internal Audit completed seven internal audit reviews of SYLTE's systems and procedures. Three reviews were classed as having substantial assurance opinions and four had adequate assurance. In addition Internal Audit provided advice and assurance on five areas.

The Internal Audit Annual Report for 2016/17 has given the following opinion:

“Based on the systems reviewed and reported on by Internal Audit during the year, together with management’s responses to issues raised I am able to provide an overall Adequate Assurance Opinion.”

SYPTE’s management team are committed to improving Governance, and during the year eight historic Internal Audit actions were completed and 10 closed with two still ongoing: Board Effectiveness; and Business Continuity Training. The former will be completed by March 2018 and the latter by June 2017. Management are working to ensure that all current recommendations are delivered to agreed deadlines.

#### **External Audit**

External Audit, issued an unqualified opinion on SYPTE’s Financial Statements on 12 September 2016. There was no single issue identified in the course of the audit that was considered to be material, however an unadjusted audit misstatement of £151k was identified. Work with the Finance Team has been undertaken to minimise the likelihood of this error happening in the future.

#### **4 CONSIDERATION OF THE LEVEL OF ASSURANCE**

In last year’s Annual Governance Statement, we committed to take steps to address emerging risk and to further enhance our governance arrangements including further development of the assurance framework and risk management system as well as a more formal process for officer assurance. During the year we have improved the management of risks by risk holders and embraced the new guidance from CIPFA during our annual Governance Review.

During this year’s review of Governance, it was confirmed that SYPTE has an extensive suite of policies and procedures which should ensure that it has a reasonable level of Governance and internal control and that should allow it to manage risks of failure to deliver its corporate priorities. However, we recognise that we still have more to do to improve Governance across the organisation. The corporate policies continue to be reviewed during the coming year to ensure that they continue to be relevant. The review identified three key areas for improvement:

- Clarity around the individual roles and the relationship of Boards within SYPTE and between the CA and SYPTE was required to ensure that outputs and outcomes could effectively be delivered and reported upon. This will be achieved by an independent review of the Governance Framework to be undertaken by the Internal Auditors.
- Clarity around any potential future liabilities and opportunities to generate revenue from the sale of capital assets currently held by SYPTE was needed to ensure that SYPTE and its Local Authority funders are able to incorporate any revenue impacts into the planning process to ensure SYPTE’s financial sustainability. This will be achieved by undertaking a review of the assets held by SYPTE
- The need for corporate oversight of organisational risks, to ensure the effective management of any potential impact on SYPTE’s ability to deliver its corporate priorities. A new risk management process will be created by Senior Management with professional support provided by Internal Audit. Following the existing risk management strategy will ensure that risk management is embedded across the organisation and facilitates appropriate oversight of the strategic risk register by the Executive Board.

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

.....  
**STEPHEN EDWARDS**  
**Executive Director**  
11 September 2017

**SYLTE's RESPONSIBILITIES**

SYLTE 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 SYLTE, 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 preparing the Financial Statements for each financial year, in accordance with practices as set out in the CIPFA 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;
- Stated whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- Prepared the Financial Statements on the going concern basis.

The Head of Financial Services is also responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of SYLTE and to enable them to ensure that the financial statements comply with the Code. They are also responsible for safeguarding the assets of SYLTE and for taking reasonable steps for the prevention and detection of fraud and other irregularities, and maintaining an adequate and effective internal audit function.

**RESPONSIBLE FINANCIAL OFFICER'S CERTIFICATE**

I hereby certify that the Statement of Accounts presents a true and fair view of the financial position of SYLTE as at 31 March 2017 and its income and expenditure for the year ended 31 March 2017.

.....  
  
**KATE PLATTS**  
**Head of Financial Services**  
11 September 2017

# EXPENDITURE AND FUNDING ANALYSIS FOR YEAR ENDED 31 MARCH 2017

## Expenditure and Funding Analysis for the Year Ended 31 March 2017

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.

2015/16 restated		Net Expenditure in the Comprehensive Income and Expenditure Statement £'000	Notes	Net Expenditure Chargeable to the Operational Revenue Reserve £'000	2016/17		Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Net Expenditure Chargeable to the Operational Revenue Reserve £'000	Adjustments between the Funding and Accounting Basis £'000				Adjustments between the Funding and Accounting Basis £'000		
10,838	5,772	5,066	Transport Services	14,026	10,210	3,816	
10,838	5,772	5,066	Net Cost of Services	14,026	10,210	3,816	
			Other Operating Expenditure	43	-	43	
16,835	-	16,835	Financing and Investment Income and Expenditure	15,225	-	15,225	
(27,093)	-	(27,093)	Taxation and Specific Grant Income and Expenditure	(31,075)	-	(31,075)	
580	5,772	(5,192)	(Surplus) or Deficit	6	(1,781)	10,210	(11,991)
7,246			Opening Operational Revenue Reserve	6,666			
(580)			Less/Plus Surplus or (Deficit) on Operational Revenue Reserve	1,781			
6,666			Closing Operational Revenue Reserve at 31 March	8,447			

# **COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR YEAR ENDED 31 MARCH 2017**

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

2015/16 restated		Net Expenditure £'000		Notes	Gross Expenditure £'000	2016/17 Gross Income £'000	Net Expenditure £'000
Gross Expenditure £'000	Gross Income £'000						
107,943	102,877	5,066	Transport Services		82,241	78,425	3,816
<b>107,943</b>	<b>102,877</b>	<b>5,066</b>	<b>Cost of Services</b>		<b>82,241</b>	<b>78,425</b>	<b>3,816</b>
-	-	-	Other Operating Expenditure		441	398	43
16,844	9	16,835	Financing and Investment Income and Expenditure	9	15,233	8	15,225
-	27,093	(27,093)	Taxation and Specific Grant Income and Expenditure	27	-	31,075	(31,075)
<b>124,787</b>	<b>129,979</b>	<b>(5,192)</b>	<b>(Surplus)/Deficit on the Provision of Services</b>		<b>97,915</b>	<b>109,906</b>	<b>(11,991)</b>
			(Surplus) on Revaluation of Property, Plant and Equipment				(4,741)
		-	(Surplus) on Revaluation of Available for Sale Assets		-	-	(66)
		(4,677)	Re-measurement of the Net Defined Benefit Liability	34			5,654
		(4,677)	Other Comprehensive Income and Expenditure				847
		<b>(9,869)</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(11,144)</b>

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

# **MOVEMENTS IN RESERVES STATEMENT FOR YEAR ENDED 31 MARCH 2017**

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
<b>2016/17</b>										
<b>Balance at 1 April 2016 Restated</b>	6,666	1,516	5,586	<b>13,768</b>	78,987	16,960	(41,687)	(58)	<b>54,202</b>	<b>67,968</b>
Surplus/(Deficit) on the Provision of Services	11,991	-	-	<b>11,991</b>	-	-	-	-	-	<b>11,991</b>
Other Comprehensive Income and Expenditure		-	-	-	-	4,807	(5,654)	-	<b>(847)</b>	<b>(847)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>11,991</b>	-	-	<b>11,991</b>	-	<b>4,807</b>	<b>(5,654)</b>	-	<b>(847)</b>	<b>11,144</b>
<b>Adjustments Between Accounting Basis and Funding Basis Under Regulation</b>										
Reversal of Comprehensive Income and Expenditure Statement Entries	2,450	-	-	<b>2,450</b>	-	-	(2,450)	-	<b>(2,450)</b>	-
Employer's Pension Contributions	(1,424)	-	-	<b>(1,424)</b>	-	-	1,424	-	<b>1,424</b>	-
Grants Received and Receivable During the Year	(18,396)	-	(2,363)	<b>(20,759)</b>	20,759	-	-	-	<b>20,759</b>	-
Grants Released to Operational Revenue Reserve	15,724	-	-	<b>15,724</b>	(15,724)	-	-	-	<b>(15,724)</b>	-
Release from Revaluation Reserve	937	-	-	<b>937</b>	-	(937)	-	-	<b>(937)</b>	-
Transfer from Capital Receipts Reserve	178	(178)	-	-	-	-	-	-	-	-
Transfer to Capital Grants Unapplied Reserve	(9,679)	-	9,679	-	-	-	-	-	-	-
<b>Net Increase/(Decrease) Before Transfers to Earmarked Reserves</b>	<b>(10,210)</b>	<b>(178)</b>	<b>7,316</b>	<b>(3,072)</b>	<b>5,035</b>	<b>(937)</b>	<b>(1,026)</b>	-	<b>3,072</b>	-
<b>Increase/(Decrease) in Year</b>	<b>1,781</b>	<b>(178)</b>	<b>7,316</b>	<b>8,919</b>	<b>5,035</b>	<b>3,870</b>	<b>(6,680)</b>	-	<b>2,225</b>	<b>11,144</b>
<b>Balance at 31 March 2017</b>	<b>8,447</b>	<b>1,338</b>	<b>12,902</b>	<b>22,687</b>	<b>84,022</b>	<b>20,830</b>	<b>(48,367)</b>	<b>(58)</b>	<b>56,427</b>	<b>79,114</b>



**MOVEMENTS IN RESERVES STATEMENT FOR YEAR ENDED 31 MARCH 2017**

	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
<b>2015/16 restated</b>										
<b>Balance at 1 April 2015</b>	7,245	1,660	6,130	<b>15,035</b>	70,980	17,408	(45,264)	(60)	<b>43,064</b>	<b>58,099</b>
Surplus/(Deficit) on the Provision of Services	5,192	-	-	<b>5,192</b>	-	-	-	-	-	<b>5,192</b>
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	4,677	-	<b>4,677</b>	<b>4,677</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>5,192</b>	-	-	<b>5,192</b>	-	-	<b>4,677</b>	-	<b>4,677</b>	<b>9,869</b>
<b>Adjustments Between Accounting Basis and Funding Basis Under Regulation</b>										
Reversal of Comprehensive Income and Expenditure Statement Entries	2,642	-	-	<b>2,642</b>	-	-	(2,642)	-	<b>(2,642)</b>	-
Employer's Pension Contributions	(1,542)	-	-	<b>(1,542)</b>	-	-	1,542	-	<b>1,542</b>	-
Transfer from Accumulating Absences Account	(2)	-	-	<b>(2)</b>	-	-	-	2	<b>2</b>	-
Grants Received and Receivable During the Year	(26,268)	-	(1,003)	<b>(27,271)</b>	27,271	-	-	-	<b>27,271</b>	-
Grants Released to Operational Revenue Reserve	19,264	-	-	<b>19,264</b>	(19,264)	-	-	-	<b>(19,264)</b>	-
Release from Revaluation Reserve	448	-	-	<b>448</b>	-	(448)	-	-	<b>(448)</b>	-
Transfer from Capital Receipts Reserve	144	(144)	-	-	-	-	-	-	-	-
Transfer to Capital Grants Unapplied Reserve	(459)	-	459	-	-	-	-	-	-	-
<b>Net Increase/(Decrease) Before Transfers to Earmarked Reserves</b>	<b>(5,773)</b>	<b>(144)</b>	<b>(544)</b>	<b>(6,461)</b>	<b>8,007</b>	<b>(448)</b>	<b>(1,100)</b>	<b>2</b>	<b>6,461</b>	<b>-</b>
<b>Increase/(Decrease) in Year</b>	<b>(581)</b>	<b>(144)</b>	<b>(544)</b>	<b>(1,269)</b>	<b>8,007</b>	<b>(448)</b>	<b>3,577</b>	<b>2</b>	<b>11,138</b>	<b>9,869</b>
<b>Balance at 31 March 2016</b>	<b>6,664</b>	<b>1,516</b>	<b>5,586</b>	<b>13,766</b>	<b>78,987</b>	<b>16,960</b>	<b>(41,687)</b>	<b>(58)</b>	<b>54,202</b>	<b>67,968</b>

# BALANCE SHEET AS AT 31 MARCH 2017

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 2016 Restated £'000	NOTES	31 March 2017 £'000
- Long Term Investments		
- Long Term Debtors		
109,737 Property Plant and Equipment	10	116,924
1,349 Investment Property	11	1,170
244 Intangible Assets		183
197,077 Amounts Receivable from CA	14	193,948
<b>308,407</b>	<b>Long Term Assets</b>	<b>312,225</b>
- Assets held for sale		66
1 Short-term Investments		1
- Inventories		-
11,662 Short Term Debtors	15	16,357
98 Amounts Receivable from Yorcard	15	9
6,879 Amounts Receivable from CA	15	12,852
1,047 Cash and Cash Equivalents		2,081
<b>19,687</b>	<b>Current Assets</b>	<b>31,366</b>
(7,263) Short Term Borrowings	16	(15,041)
(14,672) Short Term Creditors	17	(17,720)
(785) Short Term Provisions	18	(1,571)
(176) PFI Finance Lease Liability	16	(192)
(3,570) Capital Grants Receipts in Advance	17	(1,316)
<b>(26,466)</b>	<b>Current Liabilities</b>	<b>(35,840)</b>
(180,327) Long Term Borrowing	30	(168,816)
- Long Term Provisions		-
(11,646) PFI Finance Lease Liability	19	(11,454)
(41,687) Net Pension Liability	34	(48,367)
<b>(233,660)</b>	<b>Long Term Liabilities</b>	<b>(228,637)</b>
<b>67,968</b>	<b>NET ASSETS / (LIABILITIES)</b>	<b>79,114</b>
<b>13,766</b>	<b>Usable Reserves</b>	<b>22,687</b>
<b>54,202</b>	<b>Unusable Reserves</b>	<b>56,427</b>
<b>67,968</b>	<b>TOTAL RESERVES</b>	<b>79,114</b>

**APPROVAL OF THE STATEMENT OF ACCOUNTS**

The Accounting Policies and the Financial Statements replace the unaudited Statements authorised by the Head of Financial Services on 31 May 2017. They were approved for issue by the Executive Board on 18 August 2017. Events after the balance sheet date have been considered up to the date of approval.

Signed on behalf of the Executive Board

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**STEPHEN EDWARDS**

**Executive Director**

11 September 2017

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**KATE PLATTS**

**Head of Financial Services**

11 September 2017

## 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	2017 £'000	2016 Restated £'000
<b>Net Surplus or (Deficit) on the Provision of Services</b>		11,991	5,192
Adjustment to Surplus or Deficit on the Provision of Services for Non-Cash Movements	22	15,894	41,223
Adjust for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities		(37,367)	(30,672)
<b>Net Cash Flows from Operating Activities</b>		<b>(9,482)</b>	<b>15,743</b>
<b>Net Cash Flows from Investing Activities</b>		14,255	1,914
<b>Net Cash Flows from Financing Activities</b>		(3,739)	(18,787)
<b>Net Increase or (Decrease) in Cash and Cash Equivalents</b>		<b>1,034</b>	<b>(1,130)</b>
Cash and Cash Equivalents at the Beginning of the Reporting Period		1,047	2,177
Cash and Cash Equivalents at the End of the Reporting Period		2,081	1,047

## **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 of the years presented, unless otherwise stated.

#### **1.2 General Policies**

The Statements summarise the transactions of SYPTE, for 2016/17 financial year and its position at the year end of 31 March 2017. 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 2016/17 and the CIPFA Service Reporting Code of Practice 2016/17, 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 the sale of goods is recognised when SYPTE transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to SYPTE.
- Revenue from the provision of services is recognised when SYPTE can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to SYPTE.
- 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 payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

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

### **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, money market funds should be 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 fixed 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; and
- amortisation of intangible fixed assets attributable to the service.

## **1.3 Employee Benefits**

### **1.3.1 Benefits Payable During Employment**

Short-term employee benefits are those that fall due 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, are recognised as an expense in the year in which employees render service to SYPTE. An accrual is made against services in the Surplus or Deficit on the Provision of Services 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 remuneration 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 or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority 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 on and after their employment. Contributions made to the Fund for both current and past services are charged to the revenue account as they are paid. Contribution levels are determined by the Fund. The Fund is a 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 2.5%.

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 pension's liability and this is matched 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 as part of Non Distributed costs.
- 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.
- Return On Plain 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 pension's 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 Pensions 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 Comprehensive Revenue Reserve balance to be charged with the amount payable by SYPTE to the pension fund, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact on the Comprehensive Revenue Reserve of being required to account for retirement benefits on the basis of cash flows rather than as benefits earned by employees.



#### **1.3.4 Discretionary Benefits**

SYLTE 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 reporting period 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 Financial Statements are adjusted to reflect such events;
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are 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 SYLTE 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 SYLTE 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.

SYLTE'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 SYLTE becomes a party to the contractual provisions of the instrument. SYLTE 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.

SYLTE 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 into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; and

- available for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

### **Loans and Receivables**

Loans and receivables are recognised on the Balance Sheet when the Authority 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 for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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

### **Available for Sale Assets**

Available-for-sale assets are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

Assets are maintained in the Balance Sheet at fair value. Values 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;
- equity shares with no quoted market prices – multiple valuation techniques (which include market approach, income approach and cost approach).

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 the Authority 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.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the

Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

#### **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 has 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 Inventories and Long Term Contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the First in First out (FIFO) costing formula.

Long term contracts are accounted for on the basis of charging the (Surplus)/Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

## **1.9 Interests in Companies and Other Entities**

SYLTE 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 SYLTE'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 CA.

SYLTE'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 Properties**

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, including any direct transaction costs. They are subsequently revalued annually in accordance with the fair value model (based on the amount at which the asset could be exchanged between knowledgeable parties at arms-length), reflecting market conditions at the Balance Sheet date. Any surplus or deficit arising from any change in fair value is recognised in the Comprehensive Income and Expenditure Statement in the period in which it arises.

Investment properties are not depreciated. They are derecognised when disposed of, or when no future economic use is expected. The difference between net proceeds and carrying value is recognised in the Comprehensive Income and Expenditure Statement in the period of derecognition.

Rentals received in relation to investment properties are credited to the Comprehensive Income and Expenditure account and result in a gain for the Operational Revenue Reserve balance.

## **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**

Where substantially all the risks and rewards of ownership of a leased asset are borne by SYPTE, the asset is recorded as Property, Plant and Equipment and a liability is recorded for the obligation to pay the lessor. The value at which both are recognised is the lower of the fair value of the assets of the present value of the minimum lease payments, discounted by the interest rate implicit in the lease. Initial 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. The assets recognised on the Balance Sheet are depreciated over their useful economic lives or the lease term if this is shorter.

The asset and liability are recognised at the inception of the lease, and are derecognised when the liability is discharged, cancelled or expires.

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).

A prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the Operational Revenue Reserve Balance, by way of an adjusting transaction with the Deferred Capital Grants Account in the Movement in Reserves Statement for the difference between the two.

The annual rental is split between the repayment of the liability and a finance cost. The annual finance cost is calculated and charged to finance costs in the Comprehensive Income and Expenditure Statement, over the period of the lease and is calculated so that it represents a constant proportion of the lease liability.

##### **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).

## **1.11.2 As Lessor**

### **1.11.2.1 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.

## **1.12 Property, Plant and Equipment**

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.

### **1.12.1 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.

### **1.12.2 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; and
- 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 will not increase the cash flows of SYPTE. In the latter case, 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 and assets under construction – depreciated historical cost;
- 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 fair 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 2015 by Lambert Smith Hampton on a depreciated replacement cost basis and Interchanges were subsequently valued at 31 March 2017 by Sanderson Weatherall. 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.

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

#### **1.12.3 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.

#### **1.12.4 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 bases:

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

Computer Equipment, three years

Park and Ride, 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 39 years

Track bed and system, 24 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.

#### **1.12.5 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.



Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Receipts are appropriated to the Reserve from the Operational Revenue Reserve Balance in the Movement in Reserves Statement.

#### **1.12.6 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.

#### **1.12.7 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 Administrative expenditure line in the Comprehensive Income and Expenditure Statement.

### **1.13 Private Finance Initiative 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 FRM, 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.

#### **1.14 Provisions, Contingent Liabilities and Contingent Assets**

##### **1.14.1 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.

##### **1.14.2 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.

### **1.14.3 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.

### **1.15 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.

### **1.16 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.

### **1.17 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.

### **1.18 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**

Paragraph 3.3.2.13 of the 2016/17 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. The additional disclosures that will be required in the 2016/17 and 2017/18 Financial Statements in respect of accounting changes that are introduced in the 2017/18 Code (i.e. that are relevant to the requirements of paragraph 3.3.4.3) are:

- Amendment to the reporting of pension fund scheme transaction costs.
- Amendment to the reporting of investment concentration (see paragraph 6.5.5.1 (m) of the 2017/18 Code).

## **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 £11.1m is recognised in the Financial Statements.

## NOTES TO THE ACCOUNTS

### 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	<p>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.</p> <p>There are uncertainties around land and buildings valuations due to political including the development of HS2, affecting the UK economy. Valuers have reported the unavailability of comparable evidence of specialised public transport sites.</p>	<p>If the asset lives are reduced, depreciation increases and the carrying amount of the asset would fall.</p> <p>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.</p> <p>Values could differ year on year due to assumptions made about political and economic factors, particularly if there is a change in valuer.</p>
Pensions Liability	<p>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.</p>	<p>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.</p> <p>However, the assumptions interact in complex ways. For example during 2009/10 the actuary advised that the liability would increase by £8.1m, before reducing by £7.6m in 2010/11 reflecting changes in assumptions.</p>

#### 4 **GOING CONCERN**

The Accounts have been prepared on the basis that SYPTE will remain as a going concern.

#### 5 **MATERIAL ITEMS OF INCOME AND EXPENSE (Exceptional Items)**

There were no exceptional items in 2016/17 or 2015/16.

## NOTES TO THE ACCOUNTS

### 6 NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

Adjustments between Funding and Accounting Basis 2016/17.

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	(11,236)	1,026	-	(10,210)
<b>Net Cost of Services</b>	<b>(11,236)</b>	<b>1,026</b>	<b>-</b>	<b>(10,210)</b>
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	(11,236)	1,026	-	(10,210)

Adjustments between Funding and Accounting Basis 2015/16 Restated

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	(6,870)	1,100	(2)	(5,772)
<b>Net Cost of Services</b>	<b>(6,870)</b>	<b>1,100</b>	<b>(2)</b>	<b>(5,772)</b>
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	(6,870)	1,100	(2)	(5,772)

#### **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.

## NOTES TO THE ACCOUNTS

### 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:

## 7 EXPENDITURE AND INCOME ANALYSED BY NATURE

SYPTE's expenditure and income is analysed as follows:

	2017	2016 Restated
Expenditure/Income	£'000	£'000
<b>Expenditure</b>		
Employee Benefits Expenses	8,729	9,905
Other Services Expenses	56,752	76,501
Depreciation, Amortisation, Impairment	18,654	22,981
Interest Payments	13,780	15,400
<b>Total Expenditure</b>	<b>97,915</b>	<b>124,787</b>
<b>Income</b>		
Fees, Charges & Other Service Income	11,270	10,093
Revenue Grant from CA	62,872	69,058
Interest & Investment Income	8	9
Government Grants & Contributions	35,756	50,818
Gain on the Disposal of Assets	-	1
<b>Total Income</b>	<b>109,906</b>	<b>129,979</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>(11,991)</b>	<b>(5,192)</b>

## NOTES TO THE ACCOUNTS

### MOVEMENTS IN EARMARKED 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 2016/17:

	Balance at 1 April	Transfers Out 2015/16	Transfers In 2015/16	Balance at 31 March 2016	Transfers Out 2016/17	Transfers In 2016/17	Balance at 31 March 2017
Operational Revenue Reserve	£'000	£'000	£'000	£'000	£'000	£'000	
Customer Service/Improvements	515	6	532	1,041	367	-	674
IT Project Work	463	111	253	605	116	-	489
Network Maintenance, Consultation and Upgrades	93	-	1,015	1,108	50	-	1,058
Embedded Rail Replacement	3,053	2,777	-	276	-	3,000	3,276
Rotherham Car Park Remedial Works	3,031	-	-	3,031	-	-	3,031
Other	53	53	-	-	-	-	-
<b>Total</b>	<b>7,208</b>	<b>2,947</b>	<b>1,800</b>	<b>6,061</b>	<b>533</b>	<b>3,000</b>	<b>8,528</b>

### 9 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

Future commitments under non-cancellable operating leases are noted within Note 31.

	2016/17 £'000	2015/16 Restated £'000
Interest Payable	13,780	15,400
Interest Receivable	(8)	(9)
Net interest on the net defined benefit liability	1,453	1,444
<b>Total</b>	<b>15,225</b>	<b>16,835</b>

### 10 PROPERTY, PLANT AND EQUIPMENT

2016/17	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
<b><u>COST/VALUATION</u></b>						
As at 1 April 2016	63,586	59,965	21,790	19,866	165,207	11,200
Additions During Year	-	-	330	6,906	7,236	-
Disposals During Year	-	-	-	-	-	-
Revaluations During Year	1,780	-	-	-	1,780	(150)
As at 31 March 2017	65,366	59,965	22,120	26,772	174,223	11,050
<b><u>DEPRECIATION</u></b>						
As at 1 April 2016	(2,629)	(33,840)	(19,001)	-	(55,470)	(350)
Charge for the Year	(2,629)	(1,652)	(509)	-	(4,790)	(350)
Disposals During Year	-	-	-	-	-	-
Revaluations During Year	2,961	-	-	-	2,961	700
As at 31 March 2017	(2,297)	(35,492)	(19,510)	-	(57,299)	-
<b>NET BOOK VALUE AS AT 31 MARCH 2017</b>	<b>63,069</b>	<b>24,473</b>	<b>2,610</b>	<b>26,772</b>	<b>116,924</b>	<b>11,050</b>



## NOTES TO THE ACCOUNTS

2015/16	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
<b><u>COST/VALUATION</u></b>						
As at 1 April 2015	63,586	59,965	21,315	8,382	153,248	11,200
Additions During Year	-	-	573	11,484	12,057	-
Disposals During Year	-	-	(98)	-	(98)	-
As at 31 March 2016	63,586	59,965	21,790	19,866	165,207	11,200
<b><u>DEPRECIATION</u></b>						
As at 1 April 2015	-	(32,187)	(18,580)	-	(50,767)	-
Charge for the Year	(2,629)	(1,653)	(519)	-	(4,801)	(350)
Disposals During Year	-	-	98	-	98	-
As at 31 March 2016	(2,629)	(33,840)	(19,001)	-	(55,470)	(350)
<b>NET BOOK VALUE AS AT 31 MARCH 2016</b>	<b>60,957</b>	<b>26,125</b>	<b>2,789</b>	<b>19,866</b>	<b>109,737</b>	<b>10,850</b>

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 1.12.4.

### Capital Commitments

SYPTE has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2017/18 and future years at a cost of £39,796k. Similar contracts at 31 March 2016 were £14,423k.

### Revaluations

SYPTE has reviewed its property, plant and equipment for indications of impairment. A full revaluation of property was carried out at 31 March 2015, by Lambert, Smith Hampton and a subsequent revaluation of Interchanges was carried out at 31 March 2017 by Sanderson Weatherall.

## 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.

## NOTES TO THE ACCOUNTS

	2016/2017		2015/2016	
	Rent Received £'000	Direct Operating Expenses £'000	Rent Received £'000	Direct Operating Expenses £'000
Chesterfield Road Land	-	-	-	-
Leicester Avenue Land & Buildings	75	-	75	-
<b>Total</b>	<b>75</b>	<b>-</b>	<b>75</b>	<b>-</b>

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

	2017 £'000	2016 £'000
Balance at 1 April	1,349	1,349
Disposals	-	-
Net Gains/(Losses) from Fair Value Adjustments	(179)	-
<b>Balance Carried Forward 31 March</b>	<b>1,170</b>	<b>1,349</b>

### Fair Value Hierarchy

Details of SYPTE's investment properties and information about the fair value hierarchy as at 31 March 2017 and 2016 are as follows:

2016/17	Quoted Prices in Active Markets for Identical Assets (Level 1) £'000	Other Significant Observable Inputs (Level 2) £'000	Significant Unobservable Inputs (Level 3) £'000	Fair Value as at 31 March 2017 £'000
Recurring fair value measurements using:				
Commercial Units	-	1,170	-	1,170
<b>Total</b>	<b>-</b>	<b>1,170</b>	<b>-</b>	<b>1,170</b>

2015/16	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 2016 £'000
Recurring fair value measurements using:				
Commercial Units	-	1,349	-	1,349
<b>Total</b>	<b>-</b>	<b>1,349</b>	<b>-</b>	<b>1,349</b>

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

	Preconstruction		Infrastructure		Total	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Balance as at 1 April	-	-	-	-	-	-
Expenditure in Year	4,016	15,240	9,607	2,878	13,623	18,118
Amortised in Year	(4,016)	(15,240)	(9,607)	(2,878)	(13,623)	(18,118)
Balance Carried Forward	-	-	-	-	-	-

### 13 FINANCIAL INSTRUMENTS

#### Categories of Financial Instruments

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

	Long Term		Current	
	31 March 2017 £'000	31 March 2016 £'000	31 March 2017 £'000	31 March 2016 £'000
<b>Debtors</b>				
Loans and Receivables	-	-	7,463	4,314
<b>Cash and Cash Equivalents</b>				
Loans and Receivables	-	-	2,081	1,047
<b>Borrowings</b>				
Financial Liabilities at Amortised Cost - Principal	167,875	179,375	11,500	3,563
Financial Liabilities at Amortised Cost - Interest	-	-	3,541	3,700
Financial Liabilities at Amortised Cost - Adjustments	941	952	-	-
<b>Financial Liabilities at Amortised Cost</b>	<b>168,816</b>	<b>180,327</b>	<b>15,041</b>	<b>7,263</b>
<b>Other Liabilities</b>				
Financial Liabilities at Amortised Cost (PFI)	11,454	11,646	192	176
<b>Creditors and Provisions</b>				
Financial Liabilities at Amortised Cost	-	-	20,608	19,028

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
	Liabilities Measured at Amortised Cost	Investments and Debtors	
2016/17	£'000	£'000	£'000
<b>Income, Expense, Gains and Losses</b>			
Interest Expense – Debt	12,748	-	12,748
Interest Expense - PFI	1,032	-	1,032
Reductions in Fair Value	-	2	2
Impairment Losses/(Gains)	-	-	-
<b>Total Expense in Surplus or Deficit on the Provision of Services</b>	<b>13,780</b>	<b>2</b>	<b>13,782</b>
Interest Income	-	8	8
<b>Total Income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>8</b>	<b>8</b>
<b>Net Gain/(Loss) for the Year</b>	<b>(13,780)</b>	<b>6</b>	<b>(13,774)</b>

## NOTES TO THE ACCOUNTS

	Financial Liabilities	Financial Assets	Total
2015/16 Income, Expense, Gains and Losses	Liabilities Measured at Amortised Cost £'000	Investments and Debtors £'000	£'000
Interest Expense – Debt	14,363	-	14,363
Interest Expense - PFI	1,046	-	1,046
Reductions in Fair Value	-	3	3
Impairment Losses/(Gains)	(10)	-	(10)
<b>Total Expense in Surplus or Deficit on the Provision of Services</b>	<b>15,399</b>	<b>3</b>	<b>15,402</b>
Interest Income	-	9	9
<b>Total Income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>9</b>	<b>9</b>
<b>Net Gain/(Loss) for the Year</b>	<b>(15,399)</b>	<b>6</b>	<b>(15,393)</b>

### 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 2017 at 4.2% to 4.6% for loans from the Public Works Loan Board (PWLb) and Wertmanagement (formerly Depfa Bank Ltd);
- 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	2016/17		2015/16	
	Carrying Value £'000	Fair Value £'000	Carrying Value £'000	Fair Value £'000
Public Works Loan Board (PWLb)	159,375	211,336	162,875	220,193
Wertmanagement (formerly Depfa)	20,941	31,659	20,952	27,574
Salix	-	-	63	63
Doncaster Interchange PFI	11,646	11,646	11,822	11,822

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 £211.3m 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

## NOTES TO THE ACCOUNTS

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 £159.4m would be valued at £201.9m. 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 £211.3m.

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 CA 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 uncollectability over the last five financial years, adjusted to reflect current market conditions:

	Amount at 31 March 2017 £'000 A	Historical Experience of Default % B	Historical Experience Adjusted for Market Conditions at 31 March 2017 £'000 C	Estimated Maximum Exposure to Default and Uncollectability at 31 March 2017 £'000 A X C	Estimated Maximum Exposure at 31 March 2017 £'000
Customers	7,642	0%	0.45%	34	34

## NOTES TO THE ACCOUNTS

	Amount at 31 March 2016 £'000 A	Historical Experience of Default % B	Historical Experience Adjusted for Market Conditions at 31 March 2016 £'000 C	Estimated Maximum Exposure to Default and Uncollectability at 31 March 2016 £'000 A X C	Estimated Maximum Exposure at 31 March 2016 £'000
Customers	688	0%	7%	48	48

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 £48k of the £7,634k balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2017 £'000	31 March 2016 £'000
Less than Three Months	14	86
Three to Six Months	19	41
Six Months to One Year	5	3
More than One Year	9	24
<b>Total</b>	<b>47</b>	<b>154</b>

**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 CA ensuring SYPTE meets these payment obligations. The maturity analysis of financial liabilities is as follows:

	31 March 2017 £'000	31 March 2016 £'000
Less than One Year	11,500	3,563
Between One and Two Years	6,500	18,000
Between Two and Five Years	60,975	65,975
More than Five Years	101,341	96,352
<b>Total</b>	<b>180,316</b>	<b>183,890</b>

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's has no exposure to interest rate risk arising from floating rate short term deposits on the basis that it only retains cash balances cash 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 CA in line with the CA'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 10.75%.  
The Wertmanagement loans are at fixed interest rates ranging between 2.72% 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 dominated in foreign currencies and therefore have no exposure to losses arising from movements in exchange rates.

## NOTES TO THE ACCOUNTS

### 14 LONG TERM DEBTORS

	2017 £'000	2016 £'000
<b>Amount Owed by Group Undertakings</b>		
Combined Authority	193,948	197,077
<b>Debtor Analysis</b>		
Other Local Authorities	193,948	197,077
<b>Total</b>	<b>193,948</b>	<b>197,077</b>

### 15 SHORT TERM DEBTORS

	2017 £'000	2016 £'000
<b>Amounts Falling Due Within One Year</b>		
Trade Debtors	7,634	688
HM Revenue & Customs (VAT)	419	285
Prepayments and Accrued Income	8,304	10,689
<b>Balance at 31 March</b>	<b>16,357</b>	<b>11,662</b>
<b>Amount Owed by Group Undertakings</b>		
Yorcard Ltd	9	98
Combined Authority	12,852	6,879
<b>Balance at 31 March</b>	<b>12,861</b>	<b>6,977</b>
<b>Total Short Term Debtors as at 31 March</b>	<b>29,218</b>	<b>18,639</b>
<b>Debtor Analysis</b>		
Central Government Bodies	7,246	4,108
Other Local Authorities	13,185	7,288
Other	8,787	7,243
<b>Total</b>	<b>29,218</b>	<b>18,639</b>

### 16 SHORT TERM BORROWINGS

	2017 £'000	2016 £'000
<b>Amounts Falling Due Within One Year</b>		
Interest Payable on Loans	(3,541)	(3,700)
Loans Payable Within One Year	(11,500)	(3,563)
<b>Balance at 31 March</b>	<b>(15,041)</b>	<b>(7,263)</b>
Obligations : Finance Leases	(192)	(176)
<b>Balance at 31 March</b>	<b>(15,233)</b>	<b>(7,439)</b>

### 17 SHORT TERM CREDITORS

	2017 £'000	2016 £'000
<b>Amounts Falling Due Within One Year</b>		
Trade Creditors	(9,667)	(5,474)
Amounts Owed to Group Undertakings	(6)	-
Other Creditors	(7)	(8)
VAT and Social Security	(1)	-
Holiday Pay Accrual	(57)	(57)
Accruals and Deferred Income	(7,982)	(9,133)
<b>Balance at 31 March</b>	<b>(17,720)</b>	<b>(14,672)</b>
Grants Received in Advance	(1,316)	(3,570)
<b>Balance at 31 March</b>	<b>(19,036)</b>	<b>(18,242)</b>
<b>Creditor analysis</b>		
Central Government Bodies	(1)	(1,549)
Other Local Authorities	(5,288)	(5,902)
Other	(13,747)	(10,791)
<b>Total</b>	<b>(19,036)</b>	<b>(18,242)</b>

## NOTES TO THE ACCOUNTS

### 18 PROVISIONS

	2017 £'000		2016 £'000	
	Legal Claims	Other	Total	Total
Balance 1 April	139	646	785	488
Provided in the Year	31	960	991	442
Provisions Not Required Written Back	-	(10)	(10)	(38)
Provisions Utilised in the Year	-	(195)	(195)	(107)
<b>Balance 31 March</b>	<b>170</b>	<b>1,401</b>	<b>1,571</b>	<b>785</b>

	2017 £'000		2016 £'000	
	Legal Claims	Other	Total	Total
<b>Expected Timing of Cash Flow</b>				
Within One Year	170	1,401	1,571	785
Between One and Five Years	-	-	-	-
After Five Years	-	-	-	-
<b>Total</b>	<b>170</b>	<b>1,401</b>	<b>1,571</b>	<b>785</b>

#### 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 repayment of grant, fare income and tax liabilities and liability for works in respect of Supertram infrastructure.

### 19 OTHER LONG TERM LIABILITIES (PFI Lease Liability)

	2017 £'000	2016 £'000
Balance 1 April	11,822	11,984
Repayments During Year	(176)	(162)
Balance 31 March	11,646	11,822
Amounts Falling Due Within One Year Included in Short Term Borrowings (Note 16)	(192)	(176)
<b>Other Long Term Liabilities 31 March</b>	<b>11,454</b>	<b>11,646</b>
Which is Repayable As Follows		
Within 2-5 Years	949	873
After 5 Years	10,505	10,773
<b>Total</b>	<b>11,454</b>	<b>11,646</b>



## 20 USABLE RESERVES

Movements in SYPTE's Usable Reserves are detailed in the Movement in Reserves Statement.

## 21 UNUSABLE RESERVES

31 MARCH 2017	2017 £'000	2016 Restated £'000
Deferred Capital Grants Reserve	84,022	78,987
Revaluation Reserve	20,830	16,960
Pension Reserve	(48,367)	(41,687)
Accumulated Absences Account	(58)	(58)
<b>Total Unusable Reserves</b>	<b>56,427</b>	<b>54,202</b>

### 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:

	2017 £'000	2016 £'000
Balance 1 April	78,987	70,980
Grants Received and Receivable During the Year	20,759	27,271
Release to Income & Expenditure Account	(15,724)	(19,264)
<b>Balance 31 March</b>	<b>84,022</b>	<b>78,987</b>

### 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 depreciation;
- Disposed of and the gains are realised.

	2017 £'000	2016 £'000
Balance 1 April	16,960	17,408
Revaluation During the Year (adjustment to existing revaluation)	4,807	-
Transferred to Income & Expenditure Account	(937)	(448)
<b>Balance 31 March</b>	<b>20,830</b>	<b>16,960</b>

### Pension Reserve

The Unusable Reserve – Pension Reserve is maintained in line with Note 34 such that the end of year balance equates to the value of the Net Pension Liability in the Balance Sheet:

	2017 £'000	2016 Restated £'000
Balance 1 April as restated	(41,687)	(45,264)
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	(5,654)	4,677
IAS19 Adjustment Transferred to Operational Revenue Reserve	(1,026)	(1,100)
<b>Balance 31 March</b>	<b>(48,367)</b>	<b>(41,687)</b>

## NOTES TO THE ACCOUNTS

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

The cash flows for operating activities include the following items:

	2017 £'000	2016 Restated £'000
Interest Received	9	9
Interest Paid	13,621	14,789

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

	2017 £'000	2016 Restated £'000
Depreciation	4,852	4,863
Impaired and Downward Valuations	179	-
Amortisation	13,623	18,118
Increase/(decrease) in Impairment for Bad Debts	(16)	(3)
Increase/(decrease) in Creditors	2,889	(1,641)
(Increase)/decrease in Debtors	(7,435)	18,240
(Increase)/decrease in Inventories	-	258
Movement in Pensions Liability	1,026	1,100
Other Non-Cash Items Charged to the Net Surplus or Deficit on the Provision of Services	776	288
<b>Total</b>	<b>15,894</b>	<b>41,223</b>

### 22b NOTES TO THE CASH FLOW STATEMENT – OPERATING ACTIVITIES

	2017 £'000	2016 £'000
Proceeds from Short Term (not considered to be cash equivalents) and Long Term Investments (includes investments in associates, joint ventures and subsidiaries)	-	-
Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	-	-
Any Other Items for which the Cash Effects are Investing or Financing Cash Flows	(37,367)	(30,672)
<b>Total</b>	<b>(37,367)</b>	<b>(30,672)</b>

### 22c NOTES TO THE CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2017 £'000	2016 £'000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(20,859)	(30,174)
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	35,114	32,088
<b>Net Cash Flows from Investing Activities</b>	<b>14,255</b>	<b>1,914</b>

## NOTES TO THE ACCOUNTS

### 22d NOTES TO THE CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2017 £'000	2016 £'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	(176)	(162)
Repayments of Short and Long Term Borrowing	(3,563)	(18,625)
Other Payments for Financing Activities		-
<b>Net Cash Flows from Financing Activities</b>	<b>(3,739)</b>	<b>(18,787)</b>

### 23 AGENCY SERVICES

SYLTE 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 SYLTE, 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.

	2017 £'000	2016 £'000
<b>Safer Roads Partnership</b>		
Balance 1 April	1,800	1,668
Received in Year	2,295	1,856
Issued in Year	(3,081)	(1,724)
<b>Balance 31 March</b>	<b>1,014</b>	<b>1,800</b>

### 24 OFFICERS' REMUNERATION

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

Officer	Salaries, Fees and Allowances	Expenses Allowances	Pension Employer Contribution	Total
	2016/17 £	2016/17 £	2016/17 £	2016/17 £
Executive Director	101,000	33	12,322	<b>113,355</b>
Director of Public Transport	5,591		682	<b>6,273</b>
Director of Customer Services	5,591		682	<b>6,273</b>
Head of Financial Services	64,863		7,913	<b>72,776</b>
Principal Solicitor and Secretary	77,964	172	9,512	<b>87,648</b>

Director of Public Transport – from 6 March 2017

Director of Customer Services – from 6 March 2017

## NOTES TO THE ACCOUNTS

Officer	Salaries, Fees and Allowances	Expenses Allowances	Compensation for Loss of Office	Pension Employer Contribution	Total
	2015/16	2015/16	2015/16	2015/16	2015/16
	£	£	£	£	£
Executive Director	41,389	-		5,049	<b>46,438</b>
Interim Director General	76,667	-	112,797	10,508	<b>199,972</b>
Director of Strategy	36,073	-	-	4,067	<b>40,140</b>
Head of Financial Services	61,762	-	-	7,535	<b>69,297</b>
Principal Solicitor and Secretary	75,145	402	-	9,060	<b>84,607</b>

Executive Director – from 2 November 2015  
Interim Director General – to 30 November 2015  
Director of Strategy – to 31 August 2015

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.

	2016/17 Number of Employees	2015/16 Number of Employees
Remuneration Band:		
£50,000 - £54,999	1	-
£55,000 - £59,999	3	1
£60,000 - £64,999	2	3
£65,000 - £69,999	1	1
£70,000 - £74,999	-	-
£75,000 - £79,999	1	2
£80,000 - £84,999	-	-
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000 - £104,999	1	-
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	-	-
£120,000 - £124,999	-	-

## 25 TERMINATION BENEFITS

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below. Strain costs are £0k, (2015/16 £37k) and are included in the total cost:

Exit Package Cost Band (including special payments)	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band (including strain costs)	
	2017	2016	2017	2016	2017	2016	2017 £'000	2016 £'000
£0 - £20,000	1	7	2	5	3	12	23	62
£20,001 - £40,000	-	-	-	3	-	3	-	97
£40,001 - £60,000	-	-	-	1	-	1	-	49
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,000 - £150,000	-	-	-	1	-	1	-	113
<b>Total</b>	<b>1</b>	<b>7</b>	<b>2</b>	<b>10</b>	<b>3</b>	<b>17</b>	<b>23</b>	<b>321</b>

## NOTES TO THE ACCOUNTS

### 26 EXTERNAL AUDIT COSTS

SYLTE 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 SYLTE's External Auditors:

	2017 £'000	2016 £'000
Fees Payable to KPMG LLP with regard to External Audit Services Carried out by the Appointed Auditor for the Year	36	40
Fees Payable to KPMG LLP for the Certification of Grant Claims and Returns for the Year	4	3
<b>Total</b>	<b>40</b>	<b>43</b>

### 27 GRANT INCOME

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

	2017 £'000	2016 £'000
Local Transport Plan	2,127	3,359
Department for Transport	14,662	14,795
Better Bus Area	4,700	561
Other	261	5,473
Local Authority (including STEP and SCRIF)	9,325	2,904
<b>Total</b>	<b>31,075</b>	<b>27,092</b>

### 28 RELATED PARTIES

A body or individual is a related party of SYLTE if the body or individual has the potential to control or significantly influence SYLTE's operating or financial decisions or SYLTE 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 SYLTE to direct how the other party's financial and operating policies should be administered and applied. The fact that a voluntary organisation might be economically dependent on SYLTE 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 SYLTE these parties are mainly the 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

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

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

## NOTES TO THE ACCOUNTS

### Sheffield City Region Combined Authority

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

	2016/17 £'000	2015/16 £'000
Amount Held by CA to Repay SYPTE Loans	115,947	116,458
Grant Monies Owing to SYPTE	90,854	87,498
<b>Total Owed to SYPTE by CA</b>	<b>206,801</b>	<b>203,956</b>

### Investments – Financial Performance

#### Joint Venture

At 31 March 2017 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, management have agreed 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 FRS 9 Associates and Joint Ventures:

	2016/17 £'000	2015/16 £'000
Turnover	1,081	1,241
Profit/(loss) Before Tax	-	-
Taxation	-	-
Profit/(loss) After Tax	-	-
Fixed Assets	-	4
Current Assets	325	250
Liabilities Due Within 1 Year	(320)	(245)
Liabilities Due After 1 Year or More	-	(4)

### 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 do not have any related party transactions to disclose.

## 29 CAPITAL EXPENDITURE AND CAPITAL FINANCING

### Capital Financing Costs

	2016/17 £'000	2015/16 £'000
Depreciation	4,790	4,801
Amortisation	13,684	18,180
Impairment of Investment Property	179	-
Concessionary Support Payment	1,500	1,500
<b>Total</b>	<b>20,153</b>	<b>24,481</b>

## NOTES TO THE ACCOUNTS

### 30 LONG TERM BORROWING

	2017 £'000	2016 £'000
Balance 1 April	180,327	183,900
Loans Raised	-	-
Loans Repaid	-	-
LOBOS Interest Rate Adjustment	(11)	(10)
Less Payable Within One Year (included in short term borrowings)	(11,500)	(3,563)
<b>Balance 31 March</b>	<b>168,816</b>	<b>180,327</b>
Which is repayable as follows:		
Between One and Five Years	67,475	71,000
Between Five and Ten Years	54,400	62,375
More Than Ten Years	46,941	46,952
<b>Total</b>	<b>168,816</b>	<b>180,327</b>

At 31 March 2017 SYPTE has £159.4m (£162.9m 2015/16) fixed interest loans from the Public Works Loans Board. The average loan rate is 7.005% pa (7.584% 2015/16) and the loans are repayable on maturity from 2017 onwards. SYPTE has a further £20m (£20m 2015/16) of loans from Wertmanagement. The average loan rate in 2016/17 was 4.72% pa (4.72% 2015/16) and the loans are repayable from 2043 onwards.

### 31 LEASES AND LEASE TYPE ARRANGEMENTS

At 31 March 2017 SYPTE had annual commitments under non-cancellable operating leases expiring as follows:

#### SYPTE as Lessee

	2017 £'000	2016 £'000
<b>Land and Buildings</b>		
Not Later Than One Year	17	561
Later Than One Year and Not Later Than Five Years	-	2,176
Later Than Five Years	-	656
<b>Total</b>	<b>17</b>	<b>3,393</b>

#### 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:

	2017 £'000	2016 £'000
<b>Land and Buildings –</b>		
Not Later Than One Year	502	482
Later Than One Year and Not Later Than Five Years	1,567	1,585
Later Than Five Years	1,327	1,427
<b>Total</b>	<b>3,396</b>	<b>3,494</b>

Where SYPTE act as a lessor it relates to 27 property leases for terms up to 19 years.

#### Contingent Rents

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

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

### 32 PRIVATE FINANCE INITIATIVES (PFI)

#### Doncaster Interchange PFI

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

SYLTE'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 2017 is £11.1m (£10.9m at 31 March 2016).

In 2016/17 unitary charge payments of £2.4m (£2.4m in 2015/16) were paid. Unitary charge payments over the whole life of the contract will total £89.0m of which SYLTE will contribute £18.2m and the remainder 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	192	1,017	-	1,056	119	2,384
Within 2 - 5 Years	949	3,885	-	4,606	518	9,958
Within 6 - 10 Years	1,733	4,309	-	6,725	756	13,523
Within 11 - 15 Years	2,634	3,408	-	7,987	898	14,927
Within 16 - 20 Years	4,004	2,039	-	9,486	1,067	16,596
Within 21 - 25 Years	2,134	283	(983)	4,276	481	6,191
Within 26 - 30 Years	-	-	-	-	-	-
<b>Total</b>	<b>11,646</b>	<b>14,941</b>	<b>(983)</b>	<b>34,136</b>	<b>3,839</b>	<b>63,579</b>

	2017 Doncaster Interchange PFI Asset £'000	2016 Doncaster Interchange PFI Asset £'000
Net Book Value as at 1 April	10,850	11,200
Revaluation Adjustments	550	-
Depreciation	(350)	(350)
<b>As at 31 March</b>	<b>11,050</b>	<b>10,850</b>

	2017 Doncaster Interchange PFI Liability £'000	2016 Doncaster Interchange PFI Liability £'000
As at 1 April	11,821	11,984
Lease Repayments	(1,309)	(1,309)
Interest Charge	1,032	1,046
Contingent Rentals	100	100
<b>As at 31 March</b>	<b>11,644</b>	<b>11,821</b>

### 33 IMPAIRMENT LOSSES

SYLTE has reviewed its property, plant and equipment for indications of impairment. No amendments were required in 2016/17 or 2015/16.



### 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 SYPL) are charged to the Comprehensive Income and Expenditure Statement.

#### **Comprehensive Income and Expenditure Statement**

	2016/17 £'000	2015/16 Restated £'000
Current Service Cost	997	1,198
Financing Investment Income and Expenditure	1,453	1,444
Remeasurement in other Comprehensive Income and Expenditure	5,654	(4,677)
<b>Total Post-Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<b>8,104</b>	<b>(2,035)</b>

#### **Movement in Reserves Statement**

	2016/17 £'000	2015/16 Restated £'000
Reversal of net charges made to the (Surplus)/Deficit for the provision of services for post-employment benefits in accordance with the code	(2,450)	(2,642)
Actual amount charged against the Operational Revenue Reserve		
Balance for pensions in the year:		
Employer's contributions payable to scheme	1,424	1,542

## NOTES TO THE ACCOUNTS

### Assets & Liabilities in Relation to Post-Employment Benefits

Reconciliation of present value of the scheme liabilities:

	2016/17	2015/16
	£'000	Restated £'000
Opening Balance at 1 April as Restated	(134,727)	(142,305)
Current Service Cost	(944)	(1,178)
Interest cost	(4,604)	(4,452)
Contributions by Scheme Participants	(309)	(350)
Re-measurements	(27,603)	6,843
Curtailments	(53)	(20)
Benefits Paid	6,702	6,735
<b>Closing Balance at 31 March</b>	<b>(161,538)</b>	<b>(134,727)</b>

### Reconciliation of Fair Value of the Scheme (plan) Assets:

	2016/17	2015/16
	£'000	Restated £'000
Opening Balance at 1 April as restated	93,040	97,041
Interest on Plan Assets	3,169	3,028
Re-measurements	21,949	(2,166)
Administration Expenses	(18)	(20)
Contributions by Employer	1,424	1,542
Contributions by Scheme (plan) Participants	309	350
Benefits Paid	(6,702)	(6,735)
<b>Closing Balance at 31 March</b>	<b>113,171</b>	<b>93,040</b>

### Pension Scheme Assets comprised:

	2016/17	2015/16
	£'000	Restated £'000
<b>Equities</b>	68,989	53,629
<b>Bonds</b>		
Government Bonds	16,138	13,714
Other Bonds	7,039	5,871
<b>Property</b>	10,605	10,876
<b>Other</b>	10,400	8,950

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

	2014/15	2015/16	2016/17
	£'000	Restated £'000	£'000
Present Values of Liabilities	(107,963)	(134,727)	(161,538)
Fair Value of Scheme Assets	66,165	93,040	113,171
<b>Surplus/(Deficit) in the Scheme</b>	<b>(41,798)</b>	<b>(41,687)</b>	<b>(48,367)</b>

## NOTES TO THE ACCOUNTS

### 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:

<b>Mortality Assumptions</b>	<b>2016/17</b>	<b>2015/16</b>
Longevity at age 65 for current Pensioners:		
Men	22.9 years	23 years
Women	25.7 years	25.7 years
Longevity at age 65 for future Pensioners:		
Men	25.1 years	25.4 years
Women	28 years	28.5 years

### Financial Assumptions

Rate of CPI Inflation	2.3%	2.0%
Rate of increase in Salaries	3.6%	3.8%
Rate of increase in Pensions	2.3%	2.0%
Discount Rate	2.5%	3.5%

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:

	<b>Central</b>	<b>Sensitivity 1</b>	<b>Sensitivity 2</b>	<b>Sensitivity 3</b>	<b>Sensitivity 4</b>
		<b>+ 0.1% pa Discount</b>	<b>+ 0.1% pa Inflation</b>	<b>+ 0.1% pa Pay Growth</b>	<b>1 Year Increase in Life Expectancy</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Disclosure Item</b>					
Liabilities	161,538	158,751	164,373	161,854	164,798
Assets	(113,171)	(113,171)	(113,171)	(113,171)	(113,171)
Deficit/(Surplus)	48,367	45,580	51,202	48,683	51,627
Projected Service Cost for Next Year	1,417	1,373	1,462	1,417	1,447
Projected Net interest Cost for Next Year	1,142	1,115	1,223	1,160	1,234

### 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:

	<b>31 March 2013 %</b>	<b>31 March 2014 %</b>	<b>31 March 2015 %</b>	<b>31 March 2016 %</b>	<b>31 March 2017 %</b>
Differences between the expected and actual return on assets	7.2	6.1	12.2	0.9	19.4
Experience gains and losses on liabilities	0.0	0.0	0.0	0.0	0.1

### Impact on SYPTE's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. 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 18 to 19 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2020 in respect of the three year period 2020/21 to 2022/23.

## NOTES TO THE ACCOUNTS

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.

SYLTE anticipates to pay £550k expected contributions to the scheme in 2017/18. The weighted average duration of the defined benefit obligation for scheme members is 17 years during 2017/18.

### 35 LONG TERM COMMITMENTS

SYLTE is committed to making annual concessionary support payments to HSBC of £1.5m per annum until March 2024.

### 36 PRIOR PERIOD ADJUSTMENTS

Changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis.

In 2016/17 there were changes to the presentation of the financial statements in two key areas:

- Reporting on an organisational basis, breaking the mandatory link between the Service Reporting Code of Practice (SeRCOP) and the Comprehensive Income and Expenditure Statement (CIES).
- Introduction of a new Expenditure and Funding Analysis to provide a direct reconciliation between funding and budget, and the CIES, in a way that is accessible to the lay-reader. The Expenditure and Funding Analysis will be supported by a streamlined Movement in Reserves Statement and replaces the previous segmental reporting note.

As a result prior period adjustments were required to SYLTE's Statement of Accounts.

The pension fund of SYITA Properties Ltd. has been amalgamated into that of SYLTE. This has been accounted for in 2016/17 and comparative figures for 2015/16 have been restated to reflect the position at 31 March 2016. The pension liability crystallised in 2015/16 following the retirement of the final active member of the company.

The restated comparative information is shown in the tables below:

<b>Balance Sheet at 31 March 2016</b>	<b>Net Pension Liability</b>	<b>Unusable Reserves (Pension Reserve)</b>
	<b>£'000</b>	<b>£'000</b>
Original Balance at 31 March 2016	39,052	(39,052)
Business combination due to inclusion of pension liability of SYITA Properties Ltd	2,635	(2,635)
<b>Restated balance at 31 March 2016</b>	<b>41,687</b>	<b>(41,687)</b>

<b>Comprehensive Income and Expenditure Statement for year ended 31 March 2016</b>	<b>Net Pension Liability</b>
	<b>£'000</b>
Original Surplus at 31 March 2016	5,303
Adjustment to Financing Income and Expenditure line due to restated net interest on pension assets	(111)
<b>Restated balance at 31 March 2016</b>	<b>5,192</b>

**37 CONTINGENT LIABILITIES**

There are a number of ongoing investigations into transport infrastructure across the country due to fatalities so there is a potential that, on conclusion of such investigations, SYPTE may be required to incur expenditure.

Following a fire at Rotherham Interchange in May 2016, causing major damage, SYPTE is working with the loss adjusters to determine the extent of the repairs covered by insurance and the works that will form part of the already planned refurbishment of the site. It is expected that SYPTE will not incur repair costs caused by the damage which are not covered by insurance. The settlement should be concluded towards the end of 2017.

**38 CONTROL**

During 2016/17 SYPTE's ultimate parent undertaking was the Sheffield City Region Combined Authority.

The Sheffield City Region Combined Authority (CA) has formed a committee known as the Transport Committee to which the majority of the powers and duties of the CA relating to transport have been delegated. The majority of SYPTE reports seeking required approval go to this Committee. The CA retains the power to approve the budget and set the levy.

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

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

## GLOSSARY

<b>Glossary Term</b>	<b>Definition</b>
<b>Abbreviations</b>	The symbol 'k' following a figure represents £thousand. The symbol 'm' following a figure represents £million.
<b>Accounting Period</b>	The period of time covered by the accounts. Normally 12 months, beginning on 1 April. Also known as the Financial Year.
<b>Accounting Policies</b>	These are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting Financial Statements.
<b>Accruals Concept</b>	Income and Expenditure are recognised as they are earned or incurred, not as money is received or paid.
<b>Actuarial Gains and Losses</b>	For a Defined Benefit Pension Scheme, the changes in actuarial deficits or surpluses that arise because: <ul style="list-style-type: none"> <li>• events have not coincided with the actuarial assumptions made for the last valuation;</li> <li>• experience gains or losses, or;</li> <li>• the actuarial assumptions have changed.</li> </ul>
<b>Amortisation</b>	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.
<b>Annual Governance Statement</b>	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.
<b>Asset</b>	Something of value, measurable in monetary terms.
<b>Assets under Construction</b>	Assets which are under construction, but not considered to be in an operational condition at the Balance Sheet date.
<b>Bad (and doubtful) Debts</b>	Debts which may be uneconomic to collect or unenforceable in law.
<b>Budget</b>	A statement of SYPTE's expected level of service expressed as an amount of spending over a set period, usually one year.
<b>Capital Expenditure</b>	Expenditure that is incurred to acquire, create or add value to a non-current asset.
<b>Capital Receipts</b>	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.
<b>Cash</b>	Comprises cash on hand and demand deposits.

## GLOSSARY

<b>Cash Equivalents</b>	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.
<b>Component</b>	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.
<b>Concessionary Travel</b>	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.
<b>Consistency Concept</b>	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.
<b>Contingency</b>	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.
<b>Credit Risk</b>	The possibility that one party to a financial instrument will fail to meet their contractual obligations, causing a loss to the other party.
<b>Creditors</b>	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.
<b>Debtors</b>	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.
<b>Defined Benefit Scheme</b>	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).
<b>Defined Contribution Scheme</b>	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.
<b>Depreciation</b>	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.
<b>Fair Value</b>	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.
<b>Finance Lease</b>	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.

## GLOSSARY

<b>Financial Instrument</b>	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.
<b>Impairment</b>	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.
<b>Intangible Assets</b>	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.
<b>International Financial Reporting Standards (IFRS)</b>	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.
<b>Inventories</b>	Inventories are assets: <ul style="list-style-type: none"><li>• in the form of materials or supplies to be consumed in the production process or consumed or distributed in the rendering of services;</li><li>• held for sale or distribution in the ordinary course of operations;</li><li>• in the process of production for sale or distribution.</li></ul>
<b>Investment Property</b>	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.
<b>Liabilities</b>	Amounts due to individuals or organisations, which will have to be paid at some time in the future.
<b>Materiality</b>	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.
<b>Net Book Value</b>	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.
<b>Net Current Replacement Cost</b>	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.
<b>Net Realisable Value</b>	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.



## GLOSSARY

<b>Operating Lease</b>	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.
<b>Private Finance Initiative (PFI)</b>	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.
<b>Property, Plant and Equipment</b>	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.
<b>Provisions</b>	Amounts charged to revenue during the year for costs with uncertain timing, though a reliable estimate of the cost involved can be made.
<b>Prudence Concept</b>	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.
<b>Public Works Loan Board (PWLb)</b>	A Government Agency, which provides loans to Authorities at favourable rates.
<b>Related Party</b>	<p>The definition of a Related Party is dependent upon the situation, though key indicators of Related Parties are if:</p> <ul style="list-style-type: none"><li>• One party has direct or indirect control of the other party;</li><li>• 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.</li></ul>
<b>Remuneration</b>	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.
<b>Reserves</b>	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.
<b>Revenue Expenditure</b>	Expenditure incurred on the day-to-day running of SYPTE, for example, staffing costs, supplies and transport.
<b>Specific Government Grants</b>	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.

## GLOSSARY

### **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**

We have audited the financial statements of South Yorkshire Passenger Transport Executive for the year ended 31 March 2017 on pages [a] to [b]. 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 2016/17.

This report is made solely to the Directors of the Executive, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the Directors of the Executive, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors of the Executive, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective Responsibilities of the Head of Financial Services and Auditor**

As explained more fully in the Statement of 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, and for being satisfied that the financial statements give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the Audit of the Financial Statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Executive's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Financial Services; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Narrative Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on Financial Statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of the Executive as at 31 March 2017 and of the Executive's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

### **Matters on Which we are Required to Report by Exception**

The Code of Audit Practice requires us to report to you if:

- the Annual Governance Statement which accompanies the financial statements does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' (CIPFA/SOLACE 2016 Edition); or

- the information given in the Narrative Statement for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014; or
- any other special powers of the auditor have been exercised under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

**Conclusion on South Yorkshire Passenger Transport Executive's Arrangements for Securing Economy, Efficiency and Effectiveness in its use of Resources**

**Executive's responsibilities**

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**

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. The Code of Audit Practice issued by the Comptroller and Auditor General (C&AG) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Executive has put in place 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.

**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 criterion issued by C&AG in November 2016, as to whether South Yorkshire Passenger Transport Executive had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether South Yorkshire Passenger Transport Executive put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

**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, South Yorkshire Passenger Transport Executive had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.**

**Basis for Qualified Conclusion**

During the financial year the risk management control framework at South Yorkshire Passenger Transport Executive has not operated in line with the Risk Strategy and Terms of References set by the Executive in February 2016. The Executive Board, whom make decisions for the Passenger Transport Executive, has not had oversight of the risk register during the year, despite the Risk Strategy and Terms of Reference stating they should.

The issue above is evidence of weaknesses in identifying and managing risks effectively and maintaining a sound system of internal control to support informed decision making.

**Qualified Conclusion**

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, with the exception of the matter reported in the basis for qualified conclusion paragraph above, we are satisfied that, in all significant respects, South Yorkshire Passenger Transport Executive put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

**Certificate**

We certify that we have completed the audit of the financial statements 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.

**Timothy Cutler****For and on behalf of KPMG LLP, Statutory Auditor***Chartered Accountants*

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