

# STATEMENT OF ACCOUNTS



## SOUTH YORKSHIRE PASSENGER TRANSPORT EXECUTIVE

### STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018

Narrative Report .....	2
Annual Governance Statement .....	7
Statement of Responsibilities .....	13
Expenditure and Funding Analysis .....	14
Comprehensive Income and Expenditure Statement (CI&ES) .....	15
Movement in Reserves .....	16
Balance Sheet .....	18
Cash Flow Statement .....	20
1. Accounting Policies .....	21
2. Accounting Standards that have been issued but have not yet been adopted .....	36
3. Critical Accounting Estimates and Judgements .....	36
4. Going Concern .....	38
5. Material Items of Income and Expense (Exceptional Items) .....	38
6. Note to the Expenditure and Funding Analysis .....	38
7a. Expenditure and Income Analysed by Nature .....	39
7b. Segmental Analysis .....	39
8. Movements in Earmarked Reserves .....	40
9. Financing and Investment Income and Expenditure .....	40
10. Property, Plant and Equipment .....	40
11. Investment Property .....	41
12. Capital Expenditure that does not result in the creation of a non-current asset .....	42
13. Financial Instruments .....	43
14. Long Term Debtors .....	47
15. Short Term Debtors .....	47
16. Short Term Borrowings .....	47
17. Short Term Creditors .....	47
18. Provisions .....	48
19. Other Long Term Liabilities .....	48
20. Usable Reserves .....	48
21. Unusable Reserves .....	48
22. Notes to the Cash Flow Statement .....	50
23. Agency Services .....	51
24. Officers' Remuneration .....	51
25. Termination Benefits .....	52
26. External Audit Costs .....	53
27. Grant Income .....	53
28. Related Parties .....	53
29. Capital Expenditure and Capital Financing .....	54
30. Long Term Borrowing .....	54
31. Leases and Lease Type Arrangements .....	55
32. Private Finance Initiatives (PFI) .....	56
33. Impairment Losses .....	56
34. Post-Employment Benefits .....	57
35. Long Term Commitments .....	60
36. Prior Period Adjustments .....	60
37. Contingent Liabilities .....	60
38. Control .....	60
Glossary .....	61
Independent Auditor's Report .....	66

## **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 2017/18 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 an executive body of the Sheffield City Region Combined Authority (CA), that contributes to the delivery of the transport elements of the Sheffield City Region's Strategic Economic Plan across the four South Yorkshire Districts of Barnsley, Doncaster, Rotherham and Sheffield. During the year the CA continued to develop its plans for devolution which are expected to accelerate following the election of a Mayor for the City Region in May 2018. A revised Transport Strategy for the CA was formally consulted upon in early 2018 and will update and supersede the policies and measures of the previous Transport Strategy, published in 2011. It aims to boost economic growth by ensuring everyone can get to work easily, that streets are safe and healthy, the quality of the outdoors is improved, and that innovations in transport technologies are adopted. These aims 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**

2017/18 saw notable progress on a number of SYLTE key strategic projects as well as a need to respond to unplanned changes to the public transport network in the region:

- The Tram Train project progressed with the roll-out of a new vehicle fleet of seven Citylink tram vehicles on to the existing tram network in September 2017 to supplement the current fleet and provide additional resilience to services to ensure frequencies are maintained where possible. Four of these vehicles will then be used on the Tram Train service commencing in 2018 with the remaining three used to support the wider network. The innovative Tram Train project, the first of its kind in the UK, links heavy and light rail infrastructure, systems and operations together to provide a new transport service between Sheffield and Rotherham. The vehicles are designed to run on both the South Yorkshire Supertram system and the national rail network, providing better connections between Rotherham and Sheffield and aims to reinvigorate the local economy.
- An enhanced young person's concession, the 16-18 Travel Pass, was introduced in July 2017. This extended the entitlement to any person in this age range, not just those in full time education as was previously the case. This has simplified the process of applying, allowed customers to use the pass during summer holiday periods and gives them the entitlement for a period of up to two years. To date an extra 4,000 customers have taken up the additional pass offer.
- The first significant timetable change to Supertram was made in order to build a more resilient service. Tram frequencies on the Blue and Yellow lines were amended to run every 12 minutes outside the peak periods instead of the previous 10-minute frequency. This was the first major change to the frequency of services in almost 20 years. The changes were necessary to deal with increasing challenges on the network as a result of congestion which in turn led to late running, bunching of

services and having to terminate services short of their destination. Early indications show a positive impact on punctuality and reliability.

- A region-wide response to the closure of Bright Bus school services was implemented. We were informed in April 2017 of the intention of the owner of Bright Bus to close the business at the end of the academic year. As a result, we worked closely with operators to put in place suitable replacement and alternative arrangements to ensure that from September there were still bus services serving schools in place across the region. We secured 78 new services covering 32 schools that had been affected as well as transferring a significant proportion of the school travel to the core network.
- We created and had approved new Customer Service and Retail and Information Strategies. These set out our ambition to provide improved customer services, commitments to ensure we act and respond to customer feedback and ensure that we simplify how customers interact with our services, timetables and journey planning as well as make purchasing of the right travel and ticket products for their needs as easy as possible.
- Customer service standards were maintained which was acknowledged by re-accreditation for the government-led Customer Service Excellence award in June 2017.
- The Sheffield City Region Mass Transit Strategic Outline Business Case was submitted to the Department for Transport. This was the first step in preparation of the business case for the future operation of the tram network (or its alternative) beyond its current arrangement which ends in 2024 and seeks funding to deliver refreshed infrastructure potentially including new trams.
- Funding arrangements and the procurement of the major works to refurbish and repair Rotherham Interchange and its adjoining car park following the fire in May 2016 were completed. This included commencement of the construction of a temporary bus station on the Forge Island site in the town in preparation for the full closure of the Interchange from April 2018 to facilitate the refurbishment project.

#### **4 FINANCIAL PERFORMANCE**

##### **Financial Headlines**

SYLTE'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 SYLTE via the Transport Levy.

The following summarises the year's financial performance:

- SYLTE generated an operational surplus of £1.4 million from a budget of £62 million primarily due to delivery of planned operational efficiencies and unmaterialised risk.
- SYLTE's net worth increased by £14.2 million. This increase is primarily due to an increase in unusable reserves in respect of deferred Capital Grants (£3.5 million), Revaluation Reserve (£10.4 million) and a favourable pension valuation adjustment (£9.8 million). This was offset by a decrease in usable reserves in respect of the recognition of Capital Grants for capital expenditure in future years (£7.6 million) and a reduction in Operational Revenue Reserve of £1.7 million largely from the use of Earmarked Reserves to support the 2017/18 Transport Levy.
- Total usable reserves decreased by £9.5 million from £22.7 million to £13.2 million.
- £17.9 million of capital investment was delivered during the year. Of this £5.3 million related to assets owned by SYLTE.

## Revenue Budget

The 2017/18 revenue budget of £62 million was approved by the Combined Authority in January 2017, and was funded by grants from the Combined Authority and government together with some underpinning from reserves.

The following table shows the final outturn position for 2017/18:

<b>2017/18 BUDGET OUTTURN</b>	<b>Budget £'000</b>	<b>Actual £'000</b>	<b>Variance £'000</b>
Customer Group	1,317	1,086	231
Interchanges and Infrastructure	2,914	2,990	(76)
Concessions and Ticketing	27,758	26,848	910
Planning and Support	5,259	5,033	226
Capital Financing and Pensions	18,329	18,510	(181)
Network Costs	6,371	6,068	303
<b>Total</b>	<b>61,948</b>	<b>60,535</b>	<b>1,413</b>

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

## Capital Expenditure

The £17.9 million capital expenditure was primarily funded through grant receipts including: DfT (Tram Train) £9.7 million; Local Authority £0.8 million; Integrated Transport Block Grant £2.9 million; Better Bus Area and other £4.5 million.

For 2018/19 the CA approved capital expenditure of £23.7 million, of which £20.8 million is contractually committed. £21.2 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 £2.5 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 2018, the SYPTE loans portfolio totalled £168.8 million, a reduction of £11.5 million due to repayments during 2017/18. During the year, no further borrowing was taken as the capital investment undertaken was funded from Capital Grants awarded to SYPTE. SYPTE also has PFI liabilities of £11.5 million down from £11.6 million in 2016/17.

## PFI Scheme

SYPTE controls the operations of Doncaster Interchange, which is funded under a PFI scheme. The contract runs until June 2039, and incorporates the future maintenance and upkeep of the building and the fixtures and fittings. The net book value of £11.8 million is recognised in the Financial Statements. In 2017/18 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 2018 was £35.9 million, a decrease of £12.5 million.

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 deficit of £1.6 million. This deficit is included in the total movement in SYPTE's net worth during the year as shown in the Balance Sheet. The difference between the two represents accounting rules around when income and expenditure is recognised and when costs need to be funded from other resources. A reconciliation is shown in the table below:

	<b>£'000</b>
<b>2017/18 BUDGET OUTTURN</b>	<b>60,535</b>
Revenue Grant	(56,975)
Capital Financing Adjustments	1,630
Pensions Adjustments	(4,312)
Other Items	752
<b>Deficit on Comprehensive Income &amp; Expenditure</b>	<b>1,630</b>

### **Material and Unusual Transactions**

A number of historical unused capital grants with a total value of £1.1million were transferred into Operational Revenue Reserve.

SYPTE prepaid £4m pension contributions for the three year period 2017/18 to 2019/20 on 3 April 2017.

There were no material or unusual transactions in 2016/17.

### **Change in Accounting Policies**

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

### **Reserves**

Total Revenue Reserves stand at £93.4 million (2017: £79.1 million). The £14.3 million increase is made up of a £9.5 million decrease in usable reserves and a £23.7 million increase in unusable reserves. The decrease in usable reserves is due to a £7.6 million decrease in the capital grants unapplied reserve and a £1.7 million decrease in operational revenue/earmarked reserves. The increase in unusable reserves is due to a £10.4 million increase following revaluation of land and buildings, £3.5 million increase in the recognition of Capital Grants for capital expenditure in future years and a £9.8 million increase 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 SYPTE from local authorities via the Transport Levy. SYPTE will continue to identify and deliver operational efficiency savings and increase commercial income streams

and grant funding where possible. Changes to the discretionary travel scheme concessions, tendered bus services and community transport services will be explored with partners to ensure that these policies continue to meet regional aspirations for public transport and are appropriately funded.

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

Two key events which may have implications for the role and funding of SYPTE in the future are: the election of a Mayor for the Sheffield City Region in May 2018; and Transport for the North becoming a statutory body in 2018. Any implications for SYPTE arising from these developments will be considered during the next financial year.

In addition, the introduction of the new Northern and Trans Pennine rail franchises is likely to impact upon the Rail Administration Grant which SYPTE receives and which is only secure until the 2018/19 financial year. Rail focused activities which are currently undertaken by SYPTE, may be at risk if this funding is transferred elsewhere.

Following the tram crash in Croydon in November 2016, SYPTE 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.

2018/19 will see work on several major capital programmes including the refurbishment of Rotherham Transport Interchange and car park, the commencement of the second phase of Supertram rail replacement and completion of 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.

SYPTE 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%	3
1 - 50%	3
51 - 99%	0
100%	0

Percentage of pay bill spent on facility time

Total cost of facility time	£4,086
Total pay bill	£5,793,297
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	10%
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## **1 SCOPE OF RESPONSIBILITY**

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

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

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

SYLTE has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE *Delivering Good Governance in Local Government Framework 2016*. *A copy of the Code and Action Plan is on our website at [sylte.co.uk](http://sylte.co.uk) or can be obtained from the Principal Solicitor & Secretary, SYLTE, 11 Broad Street West, Sheffield, S1 2BQ.*

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

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

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

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

SYLTE's Governance Code has been in place for the year ended 31 March 2018 and up to the date of approval of the Statement of Accounts.

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

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

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

### **Vision and Strategy**

SYLTE is an executive body of Sheffield City Region Combined Authority (CA) and as such is dependent upon it for its strategic direction. During the year the outcomes delivered by SYLTE have been aligned to the priorities of the four local authorities in South Yorkshire and the CA Transport Strategy. These priorities are to support inclusive economic growth, create healthy streets where people feel safe, improve the quality of our outdoors and promote, enable and adapt different technologies. SYLTE continues to deliver improved public transport



connectivity, infrastructure investment, and local sustainable transport programmes helping people access jobs and training.

The 2017/18 corporate priorities of SYLTE 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. Ensure SYLTE is prepared to meet the evolving needs of the Sheffield City region and its key stakeholders, supporting the delivery of its objectives.
2. Promote greater use of public transport across the region and shape the service offer to meet customer needs.
3. Ensure the delivery of efficient and effective networks, facilities and services that deliver value for money and enhance the offer to customers through the introduction of new services and facilities.
4. Develop the skills and capabilities needed by the organisation to deliver its service objectives.
5. Build a sustainable financial strategy that supports the region's public transport ambitions.

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

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

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

Effective assessment of the impact on stakeholders and customers of the introduction of the enhanced young person's concession, the 16-18 Travel Pass and the region wide response to the closure of Bright Bus school services informed and aided the introduction of the revised services.

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

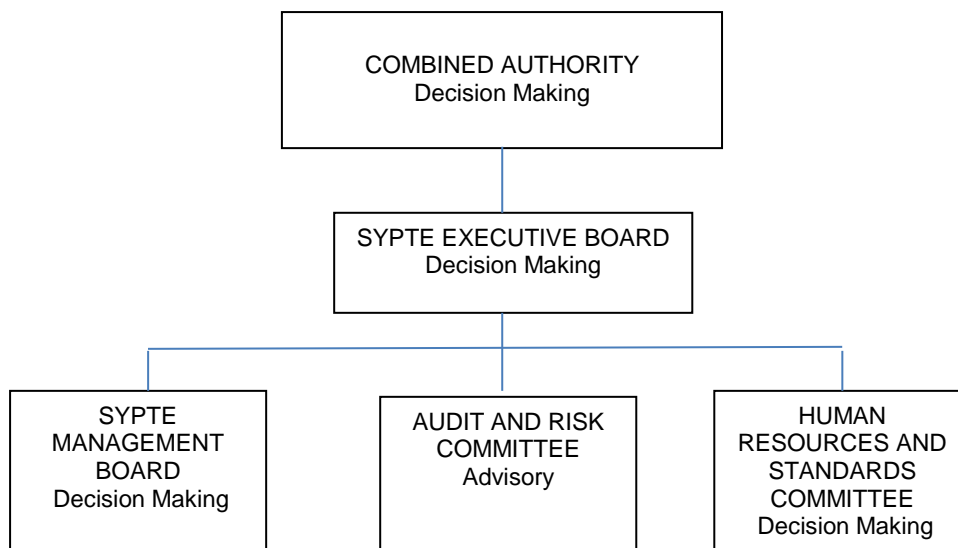
SYLTE acts with integrity with a strong commitment to ethical values and respect of the law, which is embedded via training programmes, corporate rules and guidance, across all of its activities, and is reflected in its interactions with customers, suppliers, partners, and stakeholders alike.

During the year good progress was made in preparing for the implementation of the General Data Protection Regulation (GDPR) which becomes effective in May 2018. This work focused on ensuring that the risk areas of the business in terms of handling the personal data of customers were reviewed and improved where necessary, that Privacy Statements were reviewed, major IT systems updated, customers contacted and staff trained.

### **Performance Management and Monitoring**

The delivery of SYLTE'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 is shown below:



SYLTE 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. This work will continue in 2018/19 to further strengthen communication and more effectively align meeting dates and agendas.

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

### **Financial Management**

A key role within SYLTE to ensure proper administration of its financial affairs is the Head of Financial Services who fulfils the statutory role of Chief Financial Officer as set out in the CIPFA Statement on the Role of Chief Financial Officer in Local Government (2016). The permanent Head of Financial Services left SYLTE 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 SYLTE during 2017/18.

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

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

### **Internal Control**

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

The 2014 Standing Orders and Financial Regulations 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 independent external 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 that the changes being made across the organisation do not compromise SYPTE's ability to meet its objectives and do not leave it unable to maintain effective standards of risk management and control.

SYLTE has a Risk Management Strategy in place and following on from last year's progress, a significant amount of further work has been undertaken this year to improve the usability of the risk data produced and how it is reported to both Management and Executive Boards. This has led to a closer scrutiny of the process and the data used, which in turn has led to more debate on what information is required to ensure informed decision-making. It became clear mid-year that a fresh approach was required to ensure greater effectiveness in management and reporting; the Committee actively supported this view and it was also reinforced by the External Auditor's conclusions and recommendations following the 2016/17 Audit. Work has been ongoing to cleanse and update the risks logged and to group them into appropriate categories with a dashboard style performance summary report now being produced. However, greater improvements on how the risk management framework will operate are expected as a result of the decision to align SYPTE's risk approach more closely with that of the CA and this will be further developed during 2018/19 along with an Assurance map for the organisation.

The minutes of each A&RC meeting are submitted to the Executive Board for information and will also now go to the CA Audit Committee. 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. This report will also now go to the CA Audit Committee for information.

The A&RC Chair's report to the Executive Board this year recognised that although risk management and the governance framework are still work in progress, there have been some positive moves forward in support of improved risk management reporting and a suggested approach to improve overall governance arrangements of the SYPTE within the wider CA group. The expectation is that this new approach will be implemented in the next financial year.

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 2018/19.

## **Assurance and Effective Accountability**

### **Internal Audit**

The role of SYLTE's Internal Auditors is to provide an independent appraisal of the system of internal control. They undertake a cyclical review 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) for Internal Audit.

During 2017/18 the Internal Audit function continued to be undertaken by the Internal Audit Services of Barnsley Metropolitan Borough Council. The contract for providing Internal Audit Services will be re-procured in line with good procurement practice during 2018/19, with the new contract operational from April 2019. We will be working with the CA to look at opportunities to jointly procure the services in order to provide both a group level service and secure efficiencies.

During the year, Internal Audit completed ten internal audit reviews of SYLTE's systems and procedures. One review was classed as having a substantial assurance opinion, six had adequate assurance and three limited. In addition, Internal Audit provided advice and assurance on two areas.

The Head of Internal Audit's Annual Report for 2017/18 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."

SYLTE's management team is committed to improving governance, and during the year all remaining historic Internal Audit actions were completed. Managers are working to ensure that all current recommendations are delivered to agreed deadlines.

### **External Audit**

External Audit, issued an unqualified opinion on SYLTE's Financial Statements on 13 September 2017. This means that the Auditors believe the Financial Statements gave a true and fair view of the financial position of SYLTE and of its expenditure and income for the year.

In respect of their opinion on SYLTE's arrangements to secure value for money (VFM conclusion), the Auditors concluded that the Executive had made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for tax payers and local people except for its risk management.

SYLTE supports External Audit and considers the recommendations made in the Annual Audit Letter. This consists of reports at Executive Board with actions being allocated accordingly.

## **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 improved 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. Governance arrangements have continued to be reviewed and refined but are expected to evolve further as the emerging role of the Combined Authority and devolution issues are resolved.

During this year's review of Governance, it was again confirmed that SYLTE 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 review identified two key areas for improvement:

- Clarity around the individual roles and the relationship of Boards within SYLTE and between the CA and SYLTE is required to ensure appropriate visibility and oversight of decision making. This will be achieved by a review of the Corporate Governance Framework and working arrangements following the election of the Mayor for the City Region in May 2018.
- The need for corporate oversight of organisational risks, to ensure the effective management of any potential impact on SYLTE's ability to deliver its Corporate Priorities. This will be achieved through further development of the arrangements for reporting on risks, consideration of a combined approach to risk management with the CA and more joined up working of the respective Audit Committees.
- The statutory officers of the CA with the Senior Leadership of SYLTE, commissioned in year an independent, formal review of the operations of the Group to identify any operational changes which could lead to greater efficiencies and improved effectiveness in the business. The review considered all aspects of the operation of the group including finance, legal, IT, HR, Audit, governance, risk and procurement and commercial. The review has recently concluded and will be presented for consideration by the CA.

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

.....  
**STEPHEN EDWARDS**  
Executive Director

**SYLTE's RESPONSIBILITIES**

SYLTE is required to:

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

**THE RESPONSIBLE FINANCIAL OFFICER'S RESPONSIBILITIES**

The Head of Financial Services is responsible for 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 SYLTE'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 SYLTE 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 SYLTE as at 31 March 2018 and its income and expenditure for the year then ended.

.....

**KEITH NOYLAND**  
**Interim Head of Financial Services**  
25 July 2018

# EXPENDITURE AND FUNDING ANALYSIS FOR YEAR ENDED 31 MARCH 2018

## Expenditure and Funding Analysis for the Year Ended 31 March 2018

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.

Net Expenditure Chargeable to the Operational Revenue Reserve £'000	2017		Net Expenditure in the Comprehensive Income and Expenditure Statement £'000	Notes	Net Expenditure Chargeable to the Operational Revenue Reserve £'000	2018		Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
	Adjustments between the Funding and Accounting Basis £'000					Adjustments between the Funding and Accounting Basis £'000		
14,026	10,210	3,816	Transport Services		(1,987)	(46)		(2,033)
<b>14,026</b>	<b>10,210</b>	<b>3,816</b>	<b>Net Cost of Services</b>		<b>(1,987)</b>	<b>(46)</b>		<b>(2,033)</b>
43	-	43	Other Operating Expenditure		-	-		-
15,225	-	15,225	Financing and Investment Income and Expenditure		14,643	-		14,643
(31,075)	-	(31,075)	Taxation and Specific Grant Income and Expenditure		(10,980)	-		(10,980)
(1,781)	10,210	(11,991)	<b>(Surplus) or Deficit</b>	6	1,676	(46)		1,630
6,666			Opening Operational Revenue Reserve		8,447			
1,781			Less/Plus Surplus or (Deficit) on Operational Revenue Reserve		(1,676)			
8,447			Closing Operational Revenue Reserve at 31 March		6,771			

# **COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR YEAR ENDED 31 MARCH 2018**

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

Gross Expenditure £'000	2017 Gross Income £'000	Net Expenditure £'000		Notes	Gross Expenditure £'000	2018 Gross Income £'000	Net Expenditure £'000
82,241	78,425	3,816	Transport Services		69,078	71,111	(2,033)
<b>82,241</b>	<b>78,425</b>	<b>3,816</b>	<b>Cost of Services</b>		<b>69,078</b>	<b>71,111</b>	<b>(2,033)</b>
441	398	43	Other Operating Expenditure		213	213	-
15,233	8	15,225	Financing and Investment Income and Expenditure	9	14,644	1	14,643
-	31,075	(31,075)	Taxation and Specific Grant Income and Expenditure	27	-	10,980	(10,980)
<b>97,915</b>	<b>109,906</b>	<b>(11,991)</b>	<b>(Surplus)/Deficit on the Provision of Services</b>		<b>83,935</b>	<b>82,305</b>	<b>1,630</b>
		(4,741)	(Surplus) on Revaluation of Property, Plant and Equipment				(10,440)
-	-	(66)	(Surplus) on Revaluation of Available for Sale Assets		-	-	-
		5,654	Re-measurement of the Net Defined Benefit Liability	34			(5,438)
		847	Other Comprehensive Income and Expenditure				(15,878)
		<b>(11,144)</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(14,248)</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 2018**

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

	USABLE RESERVES			UNUSABLE RESERVES						
	Operational Revenue Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Reserve £'000	Total Usable Reserves £'000	Deferred Capital Grants Reserve £'000	Revaluation Reserve £'000	Pension Reserve £'000	Accumulating Absences Account £'000	Total Unusable Reserves £'000	Total Reserves £'000
<b>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>
Surplus/(Deficit) on the Provision of Services	(1,630)	-	-	<b>(1,630)</b>	-	-	-	-	-	<b>(1,630)</b>
Other Comprehensive Income and Expenditure		-	-	-	-	10,440	5,438	-	<b>15,878</b>	<b>15,878</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(1,630)</b>	-	-	<b>(1,630)</b>	-	<b>10,440</b>	<b>5,438</b>	-	<b>15,878</b>	<b>14,248</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	(5,523)	-	-	<b>(5,523)</b>	-	-	5,523	-	<b>5,523</b>	-
Transfer first year 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	-	-	-	-	-	-	-	-	-	-
Transfer from Capital Receipts Reserve	188	(188)	-	-	-	-	-	-	-	-
Transfer from Capital Grants Unapplied Reserve	(20)	-	20	-	-	-	-	-	-	-
<b>Net Increase/(Decrease) Before Transfers to Earmarked Reserves</b>	<b>(46)</b>	<b>(188)</b>	<b>(7,587)</b>	<b>(7,821)</b>	<b>3,509</b>	-	<b>4,312</b>	-	<b>7,821</b>	-
<b>Increase/(Decrease) in Year</b>	<b>(1,676)</b>	<b>(188)</b>	<b>(7,587)</b>	<b>(9,451)</b>	<b>3,509</b>	<b>10,440</b>	<b>9,750</b>	-	<b>23,699</b>	<b>14,248</b>
<b>Balance at 31 March 2018</b>	<b>6,771</b>	<b>1,150</b>	<b>5,315</b>	<b>13,236</b>	<b>87,531</b>	<b>31,270</b>	<b>(38,617)</b>	<b>(58)</b>	<b>80,126</b>	<b>93,362</b>

# MOVEMENTS IN RESERVES STATEMENT FOR YEAR ENDED 31 MARCH 2018

	USABLE RESERVES			UNUSABLE RESERVES						
	Operational Revenue Reserve £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Reserve £'000	Total Usable Reserves £'000	Deferred Capital Grants Reserve £'000	Revaluation Reserve £'000	Pension Reserve £'000	Accumulating Absences Account £'000	Total Unusable Reserves £'000	Total Reserves £'000
<b>2017</b>										
<b>Balance at 1 April 2016</b>	6,666	1,516	5,586	<b>13,768</b>	78,987	16,960	(41,687)	(58)	<b>54,202</b>	<b>67,968</b>
Surplus/(Deficit) on the Provision of Services	11,991	-	-	<b>11,991</b>	-	-	-	-	-	<b>11,991</b>
Other Comprehensive Income and Expenditure		-	-	-	-	4,807	(5,654)	-	<b>(847)</b>	<b>(847)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>11,991</b>	-	-	<b>11,991</b>	-	<b>4,807</b>	<b>(5,654)</b>	-	<b>(847)</b>	<b>11,144</b>
<b>Adjustments Between Accounting Basis and Funding Basis Under Regulation</b>										
Reversal of Comprehensive Income and Expenditure Statement Entries	2,450	-	-	<b>2,450</b>	-	-	(2,450)	-	<b>(2,450)</b>	-
Employer's Pension Contributions	(1,424)	-	-	<b>(1,424)</b>	-	-	1,424	-	<b>1,424</b>	-
Transfer from Accumulating Absences Account	-	-	-	-	-	-	-	-	-	-
Grants Received and Receivable During the Year	(18,396)	-	(2,363)	<b>(20,759)</b>	20,759	-	-	-	<b>20,759</b>	-
Grants Released to Operational Revenue Reserve	15,724	-	-	<b>15,724</b>	(15,724)	-	-	-	<b>(15,724)</b>	-
Release from Revaluation Reserve	937	-	-	<b>937</b>	-	(937)	-	-	<b>(937)</b>	-
Transfer from Capital Receipts Reserve	178	(178)	-	-	-	-	-	-	-	-
Transfer to Capital Grants Unapplied Reserve	(9,679)	-	9,679	-	-	-	-	-	-	-
<b>Net Increase/(Decrease) Before Transfers to Earmarked Reserves</b>	<b>(10,210)</b>	<b>(178)</b>	<b>7,316</b>	<b>(3,072)</b>	<b>5,035</b>	<b>(937)</b>	<b>(1,026)</b>	-	<b>3,072</b>	-
<b>Increase/(Decrease) in Year</b>	<b>1,781</b>	<b>(178)</b>	<b>7,316</b>	<b>8,919</b>	<b>5,035</b>	<b>3,870</b>	<b>(6,680)</b>	-	<b>2,225</b>	<b>11,144</b>
<b>Balance at 31 March 2017</b>	<b>8,447</b>	<b>1,338</b>	<b>12,902</b>	<b>22,687</b>	<b>84,022</b>	<b>20,830</b>	<b>(48,367)</b>	<b>(58)</b>	<b>56,427</b>	<b>79,114</b>

# BALANCE SHEET AS AT 31 MARCH 2018

The Balance Sheet shows the value, as at the Balance Sheet date, of the assets and liabilities recognised by SYPTÉ. The net assets (assets less liabilities) are matched by the reserves held by SYPTÉ. Reserves are reported in two categories – usable and unusable. Usable are those reserves that SYPTÉ 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 SYPTÉ 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			31 March 2018
£'000	NOTES		£'000
-	Long Term Investments		-
-	Long Term Debtors		-
116,924	Property Plant and Equipment	10	129,670
1,170	Investment Property	11	1,150
183	Intangible Assets		122
193,948	Amounts Receivable from CA	14	196,424
<b>312,225</b>	<b>Long Term Assets</b>		<b>327,366</b>
66	Assets Held for Sale		66
1	Short-term Investments		1
-	Inventories		-
16,357	Short Term Debtors	15	3,916
9	Amounts Receivable from Yorcard	15	-
12,852	Amounts Receivable from CA	15	9,545
2,081	Cash and Cash Equivalents		-
<b>31,366</b>	<b>Current Assets</b>		<b>13,528</b>
(15,041)	Short Term Borrowings	16	(10,035)
(17,720)	Short Term Creditors	17	(25,172)
(1,571)	Short Term Provisions	18	(2,169)
(192)	PFI Finance Lease Liability	16	(208)
(1,316)	Capital Grants Receipts in Advance	17	(189)
-	Cash and Cash Equivalents - Overdrawn		(278)
<b>(35,840)</b>	<b>Current Liabilities</b>		<b>(38,051)</b>
(168,816)	Long Term Borrowing	30	(162,305)
-	Long Term Provisions		-
(11,454)	PFI Finance Lease Liability	19	(11,246)
(48,367)	Net Pension Liability	34	(35,930)
<b>(228,637)</b>	<b>Long Term Liabilities</b>		<b>(209,481)</b>
<b>79,114</b>	<b>NET ASSETS / (LIABILITIES)</b>		<b>93,362</b>
<b>22,687</b>	<b>Usable Reserves</b>	20	<b>13,236</b>
<b>56,427</b>	<b>Unusable Reserves</b>	21	<b>80,126</b>
<b>79,114</b>	<b>TOTAL RESERVES</b>		<b>93,362</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 31 May 2018. They were approved for issue by the Executive Board on 25 July 2018. Events after the Balance Sheet date have been considered up to the date of approval.

Signed on behalf of the Executive Board

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**STEPHEN EDWARDS**

**Executive Director**

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**KEITH NOYLAND**

**Interim Head of Financial Services**

## 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	2018 £'000	2017 £'000
<b>Net Surplus or (Deficit) on the Provision of Services</b>		(1,630)	11,991
Adjustment to Surplus or Deficit on the Provision of Services for Non-Cash Movements	22	29,986	15,894
Adjust for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities		(13,280)	(37,367)
<b>Net Cash Flows from Operating Activities</b>		<b>15,076</b>	<b>(9,482)</b>
<b>Net Cash Flows from Investing Activities</b>		(5,743)	14,255
<b>Net Cash Flows from Financing Activities</b>		(11,692)	(3,739)
<b>Net Increase or (Decrease) in Cash and Cash Equivalents</b>		<b>(2,359)</b>	<b>1,034</b>
Cash and Cash Equivalents at the Beginning of the Reporting Period		2,081	1,047
Cash and Cash Equivalents at the End of the Reporting Period		(278)	2,081

## **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 2017/18 financial year and its position at the year end of 31 March 2018. 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 2017/18 (the Code) and the CIPFA Service Reporting Code of Practice 2017/18, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 7 of the 2015 Regulations.

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

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

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

- Revenue from the sale of goods is recognised when SYPTE transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to SYPTE.
- Revenue from the provision of services is recognised when SYPTE can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to SYPTE.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received are recorded as expenditure when the services are received, rather than when payments are made.
- Interest 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, 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 or, where applicable, to the Non-Distributed Costs 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 on and after their employment. Contributions made to the Fund for both current and past services are charged to the Revenue Account as they are paid. Contribution levels are determined by the Fund. The Fund is a statutory body and the benefits are paid under the provisions of the Local Government Pension Scheme Regulations 1997.

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

Disclosure will be made in accordance with the Code.

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

Liabilities are discounted to their value at current prices, using a discount rate of 2.6% (2017: 2.5%)



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

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value

SYPTE currently has a net pension's liability and this is matched in the Balance Sheet by a Pensions Reserve.

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

Service cost comprising:

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

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**

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

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

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

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

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

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

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

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

Financial Assets are classified into two types:

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

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

### **Loans and Receivables**

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

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

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

### **Available for Sale Assets**

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

Assets are maintained in the Balance Sheet at fair value. Values are based on the following techniques:

- instruments with quoted market prices – the market price;
- other instruments with fixed and determinable payments – discounted cash flow analysis;
- equity shares with no quoted market prices – multiple valuation techniques (which include market approach, income approach and cost approach).

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

Level 1 Inputs – quoted prices (unadjusted) in active markets for identical assets that the Authority can access at the measurement date.

Level 2 Inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.

Level 3 inputs – unobservable inputs for the asset.

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

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

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

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

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

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

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

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

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

Amounts recognised as due to SYPTE are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution 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 Administrative expenditure line in 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 Inventories and Long-Term Contracts**

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

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

### **1.11 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.

### **1.12 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.

#### **1.12.1 As Lessee**

##### **1.12.1.1 Finance Leases**

Where substantially all the risks and rewards of ownership of a leased asset are borne by SYPTE, the asset is recorded as Property, Plant and Equipment and a liability is recorded for the obligation to pay the lessor. The value at which both are recognised is the lower of the fair value of the assets of the present value of the minimum lease payments, discounted by the interest rate implicit in the lease. Initial costs of SYPTE are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred. The assets recognised on the Balance Sheet are depreciated over their useful economic lives or the lease term if this is shorter.

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

Lease payments are apportioned between:

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

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

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

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

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

#### **1.12.1.2 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).

#### **1.12.2 As Lessor**

##### **1.12.2.1 Operating Leases**

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

### **1.13 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.

#### **1.13.1 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.

#### 1.13.2 **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.

SYLTE 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 SYLTE). 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 SYLTE.

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 fair value.

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

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

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



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

Property assets are measured at replacement cost less accumulated depreciation and/or accumulated impairment losses, if any. Assets classified as property include Interchanges and Park and Ride sites. All Interchanges and Park and Ride sites were valued as at 31 March 2018 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.

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

### **1.13.3 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.

### **1.13.4 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.
- 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

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.

#### **1.13.5 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.

#### **1.13.6 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.

#### **1.14 Private Finance Initiative Transactions**

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

SYPTE's PFI scheme is the provision and operation of Doncaster Interchange. PFI transactions which meet the IFRIC 12 (Service Concession Arrangements) definition of a service concession, as interpreted in HM Treasury's 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.

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

##### **1.15.1 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.

#### **1.15.2 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.

#### **1.15.3 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.

### **1.16 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.

### **1.17 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.

### **1.18 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.

### **1.19 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.

SYLTE 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, SYLTE 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.

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

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

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

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

Paragraph 3.3.2.13 of the 2017/18 Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. Paragraph 3.3.4.3 requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year.

The standards that may be relevant for additional disclosures that will be required in the 2017/18 and 2018/19 Financial Statements in respect of accounting changes that are introduced in the 2018/19 Code (i.e. that are relevant to the requirements of paragraph 3.3.4.3) are:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15 Clarifications to IFRS 15 Revenue from Contracts with Customers
- Amendments to IFRS 12 Income Taxes: recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative.

## **3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

### Critical Judgements

- There is a high degree of uncertainty about future levels of funding for Local Government. However, SYPTE has determined that this uncertainty is not yet sufficient to provide an indication that assets might need to be impaired as a result of any changes to service provision.
- SYPTE is deemed to control the operations of the Doncaster PFI Interchange, a contract was signed in December 2003 and runs until June 2039, incorporating the future maintenance and upkeep of the building and the fixtures and fittings. The accounting policies for the PFI scheme have been applied consistently and the net book value of £11.8m 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 SYPTE and its Valuers. The current economic climate and capital investment could impact on the useful economic lives of the assets and in turn the valuation of the asset when reviewed by SYPTE's Valuers.</p> <p>There are uncertainties around land and buildings valuations due to political 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 SYPTE's Valuers on an annual basis, increasing the volatility of the carrying value.</p> <p>Values could differ year on year due to assumptions made about political and economic factors, particularly if there is a change in Valuer.</p>
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of actuaries (Mercer Ltd) is engaged to provide SYPTE with expert advice about the assumptions applied.</p>	<p>The effects on the net pension's liability of changes in individual assumptions can be measured and understood. For example, an increase in the discount rate would lead to a decrease in the pension liability.</p> <p>However, the assumptions interact in complex ways. For example, during 2009/10 the actuary advised that the liability would increase by £8.1m, before reducing by £7.6m in 2010/11 reflecting changes in assumptions.</p>

## NOTES TO THE ACCOUNTS

### 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)

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.

There were no exceptional items in 2016/17.

### 6 NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

Adjustments between Funding and Accounting Basis 2017/18.

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	4,266	(4,312)	-	(46)
<b>Net Cost of Services</b>	<b>4,266</b>	<b>(4,312)</b>	<b>-</b>	<b>(46)</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	4,266	(4,312)	-	(46)

Adjustments between Funding and Accounting Basis 2016/17

Adjustments from Operational Revenue Reserve to Arrive at the Comprehensive Income and Expenditure Statement Amounts	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	Other Differences (Note 3)	Total Adjustments
	£'000	£'000	£'000	£'000
Transport Services	(11,236)	1,026	-	(10,210)
<b>Net Cost of Services</b>	<b>(11,236)</b>	<b>1,026</b>	<b>-</b>	<b>(10,210)</b>
Other Income and Expenditure from the Expenditure and Funding Analysis	-	-	-	-
Difference between Operational Revenue Reserve Surplus or Deficit and Comprehensive Income and Expenditure Statements Surplus or Deficit on the Provision of Services	(11,236)	1,026	-	(10,210)

## NOTES TO THE ACCOUNTS

### Note 1 Adjustments for Capital Purposes

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

### Note 2 Net Change for the Pensions Adjustments

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

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

### Note 3 Other Differences

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

## 7a EXPENDITURE AND INCOME ANALYSED BY NATURE

SYPTE's expenditure and income is analysed as follows:

	2018	2017
Expenditure/Income	£'000	£'000
<b>Expenditure</b>		
Employee Benefits Expenses	3,227	8,729
Other Services Expenses	51,501	56,752
Depreciation, Amortisation, Impairment	15,669	18,654
Interest Payments	13,538	13,780
<b>Total Expenditure</b>	<b>83,935</b>	<b>97,915</b>
<b>Income</b>		
Fees, Charges & Other Service Income	10,607	11,270
Revenue Grant from CA	56,975	62,872
Interest & Investment Income	2	8
Government Grants & Contributions	14,721	35,756
Gain on the Disposal of Assets	-	-
<b>Total Income</b>	<b>82,305</b>	<b>109,906</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>1,630</b>	<b>(11,991)</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:

	Balance at 1 April 2016	Transfers Out 2016/17	Transfers In 2016/17	Balance at 31 March 2017	Transfers Out 2017/18	Transfers In 2017/18	Balance at 31 March 2018
<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	1,041	367	-	674	498	383	559
IT Project Work	605	116	-	489	74	-	415
Network Maintenance, Consultation and Upgrades	1,108	50	-	1,058	-	47	1,105
Support for Transport Levy	276	-	3,000	3,276	3,276	-	-
Rotherham Car Park Remedial Works	3,031	-	-	3,031	-	-	3,031
<b>Total</b>	<b>6,061</b>	<b>533</b>	<b>3,000</b>	<b>8,528</b>	<b>3,848</b>	<b>430</b>	<b>5,110</b>

### 9 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

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

	2018 £'000	2017 £'000
Interest Payable	13,538	13,780
Interest Receivable	(2)	(8)
Net interest on the Net Defined Benefit Liability	1,107	1,453
<b>Total</b>	<b>14,643</b>	<b>15,225</b>

### 10 PROPERTY, PLANT AND EQUIPMENT

2018	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 2017	65,366	59,965	22,120	26,772	174,223	11,050
Additions During Year	-	-	199	5,084	5,284	-
Disposals During Year	-	-	(52)	-	(52)	-
Upward Revaluations During Year	10,000	-	-	-	10,000	780
Downward Revaluations During Year	(2,467)	-	-	-	(2,467)	-
As at 31 March 2018	72,899	59,965	22,268	31,856	186,988	11,830
<b><u>DEPRECIATION</u></b>						
As at 1 April 2017	(2,297)	(35,492)	(19,510)	-	(57,300)	-
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	(291)	(37,145)	(19,882)	-	(57,318)	-
<b>NET BOOK VALUE AS AT 31 MARCH 2018</b>	<b>72,608</b>	<b>22,821</b>	<b>2,385</b>	<b>31,856</b>	<b>129,670</b>	<b>11,830</b>

## NOTES TO THE ACCOUNTS

2017	Land and Buildings	Infrastructure	Plant, Equipment and Vehicles	Assets Under Construction	Total	PFI Assets Included in Property, Plant and Equipment
	£'000	£'000	£'000	£'000	£'000	£'000
<b><u>COST/VALUATION</u></b>						
As at 1 April 2016	63,586	59,965	21,790	19,866	165,207	11,200
Additions During Year	-	-	330	6,906	7,236	-
Disposals During Year	-	-	-	-	-	-
Revaluations During Year	1,780	-	-	-	1,780	(150)
As at 31 March 2017	65,366	59,965	22,120	26,772	174,223	11,050
<b><u>DEPRECIATION</u></b>						
As at 1 April 2016	(2,629)	(33,840)	(19,001)	-	(55,470)	(350)
Charge for the Year	(2,629)	(1,652)	(509)	-	(4,790)	(350)
Disposals During Year	-	-	-	-	-	-
Revaluations During Year	2,961	-	-	-	2,961	700
As at 31 March 2017	(2,297)	(35,492)	(19,510)	-	(57,299)	-
<b>NET BOOK VALUE AS AT 31 MARCH 2017</b>	<b>63,069</b>	<b>24,473</b>	<b>2,610</b>	<b>26,772</b>	<b>116,924</b>	<b>11,050</b>

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

### Depreciation

The depreciation rates used by SYPTE are listed in Accounting Policy 1.12.4.

### Capital Commitments

SYPTE has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2018/19 and future years at a cost of £24,931k. Similar contracts at 31 March 2017 were £39,796k.

### Revaluations

SYPTE has reviewed its property, plant and equipment for indications of impairment. A full revaluation of property was carried out at 31 March 2018, by Sanderson Weatherall. The methods and significant assumptions used by the valuer are build costs and individual Depreciated Replacement Costs calculations, in accordance with RICS Valuation Professional Standards.

## 11 INVESTMENT PROPERTY

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

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

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

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

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

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

## NOTES TO THE ACCOUNTS

	2017/2018		2016/2017	
	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:

	2018 £'000	2017 £'000
Balance at 1 April	1,170	1,349
Disposals	-	-
Net Gains/(Losses) from Fair Value Adjustments	(20)	(179)
<b>Balance Carried Forward 31 March</b>	<b>1,150</b>	<b>1,170</b>

### Fair Value Hierarchy

Details of SYPTE's investment properties and information about the fair value hierarchy as at 31 March 2018 and 2017 are as follows:

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>

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

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	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Balance as at 1 April	-	-	-	-	-	-	-	-
Expenditure in Year	70	-	7,847	4,016	4,693	9,607	12,610	13,623
Amortised in Year	(70)	-	(7,847)	(4,016)	(4,693)	(9,607)	(12,610)	(13,623)
<b>Balance Carried Forward</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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 2018 £'000	31 March 2017 £'000	31 March 2018 £'000	31 March 2017 £'000
<b>Debtors</b>				
Loans and Receivables	-	-	3,722	7,463
<b>Cash and Cash Equivalents</b>				
Loans and Receivables	-	-	(278)	2,081
<b>Borrowings</b>				
Financial Liabilities at Amortised Cost - Principal	161,375	167,875	6,500	11,500
Financial Liabilities at Amortised Cost - Interest	-	-	3,535	3,541
Financial Liabilities at Amortised Cost - Adjustments	930	941	-	-
<b>Financial Liabilities at Amortised Cost</b>	<b>162,305</b>	<b>168,816</b>	<b>10,035</b>	<b>15,041</b>
<b>Other Liabilities</b>				
Financial Liabilities at Amortised Cost (PFI)	11,246	11,454	208	192
<b>Creditors and Provisions</b>				
Financial Liabilities at Amortised Cost	-	-	27,530	20,608

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

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

	Financial Liabilities	Financial Assets	Total
	Liabilities Measured at Amortised Cost	Investments and Debtors	
2018	£'000	£'000	£'000
<b>Income, Expense, Gains and Losses</b>			
Interest Expense – Debt	12,521	-	12,521
Interest Expense - PFI	1,017	-	1,017
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>

## NOTES TO THE ACCOUNTS

	Financial Liabilities	Financial Assets	Total
	Liabilities Measured at Amortised Cost	Investments and Debtors	
2017	£'000	£'000	£'000
Income, Expense, Gains and Losses			
Interest Expense – Debt	12,748	-	12,748
Interest Expense - PFI	1,032	-	1,032
Reductions in Fair Value	-	2	2
Impairment Losses/(Gains)	-	-	-
<b>Total Expense in Surplus or Deficit on the Provision of Services</b>	<b>13,780</b>	<b>2</b>	<b>13,782</b>
Interest Income	-	8	8
<b>Total Income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>8</b>	<b>8</b>
<b>Net Gain/(Loss) for the Year</b>	<b>(13,780)</b>	<b>6</b>	<b>(13,774)</b>

### 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 2018 at 4.2% to 4.6% 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.

SYLTE 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	2018		2017	
	Carrying Value £'000	Fair Value £'000	Carrying Value £'000	Fair Value £'000
Public Works Loan Board (PWLB)	147,875	185,954	159,375	211,336
Wertmanagement	20,930	30,853	20,941	31,659
Doncaster Interchange PFI	11,454	11,454	11,646	11,646

The fair value of these liabilities is higher than the carrying amount because SYLTE'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 £186.0m 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 £147.9m would be valued at £178.7m. 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 £185.9m.

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

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

### Nature and Extent of Risks Arising from Financial Instruments

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

### Management of Risks Arising from Financial Instruments

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

### Credit Risk

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

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

	Amount at 31 March 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 Uncollectability at 31 March 2018 £'000 A X C	Estimated Maximum Exposure at 31 March 2018 £'000
Customers	677	0%	2.16	15	15

## NOTES TO THE ACCOUNTS

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

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 £156k of the £677k balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2018 £'000	31 March 2017 £'000
Less than Three Months	92	14
Three to Six Months	14	19
Six Months to One Year	8	5
More than One Year	42	9
<b>Total</b>	<b>156</b>	<b>47</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 2018 £'000	31 March 2017 £'000
Less than One Year	6,500	11,500
Between One and Two Years	-	6,500
Between Two and Five Years	68,975	60,975
More than Five Years	93,330	101,341
<b>Total</b>	<b>168,805</b>	<b>180,316</b>

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

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

All borrowings are held at fixed interest rates.

The PWLB loans are at fixed interest rates ranging between 4.45% and 10.00%.  
The Wertmanagement loans are at fixed interest rates ranging between 2.72% and 4.95%.

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

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

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

## NOTES TO THE ACCOUNTS

### 14 LONG TERM DEBTORS

	2018 £'000	2017 £'000
<b>Amount Owed by Group Undertakings</b>		
Combined Authority	196,424	193,948
<b>Debtor Analysis</b>		
Other Local Authorities	196,424	193,948
<b>Total</b>	<b>196,424</b>	<b>193,948</b>

### 15 SHORT TERM DEBTORS

	2018 £'000	2017 £'000
<b>Amounts Falling Due Within One Year</b>		
Trade Debtors	676	7,634
HM Revenue & Customs (VAT)	728	419
Prepayments and Accrued Income	2,512	8,304
<b>Balance at 31 March</b>	<b>3,916</b>	<b>16,357</b>
<b>Amount Owed by Group Undertakings</b>		
Yorcard Ltd	-	9
Combined Authority	9,545	12,852
<b>Balance at 31 March</b>	<b>9,545</b>	<b>12,861</b>
<b>Total Short-Term Debtors as at 31 March</b>	<b>13,461</b>	<b>29,218</b>
<b>Debtor Analysis</b>		
Central Government Bodies	931	7,246
Other Local Authorities	9,665	13,185
Other	2,865	8,787
<b>Total</b>	<b>13,461</b>	<b>29,218</b>

### 16 SHORT TERM BORROWINGS

	2018 £'000	2017 £'000
<b>Amounts Falling Due Within One Year</b>		
Interest Payable on Loans	(3,535)	(3,541)
Loans Payable Within One Year	(6,500)	(11,500)
<b>Balance at 31 March</b>	<b>(10,035)</b>	<b>(15,041)</b>
Obligations: Finance Leases	(208)	(192)
<b>Balance at 31 March</b>	<b>(10,243)</b>	<b>(15,233)</b>

### 17 SHORT TERM CREDITORS

	2018 £'000	2017 £'000
<b>Amounts Falling Due Within One Year</b>		
Trade Creditors	(5,371)	(9,667)
Amounts Owed to Group Undertakings	-	(6)
Other Creditors	(7)	(7)
VAT and Social Security	-	(1)
Holiday Pay Accrual	(57)	(57)
Accruals and Deferred Income	(19,736)	(7,982)
<b>Balance at 31 March</b>	<b>(25,171)</b>	<b>(17,720)</b>
Grants Received in Advance	(189)	(1,316)
<b>Balance at 31 March</b>	<b>(25,360)</b>	<b>(19,036)</b>
<b>Creditor Analysis</b>		
Central Government Bodies	-	(1)
Other Local Authorities	(4,194)	(5,288)
Other	(21,166)	(13,747)
<b>Total</b>	<b>(25,360)</b>	<b>(19,036)</b>



## NOTES TO THE ACCOUNTS

### 18 PROVISIONS

	2018 £'000		2017 £'000	
	Legal Claims	Other	Total	Total
Balance 1 April	170	1,401	1,571	785
Provided in the Year	-	820	820	991
Provisions Not Required Written Back	-	(204)	(204)	(10)
Provisions Utilised in the Year	-	(18)	(18)	(195)
<b>Balance 31 March</b>	<b>170</b>	<b>1,999</b>	<b>2,169</b>	<b>1,571</b>

	2018 £'000		2017 £'000	
	Legal Claims	Other	Total	Total
<b>Expected Timing of Cash Flow</b>				
Within One Year	170	1,999	2,169	1,571
Between One and Five Years	-	-	-	-
After Five Years	-	-	-	-
<b>Total</b>	<b>170</b>	<b>1,999</b>	<b>2,169</b>	<b>1,571</b>

#### Legal Claims

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

#### Other

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

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

	2018 £'000	2017 £'000
Balance 1 April	11,646	11,822
Repayments During Year	(192)	(176)
Balance 31 March	11,454	11,646
Amounts Falling Due Within One Year Included in Short Term Borrowings (Note 16)	(208)	(192)
<b>Other Long-Term Liabilities 31 March</b>	<b>11,246</b>	<b>11,454</b>
Which is Repayable as Follows		
Within 2-5 Years	1,032	949
After 5 Years	10,214	10,505
<b>Total</b>	<b>11,246</b>	<b>11,454</b>

### 20 USABLE RESERVES

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

### 21 UNUSABLE RESERVES

31 MARCH 2018	2018 £'000	2017 £'000
Deferred Capital Grants Reserve	87,531	84,022
Revaluation Reserve	31,270	20,830
Pension Reserve	(38,617)	(48,367)
Accumulated Absences Account	(58)	(58)
<b>Total Unusable Reserves</b>	<b>80,126</b>	<b>56,427</b>

## NOTES TO THE ACCOUNTS

### 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:

	2018 £'000	2017 £'000
Balance 1 April	84,022	78,987
Grants Received and Receivable During the Year	17,502	20,759
Release to Income & Expenditure Account	(13,993)	(15,724)
<b>Balance 31 March</b>	<b>87,531</b>	<b>84,022</b>

### Revaluation Reserve

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

- Revalued downwards or impaired and the gains are lost;
- Used in the provision of services and the gains are consumed through depreciation;
- Disposed of and the gains are realised.

	2018 £'000	2017 £'000
Balance 1 April	20,830	16,960
Revaluation During the Year (adjustment to existing revaluation)	10,440	4,807
Transferred to Income & Expenditure Account	-	(937)
<b>Balance 31 March</b>	<b>31,270</b>	<b>20,830</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.

	2018 £'000	2017 £'000
Balance 1 April	(48,367)	(41,687)
Re-measurement of the Net Defined Pension Liability/(asset)		
- Actuarial gains/(losses) arising from changes in demographic assumptions		
- Actuarial gains/(losses) arising from changes in financial assumptions		
- Actuarial gains/(losses) on liabilities – experience	5,438	(5,654)
IAS19 Adjustment Transferred to Operational Revenue Reserve	3,011	(1,026)
First year prepayment of pension	1,301	
<b>Balance 31 March</b>	<b>(38,617)</b>	<b>(48,367)</b>

## NOTES TO THE ACCOUNTS

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

The cash flows for operating activities include the following items:

	2018 £'000	2017 £'000
Interest Received	2	9
Interest Paid	13,531	13,621

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

	2018 £'000	2017 £'000
Depreciation	2,235	4,852
Impaired and Downward Valuations	824	179
Amortisation	12,610	13,623
Increase/(decrease) in Impairment for Bad Debts	(16)	(16)
Increase/(decrease) in Creditors	7,446	2,889
(Increase)/decrease in Debtors	13,299	(7,435)
(Increase)/decrease in Inventories	-	-
Movement in Pensions Liability	(6,999)	1,026
Other Non-Cash Items Charged to the Net Surplus or Deficit on the Provision of Services	587	776
<b>Total</b>	<b>29,986</b>	<b>15,894</b>

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

	2018 £'000	2017 £'000
Proceeds from Short Term (not considered to be cash equivalents) and Long-Term Investments (includes investments in associates, joint ventures and subsidiaries)	-	-
Proceeds from the Sale of Property, Plant and Equipment, Investment Property and Intangible Assets	-	-
Any Other Items for which the Cash Effects are Investing or Financing Cash Flows	(13,280)	(37,367)
<b>Total</b>	<b>(13,280)</b>	<b>(37,367)</b>

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

	2018 £'000	2017 £'000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	(17,895)	(20,859)
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	12,153	35,114
<b>Net Cash Flows from Investing Activities</b>	<b>(5,742)</b>	<b>14,255</b>

## NOTES TO THE ACCOUNTS

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

	2018 £'000	2017 £'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	(192)	(176)
Repayments of Short and Long Term Borrowing	(11,500)	(3,563)
Other Payments for Financing Activities		
<b>Net Cash Flows from Financing Activities</b>	<b>(11,692)</b>	<b>(3,739)</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.

	2018 £'000	2017 £'000
<b>Safer Roads Partnership</b>		
Balance 1 April	1,014	1,800
Received in Year	1,924	2,295
Issued in Year	(2,979)	(3,081)
<b>Balance 31 March</b>	<b>(41)</b>	<b>1,014</b>

### 24 OFFICERS' REMUNERATION

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

Officer	Salaries, Fees and Allowances	Expenses Allowances	Pension Employer Contribution	Total
	2018 £	2018 £	2018 £	2018 £
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

## NOTES TO THE ACCOUNTS

Officer	Salaries, Fees and Allowances	Expenses Allowances	Pension Employer Contribution	Total
	2017	2017	2017	2017
	£	£	£	£
Executive Director	101,000	33	12,322	113,355
Director of Public Transport	5,591		682	6,273
Director of Customer Services	5,591		682	6,273
Head of Financial Services	64,863		7,913	72,776
Principal Solicitor and Secretary	77,964	172	9,512	87,648

Director of Public Transport – from 6 March 2017

Director of Customer Services – from 6 March 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.

	2018 Number of Employees	2017 Number of Employees
Remuneration Band:		
£50,000 - £54,999	3	1
£55,000 - £59,999	1	3
£60,000 - £64,999	2	2
£65,000 - £69,999	-	1
£70,000 - £74,999	-	-
£75,000 - £79,999	1	1
£80,000 - £84,999	2	-
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000 - £104,999	1	1
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	-	-
£120,000 - £124,999	-	-

## 25 TERMINATION BENEFITS

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below. Strain costs are £0k, (2016/17 £0k) and are included in the total cost:

Exit Package Cost Band (including special payments)	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band (including strain costs)	
	2018	2017	2018	2017	2018	2017	2018 £'000	2017 £'000
£0 - £20,000	-	1	-	2	-	3	-	23
£20,001 - £40,000	-	-	-	-	-	-	-	-
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,000 - £150,000	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>23</b>

## NOTES TO THE ACCOUNTS

### 26 EXTERNAL AUDIT COSTS

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

	2018 £'000	2017 £'000
Fees Payable to KPMG LLP with regard to External Audit Services Carried out by the Appointed Auditor for the Year	36	48
Fees Payable to KPMG LLP for the Certification of Grant Claims and Returns for the Year	-	4
<b>Total</b>	<b>36</b>	<b>52</b>

### 27 GRANT INCOME

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

	2018 £'000	2017 £'000
Local Transport Plan	2,614	2,127
Department for Transport	4,886	14,662
Better Bus Area	2,567	4,700
Partners and Other	116	261
Local Authority (including STEP)	796	9,325
<b>Total</b>	<b>10,979</b>	<b>31,075</b>

### 28 RELATED PARTIES

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

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

IAS 24 "Related Party Transactions" requires material transactions with related parties to be disclosed in the financial statements. For SYLTE these parties are mainly the Combined Authority, Subsidiary Companies, Directors and Officers and the pension fund. The figures relating to the Pension Fund are disclosed in Note 34.

#### Subsidiaries and Investments

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

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

## NOTES TO THE ACCOUNTS

### Sheffield City Region Combined Authority

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

	2018 £'000	2017 £'000
Amount Held by CA to Repay SYPTE Loans	114,774	115,947
Grant Monies Owing to SYPTE	91,195	90,854
<b>Total Owed to SYPTE by CA</b>	<b>205,969</b>	<b>206,801</b>

### Investments – Financial Performance

#### Joint Venture

At 31 March 2018, the Executive had the following Joint Venture:

#### Yorcard Ltd

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

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

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

	2018 £'000	2017 £'000
Turnover	889	1,081
Profit/(loss) Before Tax	-	-
Taxation	-	-
Profit/(loss) After Tax	-	-
Fixed Assets	-	-
Current Assets	261	325
Liabilities Due Within 1 Year	(256)	(320)
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 do not have any related party transactions to disclose.

## 29 CAPITAL EXPENDITURE AND CAPITAL FINANCING

### Capital Financing Costs

	2018 £'000	2017 £'000
Depreciation	2,174	4,790
Amortisation	12,671	13,684
Impairment of Land and Buildings and Investment Property	824	179
Concessionary Support Payment	1,500	1,500
<b>Total</b>	<b>17,169</b>	<b>20,153</b>

## NOTES TO THE ACCOUNTS

### 30 LONG TERM BORROWING

	2018 £'000	2017 £'000
Balance 1 April	168,816	180,327
Loans Raised	-	-
Loans Repaid	-	-
LOBOS Interest Rate Adjustment	(11)	(11)
Less Payable Within One Year (included in short term borrowings)	(6,500)	(11,500)
<b>Balance 31 March</b>	<b>162,305</b>	<b>168,816</b>
Which is repayable as follows:		
Between One and Five Years	68,975	67,475
Between Five and Ten Years	64,400	54,400
More Than Ten Years	28,930	46,941
<b>Total</b>	<b>162,305</b>	<b>168,816</b>

At 31 March 2018 SYPTE has £147.9m (£159.4m 2016/17) fixed interest loans from the Public Works Loans Board. The average loan rate is 6.646% pa (7.005% 2016/17) and the loans are repayable on maturity from 2018 onwards.

SYPTE has a further £20m (£20m 2016/17) of loans from Wertmanagement. The average loan rate in 2017/18 was 4.72% pa (4.72% 2016/17) and the loans are repayable from 2043 onwards.

### 31 LEASES AND LEASE TYPE ARRANGEMENTS

At 31 March 2018 SYPTE had annual commitments under non-cancellable operating leases expiring as follows:

#### SYPTE as Lessee

	2018 £'000	2017 £'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:

	2018 £'000	2017 £'000
<b>Land and Buildings –</b>		
Not Later Than One Year	560	502
Later Than One Year and Not Later Than Five Years	1,675	1,567
Later Than Five Years	1,338	1,327
<b>Total</b>	<b>3,573</b>	<b>3,396</b>

Where SYPTE act as a lessor it relates to 28 property leases for terms up to 18 years.

#### Contingent Rents

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

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



## NOTES TO THE ACCOUNTS

### 32 PRIVATE FINANCE INITIATIVES (PFI)

#### Doncaster Interchange PFI

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

SYLTE's PFI contract, Doncaster Interchange was signed on 3 December 2003 with Teesland Property Company (Northern) Limited and involved the construction of a new Bus Station. It became operational in June 2007. The contract runs until June 2039 and incorporates the future maintenance and upkeep of both the building and the fixtures and fittings. The net book value of the Interchange as at 31 March 2018 is £11.8m (£11.1m at 31 March 2017).

In 2017/18 unitary charge payments of £2.4m (£2.4m in 2016/17) were paid. Unitary charge payments over the whole life of the contract will total £91.1m of which SYLTE will contribute £24.1m 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	208	1,000	-	1,074	121	2,403
Within 2 - 5 Years	1,032	3,802	-	4,685	527	10,046
Within 6 - 10 Years	1,885	4,158	-	6,839	769	13,651
Within 11 - 15 Years	2,864	3,178	-	8,123	914	15,079
Within 16 - 20 Years	4,353	1,689	-	9,648	1,085	16,775
Within 21 - 25 Years	1,111	97	(983)	2,137	240	2,602
Within 26 - 30 Years	-	-	-	-	-	-
<b>Total</b>	<b>11,453</b>	<b>13,924</b>	<b>(983)</b>	<b>32,506</b>	<b>3,656</b>	<b>60,556</b>

	2018 Doncaster Interchange PFI Asset £'000	2017 Doncaster Interchange PFI Asset £'000
Net Book Value as at 1 April	11,050	10,850
Revaluation Adjustments	780	550
Depreciation	-	(350)
<b>As at 31 March</b>	<b>11,830</b>	<b>11,050</b>

	2018 Doncaster Interchange PFI Liability £'000	2017 Doncaster Interchange PFI Liability £'000
As at 1 April	11,644	11,821
Lease Repayments	(1,229)	(1,309)
Interest Charge	1,017	1,032
Contingent Rentals	21	100
<b>As at 31 March</b>	<b>11,453</b>	<b>11,644</b>

### 33 IMPAIRMENT LOSSES

SYLTE 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, £824k, (2016/17 Nil).

### **34 POST EMPLOYMENT BENEFITS**

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

#### **Local Government Pension Scheme**

##### **Transactions Relating to Post-Employment Benefits**

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

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

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

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

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Current Service Cost	1,405	997
Financing Investment Income and Expenditure	1,107	1,453
Remeasurement in other Comprehensive Income and Expenditure	(5,438)	5,654
<b>Total Post-Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(2,926)</b>	<b>8,104</b>

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

	<b>2018</b>	<b>2017</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	(2,512)	(2,450)
Actual Amount Charged Against the Operational Revenue Reserve		
Balance for Pensions in the Year:		
Employer's Contributions Payable to Scheme	5,523	1,424
Transfer of first year pension deficit contribution	1,301	-

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

## NOTES TO THE ACCOUNTS

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

Reconciliation of Present Value of the Scheme Liabilities:

	2018	2017
	£'000	£'000
Opening Balance at 1 April	(161,538)	(134,727)
Current Service Cost	(1,405)	(944)
Interest Cost	(3,953)	(4,604)
Contributions by Scheme Participants	(306)	(309)
Re-measurements	7,514	(27,603)
Curtailments	0	(53)
Benefits Paid	7,149	6,702
<b>Closing Balance at 31 March</b>	<b>(152,539)</b>	<b>(161,538)</b>

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

	2018	2017
	£'000	£'000
Opening Balance at 1 April	113,171	93,040
Interest on Plan Assets	2,863	3,169
Re-measurements	1,912	21,949
Administration Expenses	(17)	(18)
Contributions by Employer	5,523	1,424
Contributions by Scheme (plan) Participants	306	309
Benefits Paid	(7,149)	(6,702)
<b>Closing Balance at 31 March</b>	<b>116,609</b>	<b>113,171</b>

### Pension Scheme Assets comprised:

	2018	2017
	£'000	£'000
<b>Equities</b>	65,149	68,989
<b>Bonds</b>		
Government Bonds	16,232	16,138
Other Bonds	8,606	7,039
<b>Property</b>	10,658	10,605
<b>Other</b>	15,964	10,400

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

	2016	2017	2018
	£'000	£'000	£'000
Present Values of Liabilities	(134,727)	(161,538)	(152,539)
Fair Value of Scheme Assets	93,040	113,171	116,609
<b>Surplus/(Deficit) in the Scheme</b>	<b>(41,687)</b>	<b>(48,367)</b>	<b>(35,930)</b>

### Basis for Estimating Assets and Liabilities

## NOTES TO THE ACCOUNTS

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>2018</b>	<b>2017</b>
Longevity at Age 65 for Current Pensioners:		
Men	23.0 years	22.9 years
Women	25.8 years	25.7 years
Longevity at Age 65 for Future Pensioners:		
Men	25.2 years	25.1 years
Women	28.1 years	28 years
<b>Financial Assumptions</b>		
Rate of CPI Inflation	2.1%	2.3%
Rate of increase in Salaries	3.4%	3.6%
Rate of increase in Pensions	2.2%	2.3%
Discount Rate	2.6%	2.5%

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

	<b>Central</b>	<b>Sensitivity 1</b>	<b>Sensitivity 2</b>	<b>Sensitivity 3</b>	<b>Sensitivity 4</b>
		<b>+ 0.1% pa Discount</b>	<b>+ 0.1% pa Inflation</b>	<b>+ 0.1% pa Pay Growth</b>	<b>1 Year Increase in Life Expectancy</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Disclosure Item</b>					
Liabilities	152,539	150,135	154,982	152,776	155,617
Assets	(116,609)	(116,609)	(116,609)	(116,609)	(116,609)
Deficit/(Surplus)	35,930	33,526	38,373	36,167	39,008
Projected Service Cost for Next Year	1,298	1,258	1,340	1,298	1,326
Projected Net Interest Cost for Next Year	914	884	990	993	1,007

### 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 2014 %</b>	<b>31 March 2015 %</b>	<b>31 March 2016 %</b>	<b>31 March 2017 %</b>	<b>31 March 2018 %</b>
Differences Between the Expected and Actual Return on Assets	6.1	12.2	0.9	19.4	1.6
Experience Gains and Losses on Liabilities	0.0	0.0	0.0	0.1	4.9

### Impact on SYPTE's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. At the last triennial valuation on 31st March 2017, SYPTE agreed a strategy with the scheme's Actuary to achieve a funding level of 100% over the next 18 to 19 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2020 in respect of the three-year period 2020/21 to 2022/23.

## NOTES TO THE ACCOUNTS

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

SYLTE anticipates to pay £581k expected contributions to the scheme in 2018/19. The weighted average duration of the defined benefit obligation for scheme members is 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**

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, SYLTE may be required to incur expenditure.

### **38 CONTROL**

During 2017/18 SYLTE's ultimate parent undertaking was the Sheffield City Region Combined Authority (CA).

SYLTE reports seeking required approvals go to the CA. In particular the CA has the power to approve the Budget and set the Levy.

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

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

## GLOSSARY

Glossary Term	Definition
<b>Abbreviations</b>	The symbol 'k' following a figure represents £thousand. The symbol 'm' following a figure represents £million.
<b>Accounting Period</b>	The period of time covered by the accounts. Normally 12 months, beginning on 1 April. Also known as the Financial Year.
<b>Accounting Policies</b>	These are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting Financial Statements.
<b>Accruals Concept</b>	Income and Expenditure are recognised as they are earned or incurred, not as money is received or paid.
<b>Actuarial Gains and Losses</b>	For a Defined Benefit Pension Scheme, the changes in actuarial deficits or surpluses that arise because: <ul style="list-style-type: none"><li>• events have not coincided with the actuarial assumptions made for the last valuation;</li><li>• experience gains or losses, or;</li><li>• the actuarial assumptions have changed.</li></ul>
<b>Amortisation</b>	An accounting technique of recognising a cost or item of income in the Comprehensive Income and Expenditure Statement over a period of years rather than when the initial payment is made. Its purpose is to charge/credit the cost/income over the accounting periods that gain benefit for the respective item.
<b>Annual Governance Statement</b>	An annual statement by SYPTE setting out the ways in which it ensures that business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.
<b>Asset</b>	Something of value, measurable in monetary terms.
<b>Assets under Construction</b>	Assets which are under construction, but not considered to be in an operational condition at the Balance Sheet date.
<b>Bad (and doubtful) Debts</b>	Debts which may be uneconomic to collect or unenforceable in law.
<b>Budget</b>	A statement of SYPTE's expected level of service expressed as an amount of spending over a set period, usually one year.
<b>Capital Expenditure</b>	Expenditure that is incurred to acquire, create or add value to a non-current asset.
<b>Capital Receipts</b>	The proceeds from the sale of capital assets which, subject to various limitations (e.g. Pooling Arrangements introduced in the Local Government Act 2003) can be used to finance capital expenditure, invested, or to repay outstanding debt on assets originally financed through borrowing.
<b>Cash</b>	Comprises cash on hand and demand deposits.

## GLOSSARY

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

## GLOSSARY

<b>Financial Instrument</b>	A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term “financial instrument” covers both financial assets and financial liabilities and includes both the most straight forward financial assets and liabilities such as trade receivable (debtors) and trade payables (creditors) and the most complex ones such as derivatives.
<b>Impairment</b>	A reduction in the value of a non-current asset below its carrying amount on the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a fixed asset’s market value and evidence of obsolescence or physical damage to the asset.
<b>Intangible Assets</b>	Non-financial assets that do not have physical substance but are identified and are controlled by the entity through custody or legal rights. The two broad types of intangible non-current assets applicable to Local Authorities are goodwill and other intangible assets. Examples of other intangible assets might be patents or software licences.
<b>International Financial Reporting Standards (IFRS)</b>	Accounting standards developed by the International Accounting Standards Board which determine the standards to be adopted in the preparation and presentation of SYPTE’s accounting records.
<b>Inventories</b>	Inventories are assets: <ul style="list-style-type: none"><li>• in the form of materials or supplies to be consumed in the production process or consumed or distributed in the rendering of services;</li><li>• held for sale or distribution in the ordinary course of operations;</li><li>• in the process of production for sale or distribution.</li></ul>
<b>Investment Property</b>	Property held solely to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administration purposes or sale in the ordinary course of operations.
<b>Liabilities</b>	Amounts due to individuals or organisations, which will have to be paid at some time in the future.
<b>Materiality</b>	Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the Financial Statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.
<b>Net Book Value</b>	The amount at which non-current assets are included on the Balance Sheet, i.e. their historical cost or current value less the cumulative amount provided for depreciation.
<b>Net Current Replacement Cost</b>	The cost of replacing or recreating the particular asset in its existing condition and in its existing use i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current position of the existing asset.
<b>Net Realisable Value</b>	The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses incurred in realising the asset.



## GLOSSARY

<b>Operating Lease</b>	A lease other than a Finance Lease. An agreement in which SYPTE derives the use of an asset in exchange for rental payments, though the risks and rewards of ownership of the asset are not substantially transferred to SYPTE.
<b>Private Finance Initiative (PFI)</b>	A contract in which the private sector is responsible for supplying services that are linked to the provision of a major asset and which traditionally have been provided by SYPTE. SYPTE will pay for the provision of this service, which is linked to availability, performance and levels of usage.
<b>Property, Plant and Equipment</b>	Tangible assets that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period.
<b>Provisions</b>	Amounts charged to revenue during the year for costs with uncertain timing, though a reliable estimate of the cost involved can be made.
<b>Prudence Concept</b>	Requires that revenue is not anticipated until realisation can be assessed. Provision is made for all known liabilities whether the amount is certain or can only be estimated in light of the information available.
<b>Public Works Loan Board (PWLb)</b>	A Government Agency, which provides loans to Authorities at favourable rates.
<b>Related Party</b>	<p>The definition of a Related Party is dependent upon the situation, though key indicators of Related Parties are if:</p> <ul style="list-style-type: none"><li>• One party has direct or indirect control of the other party;</li><li>• One party has influence over the financial and operating policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests.</li></ul>
<b>Remuneration</b>	All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK Income Tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.
<b>Reserves</b>	Result from events that have allowed monies to be set aside, surpluses, decisions causing anticipated expenditure to have been postponed or cancelled, or by capital accounting arrangements.
<b>Revenue Expenditure</b>	Expenditure incurred on the day-to-day running of SYPTE, for example, staffing costs, supplies and transport.
<b>Specific Government Grants</b>	These are designed to aid particular services and may be revenue or capital in nature. They typically have specified conditions attached to them such that they may only be used to fund expenditure which is incurred in pursuit of defined objectives.

## GLOSSARY

### **Termination Benefits**

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



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

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

**Opinion**

We have audited the financial statements of South Yorkshire Passenger Transport Executive ('the Executive') for the year ended 31 March 2018 which comprise the Executive Comprehensive Income and Expenditure Statement, the Executive Balance Sheet, and the Executive Movement in Reserves Statement, the Executive Cash Flow Statement and the related notes, including the accounting policies in note 1.

In our opinion the financial statements:

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

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Executive in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

**Going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

**Other information published with the financial statements**

The Interim Head of Financial Services is responsible for the other information published with the financial statements, including the Narrative Statement and the Annual Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information. In our opinion the other information published with the financial statements for the financial year is consistent with the financial statements.

**The Interim Head of Financial Services responsibilities**

As explained more fully in the statement set out on page 13, the Interim Head of Financial Services is responsible for: the preparation of the Executive's financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18; 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; 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 on the assumption that the functions of the Executive will continue in operational existence for the foreseeable future.

**Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities)

## **REPORT ON OTHER LEGAL AND REGULATORY MATTERS**

### **Report on the Executive's arrangements for securing economy, efficiency and effectiveness in its use of resources**

#### **Conclusion**

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General 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 2018.

#### **Respective responsibilities in respect of our review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

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.

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

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 in November 2017, as to whether South Yorkshire Passenger Transport Executive had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether South Yorkshire Passenger Transport Executive put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

#### **Statutory reporting matters**

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

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made 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;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014;
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

## INDEPENDENT AUDITORS' REPORT TO THE DIRECTORS OF SYPTÉ

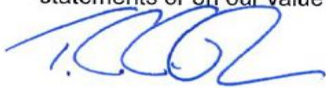
### THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

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

### DELAY IN CERTIFICATION OF COMPLETION OF THE AUDIT

**Due to work on the WGA Return not being completed by the 30 July 2018**

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.



Timothy Cutler  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
1 St Peter's Square  
Manchester  
M2 3AE

30 July 2018