

# STATEMENT OF ACCOUNTS



## SOUTH YORKSHIRE PASSENGER TRANSPORT EXECUTIVE

### STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019

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## **1 INTRODUCTION**

### **Purpose of the Report**

This report provides a narrative context to accompany the Accounts of South Yorkshire Passenger Transport Executive 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 2018/19 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 (SYLTE) is the local government body responsible for public transport within the Sheffield City Region and is an executive body of, and accountable to the Sheffield City Region Mayoral Combined Authority (CA). The Region has ambitious plans to transform the City Region economy, these ambitions are set out in the Strategic Economic Plan (2015-25) and focus on the importance of infrastructure investment to create the conditions for businesses to thrive. Public transport connectivity and local sustainable transport are central to this.

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

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

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

These commitments 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 financially supported ("Tendered") bus services and Community Transport.

**3 KEY DEVELOPMENTS IN THE YEAR**

2018/19 saw notable progress on a number of SYPTE key strategic projects improving the public transport network in the region:

- The innovative Tram Train project, the first of its kind in the UK, linking heavy and light rail infrastructure, systems and operations to provide a new transport service between Sheffield and Rotherham went live, carrying its first passengers on 25 October 2018. The vehicles run on both the South Yorkshire Supertram system and the national rail network, providing three services an hour between Sheffield, Meadowhall, Rotherham Central Station and Parkgate.
- Major works to refurbish and repair Rotherham Interchange and its adjoining car park following a fire in May 2016 were substantially completed. This included full closure of the Interchange from June 2018 with the relocation of bus departures to a temporary Bus Station on Forge Island. The refurbished Interchange partially re-opened for public use on 3 March 2019, with the remaining sections, including the car park, re-opening in July 2019.
- The first of three years of Supertram network re-railing was completed. This work is to replace sections of track that have experienced accelerated wear and need replacement in order to ensure continued safe operation of the network and to prepare for its extended use beyond the current arrangement which ends in 2024.
- Development of the Sheffield City Region Mass Transit Outline Business Case continued. This business case seeks funding to deliver refreshed infrastructure potentially including new trams for the future operation of the Supertram network (or its alternative) beyond 2024.
- In July 2018 the Chesterfield to Sheffield (X17) service was extended to Meadowhall and Barnsley with the introduction of 8 new, high specification double-decker buses with low emission Euro 6 engines. Patronage on the route has increased by 35% since the service was extended.
- The Barnsley to Leeds express (X10) service which was launched in the previous financial year, experienced continued growth and now carries over 3,000 passengers per week. The service also won the Bronze Category in the “Making Buses a Better Choice” award at the UK Bus Awards.
- The “Bus It” campaign in partnership with Doncaster Ambassadors and the Doncaster Bus Partnership was launched, introducing a fleet of newly branded buses and encouraging the use of public transport to visit a number of local attractions.
- Implementation of the Retail and Information Strategy started with the retailing of single operator products on our ticketing machines, hot listing of concessionary travel cards to identify and prevent misuse, and support for the development of the TravelMaster online and app retail solutions.
- The Buses for Sheffield identity launched, building on the Sheffield Bus Partnership and introducing common identity across operators along with easier to use customer information and network maps.

**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 continues to decline, reducing the funding available from local authorities to SYPTE via the Transport Levy.

The following summarises the year’s financial performance:

- SYPTE generated an operational surplus of £0.3 million from a budget of £59.4 million primarily due to delivery of planned operational efficiencies and unmaterialised risk.
- SYPTE’s net worth increased by £11.8 million. This increase is primarily due to an increase in unusable reserves in respect of deferred Capital Grants (£13.2 million), Revaluation Reserve (£1.5 million) offset by an adverse pension valuation adjustment (£3.8 million). Total usable reserves increased by £0.9 million from £20.6 million to £21.5 million due to the recognition of Capital Grants for capital expenditure in future years (£1.9 million) and smaller movements in Operational Revenue Reserve and Capital Receipts Reserve.
- £22.7 million of capital investment was delivered during the year. Of this £21.3 million related to assets owned by SYPTE.

**Revenue Budget**

The 2018/19 Revenue Budget of £59.4 million was approved by the Combined Authority in January 2018 and was funded by grants from the Combined Authority and Government together with some underpinning from reserves.

The following table shows the final operating budget outturn position for 2018/19:

<b>2018/19 BUDGET OUTTURN</b>	<b>Budget £’000</b>	<b>Actual £’000</b>	<b>Variance £’000</b>
Concessions and Ticketing	25,290	25,896	(606)
Capital Financing and Pensions	16,587	16,568	19
Network Costs	7,403	7,156	247
Public Transport Operations	5,379	5,117	262
Planning and Support	2,779	2,552	227
Customer Services	1,982	1,803	179
<b>Total</b>	<b>59,420</b>	<b>59,092</b>	<b>328</b>

The revenue budget surplus results from a combination of unmaterialised risk following prudent budgeting and savings from the delivery of additional operational efficiencies, offset by increased cost and demand for concessionary travel. Forecasting of expenditure in relation to the England National Concessionary Travel Scheme (ENCTS) has been significantly improved over recent years but it remains sensitive to changes in variables outside of the control of SYPTE. For example, in the final quarter of 2018/19 ENCTS patronage went from being 0.6% below budget to 0.8% higher than budget for the year due to the relatively mild weather increasing the volume of journeys made, resulting in the overspend noted above.

**Capital Expenditure**

The £22.7 million capital expenditure was primarily funded through grant receipts including: Combined Authority £17.8 million, DfT (Tram Train) £3.5 million and others, including Integrated Transport Block funding, £1.4 million.

For 2019/20 the CA has approved capital expenditure of £10.9 million, of which £9.2 million is contractually committed. £9.0 million of this expenditure relates to assets owned by SYPTE, such as Rotherham Interchange, the Supertram network and the Tram-Train programme, and a further £1.9 million to assets not owned by SYPTE, for example 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 2019, the SYPTE loans portfolio totalled £162.3 million. No repayments were made during the year. No further borrowing was undertaken in 2018/19 as all capital investment was funded from Capital Grants awarded to SYPTE, principally from the Combined Authority. SYPTE also has PFI liabilities of £11.2 million down from £11.4 million in 2017/18.

**Private Finance Initiative (PFI) Scheme**

SYPTE controls the operations of Doncaster Interchange, which is funded under a PFI scheme. The contract runs until June 2039 and incorporates the future maintenance and upkeep of the building and the fixtures and fittings. The net book value of £12.1 million is recognised in the Financial Statements. In 2018/19 and future periods, SYPTE incurs costs in relation to the PFI, being lease repayment, interest charge and contingent rents.

**Pension**

In accordance with IAS19, SYPTE fully recognises any deficit in the pension fund in its Accounts. The Pension Liability as at 31 March 2019 was £41.1 million, an increase of £5.2 million during the year.

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

**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 £13.4 million. This surplus is included in the total movement in SYPTE's net worth during the year as shown in the Balance Sheet. The difference between the two represents accounting rules around when income and expenditure is recognised and when costs need to be funded from other resources. A reconciliation is shown in the table below:

	<b>£'000</b>
<b>2018/19 BUDGET OUTTURN</b>	<b>59,092</b>
Revenue Grant	(57,443)
Capital Financing Adjustments	(15,217)
Pensions Adjustments	248
Other Items	(65)
<b>Surplus on Comprehensive Income &amp; Expenditure</b>	<b>(13,385)</b>

**Material and Unusual Transactions**

There were no material or unusual transactions in 2018/19.

In 2017/18, a number of historical unused capital grants with a total value of £1.1 million were transferred into Operational Revenue Reserve. SYPTE also prepaid £4m pension deficit contributions for the three-year period 2017/18 to 2019/20 on 3 April 2017.

**Change in Accounting Policies**

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

**Reserves**

At 31 March 2019 total Reserves stood at £105.1 million (2018: £93.4 million). The £11.7 million increase is made up of a £0.9 million increase in usable reserves and a £10.9 million increase in unusable reserves. The increase in usable reserves is due to a £1.9 million increase in the capital grants unapplied reserve and smaller decreases in the operational revenue/earmarked reserves and capital receipts reserve. The increase in unusable reserves is due to a £1.5 million increase following revaluation of land and buildings, £13.2 million increase in the recognition of Capital Grants for capital expenditure in future years and a £3.8 million decrease in the Pension Reserve.

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

South Yorkshire has seen a sustained and gradual decline in public transport patronage, in particular bus patronage over the last 40 or more years, with bus patronage falling from 108.6m to 93.4m in the last five years. This reducing patronage, particularly on bus but also on tram, not only presents a problem to SYPTTE in terms of its role encouraging use, but also puts significant pressure on operators of services' ability to provide sustainable and appealing services to the public which do not necessarily require heavy public subsidy, particularly at a time where budgets continue to be under pressure to make savings. As a result, a Patronage Working Group was formed in March 2018 with a view to focussing attention on better understanding, in a quantifiable manner, the scale of impact of the contributing factors to decline, and as a result, put in place an action plan. This action plan is intended to deliver tangible results, at a smaller scale, and prove that interventions can work, which in turn can then be considered for wider application across the region.

The impact of the United Kingdom leaving the European Union is still unknown but at present any potential direct impact on SYPTTE is considered minimal.

The introduction of the new Northern and Trans Pennine rail franchises is likely to impact upon the Rail Administration Grant received by SYPTTE and which is currently only secure until the end of the 2019/20 financial year. Rail focused activities that are currently undertaken by SYPTTE such as the provision of facilities management and security services at local stations, may be at risk if this funding is transferred elsewhere.

Following the tram crash in Croydon in November 2016, SYPTTE is working closely with Regulators and South Yorkshire Supertram Limited, who is responsible for the day to day operation and maintenance of the system, to consider if there are any implications for the tram network and service in South Yorkshire.

2019/20 will see work on several major capital programmes including the completion of the refurbishment of Rotherham Interchange, continuation of the second phase of Supertram rail replacement and the Tram Train project. Further work will also be undertaken on the business case for the Sheffield City Region Mass Transit scheme to seek funding to deliver sustainable arrangements for the future operation of the tram network (or its alternative) beyond 2024.

The CA submitted a bid for capital funding through the DfT's Transforming Cities Fund in June 2019, which in accordance with DfT guidance is based on three funding scenarios, with schemes totalling between £180m and £220m. The successful bids will then be delivered through to 2022/23.

SYPTTE 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.

**Trade Union (Facility Time Publication Requirements)**

Relevant Unison Officials:

Number of Employees who were Relevant Union Officials During the Relevant Period	Full-time Equivalent Employee Number
6	5.49

Percentage of time spent on facility time

Percentage of Time	Number of Employees
0%	1
1 - 50%	5
51 - 99%	0
100%	0

Percentage of pay bill spent on facility time:

Total Cost of Facility Time	£4,430
Total pay bill	£6,643,118
Percentage of the Total Pay Bill Spent on Facility Time	0.07%

Paid Trade union activities

Time Spent on Paid Trade Union Activities as a Percentage of Total Paid Facility Time	14%
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## **1 SCOPE OF RESPONSIBILITY**

SYPTE is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

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

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

SYPTE 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 can be obtained from the Principal Solicitor & Secretary, SYPTE, 11 Broad Street West, Sheffield, S1 2BQ.

## **2 THE PURPOSE OF THE CIPFA/SOLACE GOVERNANCE FRAMEWORK**

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

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

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

SYPTE's Governance Code has been in place for the year ended 31 March 2019 and up to the date of approval of the Statement of Accounts.

## **3 REVIEW OF EFFECTIVENESS OF SYPTE'S CODE OF CORPORATE GOVERNANCE**

SYPTE's Code of Governance includes those documents, policies, procedures and expected behaviours that it has in place to help it deliver its objectives. SYPTE assessed the effectiveness of its Code of Governance in light of the 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 Audit and Risk Committee are highlighted in the relevant sections of this document.

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

### **Vision and Strategy**

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

The 2018/19 corporate priorities of SYPTE were set and agreed by the Executive Board within the context of the CA Transport Strategy and Strategic Economic Plan (SEP), and were to:

1. Operate facilities and infrastructure to support Public Transport in South Yorkshire.
2. Provide customer contact channels.
3. Support the Public Transport network in order to help deliver the region's priorities.
4. Oversee the region's investment in the Supertram system.
5. Work with the CA and Local Authority partners to enhance the Public Transport system through a range of transport infrastructure improvements.
6. Understand and promote the use of Public Transport with both current, lapsed and new customers
7. Support the operational objectives of the South Yorkshire Passenger Transport Executive.

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

### **Consideration of Impact on Stakeholders**

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

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

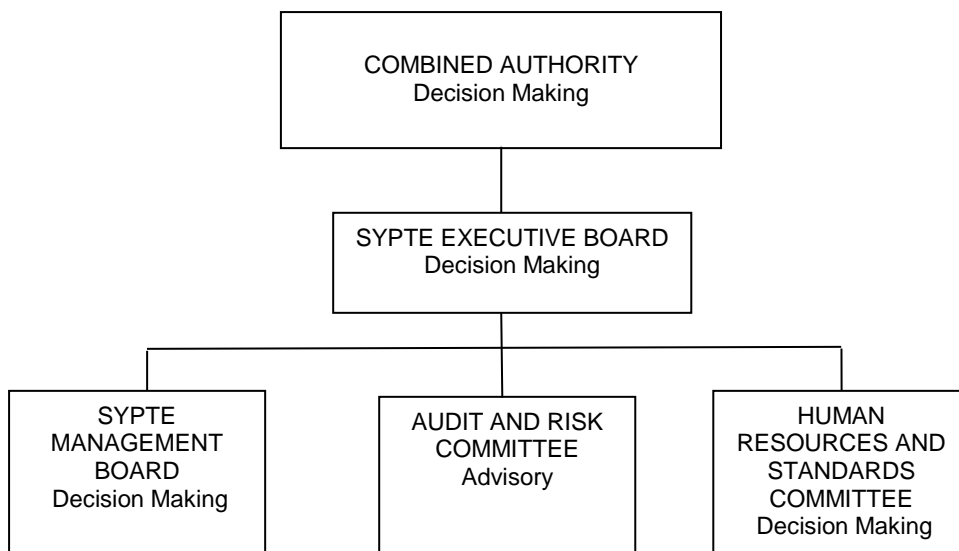
SYPTE acts with integrity with a strong commitment to ethical values and respect of the law, which is embedded via training programmes, corporate rules and guidance, across all of its activities, and is reflected in its interactions with customers, suppliers, partners, and stakeholders alike.

During the year work was focused on confirming that the risk areas of the business in terms of handling personal data were reviewed and improved where necessary, that Privacy Statements were reviewed, major IT systems updated, customers contacted, and staff trained to ensure compliance with the General Data Protection Regulation (GDPR) across all SYPTE operations.

### **Performance Management and Monitoring**

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

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



In December 2018 the Combined Authority agreed a proposal to strengthen the governance structures across the Authority including those related to SYPTE. This proposal includes the establishment of a Thematic Transport Board with appropriate delegations to implement transport policy and programmes more transparently. It is envisaged that this structure will be implemented during 2019/20.

SYPTE had previously identified the need to improve the effectiveness of communication between the Audit and Risk Committee (A&RC) and the Executive Board. Good progress has been made in this respect with routine inclusion of A&RC Members in corporate updates, consultation with A&RC Members on appropriate matters and periodic A&RC Chair briefings to the Executive Board. Membership of the A&RC includes nominated members of the Executive Board who attended all of the A&RC meetings held during the year. Governance and scrutiny was further enhanced by the appointment of the two independent members of the A&RC to the CA Audit & Standards Committee in June 2018.

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

**Financial Management**

A key role within SYPTE to ensure proper administration of its financial affairs is the Head of Financial Services who fulfils the statutory role of Chief Financial Officer as set out in the CIPFA Statement on the Role of Chief Financial Officer in Local Government (2016). The permanent Head of Financial Services left SYPTE employment in September 2017. Since then, acknowledging the importance of this role but the continuing uncertainty about the future organisational structure, this position has been filled on an interim basis. This has effectively fulfilled the role during the year and there are no issues in respect of the role which impact on effective governance of SYPTE during 2018/19.

SYPTE 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 budget are analysed, explained and acted on in a timely manner. In addition, the Management Board receives a financial and progress report on the Capital Programme on a quarterly basis for discussion and action.

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

## **Internal Control**

The system of internal control is based on an ongoing process designed to identify and prioritise risks to the achievement of SYPTE's Business Plan and Strategies, to evaluate the likelihood of those risks materialising and the impact should they be realised. There are three themes within the 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 and Code of Conduct have been updated to reflect recent changes to SYPTE's governance arrangements.

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

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

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

The Committee endeavours to reflect in its work programme the continuing challenging and changing environment in which SYPTE operates. This year has been no exception and the A&RC's key priority has been to seek assurance of the PTE's ability to meet its objectives and maintain effective standards of governance, risk management, financial management and control.

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

As part of the A&RC's work on risk management, they may do "deep dives" into particular risk areas or invite risk owners of the key Corporate Risks, to come and talk to the Committee about their area of risk. This is an important part of how they gain understanding and assurance on the operation of the Risk Management Framework. This year the Committee were able to look deeper into certain areas or risks for SYPTE, these were:

- Tram/Train Incidents – the Committee had a deep dive into the two incidents during the period with the new tram/train rolling stock to assess the risk and any further mitigation actions that may be required.
- Patronage Decline – this has developed as a significant risk to SYPTE and one that the Committee now keep under regular review.

A development planned for the year within the Risk Management Framework was to align the SYPTE approach and reporting format more closely with that of the CA which would have led to a different approach to risk identification and management. This work was to be facilitated by Internal Audit with the involvement and agreement of both the CA and SYPTE. However, it was not possible to make any substantial progress in this area and although this still remains the goal, changes planned to the overall group structure may impact upon the governance and risk management structures SYPTE operate, it is therefore on hold for now until these changes have been implemented.

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

The key risks during the year were; the decline in public transport patronage; increasing obsolescence of transport assets; continued financial pressures due to reductions in revenue grant from Local Authorities and securing funding for capital asset investments. Working with partners and stakeholders, these risks have been effectively managed and those that remain will continue to be monitored during 2019/20.

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

- Working with the CA to clarify their role in the wider governance network and to work on ways that information flow can be improved, connections strengthened, and overall governance arrangements improved.
- Working with Internal Audit and SYPTE officers on an Assurance Map.
- Supporting the refinement and continued development of the Risk Management Framework and reporting.
- Continued efficiency and consistency of the final Accounts process.

### **Assurance and Effective Accountability**

#### **Internal Audit**

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

During 2018/19 the Internal Audit function continued to be undertaken by the Internal Audit Services of Barnsley Metropolitan Borough Council. In line with good procurement practice, the contract for providing Internal Audit Services was re-tendered in 2018/19, with the contract operational from April 2019 awarded to Grant Thornton LLP. This was a joint procurement exercise with the CA to provide both a group level service and secure efficiencies.

During the year, Internal Audit completed thirteen internal audit reviews of SYPTE's systems and procedures. Four reviews were classed as having a substantial assurance opinion, six had adequate assurance and three limited.

The Head of Internal Audit's Annual Report for 2018/19 included 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 is committed to improving governance, and during the year all Internal Audit actions were completed to agreed deadlines with no long-standing recommendations outstanding.

#### **External Audit**

External Audit, issued an unqualified opinion on SYPTE's Financial Statements on 30 July 2018. This means that the Auditors believe the Financial Statements gave a true and fair view of the financial position of SYPTE as at 31 March 2018 and of its expenditure and income for the year then ended.

The Auditors also reported an unqualified conclusion on SYPTE's arrangements to secure value for money. This means that in their opinion, in all significant respects, SYPTE had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2018.

SYPTE supports External Audit and considers any recommendations made in the Annual Audit Letter, for the year ended 31 March 2018, the Auditors did not make any recommendations.

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

In last year's Annual Governance Statement, we committed to take steps to improve risk management and to further enhance our governance arrangements. During the year we have continued to improve the corporate oversight of organisational risks including improvements in the usability of the risk data produced and how it is reported to both Management and Executive Boards. As reported above, governance arrangements have continued to be reviewed but are expected to be further refined as the emerging role of the Combined Authority and devolution issues are resolved. We have also made progress in ensuring more joined up working of the SYPTE and CA Audit Committees.

During this year's review of Governance, it was again confirmed that SYPTE has an extensive suite of policies and procedures, including an Anti-Fraud, Bribery and Corruption Policy, 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. Corporate policies will continue to be reviewed during the coming year to ensure that they continue to be relevant.

The key area for improvement identified by the review was the further development of the arrangements for corporate oversight of organisational risks, to ensure the effective management of any potential impact on SYPTE's ability to deliver its Corporate Priorities. This will be achieved through consideration of a high level organisational infrastructure risk framework supported by the detailed Risk Register that is already in place and development of an Assurance Map.

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

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

**STEPHEN EDWARDS**  
**Executive Director**  
**3 October 2019**

**SYPTE'S RESPONSIBILITIES**

SYPTE is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In SYPTE, that Officer is the Head of Financial Services;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the Statement of Accounts.

**THE RESPONSIBLE FINANCIAL OFFICER'S RESPONSIBILITIES**

The Head of Financial Services is responsible for the preparation of the Statement of Accounts (which includes the financial statements), in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (The Code).

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

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that are reasonable and prudent;
- Complied with the Code;
- Kept proper accounting records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities;
- Assessed SYPTE's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- Used the going concern basis of accounting on the assumption that the functions of SYPTE will continue in operational existence for the foreseeable future; and
- Maintained such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

I certify that the Statement of Accounts presents a true and fair view of the financial position of SYPTE as at 31 March 2019 and its income and expenditure for the year then ended.

**MIKE THOMAS**  
**Senior Finance Manager**  
**3 October 2019**

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR YEAR ENDED 31 MARCH 2019**

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

2018 (restated)		Net Expenditure £'000		Notes	Gross Expenditure £'000	2019 Gross Income £'000	Net Expenditure £'000
Gross Expenditure £'000	Gross Income £'000						
71,382	71,112	270	Transport Services		68,180	70,209	(2,029)
<b>71,382</b>	<b>71,112</b>	<b>270</b>	<b>Cost of Services</b>		<b>68,180</b>	<b>70,209</b>	<b>(2,029)</b>
213	213	-	Other Operating Expenditure		40	228	(188)
14,644	1	14,643	Financing and Investment Income and Expenditure	9	13,547	102	13,445
-	10,980	(10,980)	Taxation and Specific Grant Income and Expenditure	27	-	24,613	(24,613)
<b>86,239</b>	<b>82,306</b>	<b>3,933</b>	<b>(Surplus)/Deficit on the Provision of Services</b>		<b>81,767</b>	<b>95,152</b>	<b>(13,385)</b>
		(8,665)	<b>(Surplus) on Revaluation of Property, Plant and Equipment</b>				(2,001)
-	-	-	<b>(Surplus) on Revaluation of Available for Sale Assets</b>		-	-	-
		(9,426)	<b>Re-measurement of the Net Defined Benefit Liability</b>	34			3,589
		<b>(18,091)</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>1,588</b>
		<b>(14,158)</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(11,797)</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 2019**

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			Total Usable Reserves £'000	UNUSABLE RESERVES				Total Unusable Reserves £'000	Total Reserves £'000
	Operational Revenue Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Reserve £'000		Deferred Capital Grants Reserve £'000	Revaluation Reserve £'000	Pension Reserve £'000	Accumulating Absences Account £'000		
<b>2019</b>										
<b>Balance at 1 April 2018 - restated</b>	<b>14,147</b>	<b>1,150</b>	<b>5,315</b>	<b>20,612</b>	<b>87,531</b>	<b>23,875</b>	<b>(38,617)</b>	<b>(58)</b>	<b>72,731</b>	<b>93,343</b>
Surplus/(Deficit) on the Provision of Services	13,385	-	-	13,385	-	-	-	-	-	13,385
Other Comprehensive Income and Expenditure	-	-	-	-	-	2,001	(3,589)	-	(1,588)	(1,588)
<b>Total Comprehensive Income and Expenditure</b>	<b>13,385</b>	<b>-</b>	<b>-</b>	<b>13,385</b>	<b>-</b>	<b>2,001</b>	<b>(3,589)</b>	<b>-</b>	<b>(1,588)</b>	<b>11,797</b>
<b>Adjustments Between Accounting Basis and Funding Basis Under Regulation</b>										
Reversal of Comprehensive Income and Expenditure Statement Entries	3,160	-	-	3,160	-	-	(3,160)	-	(3,160)	-
Employer's Pension Contributions	(1,583)	-	-	(1,583)	-	-	1,583	-	1,583	-
Transfer Pension Deficit Contribution	(1,329)	-	-	(1,329)	-	-	1,329	-	1,329	-
Transfer to Accumulated Absences Account	9	-	-	9	-	-	-	(9)	(9)	-
Grants Received and Receivable During the Year	(23,146)	-	464	(22,682)	22,682	-	-	-	22,682	-
Grants Released to Operational Revenue Reserve	9,489	-	-	9,489	(9,489)	-	-	-	(9,489)	-
Release from Revaluation Reserve	470	-	-	470	-	(470)	-	-	(470)	-
Transfer from Capital Receipts Reserve	129	(129)	-	-	-	-	-	-	-	-
Transfer to Capital Grants Unapplied Reserve	(1,466)	-	1,466	-	-	-	-	-	-	-
<b>Net Increase/(Decrease) Before Transfers to Earmarked Reserves</b>	<b>(14,267)</b>	<b>(129)</b>	<b>1,930</b>	<b>(12,466)</b>	<b>13,193</b>	<b>1,531</b>	<b>(248)</b>	<b>(9)</b>	<b>12,466</b>	<b>-</b>
<b>Increase/(Decrease) in Year</b>	<b>(764)</b>	<b>(129)</b>	<b>1,930</b>	<b>919</b>	<b>13,193</b>	<b>1,531</b>	<b>(3,837)</b>	<b>(9)</b>	<b>10,878</b>	<b>11,797</b>
<b>Balance at 31 March 2019</b>	<b>13,265</b>	<b>1,021</b>	<b>7,245</b>	<b>21,531</b>	<b>100,724</b>	<b>25,406</b>	<b>(42,454)</b>	<b>(67)</b>	<b>83,609</b>	<b>105,140</b>

**MOVEMENTS IN RESERVES STATEMENT FOR YEAR ENDED 31 MARCH 2018**

	USABLE RESERVES			Total Usable Reserves £'000	UNUSABLE RESERVES				Total Unusable Reserves £'000	Total Reserves £'000
	Operational Revenue Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Reserve £'000		Deferred Capital Grants Reserve £'000	Revaluation Reserve £'000	Pension Reserve £'000	Accumulating Absences Account £'000		
<b>2018</b>										
<b>Balance at 1 April 2017</b>	8,447	1,338	12,902	<b>22,687</b>	84,022	20,830	(48,367)	(58)	<b>56,427</b>	<b>79,114</b>
<b>Restatement of Opening Balances</b>	5,251			<b>5,251</b>		(5,125)			<b>(5,215)</b>	<b>126</b>
<b>Restated Balance at 1 April 2017</b>	<b>13,698</b>	<b>1,338</b>	<b>12,902</b>	<b>27,938</b>	<b>84,022</b>	<b>15,705</b>	<b>(48,367)</b>	<b>(58)</b>	<b>51,302</b>	<b>79,240</b>
Surplus/(Deficit) on the Provision of Services	(3,988)	-	-	<b>(3,988)</b>	-	-	-	-	-	<b>(3,988)</b>
Other Comprehensive Income and Expenditure		-	-	-	-	8,665	9,426	-	<b>18,091</b>	<b>18,091</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(3,988)</b>	-	-	<b>(3,988)</b>	-	<b>8,665</b>	<b>9,426</b>	-	<b>18,091</b>	<b>14,103</b>
<b>Adjustments Between Accounting Basis and Funding Basis Under Regulation</b>										
Reversal of Comprehensive Income and Expenditure Statement Entries	2,512	-	-	<b>2,512</b>	-	-	(2,512)	-	<b>(2,512)</b>	-
Employer's Pension Contributions	(1,535)	-	-	<b>(1,535)</b>	-	-	1,535	-	<b>1,535</b>	-
Transfer Pension Deficit Contribution	(1,301)	-	-	<b>(1,301)</b>	-	-	1,301	-	<b>1,301</b>	-
Grants Received and Receivable During the Year	(10,960)	-	(6,542)	<b>(17,502)</b>	17,502	-	-	-	<b>17,502</b>	-
Grants Released to Operational Revenue Reserve	15,058	-	(1,065)	<b>13,993</b>	(13,993)	-	-	-	<b>(13,993)</b>	-
Release from Revaluation Reserve	495	-	-	<b>495</b>	-	(495)	-	-	<b>(495)</b>	-
Transfer from Capital Receipts Reserve	188	(188)	-	-	-	-	-	-	-	-
Transfer to Capital Grants Unapplied Reserve	(20)	-	20	-	-	-	-	-	-	-
<b>Net Increase/(Decrease) Before Transfers to Earmarked Reserves</b>	<b>4,437</b>	<b>(188)</b>	<b>(7,587)</b>	<b>(3,338)</b>	<b>3,509</b>	<b>(495)</b>	<b>324</b>	-	<b>3,338</b>	-
<b>Increase/(Decrease) in Year</b>	<b>449</b>	<b>(188)</b>	<b>(7,587)</b>	<b>(7,326)</b>	<b>3,509</b>	<b>8,170</b>	<b>9,750</b>	-	<b>21,429</b>	<b>14,653</b>
<b>Balance at 31 March 2018</b>	<b>14,147</b>	<b>1,150</b>	<b>5,315</b>	<b>20,612</b>	<b>87,531</b>	<b>23,875</b>	<b>(38,617)</b>	<b>(58)</b>	<b>72,731</b>	<b>93,343</b>

**BALANCE SHEET AS AT 31 MARCH 2019**

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 2017 Restated	31 March 2018 Restated		31 March 2019
£'000	£'000	NOTES	£'000
117,050	129,706	Property Plant and Equipment	143,021
1,170	1,150	Investment Property	1,250
183	122	Intangible Assets	60
-	1,358	Long-Term Debtors	-
193,948	196,424	Amounts Receivable from CA	168,866
<b>312,351</b>	<b>328,760</b>	<b>Long-Term Assets</b>	<b>313,197</b>
66	66	Assets Held for Sale	66
1	1	Short-Term Investments	1
-	-	Inventories	-
16,357	5,245	Short-Term Debtors	4,278
9	-	Amounts Receivable from Yorcard	-
12,852	9,545	Amounts Receivable from CA	16,216
2,081	-	Cash and Cash Equivalents	299
<b>31,366</b>	<b>14,857</b>	<b>Current Assets</b>	<b>20,860</b>
(15,041)	(10,035)	Short-Term Borrowings	(3,266)
(17,720)	(25,172)	Short-Term Creditors	(7,541)
(1,571)	(2,169)	Short-Term Provisions	(1,958)
-	-	Amounts Payable to CA	(12)
(192)	(208)	PFI Finance Lease Liability	(227)
(1,316)	(189)	Capital Grants Receipts in Advance	(147)
-	(278)	Cash and Cash Equivalents - Overdrawn	-
<b>(35,840)</b>	<b>(38,051)</b>	<b>Current Liabilities</b>	<b>(13,151)</b>
(168,816)	(162,305)	Long-Term Borrowing	(162,293)
(11,454)	(11,246)	PFI Finance Lease Liability	(11,019)
(48,367)	(38,617)	Net Pension Liability	(42,454)
<b>(228,637)</b>	<b>(212,168)</b>	<b>Long-Term Liabilities</b>	<b>(215,766)</b>
<b>79,240</b>	<b>93,398</b>	<b>NET ASSETS / (LIABILITIES)</b>	<b>105,140</b>
<b>27,938</b>	<b>20,667</b>	<b>Usable Reserves</b>	<b>21,531</b>
<b>51,302</b>	<b>72,731</b>	<b>Unusable Reserves</b>	<b>83,609</b>
<b>79,240</b>	<b>93,398</b>	<b>TOTAL RESERVES</b>	<b>105,140</b>

**APPROVAL OF THE STATEMENT OF ACCOUNTS**

The Accounting Policies and the Financial Statements replace the unaudited Statements authorised by the Interim Head of Financial Services on 30 May 2019. They were approved for issue by the Executive Board on 26 July 2019. Events after the Balance Sheet date have been considered up to the date of approval.

Signed on behalf of the Executive Board

**STEPHEN EDWARDS**  
Executive Director  
3 October 2019

**MIKE THOMAS**  
Senior Finance Manager  
3 October 2019

## 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	2019 £'000	2018 £'000
<b>Net Surplus or (Deficit) on the Provision of Services</b>		13,385	(3,933)
Adjustment to Surplus or Deficit on the Provision of Services for Non-Cash Movements	22a	16,628	32,289
Adjust for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	22b	(24,656)	(13,280)
<b>Net Cash Flows from Operating Activities</b>		<b>5,357</b>	<b>15,076</b>
<b>Net Cash Flows from Investing Activities</b>	22c	1,928	(5,743)
<b>Net Cash Flows from Financing Activities</b>	22d	(6,708)	(11,692)
<b>Net Increase or (Decrease) in Cash and Cash Equivalents</b>		<b>577</b>	<b>(2,359)</b>
Cash and Cash Equivalents at the Beginning of the Reporting Period		(278)	2,081
Cash and Cash Equivalents at the End of the Reporting Period		299	(278)

## **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 the 2018/19 financial year and its position at 31 March 2019. 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 2018/19 (the Code) and the CIPFA Service Reporting Code of Practice 2018/19, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 7 of the 2015 Regulations.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The Accounts are prepared on the basis that SYPTE is a going concern:

##### **1.2.1 Accruals of Income and Expenditure**

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received are recorded as expenditure when the services are received, rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure 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 and money market funds are classified in the Accounts as cash equivalents due to these being highly liquid investments which offer instant access to the funds and are therefore deposited to meet short-term cash requirements. All fixed term investments are not classified as cash equivalents as at the point of making the deposit SYPTE is unable to convert these to cash until the maturity date of the investment.

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

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

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

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

### 1.2.4 Charges to Revenue for Non-Current Assets

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

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

## 1.3 Employee Benefits

### 1.3.1 Benefits Payable During Employment

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

**1.3.2 Termination Benefits**

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

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

**1.3.3 Post-Employment Benefits**

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

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

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

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

Disclosure will be made in accordance with the Code.

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

Liabilities are discounted to their value at current prices, using a discount rate of 2.4% (2018: 2.6%).

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;



## NOTES TO THE ACCOUNTS

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

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

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

Service Cost Comprising:

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

Remeasurements Comprising:

- Return on Plan Assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pension Reserve as Other Comprehensive Income and Expenditure.
- Actuarial Gains and Losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pension Reserve as Other Comprehensive Income and Expenditure.
- Contributions Paid to The Pension Fund – cash paid as employer's contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense.

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

### 1.3.4 Discretionary Benefits

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

#### **1.4 Events After the Reporting Period**

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

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

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

#### **1.5 Financial Instruments**

##### **1.5.1 Financial Liabilities**

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

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

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

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

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

##### **1.5.2 Financial Assets**

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

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

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

### **Financial Assets Measured at Amortised Cost**

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

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

### **Expected Credit Loss Model**

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

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

### **Financial Assets Measured at Fair Value through Profit of Loss**

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

The fair value measurements of the financial assets are based on the following techniques:

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

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

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

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

#### **1.6 Foreign Currency Transactions**

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

#### **1.7 Government Grants and Other Contributions**

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

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

Amounts recognised as due to SYPTE are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

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

#### **1.8 Intangible Assets**

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

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

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

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

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

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

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

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

#### Non-Trading

Supertram Assets Limited.

#### Trading

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

### **1.10 Investment Property**

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

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

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

### **1.11 Leases**

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

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

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

**1.11.1 As Lessee**

**1.11.1.1 Finance Leases**

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

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

**1.11.1.2 Operating Leases**

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

**1.12.1 As Lessor**

**1.12.1.1 Operating Leases**

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

## **1.14 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.

### **1.14.1 Recognition**

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

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

### **1.14.2 Measurement**

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

Property assets are measured at replacement cost less accumulated depreciation and/or accumulated impairment losses, if any. Assets classified as property include Interchanges and Park and Ride sites. All Interchanges and Park and Ride sites were valued as at 31 March 2019 by Sanderson Weatherall on a depreciated replacement cost basis. Due to short useful lives or low values (or both) depreciated historical cost is used as a proxy for fair value for Plant, Equipment and Vehicles.

#### 1.14.3 Impairment

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

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

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);
- where there is no balance in the Revaluation Reserve or insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

#### 1.14.4 Depreciation

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

Depreciation is calculated on the following basis:

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



## NOTES TO THE ACCOUNTS

- 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 - straight-line allocation over the useful life of the site as estimated by the Valuer, usually 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

Replacement Tram Rails, 20 years

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

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

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

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

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

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

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

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

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

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

#### **1.15 Private Finance Initiative (PFI) Transactions**

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

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

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

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

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

- Fair value of the services received during the year – this is debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- Finance Cost – an interest charge on the outstanding Balance Sheet liability is debited to Interest Payable and Similar Charges in the Comprehensive Income and Expenditure Statement.
- Contingent Rent – increases in the amount to be paid for the property arising during the contract are debited to Interest Payable and Similar Charges in the Comprehensive Income and Expenditure Statement.
- Payment Towards Liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease).
- Lifecycle Replacement Costs – where these represent payments to maintain the asset rather than being a fixed asset addition they are charged to the relevant service in the Comprehensive Income and Expenditure Statement.

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

##### **1.16.1 Provisions**

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

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

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

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

#### **1.16.2 Contingent Liabilities**

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a Note to the Accounts.

#### **1.16.3 Contingent Assets**

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

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

#### **1.17 Reserves**

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

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

#### **1.18 Taxation**

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

#### **1.19 VAT**

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

## **1.20 Fair Value Measurement**

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

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

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

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

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

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

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

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

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

- Amendments to IAS 40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014 - 2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation

## **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

## NOTES TO THE ACCOUNTS

in the period of the revisions and future periods, where the revision affects both current and future periods.

The areas where SYPTTE 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, SYPTTE 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.
- SYPTTE 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 £11.8m is recognised in the Financial Statements.

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Plant Property and Equipment	<p>Assets are depreciated over useful economic lives that are dependent on assumptions made by SYPTTE 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 SYPTTE's Valuers.</p> <p>There are uncertainties around land and buildings valuations due to political factors including the development of HS2, affecting the UK economy. Valuers have reported the unavailability of comparable 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 SYPTTE'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 SYPTTE 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 2017/18 the actuary advised that the liability had decreased by £9m, before increasing by £6m in 2018/19 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 2018/19.

In 2017/18 SYPTE transferred £1.1m Capital Grants into Operational Revenue Reserve. This followed a review of allocation of grants to capital expenditure over the last ten years.

In April 2017 SYPTE prepaid Pension Fund deficit contributions of £4m.

**6 EXPENDITURE AND FUNDING ANALYSIS**

**Expenditure and Funding Analysis for the Year Ended 31 March 2019**

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.

**NOTES TO THE ACCOUNTS**

Net Expenditure Chargeable to the Operational Revenue Reserve £'000	2018 Restated		Notes	2019		Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
	Adjustments between the Funding and Accounting Basis £'000	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	
(4,168)	4,438	270	Transport Services	12,238	(14,267)	(2,029)
<b>(4,168)</b>	<b>4,438</b>	<b>270</b>	<b>Net Cost of Services</b>	<b>12,238</b>	<b>(14,267)</b>	<b>(2,029)</b>
-	-	-	Other Operating Expenditure	(188)	-	(188)
14,643	-	14,643	Financing and Investment Income and Expenditure	13,445	-	13,445
(10,980)	-	(10,980)	Taxation and Specific Grant Income and Expenditure	(24,613)	-	(24,613)
<b>(505)</b>	<b>4,438</b>	<b>3,933</b>	<b>(Surplus) or Deficit</b>	<b>6</b>	<b>(14,267)</b>	<b>(13,385)</b>
13,698			Opening Operational Revenue Reserve	14,147		
449			Less/Plus Surplus or (Deficit) on Operational Revenue Reserve	882		
14,147			Closing Operational Revenue Reserve at 31 March	13,265		

## NOTES TO THE ACCOUNTS

Adjustments between Funding and Accounting Basis 2018/19.

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	(14,524)	248	9	(14,267)
<b>Net Cost of Services</b>	<b>(14,524)</b>	<b>248</b>	<b>9</b>	<b>(14,267)</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	(14,524)	248	9	(14,267)

Adjustments between Funding and Accounting Basis 2017/18 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	4,762	(324)	-	4,438
<b>Net Cost of Services</b>	<b>4,762</b>	<b>(324)</b>	<b>-</b>	<b>4,438</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	4,762	(324)	-	4,438

### 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.

### 7a EXPENDITURE AND INCOME ANALYSED BY NATURE

SYPTE's expenditure and income is analysed as follows:

	2019	2018 restated
<u>Expenditure/Income</u>	<u>£'000</u>	<u>£'000</u>
<b>Expenditure</b>		
Employee Benefits Expenses	6,643	6,237
Pension Valuation Adjustments	1,577	1,473
Other Services Expenses	50,323	51,501
Depreciation, Amortisation, Impairment	11,380	13,489
Interest Payments	11,844	13,538
<b>Total Expenditure</b>	<b>81,767</b>	<b>86,238</b>
<b>Income</b>		
Fees, Charges & Other Service Income	10,488	10,607
Revenue Grant from CA	57,443	56,975
Interest & Investment Income	102	2
Government Grants & Contributions	27,108	14,721
Gain on the Disposal of Assets	11	-
<b>Total Income</b>	<b>95,152</b>	<b>82,305</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>(13,385)</b>	<b>3,933</b>

### 7b SEGMENTAL ANALYSIS

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

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

## NOTES TO THE ACCOUNTS

### 8 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 2017/18 and 2018/19:

	Balance at 1 April 2017	Transfers Out 2017/18	Transfers In 2017/18	Balance at 31 March 2018	Transfers Out 2018/19	Transfers In 2018/19	Balance at 31 March 2019
<b>Earmarked Reserves</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Customer Service/Improvements	674	498	383	559	71	-	488
IT Project Work	489	74	-	415	-	-	415
Network Maintenance, Consultation and Upgrades	1,058	-	47	1,105	47	-	1,058
Support for Transport Levy	3,276	3,276	-	-	-	-	-
Rotherham Interchange and Car Park	3,031	-	-	3,031	-	-	3,031
<b>Total</b>	<b>8,528</b>	<b>3,848</b>	<b>430</b>	<b>5,110</b>	<b>118</b>	<b>-</b>	<b>4,992</b>

### 9 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

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

	2019 £'000	2018 £'000
Interest Payable	11,844	13,538
Interest Receivable	(2)	(2)
Revaluation of Investment Property	(100)	-
Net interest on the Net Defined Benefit Liability	1,703	1,107
<b>Total</b>	<b>13,445</b>	<b>14,643</b>

### 10 PROPERTY, PLANT AND EQUIPMENT

2019	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 2018 - Restated	74,330	59,965	22,268	31,856	186,988	11,830
Additions During Year	-	5,370	282	11,835	17,487	-
Reclassify Non-Current Assets	(2,350)	31,856	-	(29,506)	-	-
Disposals During Year	-	-	-	-	-	-
Other Movements	(1,405)	-	-	-	(1,405)	-
Revaluation Adjustments	2,002	-	-	-	(215)	250
As at 31 March 2019	72,577	97,191	22,550	14,185	205,135	12,080
<b><u>DEPRECIATION</u></b>						
As at 1 April 2018 - Restated	(1,686)	(37,145)	(19,882)	-	(57,318)	-
Charge for the Year	(2,039)	(4,266)	(357)	-	(4,720)	-
Disposals During Year	-	-	(2)	-	(2)	-
Other Movements	1,353	-	-	-	-	-
Revaluation Adjustments	544	-	-	-	544	-
As at 31 March 2019	(1,828)	(41,411)	(20,241)	-	(63,480)	-
	70,749	55,778	2,309	-	143,021	12,080

## NOTES TO THE ACCOUNTS

<b>NET BOOK VALUE AS AT 31 MARCH 2019</b>						14,185
<b>2018</b>	<b>Land and Buildings</b>	<b>Infrastructure</b>	<b>Plant, Equipment and Vehicles</b>	<b>Assets Under Construction</b>	<b>Total</b>	<b>PFI Assets Included in Property, Plant and Equipment</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b><u>COST/VALUATION</u></b>						
As at 1 April 2017	65,366	59,965	22,120	26,772	174,223	11,050
Restatement	1,430	-	-	-	1,430	-
As at 1 April 2017 Restated	66,796	59,965	22,120	26,772	175,653	11,050
Additions During Year	-	-	199	5,084	5,283	-
Disposals During Year	-	-	(52)	-	(52)	-
Revaluation Adjustments	7,533	-	-	-	7,533	780
As at 31 March 2018	74,329	59,965	22,268	31,856	186,417	11,830
<b><u>DEPRECIATION</u></b>						
As at 1 April 2017	(2,297)	(35,492)	(19,510)	-	(57,299)	-
Restatement	(1,394)	-	-	-	(1,394)	-
As at 1 April 2017 Restated	(3,691)	(35,492)	(19,510)	-	-	-
Charge for the Year	(97)	(1,652)	(424)	-	(2,173)	-
Disposals During Year	-	-	52	-	52	-
Revaluations During Year	2,103	-	-	-	2,103	-
As at 31 March 2018	(1,685)	(37,145)	(19,882)	-	(58,711)	-
<b>NET BOOK VALUE AS AT 31 MARCH 2018</b>						11,830

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

### Depreciation

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

### Capital Commitments

SYPTE has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2019/20 and future years at a cost of £9,185k. Similar contracts at 31 March 2018 were £24,931k.

### Revaluations

SYPTE has reviewed its property, plant and equipment for indications of impairment. A desktop revaluation of property was carried out at 31 March 2019, by Sanderson Weatherall. The methods and significant assumptions used by the Valuer are build costs and individual Depreciated Replacement Costs calculations, in accordance with RICS Valuation Professional Standards.

## 11 INVESTMENT PROPERTY

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

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

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

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

## NOTES TO THE ACCOUNTS

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:

	2018/2019		2017/2018	
	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:

	2019 £'000	2018 £'000
Balance at 1 April	1,150	1,170
Disposals	-	-
Net Gains/(Losses) from Fair Value Adjustments	100	(20)
<b>Balance Carried Forward 31 March</b>	<b>1,250</b>	<b>1,150</b>

### Fair Value Hierarchy

Details of SYPTE's investment properties and information about the fair value hierarchy as at 31 March 2019 and 2018 are as follows:

2019	Quoted Prices in Active Markets for Identical Assets (Level 1) £'000	Other Significant Observable Inputs (Level 2) £'000	Significant Unobservable Inputs (Level 3) £'000	Fair Value as at 31 March 2019 £'000
Recurring Fair Value Measurements Using:				
Commercial Units	-	1,250	-	1,250
<b>Total</b>	<b>-</b>	<b>1,250</b>	<b>-</b>	<b>1,250</b>

2018	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 2018 £'000
Recurring Fair Value Measurements Using:				
Commercial Units	-	1,150	-	1,150
<b>Total</b>	<b>-</b>	<b>1,150</b>	<b>-</b>	<b>1,150</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

	Grants for Vehicles		Preconstruction		Infrastructure		Total	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Balance as at 1 April	-	-	-	-	-	-	-	-
Expenditure in Year	70	70	4,869	7,847	262	4,693	5,201	12,610
Amortised in Year	(70)	(70)	(4,869)	(7,847)	(262)	(4,693)	(5,201)	(12,610)
<b>Balance Carried Forward</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## NOTES TO THE ACCOUNTS

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

### 13 FINANCIAL INSTRUMENTS

#### Categories of Financial Instruments

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

	Long-Term		Current	
	31 March 2019 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2018 £'000
<b>Debtors</b>				
Loans and Receivables	-	-	16,811	3,722
<b>Cash and Cash Equivalents</b>				
Loans and Receivables	-	-	299	(278)
<b>Borrowings</b>				
Financial Liabilities at Amortised Cost - Principal	161,375	161,375	-	6,500
Financial Liabilities at Amortised Cost - Interest	-	-	3,266	3,535
Financial Liabilities at Amortised Cost - Adjustments	918	930	-	-
<b>Financial Liabilities at Amortised Cost</b>	<b>162,293</b>	<b>162,305</b>	<b>3,266</b>	<b>10,035</b>
<b>Other Liabilities</b>				
Financial Liabilities at Amortised Cost (PFI)	11,019	11,246	227	208
<b>Creditors and Provisions</b>				
Financial Liabilities at Amortised Cost	-	-	9,646	27,530

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.

2019 Income, Expense, Gains and Losses	Financial Liabilities	Financial Assets	Total
	Liabilities Measured at Amortised Cost £'000	Investments and Debtors £'000	£'000
Interest Expense – Debt	10,844	-	10,844
Interest Expense - PFI	1,000	-	1,000
(Increases)/Reductions in Fair Value	-	(12)	(12)
Impairment Losses/(Gains)	-	-	-
<b>Total Expense in Surplus or Deficit on the Provision of Services</b>	<b>11,844</b>	<b>(12)</b>	<b>11,832</b>
Interest Income	-	2	2
<b>Total Income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>2</b>	<b>2</b>
<b>Net Gain/(Loss) for the Year</b>	<b>(11,844)</b>	<b>(14)</b>	<b>(11,830)</b>

## NOTES TO THE ACCOUNTS

	Financial Liabilities	Financial Assets	Total
2018	Liabilities Measured at	Investments and	
Income, Expense, Gains and Losses	Amortised Cost	Debtors	£'000
	£'000	£'000	£'000
Interest Expense – Debt	12,521	-	12,521
Interest Expense - PFI	1,017	-	1,017
(Increases)/Reductions in Fair Value	-	20	20
Impairment Losses/(Gains)	-	-	-
<b>Total Expense in Surplus or Deficit on the Provision of Services</b>	<b>13,538</b>	<b>20</b>	<b>13,558</b>
Interest Income	-	2	2
<b>Total Income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>2</b>	<b>2</b>
<b>Net Gain/(Loss) for the Year</b>	<b>(13,538)</b>	<b>(18)</b>	<b>(13,556)</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 2019 for loans from the Public Works Loan Board (PWLB) and Wertmanagement which are Lender Option. Borrower Option Loans (LOBO's);
- for loans from the PWLB payable, early repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- no early repayment or impairment is recognised;
- where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value;
- the fair value of trade and other debtors is taken to be the invoiced or billed amount.

SYPTE has considered its balance sheet carrying values of financial instruments and it is required to disclose the fair value and carrying value for those financial instruments whose carrying value is not a reasonable approximation for fair value.

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

The fair values calculated are as follows:

Borrowing	2019		2018	
	Carrying Value £'000	Fair Value £'000	Carrying Value £'000	Fair Value £'000
Public Works Loan Board (PWLB)	141,375	172,975	147,875	185,954
Wertmanagement	20,918	31,415	20,930	30,853
Doncaster Interchange PFI	11,246	11,246	11,454	11,454

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.

## NOTES TO THE ACCOUNTS

The fair value of the PWLB loans of £173.0m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the Authority will pay over the remaining terms of the loans under the agreement with the PWLB against what would be paid if the loans were at the prevailing market rates.

However, SYPTE has a continuing ability to borrow at concessionary rates from the PWLB rather than the markets. A supplementary measure of the additional interest that the Authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £141.4m would be valued at £167.3m. 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 £173.0m.

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.

## NOTES TO THE ACCOUNTS

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

	Amount at 31 March 2019 £'000 A	Historical Experience of Default % B	Historical Experience Adjusted for Market Conditions at 31 March 2019 £'000 C	Estimated Maximum Exposure to Default and Collectability at 31 March 2019 £'000 A X C	Estimated Maximum Exposure at 31 March 2019 £'000
Customers	665	0%	1.71	11	11

	Amount at 31 March 2018 £'000 A	Historical Experience of Default % B	Historical Experience Adjusted for Market Conditions at 31 March 2018 £'000 C	Estimated Maximum Exposure to Default and Collectability at 31 March 2018 £'000 A X C	Estimated Maximum Exposure at 31 March 2018 £'000
Customers	677	0%	2.16	15	15

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 £61k of the £665k balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2019 £'000	31 March 2018 £'000
Less than Three Months	43	92
Three to Six Months	2	14
Six Months to One Year	10	8
More than One Year	6	42
<b>Total</b>	<b>61</b>	<b>156</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 2019 £'000	31 March 2018 £'000
Less than One Year	-	6,500
Between One and Two Years	53,000	-
Between Two and Five Years	62,375	68,975
More than Five Years	46,918	93,330
<b>Total</b>	<b>162,293</b>	<b>168,805</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 has no exposure to interest rate risk arising from floating rate short-term deposits on the basis that it only retains cash balances for day to day cash flow purposes. The impact on SYPTE of a change is minimal as larger deposits are held on SYPTE's behalf by the 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 8.75%.  
The Wertmanagement loans are at fixed interest rates ranging between 4.5% and 4.95%.



## NOTES TO THE ACCOUNTS

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

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

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

### 14 LONG-TERM DEBTORS

	2019 £'000	2018 restated £'000
<b>Amount Owed by Group Undertakings</b>		
Combined Authority	168,866	196,424
Prepayments and Accrued Income	-	1,358
<b>Balance at 31 March</b>	<b>19,136</b>	<b>197,782</b>

### 15 SHORT-TERM DEBTORS

	2019 £'000	2018 restated £'000
<b>Amounts Falling Due Within One Year</b>		
Trade Debtors	665	676
Amount Owed by Group Undertakings	16,216	9,545
Prepayments and Accrued Income	2,255	4,278
<b>Balance at 31 March</b>	<b>19,136</b>	<b>14,499</b>

### 16 SHORT-TERM BORROWINGS

	2019 £'000	2018 £'000
<b>Amounts Falling Due Within One Year</b>		
Interest Payable on Loans	(3,266)	(3,535)
Loans Payable Within One Year	-	(6,500)
<b>Balance at 31 March</b>	<b>(3,266)</b>	<b>(10,035)</b>
Obligations: Finance Leases	(227)	(208)
<b>Balance at 31 March</b>	<b>(3,493)</b>	<b>(10,243)</b>

### 17 SHORT-TERM CREDITORS

	2019 £'000	2018 £'000
<b>Amounts Falling Due Within One Year</b>		
Trade Creditors	(2,293)	(5,371)
Amounts Owed to Group Undertakings	(11)	-
Other Creditors	(5,248)	(19,800)
<b>Balance at 31 March</b>	<b>(7,552)</b>	<b>(25,171)</b>
Grants Received in Advance	(147)	(189)
<b>Balance at 31 March</b>	<b>(7,699)</b>	<b>(25,360)</b>

### 18 PROVISIONS

	2019 £'000		2018 £'000	
	Legal Claims	Other	Total	Total
Balance 1 April	170	1,999	2,169	1,571
Provided in the Year	-	-	-	820
Provisions Not Required Written Back	-	(210)	(210)	(204)
Provisions Utilised in the Year	-	(1)	(1)	(18)
<b>Balance 31 March</b>	<b>170</b>	<b>1,788</b>	<b>1,958</b>	<b>2,169</b>

## NOTES TO THE ACCOUNTS

	2019 £'000		2018 £'000	
	Legal Claims	Other	Total	Total
<b>Expected Timing of Cash Flow</b>				
Within One Year	170	1,788	1,958	2,169
Between One and Five Years	-	-	-	-
After Five Years	-	-	-	-
<b>Total</b>	<b>170</b>	<b>1,788</b>	<b>2,169</b>	<b>2,169</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 liability for works in respect of Supertram infrastructure.

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

	2019 £'000	2018 £'000
Balance 1 April	11,454	11,646
Repayments During Year	(208)	(192)
Balance 31 March	11,246	11,454
Amounts Falling Due Within One Year Included in Short-Term Borrowings (Note 16)	(227)	(208)
<b>Other Long-Term Liabilities 31 March</b>	<b>11,019</b>	<b>11,246</b>
Which is Repayable as Follows		
Within 2-5 Years	1,122	1,032
After 5 Years	9,897	10,214
<b>Total</b>	<b>11,019</b>	<b>11,246</b>

### 20 USABLE RESERVES

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

### 21 UNUSABLE RESERVES

31 MARCH 2019	2019 £'000	2018 £'000
Deferred Capital Grants Reserve	100,724	87,531
Revaluation Reserve	31,930	31,270
Pension Reserve	(41,706)	(38,617)
Accumulated Absences Account	(67)	(58)
<b>Total Unusable Reserves</b>	<b>90,881</b>	<b>80,126</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:

	2019 £'000	2018 £'000
Balance 1 April	87,531	84,022
Grants Received and Receivable During the Year	22,682	17,502
Release to Income & Expenditure Account	(9,489)	(13,993)
<b>Balance 31 March</b>	<b>100,724</b>	<b>87,531</b>

## NOTES TO THE ACCOUNTS

### 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.

	2019 £'000	2018 £'000
Balance 1 April	31,270	20,830
Revaluation During the Year (adjustment to existing revaluation)	660	10,440
Transferred to Income & Expenditure Account	-	-
<b>Balance 31 March</b>	<b>31,930</b>	<b>31,270</b>

### Pension Reserve

The Unusable Reserve – Pension Reserve represents the accounting for the Net Pension Liability in the Balance Sheet. The Pension Reserve is greater than the Liability due to the advance payment of the deficit recovery contribution made in April 2017:

	2019 £'000	2018 £'000
Balance 1 April	(38,617)	(48,367)
Re-measurement of the Net Defined Pension Liability/(asset)		
- Actuarial gains/(losses) arising from changes in demographic assumptions		
- Actuarial gains/(losses) arising from changes in financial assumptions		
- Actuarial gains/(losses) on liabilities – experience	(3,589)	5,438
IAS19 Adjustment Transferred to Operational Revenue Reserve	(1,577)	3,011
First Year Prepayment of Pension	1,329	1,301
<b>Balance 31 March</b>	<b>(42,454)</b>	<b>(38,617)</b>

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

The cash flows for operating activities include the following items:

	2019 £'000	2018 £'000
Interest Received	2	2
Interest Paid	11,575	13,531

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

	2019 £'000	2018 restated £'000
Depreciation	6,178	2,235
(Upward) and Downward Valuations	-	824
Amortisation	5,201	12,610
Decrease in Impairment for Bad Debts	(3)	(16)
(Increase)/decrease in Creditors	(17,899)	7,446
Increase in Debtors	23,214	10,612
Movement in Pensions Liability	248	(5,670)
Other Non-Cash Items Charged to the Net Surplus or Deficit on the Provision of Services	(311)	4,248
<b>Total</b>	<b>16,628</b>	<b>32,289</b>

## NOTES TO THE ACCOUNTS

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

	2019 £'000	2018 £'000
Any Other Items for which the Cash Effects are Investing or Financing Cash Flows	(24,656)	(13,280)
<b>Total</b>	<b>(24,656)</b>	<b>(13,280)</b>

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

	2019 £'000	2018 £'000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(22,685)	(17,895)
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	24,613	12,153
<b>Net Cash Flows from Investing Activities</b>	<b>1,928</b>	<b>(5,742)</b>

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

	2019 £'000	2018 £'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	(208)	(192)
Repayments of Short and Long-Term Borrowing	(6,500)	(11,500)
Other Payments for Financing Activities		
<b>Net Cash Flows from Financing Activities</b>	<b>(6,708)</b>	<b>(11,692)</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:

	2019 £'000	2018 £'000
<b>Safer Roads Partnership</b>		
Balance 1 April	(41)	1,014
Received in Year	2,925	1,924
Issued in Year	(2,749)	(2,979)
<b>Balance 31 March</b>	<b>135</b>	<b>(41)</b>

## NOTES TO THE ACCOUNTS

### 24 OFFICERS' REMUNERATION

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

Officer	Salaries, Fees and Allowances	Expenses Allowances	Pension Employer Contribution	<b>Total</b>
	2019	2019	2019	<b>2019</b>
	£	£	£	£
Executive Director	104,050	-	13,943	<b>117,993</b>
Director of Public Transport	56,495	187	7,570	<b>64,252</b>
Director of Customer Services	82,416	-	11,044	<b>93,460</b>
Interim Head of Financial Services	62,985	76	8,440	<b>71,501</b>
Principal Solicitor and Secretary	80,353	-	10,767	<b>91,121</b>

#### Director of Public Transport – to 7 December 2018

Officer	Salaries, Fees and Allowances	Expenses Allowances	Pension Employer Contribution	<b>Total</b>
	2018	2018	2018	<b>2018</b>
	£	£	£	£
Executive Director	102,010	-	13,057	<b>115,067</b>
Director of Public Transport	80,800	525	10,342	<b>91,667</b>
Director of Customer Services	80,800	-	10,342	<b>91,142</b>
Head of Financial Services	29,465	-	3,772	<b>33,237</b>
Interim Head of Financial Services	33,307	79	4,263	<b>37,649</b>
Principal Solicitor and Secretary	77,691	86	9,944	<b>87,721</b>

#### Head of Financial Services – to 16 September 2017

#### Interim Head of Financial Services – from 11 September 2017

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.

	<b>2019</b>	<b>2018</b>
	Number of Employees	Number of Employees
Remuneration Band:		
£50,000 - £54,999	4	3
£55,000 - £59,999	2	1
£60,000 - £64,999	3	2
£65,000 - £69,999	-	-
£70,000 - £74,999	-	-
£75,000 - £79,999	-	1
£80,000 - £84,999	2	2
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000 - £104,999	1	1

## NOTES TO THE ACCOUNTS

### 25 TERMINATION BENEFITS

There were no exit packages in 2018/19 or 2017/18.

### 26 EXTERNAL AUDIT COSTS

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

	2019 £'000	2018 £'000
Fees Payable to EY LLP (2017/18 KPMG LLP) with regard to External Audit Services Carried out by the Appointed Auditor for the Year	28	36

### 27 GRANT INCOME

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

	2019 £'000	2018 £'000
Local Transport Plan (Integrated Transport Block Funding)	2,057	2,614
Department for Transport	4,012	4,886
Better Bus Area	-	2,567
Combined Authority	17,478	796
Local Authorities & Other	1,066	116
<b>Total</b>	<b>24,613</b>	<b>10,979</b>

### 28 RELATED PARTIES

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

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

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

#### **Subsidiaries and Investments**

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

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

## 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:

	2019 £'000	2018 £'000
Amount Held by CA to Repay SYPTE Loans	126,611	114,774
Grant Monies Owing to SYPTE	58,460	91,195
<b>Total Owed to SYPTE by CA</b>	<b>185,071</b>	<b>205,969</b>

### Investments – Financial Performance

#### Joint Venture

At 31 March 2019, the Executive had the following Joint Venture:

#### Yorcard Ltd

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

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

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

	2019 £'000	2018 £'000
Turnover	793	889
Profit/(loss) Before Tax	-	-
Taxation	-	-
Profit/(loss) After Tax	-	-
Fixed Assets	-	-
Current Assets	254	261
Liabilities Due Within 1 Year	(249)	(256)
Liabilities Due After 1 Year or More	-	-

#### Directors and Officers

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

Directors and Officers have not made any such disclosure.

## 29 CAPITAL EXPENDITURE AND CAPITAL FINANCING

### Capital Financing Costs

	2019 £'000	2018 £'000
Depreciation	4,719	2,174
Amortisation	5,262	12,671
Impairment of Land and Buildings	-	824
Concessionary Support Payment	1,500	1,500
<b>Total</b>	<b>11,481</b>	<b>17,169</b>

## NOTES TO THE ACCOUNTS

### 30 LONG-TERM BORROWING

	2019 £'000	2018 £'000
Balance 1 April	162,305	168,816
Loans Raised	-	-
Loans Repaid	-	-
LOBOS Interest Rate Adjustment	(12)	(11)
Less Payable Within One Year (included in short-term borrowings)	-	(6,500)
<b>Balance 31 March</b>	<b>162,293</b>	<b>162,305</b>
Which is repayable as follows:		
Between One and Five Years	115,375	68,975
Between Five and Ten Years	18,000	64,400
More Than Ten Years	28,918	28,930
<b>Total</b>	<b>162,293</b>	<b>162,305</b>

At 31 March 2019 SYPTE has £141.4m (£147.9m 2016/17) fixed interest loans from the Public Works Loans Board. The average loan rate is 6.436% pa (6.646% 2016/17) and the loans are repayable on maturity from 2020 onwards.

SYPTE has a further £20m (£20m 2017/18) of loans from Wertmanagement. The average loan rate in 2018/19 was 4.72% pa (4.72% 2017/18) and the loans are repayable from 2043 onwards.

### 31 LEASES AND LEASE TYPE ARRANGEMENTS

At 31 March 2019 SYPTE had annual commitments under non-cancellable operating leases expiring as follows:

#### SYPTE as Lessee

	2019 £'000	2018 £'000
<b>Land and Buildings</b>		
Not Later Than One Year	17	17
Later Than One Year and Not Later Than Five Years	-	-
Later Than Five Years	-	-
<b>Total</b>	<b>17</b>	<b>17</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:

	2019 £'000	2018 £'000
<b>Land and Buildings –</b>		
Not Later Than One Year	598	560
Later Than One Year and Not Later Than Five Years	1,492	1,675
Later Than Five Years	1,470	1,338
<b>Total</b>	<b>3,560</b>	<b>3,573</b>

Where SYPTE act as a lessor it relates to 30 property leases for terms up to 17 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 are no contingent rents payable where SYPTE is the Lessee.



### 32 PRIVATE FINANCE INITIATIVES (PFI)

#### Doncaster Interchange PFI

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

SYPTE's PFI contract, Doncaster Interchange was signed on 3 December 2003 with Teesland Property Company (Northern) Limited and involved the construction of a new Bus Station. It became operational in June 2007. The contract runs until June 2039 and incorporates the future maintenance and upkeep of both the building and the fixtures and fittings. The net book value of the Interchange as at 31 March 2019 is £12.1m (£11.8m at 31 March 2018).

In 2018/19 unitary charge payments of £2.5m (£2.4m in 2017/18) were paid. Unitary charge payments over the whole life of the contract will total £94.1m of which SYPTE will contribute £24.2m 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	227	982	83	1,091	123	2,506
Within 2 -5 Years	1,122	3,712	596	4,586	516	10,532
Within 6 – 10 Years	2,049	3,993	1,379	6,267	705	14,393
Within 11 – 15 Years	3,115	2,928	2,151	6,920	778	15,892
Within 16 - 20 Years	4,734	1,309	3,004	7,640	859	17,546
<b>Total</b>	<b>11,247</b>	<b>12,924</b>	<b>7,213</b>	<b>26,504</b>	<b>2,981</b>	<b>60,869</b>

	2019 Doncaster Interchange PFI Asset £'000	2018 Doncaster Interchange PFI Asset £'000
Net Book Value as at 1 April	11,830	11,050
Revaluation Adjustments	250	780
Depreciation	-	-
<b>As at 31 March</b>	<b>12,080</b>	<b>11,830</b>

	2019 Doncaster Interchange PFI Liability £'000	2018 Doncaster Interchange PFI Liability £'000
As at 1 April	11,453	11,644
Lease Repayments	(1,266)	(1,229)
Interest Charge	1,000	1,017
Contingent Rentals	58	21
<b>As at 31 March</b>	<b>11,245</b>	<b>11,453</b>

### 33 IMPAIRMENT LOSSES

SYPTE has reviewed its property, plant and equipment for indications of impairment and following the revaluation of land and buildings, charged to the Surplus/Deficit on the Provision of Services line in the Comprehensive Income and Expenditure Statement, £Nil, (2017/18 £824k).

**34 POST EMPLOYMENT BENEFITS**

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

**Local Government Pension Scheme**

**Transactions Relating to Post-Employment Benefits**

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

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

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

**Comprehensive Income and Expenditure Statement**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Current Service Cost	1,457	1,405
Financing Investment Income and Expenditure	1,703	1,107
Remeasurement in other Comprehensive Income and Expenditure	3,589	(9,426)
<b>Total Post-Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<b>6,749</b>	<b>(6,914)</b>

**Movement in Reserves Statement**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Reversal of Net Charges Made to the (Surplus)/Deficit for the Provision of Services for Post-Employment Benefits in Accordance with the Code	(3,160)	(2,512)
Actual Amount Charged Against the Operational Revenue Reserve Balance for Pensions in the Year:		
Employer's Contributions Payable to Scheme	1,583	1,535
Transfer of Year Pension Deficit Contribution	1,329	1,301

## NOTES TO THE ACCOUNTS

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

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

Reconciliation of Present Value of the Scheme Liabilities:

	2019	2018
	£'000	£'000
Opening Balance at 1 April	(152,539)	(161,538)
Current Service Cost	(1,457)	(1,405)
Interest Cost	(3,883)	(3,953)
Contributions by Scheme Participants	(338)	(306)
Re-measurements	(7,357)	7,514
Past Service cost (gain)	(768)	0
Benefits Paid	6,806	7,149
<b>Closing Balance at 31 March</b>	<b>(159,536)</b>	<b>(152,539)</b>

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

	2019	2018
	£'000	£'000
Opening Balance at 1 April	116,609	113,171
Interest on Plan Assets	2,968	2,863
Re-measurements	3,768	1,912
Administration Expenses	(20)	(17)
Contributions by Employer	1,583	5,523
Contributions by Scheme (plan) Participants	338	306
Benefits Paid	(6,806)	(7,149)
<b>Closing Balance at 31 March</b>	<b>118,440</b>	<b>116,609</b>

### Pension Scheme Assets Comprised:

	2019	2018
	£'000	£'000
<b>Equities</b>	60,227	65,149
<b>Bonds</b>		
Government Bonds	18,584	16,232
Other Bonds	8,800	8,606
<b>Property</b>	11,453	10,658
<b>Other</b>	19,376	15,964

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

	2017	2018	2019
	£'000	£'000	£'000
Present Values of Liabilities	(161,538)	(152,539)	(159,536)
Fair Value of Scheme Assets	113,171	116,609	118,440
<b>Surplus/(Deficit) in the Scheme</b>	<b>(48,367)</b>	<b>(35,930)</b>	<b>(41,096)</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>2019</b>	<b>2018</b>
Longevity at Age 65 for Current Pensioners:		
Men	23.1 years	23.0 years
Women	25.9 years	25.8 years
Longevity at Age 65 for Future Pensioners:		
Men	25.3 years	25.2 years
Women	28.3 years	28.1 years
<b>Financial Assumptions</b>		
Rate of CPI Inflation	2.2%	2.1%
Rate of increase in Salaries	3.5%	3.4%
Rate of increase in Pensions	2.3%	2.2%
Discount Rate	2.4%	2.6%

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	159,536	157,021	162,091	159,768	162,756
Assets	(118,440)	(118,440)	(118,440)	(118,440)	(118,440)
Deficit/(Surplus)	41,096	38,581	43,651	41,328	44,316
Projected Service Cost for Next Year	1,724	1,676	1,775	1,724	1,758
Projected Net Interest Cost for Next Year	967	944	1,039	984	1,055

### 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 2015 %</b>	<b>31 March 2016 %</b>	<b>31 March 2017 %</b>	<b>31 March 2018 %</b>	<b>31 March 2019 %</b>
Differences Between the Expected and Actual Return on Assets	12.2	0.9	19.4	1.6	3.2
Experience Gains and Losses on Liabilities	0.0	0.0	0.1	4.9	4.6

### 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 expects to pay contributions of £664k to the scheme in 2019/20. The weighted average duration of the defined benefit obligation for scheme members was 16 years during 2018/19.

### 35 LONG-TERM COMMITMENTS

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

### 36 PRIOR PERIOD ADJUSTMENTS

During the preparation of the 2018/19 Accounts, SYLTE identified that some previous revaluations of land and buildings had not been correctly accounted for under the Code resulting in a £5.125m overstatement of the Revaluation Reserve balance at 1 April 2017. The effect of correcting this misstatement is an increase in usable reserves, a smaller increase in long-term assets with a corresponding decrease in unusable reserves.

The restatements are summarised below:

<u>Effect on the Opening Balance Sheet at 1 April 2017</u>			
	Opening Balances at 1 April 2017	Restatements Revaluation Reserve	Restated Balances at 1 April 2017
	£'000	£'000	£'000
Property, Plant and Equipment	116,924	126	117,050
<b>Long-term Assets</b>	<b>312,225</b>	<b>126</b>	<b>312,351</b>
<b>TOTAL NET ASSETS</b>	<b>79,114</b>	<b>126</b>	<b>79,240</b>
<b>Usable Reserves</b>	<b>(22,687)</b>	<b>(5,251)</b>	<b>(27,938)</b>
<b>Unusable Reserves</b>	<b>(56,427)</b>	<b>5,125</b>	<b>(51,302)</b>
<b>TOTAL RESERVE</b>	<b>(79,114)</b>	<b>(126)</b>	<b>(79,240)</b>

## NOTES TO THE ACCOUNTS

### Effect on the Comprehensive Income and Expenditure Statement for 2017/18

	Net Expenditure as Originally Stated £'000	Revaluation Gain £'000	Restated Net Expenditure £'000
Transport Services	(2,033)	(1,685)	(3,718)
<b>Cost of Services</b>	<b>(2,033)</b>	<b>(1,685)</b>	<b>(3,718)</b>
<b>(Surplus)/Deficit on Provision of Services</b>	<b>1,630</b>	<b>(1,685)</b>	<b>(55)</b>
(Surplus)/Deficit on Reveal of Assets	(10,440)	1,775	(8,665)
<b>Other Comprehensive I&amp;E</b>	<b>(15,878)</b>	<b>1,775</b>	<b>(14,103)</b>
<b>Total Comprehensive I&amp;E</b>	<b>(14,248)</b>	<b>90</b>	<b>(14,158)</b>

### Effect on the Movement in Reserves Statement - Usable Reserves

	Net Expenditure as Originally Stated £'000	Revaluation Reserve £'000	Restated Net Expenditure £'000
<b>Balance at 1 April 2017</b>	<b>(22,687)</b>	<b>(5,251)</b>	<b>(27,938)</b>
<b>Movement in Reserves in 2017/18</b> (Surplus)/Deficit on Provision of Services (accounting basis)	1,630	(1,685)	(55)
<b>Total Comprehensive Income and Expenditure</b>	<b>1,630</b>	<b>(1,685)</b>	<b>(55)</b>
Adjustments between accounting basis & funding basis under regulations	7,821	(495)	7,326
<b>(Increase)/Decrease in the Year</b>	<b>9,451</b>	<b>(2,180)</b>	<b>6,776</b>
<b>Balance at 31/3/18</b>	<b>(13,236)</b>	<b>(7,431)</b>	<b>(21,162)</b>

## NOTES TO THE ACCOUNTS

### Effect on the Movement in Reserves Statement - Unusable Reserves

	Net Expenditure as Originally Stated	Revaluation Reserve	Restated Net Expenditure
	£'000	£'000	£'000
<b>Balance at 1 April 2017</b>	<b>(56,427)</b>	<b>5,125</b>	<b>(51,302)</b>
<b>Movement in Reserves in 2017/18</b>			
Other Comprehensive Income and Expenditure	(15,878)	1,775	(14,103)
<b>Total Comprehensive Income and Expenditure</b>	<b>(15,878)</b>	<b>1,775</b>	<b>(14,103)</b>
Adjustments between accounting basis & funding basis under regulations	(7,821)	495	(7,326)
<b>(Increase)/Decrease in the Year</b>	<b>(23,699)</b>	<b>2,270</b>	<b>(21,429)</b>
<b>Balance at 31/3/18</b>	<b>(80,126)</b>	<b>7,395</b>	<b>(72,731)</b>

### Effect on the Movement in Reserves Statement - Total Reserves

	Net Expenditure as Originally Stated	Revaluation Reserve	Restated Net Expenditure
	£'000	£'000	£'000
<b>Balance at 1 April 2017</b>	<b>(79,114)</b>	<b>(126)</b>	<b>(79,240)</b>
<b>Movement in Reserves in 2017/18</b>			
(Surplus)/Deficit on Provision of Services (accounting basis)	1,630	(1,685)	(55)
Other Comprehensive Income and Expenditure	(15,878)	1,775	(14,103)
<b>Total Comprehensive Income and Expenditure</b>	<b>(14,248)</b>	<b>90</b>	<b>(14,158)</b>
<b>Net (increase)/decrease before Transfers to/from Reserves</b>	<b>(14,248)</b>	<b>90</b>	<b>(14,158)</b>
<b>(Increase)/Decrease in the Year</b>	<b>(14,248)</b>	<b>90</b>	<b>(14,158)</b>
<b>Balance at 31/3/18</b>	<b>(93,362)</b>	<b>(36)</b>	<b>(93,398)</b>

<b>NOTES TO THE ACCOUNTS</b>
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**Effect on the Balance Sheet at 31 March 2018**

	Net Expenditure as Originally Stated	Revaluation Reserve	Restated Net Expenditure
	£'000	£'000	£'000
Property, Plant and Equipment	129,670	36	129,706
<b>Long-term Assets</b>	<b>327,366</b>	<b>36</b>	<b>327,402</b>
<b>TOTAL NET ASSETS</b>	<b>93,362</b>	<b>36</b>	<b>93,398</b>
Usable Reserves	(13,236)	(7,431)	(20,667)
Unusable Reserves	(80,126)	7,395	(72,731)
<b>TOTAL RESERVES</b>	<b>(93,362)</b>	<b>(36)</b>	<b>(93,398)</b>

During the preparation of the 2018/19 Accounts, SYPTE identified that the accounting treatment for the pension prepayment made on 3 April 2017 should be amended in order to bring into line the balances on the Net Pension Liability and the Pension Reserve. This resulted in the prepaid balance being held in Long and Short-term Debtors on the balance sheet.

The restatements are summarised below:

**Effect on the Balance Sheet at 31 March 2018**

	Opening Balances at 1 April 2018	Restatement of Pension Prepayment	Restated Balances at 1 April 2018
	£'000	£'000	£'000
Long-term Debtors	-	1,358	1,358
<b>Long-term Assets</b>	<b>327,402</b>	<b>1,358</b>	<b>328,760</b>
Short-term Debtors	3,916	1,329	5,245
<b>Current Assets</b>	<b>13,528</b>	<b>1,329</b>	<b>14,857</b>
Net Pension Liability	(35,930)	(2,687)	(38,617)
<b>Long-term Liabilities</b>	<b>(209,481)</b>	<b>(2,687)</b>	<b>(212,168)</b>



## NOTES TO THE ACCOUNTS

### Effect on the Comprehensive Income and Expenditure Statement for 2017/18

	Net Expenditure as Originally Stated £'000	Restatement of Pension Prepayment £'000	Restated Net Expenditure £'000
Transport Services	(3,718)	3,988	270
<b>Cost of Services</b>	<b>(3,718)</b>	<b>3,988</b>	<b>270</b>
<b>(Surplus)/Deficit on Provision of Services</b>	<b>(55)</b>	<b>(1,685)</b>	<b>(55)</b>
Remeasurement of the net defined benefit liability/(asset)	(5,438)	(3,988)	(9,426)
<b>Other Comprehensive I&amp;E</b>	<b>(14,103)</b>	<b>(3,988)</b>	<b>(18,091)</b>

There were no Prior Period Adjustments made in 2017/18.

### **37 CONTINGENT LIABILITIES**

A number of investigations into transport infrastructure across the country have been carried out due to fatalities so there is a potential that, on review of the recommendations arising from the investigations, SYPTE may be required to incur expenditure.

### **38 CONTROL**

During 2018/19 SYPTE's ultimate parent undertaking was the Sheffield City Region Mayoral Combined Authority.

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

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

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

## GLOSSARY

<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 SYPTTE 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 SYPTTE'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**

**Opinion**

We have audited the financial statements of South Yorkshire Passenger Transport Executive [*the Executive*] for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Executive Movement in Reserves Statement,
- Executive Comprehensive Income and Expenditure Statement,
- Executive Balance Sheet,
- Executive Cash Flow Statement;
- and the related notes 1 to 38, including the accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of South Yorkshire Passenger Transport Executive as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

**Basis for opinion**

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

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

**Conclusions relating to going concern**

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

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

**Other information**

The other information comprises the information included in the annual report set out on pages 2 to 13, other than the financial statements and our auditor's report thereon. The Head of Financial Services is responsible for the other information.

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

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

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

We have nothing to report in this regard.

#### **Opinion on other matters prescribed by the Local Audit and Accountability Act 2014**

##### ***Arrangements to secure economy, efficiency and effectiveness in the use of resources***

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, 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 2019.

#### **Matters on which we report by exception**

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

#### **Responsibility of the Head of Financial Services**

As explained more fully in the Statement of Responsibilities set out on page 14, 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 2018/19, and for being satisfied that they give a true and fair view.

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

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

#### **Auditor's responsibilities for the audit of the financial statements**

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

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



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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether the 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 Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Executive put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

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

**Certificate**

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

**Use of our report**

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

Stephen Clark (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
Birmingham  
4 October 2019

The maintenance and integrity of the South Yorkshire Passenger Transport Executive web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.