SHEFFIELD CITY REGION COMBINED AUTHORITY

STATEMENT OF ACCOUNTS 2016/17

Audited

For the period
1 April 2016 to 31 March 2017

Contents

Narrative Report by the Chief Financial Officer

1. INTRODUCTION

Purpose of the Narrative Report

The Sheffield City Region Combined Authority is a diverse and complex organisation. This Narrative Report aims to provide an overview of the organisational structure of the Combined Authority, its objectives and its financial performance.

The Statement of Accounts contains all the financial statements and disclosure notes required by statute. They have been prepared in accordance with the 2016/17 Code of Practice on Local Authority Accounting (the Code) together with guidance notes as published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

A glossary can also be found towards the end of these accounts to help explain some of the accounting terms used.

2. ORGANISATION & OBJECTIVES

The Sheffield City Region Combined Authority

The Sheffield City Region Combined Authority was constituted under law on the 1st April 2014.

Financial year 2016/17 represents its third year of activity, and the second year in which it has operated material programmes of activity.

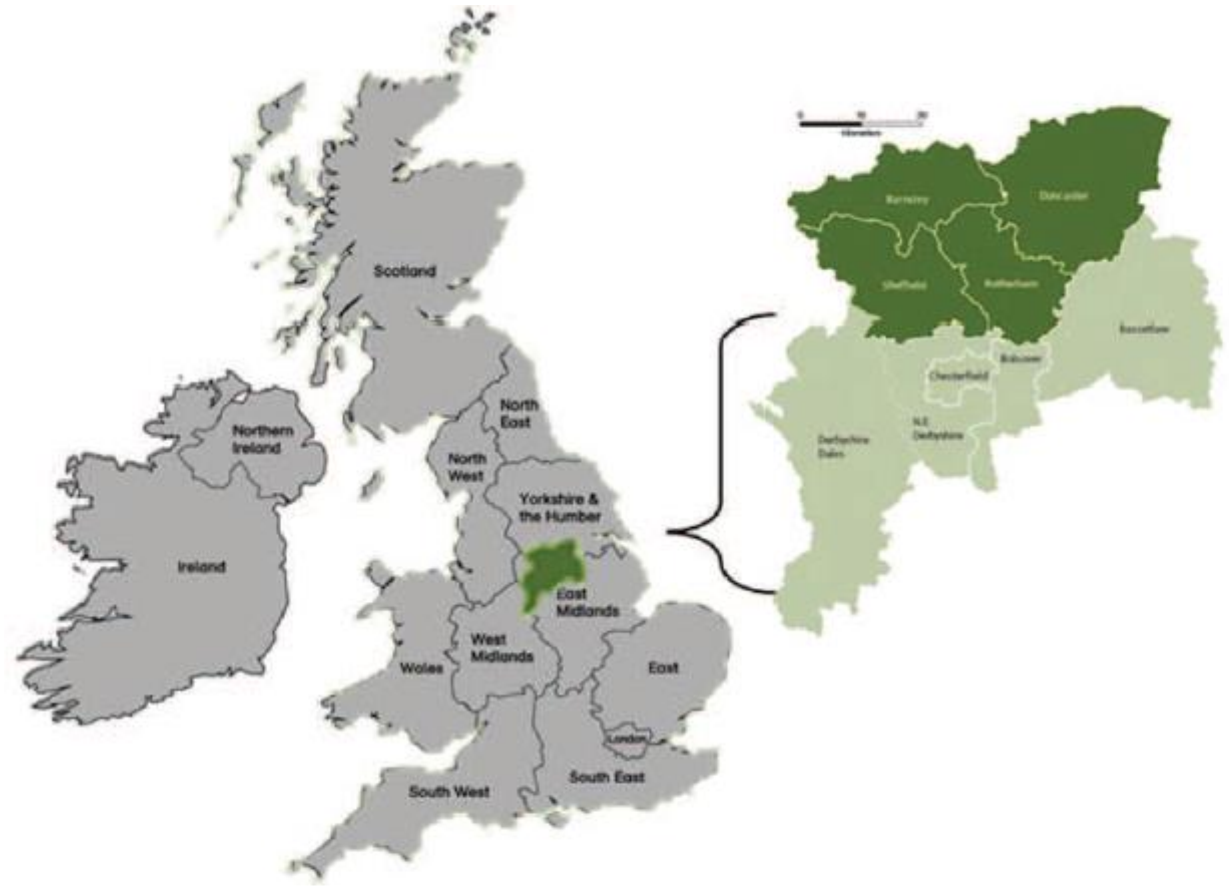
The Combined Authority was granted the powers and competencies of the former South Yorkshire Integrated Transport Authority, a public body that was dissolved as part of the Combined Authority's inception.

However, the Combined Authority was also granted wider powers to deliver a more expansive economic development agenda over a broader geography in strategic collaboration with the private sector through the Local Enterprise Partnership (LEP).

This gives the Combined Authority two broad spheres of activity that should be complementary.

The enabling legislation passed by government gave the Combined Authority a formal title of the Barnsley, Doncaster, Rotherham and Sheffield Combined Authority. However, the trading name of the Sheffield City Region Combined Authority has been adopted to better reflect the involvement of district councils from North Derbyshire and North Nottinghamshire.

The Combined Authority consists of the four 'constituent' authorities from South Yorkshire, and five 'non-constituent' districts from North Derbyshire and the North Midlands:



Involving districts from the North Midlands gives the Combined Authority a wider geography than the former South Yorkshire Integrated Transport Authority. This is a deliberate move to pivot away from traditional local authority boundaries to better reflect the ‘economic-footprint’ of the region.

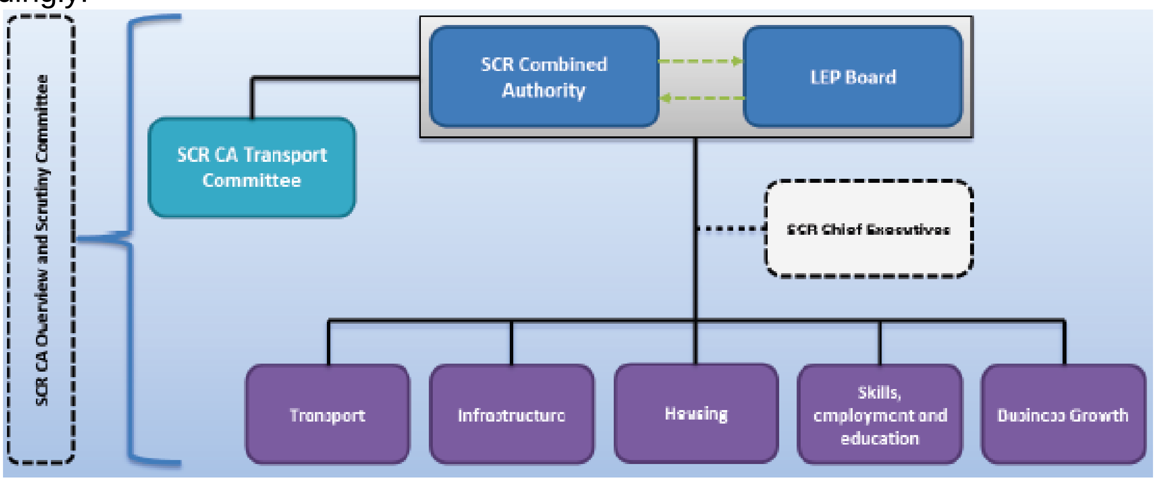
The broader constituency of districts reflects the economic realities of the communities, where populations live and work across local authority boundaries. Aligning resources and aspirations to these realities is essential to delivering on economic growth goals.

These aspirations and goals, along with the Combined Authority’s plan for delivering them, are laid down in the Strategic Economic Plan (SEP). The SEP details the plans to deliver:

Governance arrangements have been revised over the course of the financial year to reflect the evolution of the organisation as it continues to develop its programmes of activity.

To deliver on the SEP, the Combined Authority's activity has been shaped into five thematic work streams. Each work stream is governed by an executive board led by local authority Leaders and Chief Executives, alongside private sector representation from the region's LEP.

Governance arrangements for the thematic work streams can be represented accordingly:



To deliver on the Combined Authority's objectives, at a budgetary level activity and resource is split between South Yorkshire transport activity and regional wide LEP activity.

South Yorkshire transport activity is seen as complementary to the wider SEP, but is differentiated from pan-regional transport and LEP activity by its source of funding.

The Combined Authority works at an operational level through the Sheffield City Region Executive Team – an officer team led by a Managing Director. This team works in collaboration with group delivery teams and local partners.

The Combined Authority acts as the financial accountable body for all funding notionally awarded to the LEP. This reflects the Combined Authority's legal standing, and the collaborative ways of working between the LEP and Combined Authority boards.

Financial Group Structure

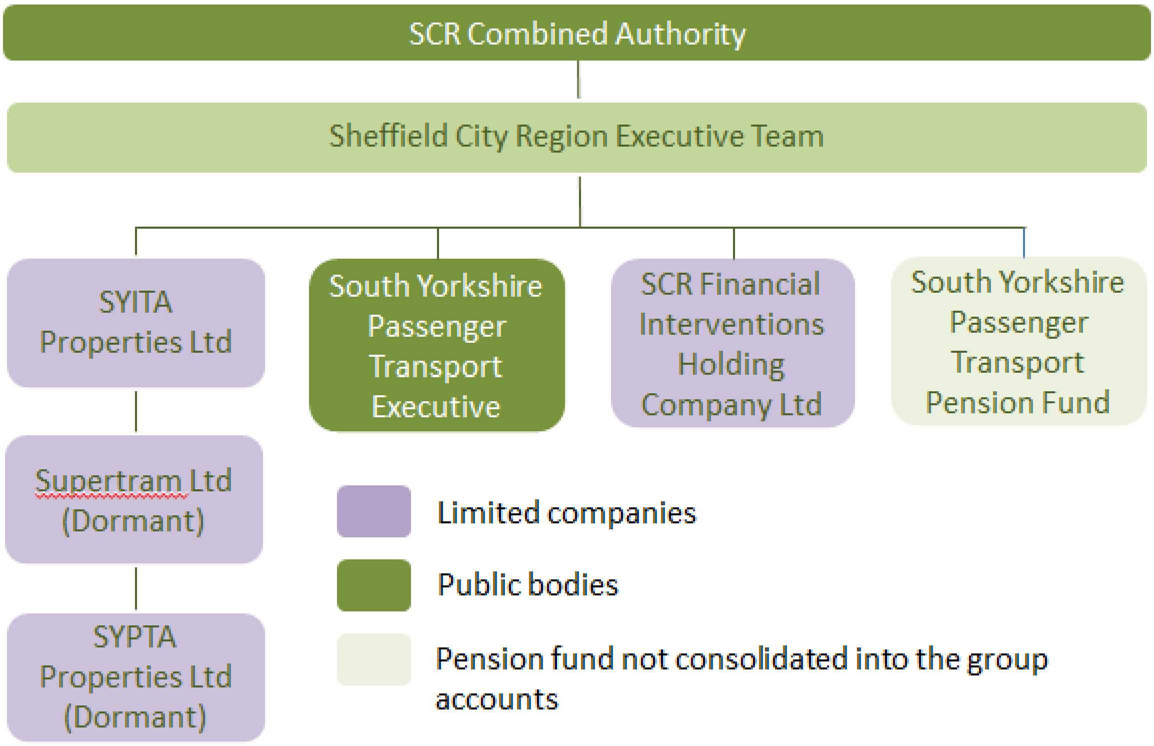
The Sheffield City Region Combined Authority financial group consists of the Combined Authority itself, and those bodies that are controlled by the Combined Authority.

The Combined Authority can exercise that control through statute in some cases, and in others through the terms of financial investments (such as rights conferred from shareholdings).

The Combined Authority serves as the 'parent' for the financial group. This means that the Combined Authority exerts control over the other bodies which are 'subsidiaries'.

The Combined Authority delivers its activity through the Sheffield City Region Executive team and the officers within the group subsidiaries.
The financial group is a diverse set of organisations including two public bodies, a pension fund, and operational subsidiary limited companies. Each entity has a role to play in facilitating delivery of the SEP and other plans.

The group consists of the following bodies:



The Combined Authority's principal subsidiary is the South Yorkshire Passenger Transport Executive (SYPTE). SYPTE operationalise the South Yorkshire Transport Plan.

The Combined Authority agrees the SYPTE revenue budget and capital programme, and resources activity through an annual revenue grant it awards to SYPTE. In turn, this grant is paid for through a levy on the four South Yorkshire authorities, negotiated annually.

The financial results of SYPTE are consolidated into the SCR Combined Authority group accounts later in this document.

The Combined Authority also has a number of subsidiary limited companies which have been the subject of a rationalisation exercise during the year.

A number of these companies were inherited from the former Integrated Transport Authority. Principal amongst these is SYITA Properties Ltd, an asset-holding company whose primary purpose is to manage a number of former transport related assets. This company in turn has two dormant subsidiary companies.

As a result of a review of the governance and financial efficiency of this company, the Combined Authority has moved SYITA Properties Ltd towards a members' voluntary liquidation with a view to managing the assets and activity within the Combined Authority's direct control and governance. It is expected that this process will conclude in financial year 2017/18.

During the course of the year the Combined Authority also opted to re-purpose a dormant subsidiary company for use as a financial intervention vehicle to help realise aspirations around housing growth. This company has been titled SCR Financial Interventions Holding Company Ltd, and has been capitalised through a capital loan awarded from the Combined Authority.

More information is provided on the rationalisation exercise undertaken by the Combined Authority on its group subsidiary companies later in this report.

Alongside its core activities of delivering on the South Yorkshire Transport Plan and economic development activity in pursuit of the SEP, the Combined Authority also holds responsibilities in respect of the South Yorkshire Passenger Transport Pension Fund (SYPTPF) for which the Combined Authority holds administering body status.

This fund relates to a restricted number of employees and former employees of First South Yorkshire Ltd who participate in the local government pension scheme. The Combined Authority does not contribute any funding towards the costs of the fund which is managed on an agency basis for the Combined Authority by South Yorkshire Pensions Authority (SYPA).

The SYPTPF's accounts are included as an addendum to this document, but are not consolidated into the group position

Group Structure Rationalisation

During the course of 2016/17 the Combined Authority has moved to rationalise its group structure.

This rationalisation is driven by an aspiration to ensure that the Combined Authority has clear transparency and unified governance across all the entities that transact on its behalf. This will help to ensure that the Combined Authority can ensure that it transacts efficiently at all times, delivering value for money whilst achieving service outcomes.

The Combined Authority has reviewed the group structure with a particular emphasis on the limited companies. This in itself focused principally on SYITA Properties Ltd – the company managing the Combined Authority's asset portfolio.

Following a number of independent reviews that highlighted the financial inefficiency of the company's operating structure, the Combined Authority – as the shareholder - approved a members' voluntary liquidation of SYITA Properties Ltd. The company board ratified that proposal, and it is expected that the process will conclude in financial year 2017/18.

On liquidation, the company's activity and its financial balances will transfer to the Combined Authority. Conducting the company's current business from within the Combined Authority will ensure greater transparency over that business, and bring the Authority's asset portfolio firmly within Combined Authority governance.

Concurrently, the Combined Authority has moved to re-purpose one of the dormant subsidiaries wholly owned by SYITA Properties Ltd into a vehicle for facilitating investment in the region's housing growth agenda.

Sheffield Supertram Ltd – which has been dormant since 1986 – has been re-purposed as SCR Financial Interventions Holding Company Ltd. The company has adopted new articles of association that allow the Combined Authority to affect operational control over the company, ensuring that its governance reflects that of the Combined Authority itself.

This company has been capitalised with a capital loan awarded by the Combined Authority, allowing it to act as an intervention fund to support the housing growth aspirations.

In re-purposing the existing dormant company, the Combined Authority has been able to realise its ambitions of operating a housing intervention fund without adding to the existing burden of group companies to administer.

The Financial Group and the Statement of Accounts

The accounts contained in this document show the financial results for the Combined Authority as a single entity, and financial results for the Combined Authority as a financial group.

As a single entity the Combined Authority accounts for its work in support of the SEP, and the transactions it enters into as the parent body for SYPTE, SYITA Properties Ltd (and its subsidiaries), SCR Financial Interventions Holding Company Ltd, and the administering body for SYPTPF.

As a group, the Combined Authority consolidates the full financial results of SYPTE, SYITA Properties Ltd (and its subsidiaries), and SCR Financial Interventions Holding Company Ltd into its own to create an overall group financial position.

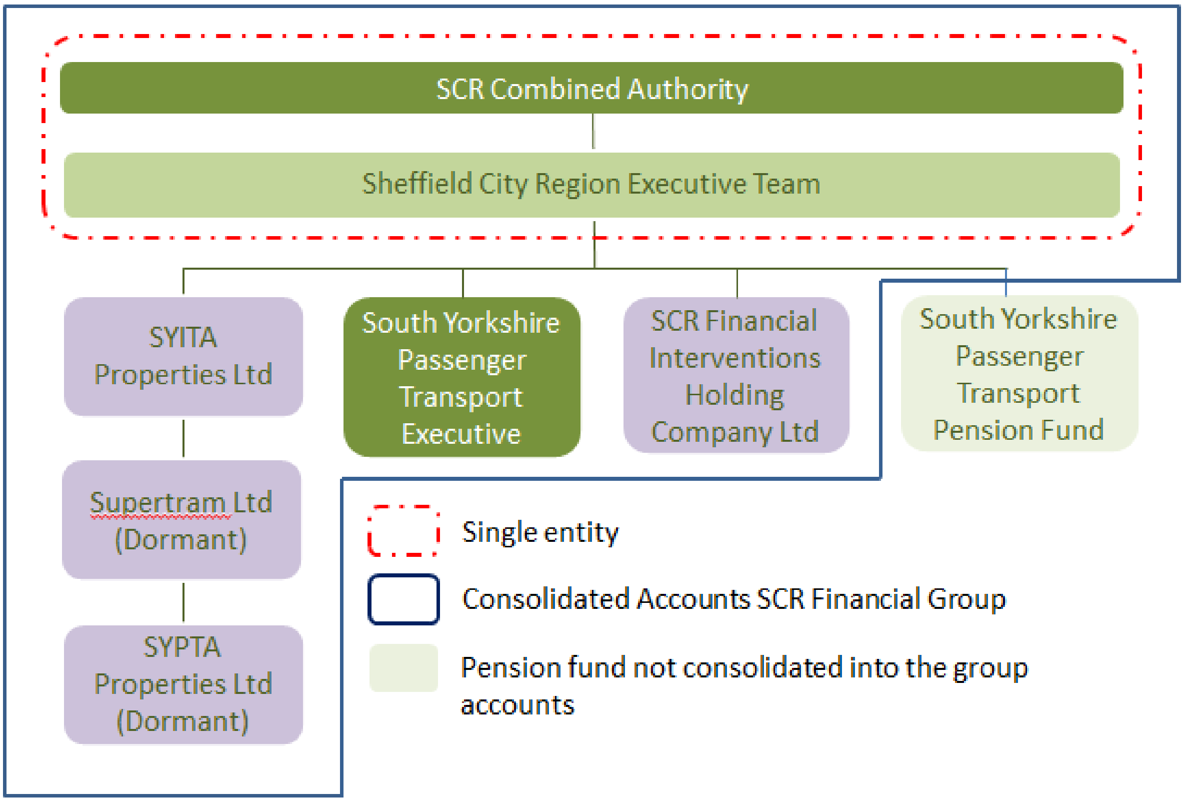
The financial results of the SYPTPF pension fund are not consolidated into the financial group position. Instead, those results are presented separately as an addendum to the statement of accounts at the back of this document.

During the financial year, the Combined Authority also continued to act as the financial accountable body for the Transport for the North (TfN) partnership.

This partnership is the precursor to a sub-national transport body which government have committed to establish to help realise 'Northern Powerhouse' aspirations around enhanced transport connectivity in the north of England. The partnership is a non-legal entity made up from the northern combined authorities, private sector representation, and the Department for Transport.

Acting as accountable body means that the Combined Authority receives funding for TfN, and then enters into contracts and other commitments on its behalf. TfN activity is fully resourced from the Department for Transport, so is at nil cost to the Combined Authority.

The Combined Authority accounts for transactions entered into on behalf of TfN in its single entity accounts as they are the responsibility of the Authority. Unused grant is held on the balance sheet.



3. KEY SECTIONS INCLUDED IN THE STATEMENT OF ACCOUNTS

Statement of Responsibilities

This sets out the respective responsibilities of the Combined Authority and the Chief Financial Officer for the Accounts.

Movement in Reserves Statement

This statement shows the movement during the year of the different reserves held by the Combined Authority.

Comprehensive Income and Expenditure Statement

This account summarises the revenue costs of providing all services and the income and resources received in financing the expenditure.

Balance Sheet

The Balance Sheet includes information on the Combined Authority's non-current and current assets, short term and long term liabilities and the balances at its disposal at the reporting date.

Cash Flow Statement

This statement provides a summary of the flow of cash into and out of the Combined Authority for revenue and capital purposes, based on the indirect method of presentation.

Notes to the Financial Statements

These notes expand on important points shown in the core statements and provide further explanation of movements and balances.

Group Accounts

The Group Accounts show the full extent of the Combined Authority's activities by including subsidiaries. These too are preceded by notes explaining their purpose and have explanatory notes.

4. FINANCIAL PERFORMANCE

Headlines

The financial headlines for the Sheffield City Region Combined Authority (as a single entity) during the year are as follows:

Summary Highlights

- The move towards a devolution deal with government that would unlock £900m of funding for the region stalled as the Combined Authority was ordered to re-run a devolution consultation process following a High Court judicial review
- Annual spend targets set by government for the Local Growth Fund capital programme were met, with £93.4m of resource allocated to approved priority projects
    - This was achieved largely due to an effective mitigation plan implemented from quarter 2 onwards to address forecast programme slippage of £45m
- The SCR Executive team underwent a significant establishment restructure to enable it to be ready for the devolution environment
    - This led to a delay in recruitment to vacant posts and associated revenue budget savings
- Further sustainable reductions in the South Yorkshire transport levy were enabled through the Authority's medium-term financial strategy, underpinned by the release of resource from the earmarked transport levy reduction reserve

- The Combined Authority continued to act as the financial accountable body for the Transport for the North partnership

Revenue Budget

- Underspends on operational revenue budgets:
    - South Yorkshire Transport activity: £271k
    - LEP economic development activity: £1.8m
- Grant funded revenue programme spend on:
    - South Yorkshire transport activity: £2.5m
    - LEP economic development activity: £4.8m
- Transport for the North – for which the Combined Authority is accountable body:
    - £16.3m of in-year spend resourced directly from Department for Transport grant

Capital Programme

<u>LEP Local Growth Fund Programme</u>

- £93.4m spend target on the LGF capital programme, consisting of £75.6m of in-year grant and £18.3m of grant rolled forward from 2015/16
- This target was met with £25.3m of capital loans awarded to funds and partners, and £68.1m of capital grants awarded directly to scheme sponsors to facilitate investment in support our SEP aspirations

<u>South Yorkshire Transport Programme</u>

- £12.2m of Highways Capital Maintenance funding dispersed to partners
- £7.4m of Integrated Transport Block grant dispersed to partners to support transport capital improvement schemes
- £500k awarded to SYPTE to support innovative investment in clean technology for buses

Usable Reserves

<u>LEP Economic Development Reserves</u>

- Draw on the earmarked Local Growth Fund reserve of £623k to support business growth revenue programme activity
- Contribution to the general reserves of £1.8m, resulting from underspends on operational activity and better income generation

<u>South Yorkshire Transport Reserves</u>

- Draw on South Yorkshire transport levy reduction reserve of £5.2m, £271k below expectation

- Contribution to the earmarked South Yorkshire Private Finance Initiative (PFI) reserve of £1.4m, arising from a surplus of PFI credits received from government over the cost of the Doncaster Interchange PFI arrangement

Revenue Budgets

The Combined Authority's revenue budget comprises the South Yorkshire transport budget (the former Integrated Transport Authority budget) and the LEP economic development budget that resources the Strategic Economic Plan. The LEP economic development budget is differentiated between core activity, and specifically funded programme activity.

We are required to distinguish between the Transport budget and the LEP economic development budget by law.

South Yorkshire Transport Revenue Budget

The transport budget is principally resourced from the South Yorkshire transport levy, which cannot be spent on non-South Yorkshire transport activity. Equally, economic development funding is generally ring-fenced to activity for which the LEP provides strategic leadership.

At outturn all budgets show a favourable position against original forecasts.
The South Yorkshire transport budget returned a £271k favourable position on budget due to improved cash investment activity and a re-profile of debt costs. As this budget was set with a draw on reserves, this means that there was a smaller draw on reserves required than anticipated:

	Budget	Outturn	Variance	Variance
SY Transport Budget	**£000**	**£000**	**£000**	**%**
Total Net Expenditure	67,937	67,687	(250)	0
Total Income	(62,497)	(62,518)	(21)	0
Deficit to be Funded from Reserve	**5,440**	**5,169**	**(271)**	**5**

During the year, the Combined Authority also operated a revenue programme solely for South Yorkshire transport activity. This was a wholly grant-funded programme sponsored by the Department for Transport to promote sustainable transport.

The programme of activity was fully defrayed over the course of the year:

	Budget	Outturn	Variance	Variance
SY Transport Programme	**£000**	**£000**	**£000**	**%**
Sustainable Transport Transition Year Grant	2,500	2,500	0	0
Total Income	(2,500)	(2,500)	0	0
Deficit to be Funded from Reserve	**0**	**0**	**0**	**0**

LEP Economic Development Revenue Budget

The net economic development budget for the year was set at £5.1m for core operations. This budget has experienced much flux during the year as uncertainty persisted around the devolution process.

During the year, the Combined Authority approved significant changes to the SCR Executive's establishment structure to allow it to manage the forecast demands of further devolution. Whilst restructure proposals were developed a pause on recruitment to existing vacant posts was implemented.

With delays to the devolution process arising from a judicial review on the statutory consultation, these posts remained unfilled throughout the year with the SCR bringing in temporary support to provide capacity.

By the end of the year, around 37% of the SCR Executive's posts remained unfilled resulting in a staffing underspend of £1.3m. These savings were offset by the costs of consultants and temporary staff brought in to provide additional capacity (£327k) and the legal costs incurred as a result of the devolution consultation challenge (£312k).

Income assumptions also changed as the year progressed, increasing over the year by £1.1m.

By quarter 2, it became apparent from partner returns that income generated from retained business rates on the Enterprise Zone in financial year 2015/16 had been underestimated, resulting in an unexpected windfall of £601k during the year.

This was complemented by significantly better returns generated from investment income, as the slow pace of the capital programme meant that more cash was held on deposit for longer than forecast (£431k).

At outturn the budget returned a surplus of £1.8m:

	Base Budget	Outturn	Variance	Variance
	£'000	£'000	£'000	%
Net Revenue Expenditure	5,032	4,324	(708)	66%
Non-specific Income	(5,032)	(6,134)	(1,102)	-22%
Surplus to be taken to Reserve	**£0**	**(1,810)**	**(1,810)**	**44%**

Revenue programme activity is substantially under budget, principally due to revisions to the Skills Bank delivery model over the course of the year, and also re-profiles of Growth Hub activity following the receipt of unexpected grant:

Programme Activity	Theme	Revised Budget	Outturn	Variance
		£'000	£'000	£'000
Skills Bank Management	Skills & Employment	753	543	(210)
Skills Bank Pilot Residual Activity	Skills & Employment	269	-176	(445)
Apprenticeship Grant for Employers	Skills & Employment	3,093	3,079	(14)
Work and Health Unit	Skills & Employment	60	32	(28)
Enterprise Advisor Pilot	Skills & Employment	150	153	3
Launchpad	Business Growth	117	85	(32)
RISE	Business Growth	50	50	0
Collaborator Portal	Business Growth	95	23	(72)
Growth Hub	Business Growth	910	609	(301)
ESIF Enhancement	Business Growth	162	52	(110)
Access to Finance	Business Growth	362	273	(89)
Key Account Funding	Business Growth	49	29	(20)
One Public Estate	Housing/Infrastructure/ Planning	90	30	(60)
		6,160	**4,782**	**(1,378)**

During the year, the Combined Authority also defrayed £16.3m on behalf of the Transport for the North partnership. This was funded by £15.2m of grants received in-year, and a draw on grants unapplied received in previous years of £1.1m.

The residual balance of funding received on behalf of Transport for the North is held as a grant unapplied on the balance sheet.

Capital Programme

The Combined Authority's capital programme consists of the Local Growth Fund programme designed to deliver the Strategic Economic Plan, and the legacy South Yorkshire Transport programme.

Expenditure on the latter is managed through the Local Transport Partnership in respect of Integrated Transport Block (ITB) allocations, or passported straight to South Yorkshire partners in respect of Highways Capital Maintenance spend.

Local Growth Fund Capital Programme

Financial year 2016/17 is the second year of the Combined Authority's Local Growth Fund programme. The Combined Authority uses money received from government from Growth Deal settlements to commission projects from partner authorities and business. The Combined Authority does not deliver projects directly.

Annual Growth Deal funding settlements present the Combined Authority and delivery partners with keen delivery challenges as Government's expectation is that funds be used in the same year in which they are received.

Maintaining the quality of investment whilst spending at pace is a key challenge for the Combined Authority.

For financial year 2016/17, this meant that the Combined Authority was required to deploy £93.4m of funds during the year. This spend target consists of £75m of in-year grant and £18.3m of slipped activity from financial year 2015/16.

The capital programme was adjusted in early 2016/17 to reflect the need to defray that slipped expenditure in addition to the existing programme.

Early in the year, programme management processes identified that partner slippage would lead to a significant underspend on the Local Growth Fund programme unless mitigations were put in place.

An early-call for schemes was initiated to bring forward investable propositions, and these were appraised through the rigour of the Authority's assurance framework.

Alongside an acceleration of other schemes, this early-call allowed the Combined Authority to meet government's targets, deploying the full £93.4m in year through a mixture of capital grants and loans.

Capital loans are deployed where prudent to do so to ensure that the Combined Authority makes efficient use of the limited resource at its disposal, enabling it to recycle cash for further schemes in the future.

Economic Development		**Programme March 2016**	**Outturn**	**Variance**	**Variance**
Theme	**Scheme**	**£0**	**£0**	**£0**	**%**
Infrastructure	SCR Infrastructure Fund	48,124	63,006	14,882	-31%
Business Growth	Business Investment Fund	4,700	4,769	69	-1%
Transport	Sustainable Transport Exemplar/Rail Replacement/	10,000	11,949	1,949	-19%
Housing	Housing Intervention Fund	0	8,120	8,120	-
Skills Capital	Skills Capital Competitive Fund	10,500	5,000	(5,500)	52%
SCR Executive	Programme Costs	1,029	545	(484)	47%
		74,353	**93,389**	**19,036**	**-26%**
Spend Type					
Capital Grant	Recognised through the Income Statement	74,353	68,080	(6,273)	
Capital Loan	Recognised on the Balance Sheet	0	25,309	25,309	
Total Resource		**74,353**	**93,389**	**19,036**	

South Yorkshire Transport Capital Programme

The South Yorkshire transport programme consists of grants received from the Department for Transport for use in the South Yorkshire geography only.

The differentiation between the South Yorkshire geography and the wider city region geography arises because of the different transport authority areas as recognised by government.

This means that the north Derbyshire and north Nottinghamshire districts within the city region area receive support via grants awarded to their county councils, rather than the Combined Authority.

The grants received by the Combined Authority are disbursed between the four South Yorkshire partner authorities and SYPTE.

Highways Capital Maintenance grant is passported straight through from the Combined Authority to the three South Yorkshire authorities, whilst Integrated Transport Block is managed at a programme level by the Local Transport Partnership. Sheffield City Council does not receive Highways Capital Maintenance as it is already in receipt of PFI credits for its Highways Improvement programme. Clean Bus Technology funding was awarded to SYPTE.

More resource was made available by the Department for Transport for highways maintenance than was in the initial programme. This was distributed to partners per direction from the department.

South Yorkshire Transport		**Programme March 2016**	**Outturn**	**Variance**	**Variance**
Theme	**Scheme**	**£000**	**£000**	**£000**	**%**
Transport	Clean Bus Technology	500	500	0	0
Transport	Integrated Transport Block	9,536	7,410	(2,126)	23
Transport	Highways Capital Maintenance	11,522	11,522	0	0
Transport	Highways Capital Maintenance Incentive Element	0	704	704	-
		21,558	**20,136**	**(1,422)**	**7**

Borrowing

As at 31 March 2017, the Combined Authority loans portfolio totalled £25.7m which compares to an overall Capital Financing Requirement of £107.2m. During the year, no further borrowing was taken as the capital investment undertaken has been funded from capital grants award to the Authority.

In addition to the Combined Authority's loan portfolio, SYPTE have a loan portfolio of £183.9m excluding £3.7m of accrued interest. This has reduced by £18.6m following repayments made during 2015/16 and no further borrowing has been undertaken. SYPTE also have PFI liabilities of £11.6m down from £11.88m in 2015/16.

Reserves

Reserves can be split between those that are usable, and those that are accounting reserves and not available to support expenditure.

The Combined Authority's usable reserves are split between those in place to fund South Yorkshire transport activity, and those available to support region wide LEP economic development activity.The following table shows the balances brought forward on the Combined Authority's useable reserves, along with draws and contributions during the year:

		Reserves Brought Forward	**Draw**	**Contribution**	**Reserves Carried Forward**
		£000	**£000**	**£000**	**£000**
Revenue Reserves					
South Yorkshire Transport					
General Reserve	Un-earmarked	(5,888)	0	0	(5,888)
PFI Reserve	Earmarked	(5,476)	0	(1,408)	(6,884)
Levy Reduction Reserve	Earmarked	(36,923)	5,169	0	(31,754)
		(48,287)	5,169	(1,408)	(44,526)
Economic Development					
CA/LEP General Reserve	Un-earmarked	(646)	0	(1,809)	(2,455)
CA/LEP LGF Reserve	Earmarked	(3,869)	623	0	(3,246)
		(4,515)	623	(1,809)	(5,701)
Other					
Revenue Grants and Contributions Reserve	Earmarked – Transport for the North	(10,912)	1,069	0	(9,843)
	Earmarked - Apprenticeship Grant for Employers	0	0	(682)	(682)
		(10,912)	1,069	(682)	(10,525)
Capital Reserves					
South Yorkshire Transport					
Capital Receipts Reserve	Un-earmarked	(5,343)	0	0	(5,343)
Total Usable Reserves		**(69,057)**	**6,861**	**(3,899)**	**(66,095)**

The South Yorkshire transport reserves are largely retained to support sustainable reductions in the transport levy charged to South Yorkshire partners. These reserves will be drawn upon in the coming years to support costs that would otherwise fall on local taxpayers and protect valued services that would otherwise have to be cut.

The LGF reserve will sustain business growth activity in the medium-term, including the Access to Finance and Growth Hub teams which have previously been funded by one-off grants.

General reserves are held as contingency, with amounts being drawn each year to support activity that would otherwise not take place or result in calls on local taxpayers. Public bodies are required to hold prudent levels of reserves to guard against financial shock. Grant held on behalf of Transport for the North will be disbursed only on activity commissioned by that partnership.

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

Revenue expenditure is accounted for in the Combined Authority's accounts through the CIES. The CIES shows the accounting position of the Combined Authority at the year end. This accounting position differs to the revenue budget outturn position. The difference between the two represents accounting rules around when income and expenditure is recognised, and when costs need to be funded from resource such as grants and partner contributions.

The following table shows how the Combined Authority's revenue outturn position has been adjusted to the surplus of £34,684k shown on the CIES. Further details can be found in Notes 8/9.

	£000
Budget Outturn	
LEP Economic Development	
Operational budget	(1,809)
Programmes (funded from reserves)	623
	(1,186)
South Yorkshire Transport	
Operational budget	5,169
Transport for the North	1,069
Net Budget Outturn Position taken to Reserves	**5,052**
Non Budget Accounting Adjustments	
Reclassification of Apprenticeship Grant for Employers	(682)
Surplus of PFI credits transferred to reserves	(1,408)
Removal of Provisions for Repayment of Debt - under statute	(3,138)
Technical Accounting Adjustments – soft loan accounting	784
-grant financing of capital loans	(35,292)
(Surplus) / Deficit on Total Comprehensive Income & Expenditure Account	**(34,684)**

The surplus of £34,684k shown on the CIES represents the value by which the Combined Authority's net worth has increased over the course of the last year rather than the performance against our budgets.

It should be noted that the significant difference shown between the value of expenditure in the CIES, and the revenue expenditure reported earlier in the narrative report relates to the requirement to show capital expenditure that does not result in the creation of assets on the face of the CIES report.

Capital expenditure that does not result in the creation of assets is known as a deferred charge. This is relevant to the Combined Authority as all the capital expenditure incurred during the year relates to the award of grant to other bodies who in turn use that money to create assets through development of infrastructure, asset purchases, and more.

Ordinarily, capital expenditure would not be shown through the CIES, however in this instance accounting rules require us to show it there.

5. SIGNIFICANT CHANGES IN ACCOUNTING POLICY

The Combined Authority's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the CIPFA Code of Practice on Local Authority Accounting 2016/17. The accounting policies presented in Note 1 are compliant with IFRS and have been applied in preparing the financial statements and the comparative information.

The impact of the change has resulted in revaluations, with additional disclosures in the financial statements and notes, for financial instruments, Investment Properties and pensions.

6. FINANCIAL OUTLOOK

The Combined Authority's financial affairs stand at cross-roads, with uncertainty over both funding and scope of activity.

A thirty-year devolution deal worth £900m remains available to the region,.
This deal would not only devolve significant resource but also further powers and competencies that would change the way the Authority interacts with partners, business, and people in pursuit of its SEP aspirations.

A devolution deal would see a regional mayor elected to Chair the Combined Authority and provide leadership for a new single transport fund that would bring greater certainty to transport funding over a five year period.

Additional funding secured on a devolved basis will provide the opportunity for the Combined Authority to sustainably resource the SCR Executive into the future. Guaranteed income streams will allow the Combined Authority to not only fund programmes of activity, but also give the funding certainty to allow the SCR Executive to develop the organisational infrastructure to enable those programmes to be well supported by officers and process.

Without such revenue monies the Combined Authority will continue to face challenges in how it sustainably resources the SCR Executive.

Current income streams leave the SCR Executive sensitive to resource that is in some instances difficult to forecast from one year to the next, and in others at the whim of uncertain government funding regimes.

A lack of certainty on available resource inhibits longer-term financing planning and investment in the necessary personnel and process required by the Combined Authority to deliver on its aspirations.

Without additional devolved capital monies the Combined Authority will also be required to consider how it will deliver upon longer-term capital investment aspirations.

The Combined Authority's Local Growth Fund programme is currently 'over-programmed', with a shortfall of resource in the medium-term. Programme management will be required to ensure that efficiencies are made to deliver on all priority schemes, but in extremis some schemes may need to be displaced from the programme.

Such actions require mature financial governance. In itself, that governance must be underpinned by a shared collective responsibility for delivery across the Combined Authority and its partners.

Looking forward, the Combined Authority will also need to work with government to identify capital funding resource. It is now anticipated that there will be no further Local Growth Fund bidding rounds, meaning an end to the funding regime that has resourced the Combined Authority's flagship investment programme.

Government has announced new funding available through a National Productivity Investment Fund (NPIF). However, it is anticipated that NPIF will resource individual projects approved by government, rather than programmes of activity as the LGF resource did.

This shift in funding regime could change the way in which the Combined Authority commissions and manages investment activity, presenting new challenges.

As in previous years, the financial fortunes of the Combined Authority remain closely aligned to those of its partner authorities.

As partner budgets come under increasing pressure, so it is likely that those partners will both look to limit their financial contributions to the Combined Authority and equally look to the Combined Authority to fill voids left by reduced local area activity.

This is particularly the case where the four South Yorkshire partners contribute to the South Yorkshire revenue budget through the transport levy.

As part of the budget setting for financial year 2017/18, the Combined Authority was able to agree five consecutive years of transport levy reductions to support partner budget pressures. These reductions continue to be made in a sustainable manner underpinned by the earmarked transport levy reduction reserve.

However, should partners require savings over and above the levy reductions agreed, it is likely that the scale and scope of services will need to be reviewed to reduce SYPTE's cost-base.

Annual Governance Statement

1. INTRODUCTION

What is the Annual Governance Statement?

The Accounts and Audit Regulations 2015 requires Combined Authorities to prepare an annual governance statement in order to report publicly on the extent to which they comply with their own code of governance, which, in turn, is consistent with good governance principles. This statement includes how the effectiveness of their governance arrangements have been reviewed during the year, and on any planned changes in the coming period. The process of preparing the governance statement should itself add value to the effectiveness of the governance and internal control framework.

The annual governance statement is a valuable means of communication. It enables an authority to explain to stakeholders its governance arrangements, and how the controls it has in place manage risks of failure in delivering its outcomes. It should reflect the Combined Authority's particular features and challenges.

What do we mean by Governance?

By governance, we mean the arrangements that are put in place to ensure that intended outcomes are defined and achieved. The Governance Framework comprises the systems and processes, cultures and values, by which the Sheffield City Region (SCR) Combined Authority (CA) directs and controls the activities it is accountable for. Good governance is about making sure the Combined Authority does the right things, in the right way for the right people, in a timely inclusive, open, honest and accountable manner.

The CA acknowledges that good governance arrangements are the basis upon which it is able to establish policies and ultimately the efficient delivery of its programme of work within the city region. For good governance to be truly effective it must be robust yet permissive and be able to be adapted to changing circumstances. Public bodies such as the CA must be responsive to developments in services, public expectations and the actions of other stakeholders.

2. SCOPE OF RESPONSIBILITY

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

In discharging this overall responsibility, the CA is responsible for establishing proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions including arrangements for the management of risk.

3. ABOUT SHEFFIELD CITY REGION COMBINED AUTHORITY AND LOCAL ENTERPRISE PARTNERSHIP

Role and Structure

<u>LEP</u>

LEPs are private sector led voluntary partnerships between local authorities and businesses set up in 2010 by the Department of Business Innovation and Skills to help determine local economic priorities and lead economic growth and job creation within the local area.

The LEP comprises a private sector majority with 10 private sector representatives and nine leaders of the member local authorities. The LEP works in partnership with the CA and ensures that SCR policy and decisions receive the input and views of key business leaders and the wider business community. The LEP is the originator of economic policy within SCR and is author and custodian of the Strategic Economic Plan (SEP).

<u>CA</u>

The CA was established on the 1st April 2014. Working closely with the LEP, the remit of the CA is to provide strategic direction for the SCR, and to coordinate and drive forward economic regeneration and transport initiatives for the benefit of citizens and the business community within its boundaries. The CA is the accountable body for funds notionally awarded to the LEP.

The SCR CA comprises the leaders and elected mayor (Doncaster) of each of the nine councils which constitute the body. It meets every six weeks and is aligned to a number of supporting committees and boards which provide the expected degree of scrutiny and challenge in formulating policy and driving key strategic decision-making. The CA comprises nine local authorities that collectively reflect the natural and economic geography of SCR. Between these partner authorities there has been a long standing approach to collaborative working.

The CA has a distinct and separate role from the local authorities it is comprised of, in that it provides leadership on those aspects that define the region, enables a regional identity and performs the strategy, policy, programme and assurance of SCR.

The CA constitution and operating arrangements, approved by all nine member bodies, have been in place since April 2014. These include terms of reference for the SCR Transport Committee and the authority that has been both delegated and referred to it. The constitution sets out the powers and functions of the CA, including financial procedures, Member Code of Conduct, the Scheme of Delegation to officers and arrangements for the operation of a scrutiny and audit committee function.

The Scheme of Delegation provides for the day to day management and oversight of services provided by the Authority. These include the responsibilities of the Head of Paid Service, Clerk, Finance Director and Monitoring Officer. Five thematic ‘Boards’ (Business Growth, Skills, Housing, Transport and Infrastructure) are empowered to debate thematic matters in detail on the CA / LEP's behalf ahead of draft 'resolutions' being put to the CA for endorsement.

Collectively

SCR's objective, working in tandem with central Government, is to grow the economy of the SCR noting that to do so requires greater devolution of funding, resources and functions to the City Region. Since 2014 SCR has established itself as a front-running city region for devolution and governance, as one of only seven regions across the country to have established a combined authority and negotiated two devolution deals with central Government.

Executive Team

The CA and LEP are supported by a dedicated Sheffield City Region Executive Team, who provide day-to-day support on policy, commissioning, project development, project appraisal, programme management and meeting administration. Through close co-ordination with member authorities, Leaders and Chief Executives, the team pro-actively advances decision making processes for SCR. Neither the CA or LEP are employing bodies, therefore the Executive Team is employed via BMBC.

Statutory Officers Group

The purpose of the group is to assist the statutory officers in exercising their delegated powers as set out in the Scheme of Delegation. This includes, but is not limited to: ensuring the effective leadership of the SCR Executive Team; ensuring good governance; monitoring operating and financial performance and agreeing SCR executive budgets; providing overview and management of strategic risks. The group meets every four to six weeks and is chaired by the Managing Director.

Senior Leadership Team

The senior leadership team comprises the Managing Director, Deputy Managing Director and the senior members of the Executive Team. Regular meetings are held to monitor the operational aspects of the support provided to the CA and LEP.

CA Group

The CA Group includes two operational subsidiaries, SYITA Properties Ltd and South Yorkshire Passenger Transport Executive (SYPTE). SYITA Properties Ltd is the property holding subsidiary company of the CA. SYPTE is operational transport arm of the Combined Authority, tasked with delivering the South Yorkshire Transport Plan.

4. THE GOVERNANCE FRAMEWORK

Purpose

The governance framework evidences the systems, processes and the culture by which the CA directs and controls its activities to deliver the SCR's intended outcomes. These are mapped against the principles of the Chartered Institute of Public Finance and

Accountancy (CIPFA) / Society of Local Authority Chief Executives (SOLACE) Framework Delivering Good Governance in Local Government 2016. These principles underpin the governance of the organisation and provide a framework against which to structure SCR's approach to governance. SCR's commitment to these principles is outlined in its Code of Corporate Governance.

5. GOVERNANCE REVIEW ACTIVITY

The SCR's governance arrangements have continued to evolve in line with its programme of work. During 2016/17, in light of devolution, an impending mayoral combined authority and the shift from a policy forming organisation to the deliverer of major programmes, a number of activities have taken place to review and strengthen governance. These fall into two main pieces of work –

Review of SCR's governance and decision making structure

It was recognised early in 16/17 that a mayoral CA needed to be a quite different organisation. An independent review was commissioned to assess the SCR's decision making and governance structure. This review focused upon current arrangements, whether they were fit for purpose, and how they could flex and adapt to changing needs and future requirements. Elected members contributed to this assessment and, through a number of workshops shaped the consequent action planning.

This review identified the following key changes

- the need for SCR to be less transactional in its arrangements with government and to be a more strategic organisation
- for partners and stakeholders to develop and commit to a shared purpose for the SCR and for that commitment to be reflected in changed behaviours
- greater clarify of the delineation of responsibilities and
- improved decision making processes

Review of SCR's decision making mechanisms

In 2015 SCR was awarded £295m of devolved Local Growth Fund. A condition of the award was to establish an Assurance and Accountability Framework (AAF) that set out the decision making mechanisms for the investment of the funds. The framework must be reviewed and updated on a yearly basis in order to receive the annual allocation.

The review of the framework in preparation for 2017/18 is an iterative process using government guidance and internal self-evaluation activity. It has also incorporated the work undertaken on the review of decision making structures as discussed in 1.3. The revised framework was approved by DCLG in February 2017.

Building on this activity, and in recognition of the importance of an effective governance and control system, SCR undertook further work to identify the relevant underpinning governance themes required to successfully deliver its Strategic Economic Plan, and the associated risks. Focusing on the effectiveness of, and the risks to, the governance framework has also assisted SCR in identifying opportunities to strengthen governance.

The review process has also taken into account the action taken against the control issues raised on the previous Annual Governance Statement.

6. GOVERNANCE ARRANGEMENTS THEIR EFFECTIVENESS

The scope of the governance and internal control framework spans the whole of SCR's activities and is described in the Code of Corporate Governance. The following section considers the main components of the framework, their effectiveness during 16/17 and describes any improvements made in year and how SCR intends to strengthen arrangements into 17/18.

6.1 Developing, communicating and embedding codes of conduct which define standards of behaviour for members and staff, and for policies dealing with whistleblowing and conflicts of interest.

The SCR CA has an approved Code of Conduct for members within its constitution. This sets out the requirement that the business of SCR must be conducted in accordance with the Nolan. It also specifies the procedures regarding the receipt of any gift or hospitality.

The SCR LEP policy on the acceptance and declaration of gifts and hospitality aligns with those of the existing local authority systems and standards. It also applies to the SCR Executive and any sub-groups and officer functions involved in advice or decision making regarding its Growth Deal. These policies include clear processes to facilitate ethical governance.

The CA constitution sets out the protocols to be followed in relation to any allegations of misconduct. Any allegations are directed to the CA's Monitoring Officer or their deputy. Where the compliant cannot be resolved locally, and the matter relates to the use of public money, the issue can be escalated to a relevant Government department.

Each member of the SCR CA and the LEP is required to make a declaration of interest, pecuniary and non-pecuniary, for the purposes of their individual organisations. These registers, updated as necessary and reviewed annually, are available on the website compliant with the requirements of the Localism Act 2011. Members are also required to declare any interests they may have in any agenda items at meetings. Any interests are recorded in the minutes and published on the website after the meeting. Where a member declares and interest, clear protocols exist with the constitution and the (draft) LEP Terms of Reference that ensure members do not participate in any decision making related to that interest.

Protocols for conflicts and declaration of interests for members of the Business Investment Board, established by the CA in 2015, with the purpose of unlocking business investment and enabling more companies within the City Region to access external finance, are defined in the BIF handbook.

SCR has the expected controls in place to ensure high ethical standards, however through our risk management framework we have identified that, given the partnership nature of the organisation, it is important to continue to monitor and strengthen these controls.

6.2 Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.

The CA's financial regulations and procurement rules, which determine how money can be spent, and ensure that expenditure is lawful. Legal advice is taken in relation to investment decisions regarding State Aid where appropriate. SCR's finance and procurement functions, who are embedded within the Executive team, have delivered a number of training sessions to ensure practice is compliant with the regulations and rules. The financial regulations and procurement rules are being revised as part of the constitutional review.

SCR procures its HR support through BMBC and operates under their suite of policies compliant with employment law. A dedicated BMBC HR team member, who works closely with SCR, regularly attends senior leadership team meetings.

SCR also procures support from BMBC in relation to information law. The SCR Governance and Compliance Officer works closely with the BMBC Customer Feedback and Improvement team to co-ordinate any requests under the Freedom of Information Act 2000. Through our risk management framework we have identified actions to strengthen our controls in relation to information governance.
In addition, we have also identified actions to ensure the effective strategic and operational approach to ensuring legislative, regulatory and statutory compliance. Statutory Officers are considering the controls in place and any actions to strengthen these will feed into the Risk Management Action Plan and considered by the Audit Committee.

6.3 Demonstration of SCR's commitment to openness and acting in the public interest.

CA meetings are held in public (unless there are good reasons to exclude the press and public). All agendas and reports for the CA and its associated committees are published online in accordance with statutory access to information requirements. Annual accounts are reviewed by external auditors, their opinion together with the final accounts are published and available for inspection.

Independent appraisals of all SCR's potential schemes linked to Local Growth Fund (LGF) investment, prioritise projects that deliver jobs, gross value added (GVA) and private sector investment ensuring that decisions are made based on value for money criteria and therefore demonstrating best value for public sector investment.

SCR's AAF has been reviewed following the publication of revised national guidance. In order to comply with this, moving forward, SCR will publish details of all proposed schemes and full business cases where applicable, receiving money from LGF. A mechanism will be available for members of the public to provide comments on each scheme. In addition, all boards with delegated authority from the CA will be required to report to the CA and LEP on a regular basis.

We believe there are appropriate measures in place to ensure openness however, it is recognised that further work to strengthen this is required. A review is underway to ensure information is published in line with the FOI Act Model Publication Scheme and with the Local Government Transparency Code 2015.

6.4 Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.

SCR use various mediums to communicate with SCR communities and stakeholders these include: the SCR website and the publication of key documents such as the SCR Strategic Economic Plan and Assurance Framework, as well as updates on activity; a regular programme of events to provide ongoing engagement with public and private partners across the City Region. SCR also has dedicated pages on social media platforms including Twitter and Facebook.

The SCR Executive Team also engage with partners on behalf of the CA and LEP through the Executive Boards; Advisory Groups; Local Authority Scrutiny sessions, Executive Directors Forum; Directors of Finance and Directors of Housing Groups.

Through its Strategic Risk Management process SCR have assessed the controls in place that ensure SCR is effective in engaging and communicating with stakeholders and partners and opportunities to strengthen the approach have been identified. This includes a corporate communications plan, whichis in development and will capture the actions required.

In July 2016 SCR launched a statutory consultation process on the 'Scheme' for the Mayoral Combined Authority. Whilst well received publicly the legality of the consultation was challenged by Derbyshire County Council by way of a Judicial Review. Further to the judgement the CA resolved to undertake further consultation. This was scheduled to take place in summer 2017. SCR sought the advice of the Consultation Institute, who provide challenge and certification of consultation processes, in order to provide assurance that the approach and methodology would meet legislative requirements. However, the decision of Bassetlaw and Chesterfield to not pursue full membership of the CA at this time has negated the requirement for the consultation to go ahead as planned. Further consultation on the agreed scheme will however be required and will be subject to consultation requirements.

6.5 Developing and communicating SCR's vision which specifies intended outcomes for citizens and service users and is used as a basis for planning.

SCR's vision is contained within the 10 year Strategic Economic Plan (SEP) The SEP, which was approved by the CA and LEP in 2014, is a formal statement that captures the ambition, vision and strategic priorities of SCR. The vision is focused on creating a bigger and stronger private sector, including creating 70,000 jobs and increasing GVA by 10%. The delivery of the vision is communicated across a range of channels. This includes standardised text produced and replicated across internal and external briefings, through the production of visually appealing graphics – and in online content. Sheffield City Region has a regularly refreshed website and utilises social media streams such as Facebook and Twitter to actively engage with residents and businesses.

Five years on from the initial independent economic survey which assisted the development of the SEP, a further survey has been commissioned. The results from the survey are being analysed in order to understand the impact of interventions made to date and to re-fresh the plan. A number of workshops to socialise the options are being held with Local Authority partners.

6.6 Translating SCR's vision into courses of action for the SCR, its partnerships and collaborations.

The current SEP articulates the need for a bigger, stronger private sector in order for SCR achieve economic growth. The plan describes the strategic objectives required to deliver this and translates these into thematic priorities. In order to deliver SCR's ambition, the CA and LEP have established executive boards aligned to the themes and programmes of activity are commissioned against them. The executive boards, which are led by elected members, shape the programmes of activity and are held to account by the CA regarding their performance. Further to the governance review and the review of the AAF the role of the executive boards is being reconsidered.

The Devolution Agreement between Government and SCR sets out the terms of a proposed agreement to devolve a range of responsibilities to the CA. Within this agreement are a number of themes that underpin those in the SEP. The CA translates these devolved responsibilities in a number of ways. For example, a 'Joint Assets Board' is established and has the aim of accelerating the disposal of surplus public sector sites, maximising opportunities for housing and economic growth.

6.7 Ensuring SCR's decision-making framework is effective, including delegation arrangements, decision-making in partnerships, information provided to decision makers and robustness of data quality.

How does SCR make decisions?

SCR's decision making framework is described in its constitution. This includes a Scheme of Delegation, Financial Regulations and Terms of Reference for thematic boards. Moving into the CA's third year of operation, and further to the independent review of its decision making structure, it has been recognised that the constitution now requires some refinement and a review is underway. This review, led by Statutory Officers, aims to address issues around the timeliness of decisions balanced against new Scrutiny rules. It also aims to clarify procedural issues and delegations.

How does SCR make investment decisions?

The Assurance and Accountability Framework sets out the mechanisms used to make investment decisions in relation to SCR's Growth Deal allocation.

How does SCR make decisions with partners?

By its nature the CA and LEP is a partnership organisation. This is reflected in its constitution. SCR seeks to ensure, through collaboration and joint working, that the aspirations and ambitions of the City Region are aligned to those of its partners.

Information provided to decision makers

SCR has robust processes in place for strategic decisions and prioritising investments. Evidence from various sources is considered including; economic analysis, the SCR integrated infrastructure plan, Area Based Review and other local and national intelligence.

SCR bases the programme decisions it makes on objective and robust information and considers an analysis of a variety of options and any associated risks. Potential investment of the Growth Deal allocation in capital programmes are appraised to ensure they are robust, strategically aligned and represent good value for money. The appraisal process is articulated in the AAF and includes a number of tools and processes including: the SCR Appraisal Panel; an independent appraisal panel; a tool for understanding the economic impact of a programme of capital infrastructure projects (FLUTE) and Web Based Transport Appraisal Guide which is used for modelling and appraisal of schemes based on the guidance set out in the HM Treasury Green Book.

During 2016 SCR made a significant investment in FLUTE and associated data sets. These tools and information are required across multiple programme areas and ensure the effective prioritisation and appraisal of schemes which are funded through SCR's Local Growth Fund allocation. This appraisal is an essential part of the process required to test value for money of schemes at development stage.

The Business Investment Fund strategy was approved by the CA in 2015 with the purpose of enabling more companies within the City Region to access external finance to grow, modernise or sustain their activities. The CA has delegated authority to the BIF programme Board to approve grants of up to £2m. In order for the BIF Board to make decisions all grant awards are appraised using the "Green Book" methodology – leading to a cost/benefit appraisal of each proposed investments.

6.8 Measuring the performance of services and related projects and ensuring that they are delivered in accordance with defined outcomes and that they represent the best use of resources and value for money.

The Assurance and Accountability includes a comprehensive monitoring and evaluation framework which is designed to provide robust feedback on any lessons learned from individual projects and monitor and measure the success of SCR's Local Growth Fund investments. Throughout the lifespan of a programme, monitoring takes place and finance and programme management teams work together to understand the investment, its effectiveness, outputs and impacts. Funding agreements tie projects to delivering outcomes that represent the best use of resources and value for money. The recent SCR Executive team restructure has prioritised programme management resource. Additional resource in this area will help to embed the progress made in 16-17 whereby the Programme Office was an integral part of the SCR delivering its Capital Programme.

The terms of grant awards made through the Business Investment Fund (BIF) are defined in a grant agreement. This agreement includes contractual outputs e.g. job creation. These 'deliverables' are monitored on a quarterly basis – including site visits and the auditing of evidence to substantiate any claims made.

6.9 Defining and documenting the roles and responsibilities of members and management, with clear protocols for effective communication in respect of the CA and partnership arrangements.

The broader context for the CA's governance and internal control environment is provided by the constitution which gives comprehensive information on how the CA is organised, its decision making processes, how its authority is delegated and how probity and due process are promoted. As described in 6.7 a review of the Constitution is underway.

6.10 Ensuring that financial management arrangements conform with the governance requirements of the CIPFA Statement on the role of the Chief Financial Officer in Local Government (2015) and, where they do not, explain why and how they deliver the same impact.

The CA's Chief Finance Officer (CFO) is a key member of the SCR Senior Leadership Team, helping it to develop and implement policy, strategy and resources to deliver the SEP in a way that is sustainable and in the public interest. They are also actively involved in, and able to bring influence to bear on all material decisions to ensure that immediate and longer term implications, opportunities and risks are fully considered. The CFO leads on the promotion and delivery of good financial management, which aims to ensure that public money is safeguarded and used in an appropriate, economic and effective manner.

To deliver these responsibilities the CFO leads and directs the finance function to ensure it is resourced in such a way as to be fit for purpose and that they are professionally qualified and suitably experienced.

The principles within the CIPFA Statement on the role of the Chief Finance Officer in Local Government are embedded in the CA's arrangements.

6.11 Ensuring effective arrangements are in place for the discharge of the monitoring officer function and the head of paid service function.

The constitution outlines functions and delegated responsibilities of the statutory officers, namely the Head of Paid Service, the Chief Finance Officer and the Monitoring Officer. All three of the statutory officers are members of the CA's Senior Leadership Team. The Statutory Officer Group meets regularly and focusses on the specific statutory nature and responsibilities of their roles and the authorities delegated to them through the Scheme of Delegation. The Monitoring Officer and the Head of Paid Service have direct access to the Chair of the CA and LEP with reference to their core statutory and professional roles.

6.12 Inducting and identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.

One to one sessions with the SCR Managing Director and appropriate team members are arranged for new members and senior officers. These sessions provide opportunity to identify any knowledge development areas and plan any particular requirements. In addition, during the term of their appointment members are briefed and provided with advice and guidance on agendas and with respect to their conduct and behaviour. During the year a number of workshops focussing on specific areas relating to the strategic roles of members have taken place e.g. governance changes and SEP priorities.

6.13 Reviewing the effectiveness of the framework for identifying and managing risks and for performance, and demonstrating clear accountability.

<u>Risk</u>

At its inception the CA adopted the policies and procedures of BMBC on all matters of governance including strategic risk management arrangements. The 15/16 external audit conclusion highlighted that risk management arrangements required development. Statutory Officers also recognised that, whilst arrangements had been proportionate to the relative immaturity of the organisation, work was required to embed a robust and effective approach. A number of sessions have been held to consider the approach and a risk management policy and strategy specific to the CA has been developed, socialised and endorsed by the Audit Committee and adopted by the CA. Work is progressing and risk management action plans are in development, each risk having specified owner. Improvement in this area is significant and the CA now has a clear timeline for embedding and maturing risk processes.

The SCR Assurance and Accountability Framework includes a comprehensive issue and risk management approach developed in accordance with the Government Green Book guidance and project management methodology. Project/scheme risks are recorded and managed by individual scheme promoters. Risks are referenced in the Business Case and appraised as part of the assurance process. Each project is asked to report its most significant risks on a quarterly basis and escalate any requiring the attention to the respective Board.

<u>Performance</u>

In relation to LGF investments, programmes of work are monitored throughout their lifespan. The Finance Team works with the Programme Management Team to understand the overall scale of investment and the fit between the capital revenue split and the conditionality of constituent components of the funding. This ensures that there is ongoing assessment of the effectiveness of each type of investment in line with the expectation of funding providers.

The CA are accountable for all investments and, during 16/17, an LGF capital approvals item has become a standing agenda item at all CA meetings. This item reports on projects as they progress through AAF process and culminates in a report seeking approval to proceed to contract and delivery. The same report summarises and presents for approval all project changes as submitted through the established performance management process. Once a project is in delivery phase regular returns are required from promoters on all projects. This captures KPIs for each project which are then summarised at programme level and presented for action, endorsement or approval to the appropriate executive board or to the CA. Project return deadlines have now been aligned to financial reporting periods and protocols are being developed for a

Capital Programme Board. This board will consist of elected members and will provide strategic overview of the capital programme and revenue funding of SCR and that the programme is progressing in line with SCR objectives and priorities.

6.14 Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).

The CA constitution includes a Fraud Response Plan and Whistleblowing Policy which provides direction and guidance for dealing with suspected cases of theft, fraud and corruption. It also gives direction on reporting matters of concern.

Partners and all other stakeholders are expected to have strong anti-fraud and corruption measures in place. In the case of any investigation they are required to provide the CA with full access to their financial records and staff. Agreements or contracts include these conditions, and appropriate due diligence is undertaken before entering into any agreement.

The SCR Executive Team, as employees of BMBC are bound by an employee Code of Conduct and a suite of policies relating to anti-fraud and bribery. An online training package is available to members of staff to support their understanding.

6.15 Ensuring an effective scrutiny function is in place.

The CA has established a joint SCR Overview and Scrutiny Committee to exercise scrutiny functions over its activities and decisions (and those of formal committees and the LEP). This comprises 14 members and has a political balance. Each local authority appoints at least one elected member to the joint Overview and Scrutiny Committee – often this is the chair of each authority’s own overarching scrutiny committee. Going forward the joint SCR Overview and Scrutiny Committee will produce an annual work plan which will be made available to the public on the SCR CA website. SCR’s scrutiny procedures are currently being reviewed and strengthened in relation to the ‘Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2016’ statute.

6.16 Ensuring that assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact.

The Internal Audit function for SCR is provided by BMBC. The Head of Internal Audit (HoIA) plays an important role in assisting SCR in delivering its strategic objectives. This is achieved by championing best practice in governance, objectively assessing the adequacy of governance and management of risk, commenting on responses to emerging risks and proposed developments, and giving an objective and evidence based opinion on all aspects of governance, risk management and internal control.

To perform this role, the HoIA is a senior officer with regular and open engagement, particularly with Statutory Officers and the Audit Committee. They lead and direct an internal audit service that is resourced to be fit for purpose, professionally qualified and suitably experienced.

The principles within the CIPFA Statement on the role of the HoIA in Local Government are embedded in the CA's arrangements.

The Internal Audit function is fully compliant with Public Sector Internal Audit Standards (PSIAS).

6.17 Ensuring the core functions of an audit committee, as identified in Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2013) are undertaken.

SCR has an established Audit Committee in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance. The Audit Committee, which is chaired by an elected member, comprises 14 members and is responsible for providing independent assurance to SCR on the adequacy and effectiveness of the governance and internal control framework, which incorporates the arrangements relating to financial, risk and performance management.

KPMG who are appointed as external auditors also attend Audit Committee meetings. This process is in keeping with arrangements in place for local authority spend. As the accountable body for all funds notionally awarded to the LEP, the Audit Committee covers the requirements for both the LEP and the CA.

The Committee receives regular reports relating to its remit, including issues arising from the work of Internal Audit, updates on the risk management process and financial management reports, plus reports from the external auditors, which includes updates on the progress of implementing recommendations that have been made.

As part of its governance remit, the Audit Committee will consider this statement and, as necessary provide comments. In addition, the committee will monitor the implementation of any emerging developments or improvements, recommended through the governance review process.

Inclusive in the review of the constitution the Audit Committee terms of reference will be reviewed and an action plan developed to maximise the value the committee gives to SCR.

6.18 Provides timely support, information and responses to external auditors and properly considers audit findings and recommendations.

The Statutory Officers of the CA maintain working relationships with the external auditors throughout the year to ensure that the auditors remain informed of changes to the CA's business and processes. Officers collaborate with the external auditors on the annual audit plan, and liaise on any external audit recommendations and the management actions taken to affect them. External auditors are embedded within the organisations oversight functions through their attendance at the CA's Audit Committee.

All audit reports include management mitigation plans with named responsible officers, and these are followed up by both internal and external audit. Only one fundamental recommendation has been made within the completed pieces of internal audit work.

This relates to the understanding and application of regulatory and procedural requirements for contract procedures. The recommendations of the report are being addressed.

There are no longstanding internal audit recommendations to report at this time.

6.19 Incorporating good governance in respect of partnerships and other joint working

By its very nature the CA it is a partnership organisation. The constitution determines how the CA interacts with its subsidiary (SYPTE) and the financial regulations determine the limitations of their autonomy in relation to expenditure. The CA's operating subsidiaries have also adopted Articles of Association that limit their operational independence, this effectively imposes CA governance on them.

Where appropriate, contractual arrangements are in place and monitored throughout the lifespan of the partnership.

7. MONITORING AND EVALUATING THE EFFECTIVENESS OF THE GOVERNANCE FRAMEWORK

The CA has responsibility for conducting a review of the effectiveness of its governance framework, including systems of internal control and risk management arrangements. The review of effectiveness is informed by the work of Statutory Officers who have responsibility for the development and maintenance of the governance environment, the HoIA's annual report and also by comments made by external auditors and other regulators or inspectorates.

Statutory Officers along with the SCR Executive team are responsible for ensuring compliance with, as well as improvement against the governance, risk and internal control framework. As part of this function, Statutory Officers are asked to provide assurances regarding the overall governance arrangements for their area of responsibility. This information has been evaluated, and where appropriate, included in governance improvement planning.

Internal Audit

The HoIA is responsible for providing assurances on the robustness of the CA's internal control arrangements to the Audit Committee. The Head of Internal Audit's annual report on audit activity and the performance of the Internal Audit division was presented to the Audit Committee on 27th July 2017. Based on the systems reviewed and reported on by Internal Audit during the year, together with management's response to issues raised, the HoIA has provided an overall Adequate assurance opinion for 2016/17.

The role of Internal Audit within the governance, risk and internal control framework is to operate both independently and objectively in reviewing and reporting on the effectiveness of the Annual Governance Review process and the corporate Risk Management framework. This work has been undertaken by a BMBC reporting directly to the CEXs and Audit Committee in order to preserve that independence.

8. GOVERNANCE ACTIONS 15/16

The 15/16 external audit conclusion identified some areas for development. These are listed below along with an update on their resolution.

Area for development	Status
Establishment of a Code of Corporate Governance	A Code of Corporate Governance has been established. The systems, processes and the culture required to deliver the SCR's intended outcomes have been mapped against CIPFA/SOLCE principles. The arrangements described in the Code are well established.
Establishment a robust risk management process	Significant work has been undertaken during 16/17 to review SCR's strategic risk management process. A Risk Policy and Strategy specific to the CA has been developed and endorsed by the Audit Committee and adopted by the CA. The strategy includes a clear timeline progressing towards a risk maturity model.
Establishment of a performance management framework	The performance management framework for LGF investment is well established and described in the Assurance and Accountability Framework.
Review of the operation of SYITA Properties Ltd	Issues identified regarding the operation of SYITA Properties have been addressed and it has been agreed that the company board will move the company towards a members' voluntary liquidation. The assets and activity of the company reverting to the CA. It is expected that this action will be concluded in financial year 2017/18.
Address the backlog of issues at the pension fund	SYPA are responsible for the action required to address identified issues. The management structure has been reviewed and a new structure implemented from April 2017 to address performance. Close monitoring will take place throughout the year to keep progress under review.

9. SIGNIFICANT GOVERNANCE ISSUES DURING 16/17

The review of the CA's governance, risk and internal control arrangements in 2016/17, whilst not identifying any fundamental issues in terms of the general level of compliance with the CA's governance and internal control framework, has identified a number of opportunities to strengthen governance arrangements.

Financial Governance

As the CA's governance processes continue to evolve, it is recognised that attention will need to be paid towards the effectiveness of current systems to enable responsive and effective financial governance in pursuit of the SEP aspirations. It is understood that an operating culture must be adopted that is reflective of the CA's assurance framework and the broader commitment to efficient use of its resource to overcome more inevitable narrower interests.

The strength of the CA's financial planning rests on the quality of information that is available to it. This requires honest, timely, and accurate information from partners in receipt of grant (mainly the nine member local authorities) to allow the CA to manage its programmes as efficiently as possible.

Pressures during 16/17 upon the CA's capital programme through significant underspends are a symptom of the development required in this area. The effectiveness of embedded programme management governance arrangements enabled early-warning of underspends and allowed for an effective mitigation plan to be implemented. However, work is being undertaken between the Combined Authority and its partners to ensure that a culture of openness and joint accountability for delivery is developed to safeguard the CA against such pressures in the future. For example, the Capital Programme Board will be transformed to widen the scope and membership in order to improve the overall ownership of programme management.

Management of Assets

The absence of an up-to-date group-wide asset management strategy has led to a lack of transparency on emerging pressures, and a consequent risk that resource is not aligned to priorities. The CA recognises it must ensure that it has access to efficient management information for its own group-wide asset portfolio. The specification for a project to review the asset base has been developed and will move to commissioning stage by summer 2017.

Information Governance

Recognising that there were a number of issues that presented the organisation with vulnerabilities and hindered efficient working, in autumn 2016 an assessment of SCR's IT provision and governance was commissioned. The assessment identified several improvements with the potential to improve business operations and efficiency. Statutory Officers approved an IT transformation project which is underway and will bring a number of benefits in terms of cost, efficiency, governance and security of information. Work will continue in 17/18 to further embed this.

Mayoral Combined Authority

Since the four South Yorkshire Local Authorities consented to the Mayoral Order considerable work has progressed towards this ambition. This has been a challenging process as, in the course of seeking to expand the CA to include Chesterfield and Bassetlaw, a judicial review was brought against the CA. The subsequent decision of Chesterfield and Bassetlaw not to progress with full membership at this time, and the subsequent discussions regarding alternative options, has created some uncertainty. However, it is recognised that, whatever decision is taken regarding the future of the City Region, an appropriate and effective governance framework is vital to the achievement of SCR's ambition.

10. GOVERNANCE IMPROVEMENT PLAN

Whilst no fundamental governance issues have been identified the CA has a clear understanding of the key areas of focus for 17/18 these include:

Governance Area	**Focus for 17/18**
Financial Governance	• Move towards a more efficient scheme approval process with the effect of reducing the amount of time between outline business case and delivery, minimising the risk of slippage and grant clawback. • An increase in diligence in relation to scheme monitoring. Measuring quarterly performance data against business case to ensure promoters are adhering to agreed timescales and projected spend, and that outcomes are delivered. The achievement of these are dependent on the resolution of the issues described in section 9. • Meeting all requirements to ensure an unqualified value for money conclusion is attained. • Addressing recommendations of internal audit of procurement processes. • Appropriate monitoring and oversight of operational subsidiary.
Information Governance	• Meeting the requirements of the GDPR. • Developing a better understanding of SCR information assets, their management and security.
Asset Management	• The development of a whole life Group Asset Strategy which will ensure decision makers are informed regarding the liabilities and opportunities in relation to group assets and that budgetary requirements are identified in a timely manner.

11. CONCLUSION

Statement by the Chair of the CA and the Managing Director

We are satisfied that the comprehensive review process undertaken has identified the relevant areas for attention over the forthcoming year. The action plan monitored by the Audit Committee and will (when implemented) further enhance the CA's governance, risk and internal control framework.

On the basis of the sources of assurance set out in this statement, we are satisfied that, throughout the year and up to the date of the approval of the accounts, SCR CA has had in place satisfactory systems of internal control which facilitate the effective exercise of the CA's functions.

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Statement of Accounts

Statement of Responsibilities

The Combined Authority's Responsibilities

The Combined Authority is required to:

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

The Responsibilities of the Chief Financial Officer

The Chief Financial Officer is responsible for the preparation of the Combined Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Chief Financial Officer has:

- selected suitable accounting policies and then applied them consistently,
- made judgements and estimates that were reasonable and prudent, and
- complied with the Local Authority Code.

The Chief Financial Officer has also:

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

I hereby certify that the Statement of Accounts on pages 44 - 180 gives a true and fair view of the financial position of Sheffield City Region Combined Authority at 31 March 2017 and of its income and expenditure for the year ended 31 March 2017.

Eugene Walker
Chief Financial Officer (Section 73 Officer)
11 September 2017

The Core Financial Statements

Expenditure and Funding Analysis Statement (EFA)

The Expenditure and Funding Analysis (EFA) shows how annual expenditure is used and funded from resources (government grants, rents) by the Authority in comparison with those resources consumed or earned by the Authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Authority's portfolios. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES).

2015/16					2016/17		
Net Expenditure Chargeable to the General Fund Balance £000	**Adjustments between the Funding and Accounting Basis £000**	**Net Expenditure in the CI&ES £000**		**Notes**	**Net Expenditure Chargeable to the General Fund Balance £000**	**Adjustments between the Funding and Accounting Basis £000**	**Net Expenditure in the CI&ES £000**
3,369	(3,144)	225	Transport Authority		3,761	(2,516)	1,245
(4,260)	285	(3,975)	Local Enterprise Partnership		(1,868)	(33,793)	(35,661)
(10,912)	0	(10,912)	Transport for the North		1,069	0	1,069
(11,803)	**(2,859)**	**(14,662)**	**Net Cost of Services**	8	**2,962**	**(36,309)**	**(33,347)**
0	(678)	(678)	Other Income & Expenditure		0	(1,337)	(1,337)
(11,803)	**(3,537)**	**(15,340)**	**(Surplus) / Deficit**	**8**	**2,962**	**(37,646)**	**(34,684)**
(51,910)			Opening General Fund Balance		(63,714)		
(11,803)			Surplus / Deficit on General Fund Balance in year		2,962		
(63,714)			**Closing General Fund Balance at 31 March**		**(60,752)**		

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Combined Authority, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

The (Surplus) / Deficit on the Provision of Services line shows the true economic cost of providing the Combined Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance. The net (increase) / decrease before transfers to earmarked reserves line shows the statutory General Fund Balance before any discretionary transfers (to) or from earmarked reserves undertaken by the Combined Authority.

Movement in Reserves Statement 2016/2017		**General Fund Balance £000**	**Earmarked Revenue Reserves £000**	**Capital Grants Unapplied £000**	**Capital Receipts Reserve £000**	**Total Usable Reserves £000**	**Unusable Reserves £000**	**Total Authority Reserves £000**
	Note	24	24	24	24		25	
Balances at 1 April 2016		**(6,534)**	**(57,180)**	**0**	**(5,343)**	**(69,057)**	**107,195**	**38,138**
Movement in reserves during 2016/17:								
(Surplus) / deficit on provision of services	CI&ES	(34,684)	0	0	0	(34,684)	0	(34,684)
Total Comprehensive (Income) and Expenditure		**(34,684)**	**0**	**0**	**0**	**(34,684)**	**0**	**(34,684)**
Adjustments between accounting basis and funding basis under regulations	11	37,646	0	0	0	37,646	(37,646)	0
Net (increase) / decrease before transfers to earmarked reserves		**2,962**	**0**	**0**	**0**	**2,962**	**(37,646)**	**(34,684)**
Transfers (to) / from earmarked reserves	12	(4,771)	4,771	0	0	0	0	0
(Increase) / decrease in year		**(1,809)**	**4,771**	**0**	**0**	**2,962**	**(37,646)**	**(34,684)**
Balance at 31 March 2017		**(8,343)**	**(52,409)**	**0**	**(5,343)**	**(66,095)**	**69,549**	**3,454**

Movement in Reserves Statement 2015/2016	Note	General Fund Balance £000	Earmarked Revenue Reserves £000	Capital Grants Unapplied £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
	Note	24	24	24	24		25	
Balances transferred in at 1 April 2015		**(45,843)**	**(6,068)**	**0**	**(5,343)**	**(57,254)**	**110,733**	**53,479**
Movement in reserves during 2015/16:								
(Surplus) / deficit on provision of services	CI&ES	(15,340)	0	0	0	(15,340)	0	(15,340)
Total Comprehensive (Income) and Expenditure		**(15,340)**	**0**	**0**	**0**	**(15,340)**	**0**	**(15,340)**
Adjustments between accounting basis and funding basis under regulations	11	3,537	0	0	0	3,537	(3,537)	0
Net (increase) / decrease before transfers to earmarked reserves		**(11,803)**	**0**	**0**	**0**	**(11,803)**	**(3,537)**	**(15,340)**
Transfers (to) / from earmarked reserves	12	51,112	(51,112)	0	0	0	0	0
(Increase) / decrease in year		**39,309**	**(51,112)**	**0**	**0**	**(11,803)**	**(3,537)**	**(15,340)**
Balance at 31 March 2016		**(6,534)**	**(57,180)**	**0**	**(5,343)**	**(69,057)**	**107,195**	**38,138**

Comprehensive Income and Expenditure Statement

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

2015/16 Restated Gross Expenditure £000	2015/16 Restated Gross Income £000	2015/16 Restated Net Expenditure £000		Notes	2016/17 Gross Expenditure £000	2016/17 Gross Income £000	2016/17 Net Expenditure £000
			Continuing Operations:				
97,382	(97,157)	225	Transport Authority		81,890	(80,645)	1,245
17,885	(21,860)	(3,975)	Local Enterprise Partnership		80,369	(116,030)	(35,661)
3,303	(14,215)	(10,912)	Transport for the North		16,262	(15,193)	1,069
118,570	**(133,232)**	**(14,662)**	**(Surplus) / Deficit on Continuing Operations**		**178,521**	**(211,868)**	**(33,347)**
		(678)	Financing and Investment Income and Expenditure	13			(1,337)
		0	Taxation and Non-Specific Grant Income	14			0
		(15,340)	**(Surplus) / Deficit on Provision of Services**				**(34,684)**
		(15,340)	**Total Comprehensive (Income) and Expenditure**				**(34,684)**

Balance Sheet

The Balance Sheet shows the value, as at the Balance Sheet date, of the assets and liabilities recognised by the Combined Authority. The net assets of the Combined Authority (assets less liabilities) are matched by the reserves held by the Combined Authority.

Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves, and any statutory limitations on their use. The second category of reserves is unusable reserves, i.e. those that the Authority is not able to use to provide services. This category includes reserves that hold unrealised gains and losses where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line ‘Adjustments between accounting basis and funding basis under regulations’.

As at 31 March 2016 £000		**Notes**	**As at 31 March 2017 £000**
4,156	Long Term Debtors	17	34,509
74,472	Long Term Investments	18	75,000
78,628	**Long Term Assets**		**109,509**
134,000	Short Term Investments	15	129,919
14,394	Short Term Debtors	19	10,646
25,357	Cash and Cash Equivalents	20	15,448
173,751	**Current Assets**		**156,013**
(684)	Short Term Borrowing	21	(660)
(38,876)	Short Term Creditors	22	(45,798)
(4)	Short Term Provisions		(73)
(28,877)	Capital Grants Receipts In Advance	31	(3,496)
(68,441)	**Current Liabilities**		**(50,027)**
(25,000)	Long Term Borrowing	15	(25,000)
(197,077)	Other Long Term Liabilities	23	(193,949)
(222,077)	**Long Term Liabilities**		**(218,949)**
(38,139)	**Net Assets / (Liabilities)**		**(3,454)**
(69,057)	Usable Reserves	24	(66,095)
107,196	Unusable Reserves	25	69,549
38,139	**Total Reserves**		**3,454**

The audited Statement of Accounts for the Sheffield City Region Combined Authority was approved and authorised for issue by the Chief Financial Officer, in accordance with the Accounts and Audit (England) Regulations 2015 on 11th September 2017.

These financial statements replace the unaudited financial statements authorised by the Chief Financial Officer on the 9th June 2017.

Eugene Walker	Councillor Chris Read
Chief Financial Officer (Section 73 Officer)	Chair of the Sheffield City Region Combined Authority
11 September 2017	11 September 2017

Cash Flow Statement

The Cash Flow statement shows the changes in cash and cash equivalents of the Combined Authority during the reporting period. The statement shows how the Combined Authority 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 of the Combined Authority are funded by way of taxation and grant income or from the recipients of services provided by the Combined Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Combined Authority'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 the Combined Authority.

2015/16 £000		Notes	2016/17 £000
15,340	Net surplus or (deficit) on the provision of services		(34,684)
(10,722)	Adjustment to surplus or (deficit) on the provision of services for non-cash movements	26	11,524
(34,806)	Adjustment for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities	26	(54,141)
(30,188)	**Net cash flow from operating activities**		**(77,301)**
(24,327)	Investing activities	27	70,544
5,058	Financing activities	28	(3,152)
(49,457)	**Net increase / (decrease) in cash and cash equivalents**		**(9,909)**
74,814	Cash and cash equivalents at 1 April	20	25,357
25,357	**Cash and cash equivalents at 31 March**	**20**	**15,448**

Notes to the Core Financial Statements

The following notes contain further information to that presented in the main statements. They provide narrative descriptions, disaggregation of items presented in the statements and information about items that do not qualify for recognition in the statements.

1. Accounting Policies

I. General Policies

The statements summarise the transactions of the Combined Authority, for the 2016/17 financial year and its position at the year end of 31 March 2017. The Combined Authority is required to prepare an annual Statement of Accounts in accordance with the Accounts and Audit Regulations 2015. These regulations require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the CIPFA Code of practice on Local Authority accounting in the United Kingdom 2016/17 and the CIPFA Service Reporting Code of Practice 2016/17, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 7 of the 2015 regulations.

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

II. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the significant risks and rewards of ownership transfers to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Combined Authority.
- Revenue from the provision of services is recognised when the percentage of completion of the transaction can be reliably measured and it is probable that economic benefits or service potential associated with the transaction will flow to the Combined Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received are recorded as expenditure when the services are received, rather than when payments are made.
- Interest payable on borrowings and receivables on investments is accounted for respectively as expenditure and income 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 there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Materiality levels were set to determine the accruals to be taken at the end of the financial year for certain low value revenue transactions. In these instances, the change from year to year is recurring in nature and the sums involved have been deemed not to be material compared with total income and expenditure.

III. Acquisitions and Discontinued Operations

Acquired Operations

All operations acquired in year will be treated in line with the Combined Authority's accounting policies and disclosed separately on the face of the Comprehensive Income and Expenditure Statement.

Discontinued Operations

Any discontinued operations are disclosed separately on the face of the Comprehensive Income and Expenditure Statement.

IV. Cash and Cash Equivalents

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

In the Group Statement of cash flows, cash and cash equivalents are shown net of bank overdrafts.

V. Exceptional Items (Material Items of Income or Expense)

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts. Where they are disclosed is dependent on how significant the items are to an understanding of the Combined Authority's financial performance.

VI. 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 the Combined Authority’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.

VII. Events After the Reporting Period

Events after the reporting period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue.

Two types of event can be identified:

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

VIII. Financial Instruments

Financial assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market; and
- available for sale assets – assets that have a quoted market price and / or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Combined Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement. However, the authority has made a number of loans to third parties at less than market rates (soft loans).

The Combined Authority has transacted with its subsidiary property holding company SYITA Properties Ltd in a manner that gives rise to soft loan accounting. This ‘loan’ arose as a result of a £6.3m dividend awarded by the company to its parent without cash flowing at the award date. Instead, the cash associated with this dividend will be paid over to the Combined Authority within 16 years of the award date.

When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument. This results in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan on the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year. The reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

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

Available for Sale Assets

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

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

- 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 – independent appraisal of company valuations.

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 Combined 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) / 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).

Financial liabilities

Financial liabilities are recognised on the Balance Sheet when the Combined Authority 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 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 on the instrument to the amount at which it was originally recognised.

For most of the borrowings, 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.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of re-purchase / settlement. However, where re-purchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Combined Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account (an unusable reserve), in the Movement in Reserves Statement.

IX. Foreign Currency Translation

Where the Combined Authority has entered into a transaction denominated 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 as 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.

X. 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 the Combined Authority when there is reasonable assurance that:

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

Amounts recognised as due to the Combined Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution has been satisfied. Conditions are stipulations that specify that the

future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.
Monies advanced as grants and contributions for which conditions have not been satisfied are carried on the Balance Sheet as liabilities. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

When capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund 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. When it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

XI. Inventories and Long Term Contracts

Inventories are included on the Balance Sheet at the lower of cost and net realisable value.

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

XII. Leases

Leases are classified as finance leases, where the terms of the lease substantially transfer all 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.

Operating Leases

The Combined Authority as Lessee

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting 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).

The Combined Authority as Lessor

Where the Combined Authority 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.

XIII. Overheads and Support Services

Costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

XIV. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Combined Authority 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 the Group 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 (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the obligation is settled.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives a probable obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events that are not wholly within the control of the Group. Contingent Liabilities also arise in circumstances where a provision would otherwise be made but

either it is not possible 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.

Contingent Assets

A contingent asset arises where an event has taken place that provides a probable asset, whose existence will only be confirmed by the occurrence or otherwise of uncertain events not wholly within the control of the Group.
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.

XV. Redemption of Debt

The Combined Authority is required to set aside from revenue each year a minimum amount for the redemption of debt. This sum is referred to as the Minimum Revenue Provision (MRP).

It is the policy of the Combined Authority to provide for all capital expenditure incurred after 2007 using the asset-life approach, aligning provisions for the repayment of debt to the period over which economic benefit is provided by the assets created / improved.

All expenditure incurred before 1st April 2007 will be provided for on a flat line basis spread over 50 years representing an approximation of asset life and the funding profile which supports those provisions.

XVI. Reserves

Specific amounts are set aside as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Reserve in the Movement in Reserves Statement. When the 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 the Group. These reserves are explained in the relevant policies.

XVII. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset that has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Combined Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the levy charged.

XVIII. Value Added Tax (VAT)

The Combined Authority is a Section 33 VAT body and recovers all of its input VAT where possible. VAT is excluded from both income and expenditure where it can be recovered.

XIX. Fair Value Measurement

The Combined Authority 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.

The Combined Authority 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, the Combined Authority 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.

The Combined Authority 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 Combined Authority's financial statements are categorised within the fair value hierarchy, as follows:

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

2. Accounting Standards that have been issued but have not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code) has introduced changes in accounting policy as a result of amendments to accounting standards. The main changes to these standards are not applicable to the Authority, as they relate to Pension Authorities only.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Combined Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events.

On 1 April 2014, by order of Parliament, the Combined Authority was established. The powers, functions, competencies, assets and liabilities of the former South Yorkshire Integrated Transport Authority (SYITA) were transferred, together with further responsibilities for the Local Enterprise Partnership.

Opening balances for the new Combined Authority have been drawn from the records of SYITA, South Yorkshire Joint Secretariat, SYPTE and Barnsley MBC. The Combined Authority has placed reliance on the audited accounts and working papers from each of these bodies to report in this Statement of Accounts.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Combined Authority about the future that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. The items in the Combined Authority's Balance Sheet at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

As with all public sector bodies, the Combined Authority faces significant uncertainty about the future levels of Government funding. These challenges are being managed by establishing, across the Group, coordinated business planning processes and robust monthly budget monitoring and reporting, to ensure assets and liabilities are managed to produce the best outcomes for the Group.

In the Group accounts, assets and liabilities measured by fair value (e.g. non-current assets, pension assets and liabilities, financial instruments) are revalued by engaging suitable experts. Estimation techniques and assumptions about the future, such as inflation forecasts and future market conditions, are made in arriving at valuations and could be subject to change, for which there is a risk of adjustment in the following financial year.

5. Prior Period Adjustments

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

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

- Reporting on an organisational basis, breaking the mandatory link between the Service Reporting Code of Practice (SeRCOP) and the Comprehensive Income and Expenditure Statement (CIES).

- Introduction of a new Expenditure and Funding Analysis to provide a direct reconciliation between funding and budget, and the CIES, in a way that is accessible to the lay-reader. The Expenditure and Funding Analysis will be supported by a streamlined Movement in Reserves Statement (MiRS) and replaces the previous segmental reporting note.

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

6. Events After the Reporting Date

The audited Statement of Accounts was authorised for issue by the Chief Financial Officer (Section 73 Officer) and the Combined Authority leaders on 11 September 2017. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

7. Material Items of Income and Expense (Exceptional items)

2016/2017

There were no exceptional items in 2016/17.

2015/2016

There were no exceptional items in 2015/16.

8. Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis:

2016/17				
Adjustments from General Fund to arrive at the CI&ES Amounts	**Adjustments for Capital Purposes £000**	**Net change for the Pensions Adjustment £000**	**Other Differences £000**	**Total Adjustments £000**
Transport Authority	(3,138)	0	622	(2,516)
Local Enterprise Partnership	(35,292)	0	1,499	(33,793)
Transport for the North	0	0	0	0
Net Cost of Services	**(38,430)**	**0**	**2,121**	**(36,309)**
Other income & expenditure from the Expenditure & Funding Analysis	0	0	(1,337)	(1,337)
Difference between General Fund Surplus / Deficit and CI&ES Surplus / Deficit on Provision of Services	**(38,430)**	**0**	**784**	**(37,646)**

2015/16				
Adjustments from General Fund to arrive at the CI&ES Amounts	**Adjustments for Capital Purposes £000**	**Net change for the Pensions Adjustment £000**	**Other Differences £000**	**Total Adjustments £000**
Transport Authority	(3,537)	0	393	(3,144)
Local Enterprise Partnership	0	0	285	285
Transport for the North	0	0	0	0
Net Cost of Services	**(3,537)**	**0**	**678**	**(2,859)**
Other income & expenditure from the Expenditure & Funding Analysis	0	0	(678)	(678)
Difference between General Fund Surplus / Deficit and CI&ES Surplus / Deficit on Provision of Services	**(3,537)**	**0**	**0**	**(3,537)**

Adjustments for Capital Purposes - The statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from income and expenditure as these are not chargeable under generally accepted accounting practices.

Net Change for the Pensions Adjustments - The Combined Authority has no IAS 19 Employee Benefits pension related expenditure and income

Other Differences - Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For Services - adjusted for interest payable / receivable which is added to the Financing and Investment income and expenditure line under other income & expenditure.

- For Financing and investment income – The charge for services here is a statutory adjustment for a financial instrument relating to a decision by the Combined Authority to issue loans to Rotherham and Barnsley Metropolitan Borough Councils. The loans are awarded at below market interest rates to enable investment in priority infrastructure projects in Barnsley and Rotherham.
- Taxation and non-specific grant income and expenditure – Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year.

9. Expenditure and Income Analysed by Nature

The Authority’s expenditure and income is analysed as follows:

2015/16 £000		**2016/17 £000**
	Expenditure:	
2,099	Employee Benefits Expenditure	2,783
116,103	Other Service Expenses	175,367
367	Support Service Recharges	371
1,388	Interest Payments	1,388
119,957	**Total Expenditure**	**179,909**
	Income:	
(685)	Fees, charges & other service income	784
(2,066)	Interest Investment Income	(2,725)
(132,546)	Government Grants & Contributions	(212,652)
0	Other Income	0
(135,297)	**Total Income**	**(214,593)**
(15,340)	**(Surplus) / Deficit on the Provision of Services**	**(34,684)**

Income and expenditure has increased significantly on 2015/16 due to the growth in the Combined Authority’s grant funded Local Growth Fund capital programme.

The reduction in income raised from fees and charges reflects the technical accounting required to show the economic cost of providing loans to partners for priority infrastructure investment at less than market rates.

Re-conciliation of Income analysed by nature to Comprehensive Income and Expenditure Statement

	£000
Income as analysed by nature	**(214,593)**
Interest Investment Income	2,725
Income as part of (Surplus) / Deficit on Continuing Operations in the CI&ES	**(211,868)**

10. Segmental Income

Income received on a segmental basis is analysed below:

2016/17

Services:	**£000 Fees, Charges & Service**	**£000 Interest & Investment**	**£000 Grants & Contributions**	**£000 Total Income**
Transport Authority	0	0	(80,645)	(80,645)
Local Enterprise Partnership	784	0	(116,814)	(116,030)
Transport for the North	0	0	(15,193)	(15,193)
Corporate	0	(2,725)	0	(2,725)
Total Income	**784**	**(2,725)**	**(212,652)**	**(214,593)**

2015/16

Services:	**£000 Fees, Charges & Service**	**£000 Interest & Investment**	**£000 Grants & Contributions**	**£000 Total Income**
Transport Authority	(4)	0	(95,744)	(95,748)
Local Enterprise Partnership	(681)	0	(16,679)	(17,360)
Transport for the North	0	0	(14,215)	(14,215)
Corporate	0	(2,066)	(5,908)	(7,974)
Total Income	**(685)**	**(2,066)**	**(132,546)**	**(135,297)**

CA does not internally report on the assets and liabilities of individual segments. Therefore, segmental analysis for these is not required to be disclosed.

11. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments, shown in the Movement in Reserves Statement, that are made to the total Comprehensive Income and Expenditure recognised by the Combined Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Combined Authority to meet future capital and revenue expenditure.

2016/17	General Fund Balance £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Reversal of items debited or credited to the CI&ES:					
Capital grants and contributions credited to the CI&ES	88,216	0	88,216	(88,216)	**0**
Application of grants and contributions to capital financing from the Capital Grants Unapplied Reserve	0	0	0	0	**0**
Application of grants and contributions to capital financing transferred to Capital Adjustment Account	35,292	0	35,292	(35,292)	**0**
Revenue expenditure funded from capital under statute	(88,216)	0	(88,216)	88,216	**0**
Amount by which finance costs calculated in accordance with the code are different from the amount of finance costs calculated in accordance with statutory requirements	(784)	0	(784)	784	**0**
Insertion of items not debited or credited to the CI&ES:					
Statutory provision for repayment of debt (MRP)	3,138	0	3,138	(3,138)	0
Total	**37,646**	**0**	**37,646**	**(37,646)**	**0**

2015/16 – Comparative Information	General Fund Balance £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Reversal of items debited or credited to the CI&ES:					
Capital grants and contributions credited to the CI&ES	34,806	0	34,806	(34,806)	**0**
Application of grants and contributions to capital financing from the Capital Grants Unapplied Reserve	0	0	0	0	**0**
Revenue expenditure funded from capital under statute	(34,806)	0	(34,806)	34,806	**0**
Insertion of items not debited or credited to the CI&ES:					
Statutory provision for repayment of debt (MRP)	3,537	0	3,537	(3,537)	0
Total	**3,537**	**0**	**3,537**	**(3,537)**	**0**

12. Transfers (to) / from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure during the year.

	Note	1 April 2015 £000	Transfer Out 2015/16 £000	Transfer In 2015/16 £000	Total Movements £000	31 March 2016 £000	Transfers Out 2016/17 £000	Transfer in 2016/17 £000	Total Movements £000	31 March 2017 £000
General Fund:										
Revenue Grants and Contributions:										
- Transport for the North	24	**0**	0	(10,912)	**(10,912)**	**(10,912)**	1,069	0	**1,069**	**(9,843)**
- Apprenticeship Grant for Employers	24	**0**	0	0	**0**	**0**	0	(682)	**(682)**	**(682)**
Other Earmarked Revenue Reserves:										
- PFI Revenue Reserve	24	**(6,068)**	2,000	(1,408)	**592**	**(5,476)**	0	(1,408)	**(1,408)**	**(6,884)**
- Local Growth Fund	24	**0**	131	(4,000)	**(3,869)**	**(3,869)**	623	0	**623**	**(3,246)**
- Levy Reduction Reserve	24	**0**	0	(36,923)	**(36,923)**	**(36,923)**	5,169	0	**5,169**	**(31,754)**
Total		**(6,068)**	**2,131**	**(53,243)**	**(51,112)**	**(57,180)**	**6,861**	**(2,090)**	**4,771**	**(52,409)**

13. Financing and Investment Income and Expenditure

The following table provides a breakdown of Financing and Investment Income and Expenditure.

Investment income has risen on prior years due to an adjustment in cash management strategies which have seen loans extended to third parties for longer periods. This is reflected on the balance sheet by the increase in longer term investments.

Interest payable relates to the £25m of loans held by the Combined Authority at an average 5.5% interest rate.

31March 2016 £000		31 March 2017 £000
1,388	Interest Payable and similar charges	1,388
(2,066)	Interest receivable and similar income	(2,725)
(678)	**Total**	**(1,337)**

14. Taxation and Non Specific Grant Income

The following table provides a breakdown of Taxation and Non Specific Grant Income:

Re-stated 31 March 2016 £000		31 March 2017 £000
0	LGF Funding from DCLG	0
0	LEP Core Funding from DCLG	0
0	PFI Grant From DCLG	0
0	**Total**	**0**

15. Financial Instruments

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

Current 31 March 2016 £000	Long Term 31 March 2016 £000		Current 31 March 2017 £000	Long Term 31 March 2017 £000
684	25,000	Financial liabilities at amortised cost	660	25,000
684	**25,000**	**Total other long term liabilities**	**660**	**25,000**
134,000	68,000	Loans and receivables	129,919	75,000
25,357	0	Cash and Cash Equivalents	15,448	0
159,357	**68,000**	**Total investments**	**145,367**	**75,000**
	4,156	**Soft Loans Provided**		**7,047**

Under accounting requirements the carrying value of the financial instrument value is 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.

The Combined Authority is owed £4.2m (£4.2m in 2015/16) in a dividend receivable from SYITA Properties Limited; a subsidiary company. The dividend of £6.7m was declared in 2008 and £2.5m was paid during 2015-16 leaving £4.2m outstanding at 31 March 2017.The outstanding dividend is treated as a soft loan to a subsidiary.

The present value of the loan is calculated as the present value of all future cash receipts discounted using the prevailing market rate of interest at which the authority could borrow for a loan with similar terms. The appropriate PWLB Interest rate is 2.69% (3.22% in 2015/16) which has been used to calculate the present value of the loan.

During the year, two further loans were made that are deemed as material soft loans.

The first was a loan of £1.5m to Rotherham MBC to help support development work on Forge Island. The loan is repayable by February 2027 unless the Combined Authority secures acceptable capital resources to enable the funding arrangements to become a grant. The loan was made at 0% interest, which was less than market rates of approximately 2.39% and therefore must be accounted for as a soft loan. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from Rotherham MBC, with the difference serving to increase the amortised cost of the loan in the Balance Sheet.

The second was a loan of £2.14m to Barnsley MBC to help support development work on the Better Barnsley Town Centre Retail and Leisure Scheme. The loan is repayable by March 2028 unless the Combined Authority secures acceptable capital resources to enable the funding arrangements to become a grant. The loan was made at 0% interest, which was less than market rates of approximately 2.51% and therefore must also be accounted for as a soft loan.

The detailed soft loan information is shown in the table below:

	31 March 2016 £000	**31 March 2017 £000**
Opening Balance	6,186	4,156
New Loans Granted	0	3,640
Less Fair Value Adjustment on Initial Recognition	0	(784)
Less Discounted Amount	(44)	(9)
Less Dividend Payment	(2,500)	0
Fair Value Adjustment	514	44
Balance Carried Forward	**4,156**	**7,047**
Nominal Value	**4,200**	**7,840**

Financial Instrument Gain / Losses

The Financial Instrument gains and losses recognised in the Comprehensive Income and Expenditure Statement are:

2015/16 Financial Liabilities	2015/16 Financial Assets Loans and receivable	2015/16 Total		2016/17 Financial Liabilities	2016/17 Financial Assets Loans and receivable	2016/17 Total
£000	**£000**	**£000**		**£000**	**£000**	**£000**
(1,388)	0	(1,388)	Interest expense	(1,388)	0	(1,388)
(1,388)	**0**	**(1,388)**	**Interest payable and similar charges**	**(1,388)**	**0**	**(1,388)**
0	2,066	2,066	Interest income	0	2,725	2,725
0	**2,066**	**2,066**	**Interest and investment income**	**0**	**2,725**	**2,725**
(1,388)	**2,066**	**678**	**Net gain / (loss) for the year**	**(1,388)**	**2,725**	**1,337**

Fair Value of Assets and Liabilities Carried at Amortised Cost

The borrowings and investments disclosed in the Balance Sheet are shown at amortised cost. Their fair value can be assessed by calculating the net present value (NPV) of the cash flows that take place over the remaining life of the instruments which provides an estimate of the value of payments in the future in today's terms. The calculations have been made using the following assumptions:

- The discount rate used were the market rates as at 31 March (using bid prices where applicable) for instruments with the same duration (i.e. equal to the outstanding period from valuation date to maturity), loan structure and terms as that of the comparable instrument.
- For loans from the PWLB payable, new borrowing rates from the PWLB have been applied to provide the fair value under PWBL debt redemption procedures. This is because the premature repayment rate includes a margin which represents the lender's profit as a result of rescheduling the loan, which is not included in the fair value calculation since any motivation other than securing a fair price should be ignored.
- For non-PWLB loans payable, PWLB prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures.
- As the purpose of the fair value disclosure is to provide a comparison with the carrying value in the Balance Sheet, accrued interest has been included in the fair valuation calculation as this is also reflected in the carrying amount. The accrued interest figure is calculated up to and including the valuation date.
- For loans receivable, the prevailing benchmark market rates have been used to provide the fair value.
- No early repayment or impairment has been recognised.
- Interest is calculated using the most common market convention ACT/365 (366 days in a leap year with the exception of PWLB which are charged on a 365 day basis regardless of leap years).

- Where an instrument has a maturity of less than 12 months, the fair value is taken to be the carrying amount.
- Where interest is paid / received every 6 months on a daily basis, the value of interest is rounded to 2 equal instalments.
- For fixed term deposits it is assumed that interest is received on maturity, or annually if duration is > 1 year.
- The interest value and date has not been adjusted where a relevant date occurs on a non-working day.

The fair values calculated are:

31 March 2016 Carrying Amount £000	31 March 2016 Fair Value £000		31 March 2017 Carrying Amount £000	31 March 2017 Fair Value £000
(25,000)	(32,712)	PWLB debt	(25,000)	(33,782)
(25,000)	**(32,712)**	**Total Financial Liabilities**	**(25,000)**	**(33,782)**

The table above reflected the aggregate position of Combined Authority's loan portfolio as at the Balance Sheet date. The fair value is greater than the carrying amount because the Combined Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates applicable to similar loans in the market at the Balance Sheet date. This commitment to pay interest above current market rate increases the amount that the Combined Authority would have to pay (in terms of premiums etc.) if the lender requested or agreed to early repayment of the loans.

The fair value of the Public Works Loan Board (PWLB) loans of £33.8m 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, the authority 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 £25.0m would be valued at £33.8m. But, if the authority 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 £37.4m.

31 March 2016 Carrying Amount £000	31 March 2016 Fair Value £000		31 March 2017 Carrying Amount £000	31 March 2017 Fair Value £000
68,000	71,187	Loans & Receivables - Long Term	75,000	78,501
134,611	134.709	Loans & Receivables - Current	124,013	124,087
202,611	**205,896**	**Loans & Receivables - Total**	**199,013**	**202,588**

The Combined Authority held a number of fixed terms investments with durations up to 364 days with banks and other financial institutions totalling £124.0m (including accrued interest) compared to £134.6m in 2015/16.

The Combined Authority also has a number of fixed term investments with Local Authorities totalling £75m (£68m in 2015/16).

Other deposits were held in instant access deposit accounts and Money Market Funds (MMFs) and are classed as Cash or Cash Equivalents.

16. Nature and Extent of Risks Arising from Financial Instruments

Key Risks

The Combined Authority's activities expose it to a variety of financial risks, the key risks are:

- Credit Risk — The possibility that other parties might fail to pay amounts due to the Combined Authority.
- Liquidity Risk — The possibility that the Combined Authority might not have funds available to meet its commitments to make payments.
- Re-financing Risk — The possibility that the Combined Authority might be required to renew a financial instrument on maturity at disadvantageous interest or terms.
- Market Risk — The possibility that financial loss might arise for the Combined Authority as a result of changes in such measures as interest rates and stock market movements.

Overall Procedures for Managing Risk

The Combined Authority's overall risk management procedures focus on the unpredictability of financial markets and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Combined Authority to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall these procedures require the Combined Authority to manage risk in the following ways:

- By formally adopting the requirements of the CIPFA Code of Practice on Treasury Management.

- By the adoption of a Treasury Policy Statement and treasury management clauses within the Combined Authority's Financial Regulations / Standing Orders / Constitution.

- By approving annually in advance prudential indicators for the following three years limiting:

    - The Combined Authority's overall borrowing.
    - The maximum and minimum exposures to fixed and variable rates.
    - The maximum and minimum exposure in regard to the maturity structure of debt.
    - The maximum annual exposures to investments maturing beyond a year.

- By approving an investment strategy for the forthcoming year setting out the criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

The prudential indicators are reported and approved as part of the Combined Authority's annual budget setting process. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Combined Authority's financial instrument exposure actual performance is also reported six monthly and annually to Members.

The Combined Authority maintains written principles / policies (the Treasury Management Practices or TMPs) for overall risk management, covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash. These TMPs are a requirement of the Code of Practice which are updated and implemented by the Treasury Management and Banking team.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Combined Authority's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the Combined Authority's investment criteria.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless the meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standards & Poors Credit Rating Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

The Combined Authority adopts a counterparty list based on a model provided by Capita Asset Services using credit ratings from all three rating agencies (Fitch, Moody's and Standard and Poors) and also using the following information:

- Credit updates and credit outlooks from credit rating agencies.

- Credit Default Swap spreads to give early warning of likely changes in credit ratings (a CDS is the market perception of credit risk for financial institutions).

- Sovereign ratings to enable the Combined Authority to only select counterparties from the most creditworthy countries.

This modelling approach combined credit ratings, credit updates, credit outlooks and CDS spreads in a weighted scoring system which indicated the relative creditworthiness of counterparties. From this the Combined Authority was able to determine the maximum amounts and durations to invest with institutions. This approach ensured that the Combined Authority only invested with the very highest rated institutions, from countries with a strong creditworthiness.

The credit rating of counterparties is monitored regularly. The Combined Authority is alerted to changes to ratings by all three agencies through its use of the Capita Asset Service's creditworthiness service. On occasions ratings were downgraded when an investment had already been made. The criteria used are such that minor downgrades are extremely unlikely to affect the full receipt of the principal and / or interest.

If a downgrade resulted in the counterparty / investment scheme no longer meeting the Combined Authority's minimum criteria, it was immediately removed from the list. New counterparties which met the criteria were also added to the list.

In addition to the use of Credit Ratings the Combined Authority is advised of information in movements in Credit Default Swaps (CDS) against a defined benchmark range (the iTraxx benchmark) and other market data on a weekly basis. Changes in the CDS outside of the benchmark would potentially result in the downgrade of an institution or removal from the Combined Authority's lending list.

Sole reliance was not placed on the use of this model. In addition the Combined Authority also used market data and market information, information on government support for banks and the credit ratings of the government that supports them to inform decisions on which institutions to invest with.

The following analysis summarises the Combined Authority's potential maximum exposure to credit risk as at 31 March 2017, based on experience of default assessed by the rating agencies and the Combined Authority's past experience, adjusted to reflect current market conditions.

	Amount at 31 March 2017	Historical Experience of Default	Adjustment for conditions at 31 March 2017	Estimated Maximum Exposure to Default
Deposits with	**£000**			**£000**
AAA rated counterparties	31,163	0%	0.000%	0
AA rated counterparties	141,000	0%	0.060%	85
A+ rated counterparties	22,500	0%	0.011%	2
A rated counterparties	25,000	0%	0.012%	3
A- rated counterparties	10,000	0%	0.017%	2
	229,663			**92**

* As per the Code guidance the percentage for financial instruments in terms of both historical default are calculated by looking at the Combined Authority's actual experience of default rather than the general position in the market. In the case of the Combined Authority there has been no past experience of default. The adjustment for conditions at 31 March 2017 reflects the risk on this deposit at that date as determined by Credit Rating Agencies.

	Amount at 31 March 2016	Historical Experience of Default	Adjustment for conditions at 31 March 2016	Estimated Maximum Exposure to Default
Deposits with	**£000**			**£000**
AAA rated counterparties	20,514	0%	0.000%	0
AA+ rated counterparties	112,000	0%	0.163%	183
A rated counterparties	50,000	0%	0.007%	3
A- rated counterparties	20,215	0%	0.001%	0
BBB rated counterparties	25,000	0%	0.040%	10
	227,729			**196**

* As per the Code guidance the percentage for financial instruments in terms of both historical default are calculated by looking at the Combined Authority's actual experience of default rather than the general position in the market. In the case of the Combined Authority there has been no past experience of default. The adjustment for conditions at 31 March 2016 reflects the risk on this deposit at that date as determined by Credit Rating Agencies.

As at 31 March 2017 the Combined Authority held £57.5m in fixed term deposits with banks and other financial institutions. At 31 March 2017, the default risk attached to these deposits ranged between 0.00% and 0.017%. The Authority also held £141m in fixed term investments with other Local Authorities – of which £75m are longer term investments.

Other funds held at the year-end (£31.2m) were deposited with AAA Money Market Funds (MMFs) and an instant access account. As these funds offer instant access these deposits have been classified as Cash and Cash Equivalents in the accounts.

The table below shows that the Combined Authority's outstanding investment balance as at 31 March 2017 was £198.5m (including £75m in Long Term Investments); and at 1 April 2016 the outstanding balance was £202m (£68m in Long Term investments).

31 March 2017			
Financial Institution	**Rating of Counterparty**	**Country**	**Amount £000**
Local Authorities		UK	141,000
Barclays Bank plc	A-	UK	10,000
Lloyds Bank plc	A	UK	10,000
Nationwide Building Society	A	UK	15,000
Qatar National Bank	A+	Qatar	7,500
Santander UK plc	A+	UK	15,000

31 March 2016– Comparative Information			
Financial Institution	**Rating of Counterparty**	**Country**	**Amount £000**
Local Authorities		UK	112,000
Barclays Bank plc	A-	UK	10,000
Leeds Building Society	A-	UK	5,000
Lloyds Bank plc	A	UK	20,000
Nationwide Building Society	A	UK	15,000
Royal Bank of Scotland plc	BBB+	UK	25,000
Santander UK plc	A	UK	15,000

No credit limits were exceeded during the reporting period and the Authority does not expect any losses from non-performance by any of its counterparties in relation to its deposits.

During the reporting period the Combined Authority held no collateral as security.

The Combined Authority had no impairment on its investment portfolio during the year.

Liquidity Risk

The Combined Authority has ready access to borrowings from the Money Markets to cover any day to day cash flow needs and whilst the PWLB provides access to longer term funds; PWLB also acts as a lender of last resort to Combined Authority (although it will not provide funding to a Combined Authority whose actions are unlawful). The Combined Authority is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that the Combined Authority will be unable to raise finance to meet its commitments under financial instruments.

The Combined Authority manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through cash flow management procedures required by the Code of Practice. This ensures that cash is available when needed.

All sums owing to the Combined Authority from funds deposited in MMFs and instant access bank accounts is £31.2m as at 31 March 2017 and offer instant repayment.

Refinancing and Maturity Risk

The Combined Authority maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Combined Authority relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Combined Authority approved treasury and investment strategies address the main risks and the Treasury Management and Banking team address the operational risks within the approved parameters. This includes:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt.

- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Combined Authority's day to day cash flow needs and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is:

	2015/16				2016/17	
Principal	**Accrued Interest**	**Principal plus Interest**		**Principal**	**Accrued Interest**	**Principal plus Interest**
£000	**£000**	**£000**		**£000**	**£000**	**£000**
12,000	0	12,000	Between 5 and 10 years	12,000	0	12,000
13,000	0	13,000	More than 10 years	13,000	0	13,000
25,000	**0**	**25,000**	**Total**	**25,000**	**0**	**25,000**

The maturity analysis of financial assets is:

2015/16 Principal	2015/16 Accrued Interest	2015/16 Principal plus Interest		2016/17 Principal	2016/17 Accrued Interest	2016/17 Principal plus Interest
£000	£000	£000		£000	£000	£000
12,000	0	12,000	Between 5 and 10 years	12,000	0	12,000
13,000	0	13,000	More than 10 years	13,000	0	13,000
25,000	**0**	**25,000**	**Total**	**25,000**	**0**	**25,000**

Cash and Cash Equivalents are not shown in the above table.

All trade debtors and other payables are due to be paid in less than one year and are not shown in the above table.

Market Risk

Interest Rate Risk

The Combined Authority is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Combined Authority, depending on how variable and fixed interest rates move across differing financial instrument periods, e.g. a rise in variable and fixed interest rates would have the following effects:

- Borrowing at variable rates — The interest expense charged to the Comprehensive Income and Expenditure Statement will rise.
- Borrowing at fixed rates — The fair value of the borrowing liability will fall (no impact on revenue balances).
- Investments at variable rates — The interest income credited to the Comprehensive Income and Expenditure Statement will rise.
- Investments at fixed rates — The fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance, subject to influences from Government grants (i.e. HRA).

The Combined Authority has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Combined Authority’s prudential indicators and its expected treasury operations, including an expectation of interest rate movements. Within the strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposures. The Treasury Management team will monitor market and forecast interest rates within the year to adjust exposures appropriately, e.g. during periods of falling interest rates and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns and the drawing of longer term fixed rate borrowing would be postponed when rates rise.

In order to minimise the Combined Authority's exposure to loan interest functions the Combined Authority will only have a maximum of 10% variable rate debt as a percentage of total debt. At the 31 March 2017, variable rate debt as a proportion of total debt was nil.

If interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings *	0
Increase in interest receivable on variable rate investments **	692
Increase in government grant receivable for financing costs	0
Impact on Surplus or Deficit on the Provision of Services	692
Decrease in fair value of fixed rate investment assets****	366
Impact on Other Comprehensive Income and Expenditure *****	0
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	3,166

Notes:

*All borrowing raised from the PWLB were at fixed rates in 2016/17 and as a result a change in interest rates would have no effect on the interest payable on these loans, the amount of government grant received and on the Comprehensive Income and Expenditure Statement.

** Based on a 1% increase on the weighted average interest rate and investment balance for 2016/17.

**** A number of fixed term investments totalling £141m (of which £75m is long term) are held with various Local Authorities at the year end. There was a further £57.5m held with banks and other financial institutions which are classified as fixed. Other investments held by the Combined Authority at the year-end were deposited with Money Market Funds (MMFs) and Deposit Accounts which offer instant access to funds and therefore classified as Cash or Cash Equivalents on the Balance Sheet.

***** All of the Combined Authority assets are classed as loans and receivables and therefore this figure is zero as there is no impact on the Comprehensive Income and Expenditure Statement.

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the note – Fair Value of Assets and Liabilities carried at Amortised Cost.

Foreign Exchange Risk

The Combined Authority has no significant financial assets or liabilities denominated in foreign currencies and therefore no material exposure to loss arising from movements in exchange rates.

17. Long Term Debtors

The following is an analysis of Long Term Debtors:

31 March 2016 £000		31 March 2017 £000
4,156	Dividend Receivable from SYITA Properties Limited	0
0	Other Local Authorities	2,856
0	SCR Financial Interventions Holding Company Ltd	15,653
0	JESSICA	15,000
0	Finance for Enterprise Agency	1,000
4,156	**Total**	**34,509**

Long term debtors have increased substantially on the prior year due to the decision to extend loans to support priority investment projects. This is often a more efficient means of supporting projects than awarding grants, as loans can be recycled to support other schemes into the future.

Loans extended during the year include capital loans to the SCR Financial Interventions Holding Company Ltd to support housing and property aspirations (£15.6m), loans to the JESSICA property investment fund (£15m), and £1m to the Finance for Enterprise agency. The dividend has been re-classified as Short-Term.

18. Long Term Investments

The following is an analysis of Long Term Investments:

31 March 2016 £000		31 March 2017 £000
68,000	Investments with Local Authorities	75,000
6,472	Investment in Subsidiary	0
74,472	**Total**	**75,000**

During the year, the Combined Authority granted a further two long-term loans, both to Lancashire County Council and both for two years, totalling £10m. A loan to Warrington Borough Council of £3m reflected in the prior year figure has moved to Short-Term Investments. The investment in subsidiary has also moved to Short-Term.

The longer term investments are capped at 10 years as per the Authority’s treasury management strategy. This has enabled the CA to secure improved returns on core cash balances and provide cost-effective finance to the Local Authorities involved (Doncaster, Rotherham and Sheffield).

The ageing of the investment balance is:

31 March 2016 £000		31 March 2017 £000
3,000	Between one and two years	20,000
20,000	Between two and five years	32,000
45,000	Between five and ten years	23,000
68,000	**Total**	**75,000**

19. Short Term Debtors

The following is an analysis of short term Debtors:

31 March 2016 £000		31 March 2017 £000
1,418	Central Government Bodies	3,018
1,262	Other Local Authorities	2,780
11,714	Other Entities and Individuals	4,848
14,394	**Total**	**10,646**

The significant fall in other entity debtors reflects the transfer of a £10m loan to the JESSICA investment fund to long term debtors, off-set by the £4m SYITA dividend being re-classified as short-term.

20. Cash and Cash Equivalents

The following is an analysis of Cash and Cash Equivalents shown in the Balance Sheet:

31 March 2016 £000		31 March 2017 £000
(372)	Cash at Bank	(62)
25,729	Short Term Investments	15,510
25,357	**Total**	**15,448**

21. Short Term Borrowing

The balance of Short Term Borrowing relates to a number of loans from other local authorities for the Combined Authority / LEP.

31 March 2016 £000		31 March 2017 £000
(684)	Other Local Authorities	(660)
(684)	**Total**	**(660)**

22. Short Term Creditors

The following is an analysis of Creditors:

31 March 2016 £000		31 March 2017 £000
(3,770)	Central Government Bodies	(7,156)
(22,012)	Other Local Authorities	(22,960)
(13,094)	Other Entities and Individuals	(15,682)
(38,876)	**Total Creditors**	**(45,798)**

23. Other Long Term Liabilities

The Authority manages cash on behalf of SYPTE. The full value of Other Long Term Liabilities relates to the balance held for SYPTE, expected to be drawn down after more than one year. SYPTE have accumulated this cash to allow them to pay down maturing loans as they fall due. SYPTE's treasury management function is conducted by the Combined Authority on its behalf with cash invested in line with the annual treasury management strategy.

31 March 2016 Fair Value £000		31 March 2017 Fair Value £000
(197,077)	South Yorkshire Passenger Transport Executive	(193,949)
(197,077)	**Total**	**(193,949)**

24. Usable Reserves

Movements in the Combined Authority's usable reserves are detailed in the Movement in Reserves Statement**.**

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an Combined Authority are required to be paid and out of which all liabilities of the Combined Authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Combined Authority is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Combined Authority is required to recover) at the end of the financial year.

The table below provides a breakdown of the General Fund available balance:

31 March 2016 £000		31 March 2017 £000
(5,888)	General Balances Available	(5,888)
(646)	CA/LEP General Reserve	(2,455)
(6,534)	**Total**	**(8,343)**

Earmarked General Fund Reserves

The table below provides a breakdown of the earmarked reserves balance:

31 March 2016 £000		31 March 2017 £000
	Revenue Grants and Contributions Reserve:	
(10,912)	- Transport for the North	(9,843)
0	- Apprenticeship Grant for Employers	(682)
	Other Earmarked Reserves:	
(5,476)	- PFI Revenue Reserve	(6,884)
(3,869)	- Local Growth Fund Reserve	(3,246)
(36,923)	- Levy Reduction Reserve	(31,754)
(57,180)	**Total**	**(52,409)**

Earmarked reserves are set aside to meet known or predicted liabilities, but ones that are not certain enough to create an exact provision in the accounts. The liabilities are, however, likely enough to say that the earmarked reserves are not normally available to fund the budget or other measures.

Earmarked reserves are available to fund capital or revenue expenditure. Expenditure is charged to the revenue or capital account when it is incurred and is financed by an appropriation from the reserve through the Movement in Reserves Statement.

A list of earmarked reserves, their purpose and proposed use are set out below.

- Revenue Grants and Contributions Reserve: Where a revenue grant or contribution (or part thereof) has been recognised as income in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from that grant or contribution has not been incurred at the Balance Sheet date, the grant or contribution has been transferred to the Revenue Grants and Contributions reserve to support future spend.
- Private Finance Initiative (PFI) Revenue Reserve: The PFI reserve is for Doncaster Interchange and exists due to Government funding being received in advance to pay future years' liabilities. This income is set aside in a reserve until needed to ensure sufficient funds are available to cover the cost of the contract in future years.
- Local Growth Fund (LGF) Reserve: The LGF reserve was created to sustain Business Growth activity previously funded by one-year grants. Along with specific project activity, the reserve will be used to fund the region's Growth Hub and Access to Finance teams into the future, along with other associated activity. The reserve was created from a £4m revenue grant awarded to the Combined Authority in April 2015.

- Levy Reduction Reserve: South Yorkshire revenue transport activity is principally funded from the transport levy negotiated with the South Yorkshire local authority partners. As partner budgets continue to come under strain from government funding cuts it is anticipated that the levy will need to fall. To support partners and wherever possible protect services, the Combined Authority undertook a major restructure of SYPTE's capital financing structure in 2014 and 2015 that has created a revenue reserve (the Levy Reduction Reserve) at the Combined Authority that stood at £31.8m at the end of 2016/17. This reserve will be drawn upon in future years to support sustainable levy reductions as work continues to reduce SYPTE's cost base.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

The table below shows the balance of the Capital Receipts Reserve:

31 March 2016 £000		**31 March 2017 £000**
(5,343)	Capital Receipts Reserve	(5,343)
(5,343)	**Total**	**(5,343)**

No draw was made upon the capital receipts reserve during 2015/16 or 2016/17.

Capital Grants Unapplied Reserve

The Capital Grants Unapplied Reserve holds the grants and contributions received towards capital projects for which the Authority has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and / or the financial year in which this can take place.

As at 31 March 2017 the balance on the Capital Grants Unapplied Reserve was nil (nil at 31 March 2016).

25. Unusable Reserves

The following table summarises the Unusable Reserves balances:

1 April 2016 £000		31 March 2017 £000
	Capital Reserves:	
107,195	Capital Adjustment Account	68,765
107,195		68,765
	Revenue Reserves:	
0	Financial instruments Adjustment Account	784
0		784
107,195	**Total**	**69,549**

Capital Reserves

Capital Reserves are not available for revenue purposes and certain ones can only be used for specific statutory purposes.

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Combined Authority as finance for the costs of acquisition, construction and enhancement.

2015/16 £000		2016/17 £000
110,732	**Balance at 1 April**	**107,195**
	Reversal of items relating to capital expenditure debited or credited to the CI&ES:	
34,806	Revenue expenditure funded from capital under statute	88,216
145,538	Net written out amount of the cost of non-current assets consumed in the year	195,411
	Capital financing applied in the year:	
(34,806)	Capital grants and contributions credited to the CI&ES	(88,216)
0	Application of grants and contributions to capital financing transferred to Capital Adjustment Account	(35,293)
(3,537)	Statutory provision for the repayment of debt	(3,138)
(38,343)		(126,647)
107,195	**Balance at 31 March**	**68,765**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Combined Authority uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Authority's case, this period is either the unexpired term that was outstanding on the loans when they were redeemed or the term of the replacement loan.

2015/16 £000		2016/17 £000
0	**Balance at 1 April**	**0**
0	Soft Loan Amortisation	784
0	Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements	784
0	**Balance at 31 March**	**784**

26. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2015/16 £000		2016/17 £000
2,066	Interest Received	2,725
(1,388)	Interest Paid	(604)
678	**Total**	**2,121**

The surplus or (deficit) on the provision of services has been adjusted for the following non-cash movements:

2015/16 £000		2016/17 £000
921	Increase / (decrease) in creditors	6,922
(11,647)	(Increase) / decrease in debtors	3,748
4	Other non-cash items charged to the net surplus or deficit on the provision of services	854
(10,722)	**Total**	**11,524**

The surplus or (deficit) on the provision of services has been adjusted for the following items that are investing and financing activities:

2015/16 £000		2016/17 £000
0	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	(6,419)
(34,806)	Any other items for which the cash effects are investing or financing cash flows	(47,722)
(34,806)	**Total**	**(54,141)**

27. Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

2015/16 £000		2016/17 £000
(287,000)	Purchase of short term and long term investments	(196,000)
0	Other payments for investing activities	(31,083)
199,000	Proceeds from short term and long term investments	199,500
63,673	Other receipts from investment activities	98,127
(24,327)	**Total**	**70,544**

28. Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

2015/16 £000		2016/17 £000
0	Repayments of short and long-term borrowing	(3,152)
5,058	Other receipts from financing activities	0
5,058	**Total**	**(3,152)**

29. Officers' Remuneration

The Combined Authority is not an employing body. Instead, officers are recruited on behalf of the Combined Authority and paid for through BMBC's HR function. The costs of these officers are then re-charged to the Combined Authority.

During financial year 2016/17 there was significant flux in the Combined Authority's staffing structure. Much of the year was spent concluding a new organisational structure which would resource the Combined Authority to operate in an environment where devolution powers and funding were available. This restructure was concluded by January.

Whilst this restructure was underway, it was felt prudent not to recruit into vacant posts, and not to back-fill posts vacated by officers mid-year unless there was a critical business need. Where necessary, consultants and temporary workers occupied key roles.

The remuneration paid to the Combined Authority's senior employees is shown in the table below:-

2016/17	Salary	Pension Contribution	Total
	£	£	£
Dr Dave Smith – Managing Director (Head of Paid Service)*	128,350		128,350
Deputy Managing Director	88,619	20,618	109,237
Director of Strategy and Corporate Affairs*	34,949	8,192	43,141
TOTAL	**251,918**	**28,810**	**280,728**

*The Managing Director was made Head of Paid Service at a meeting of the Combined Authority on 20/06/16. Prior to this the function was covered by the Clerk to the Authority.

*The Director of Strategy and Corporate Affairs' took up position with effect from 31/10/16.

The restructure undertaken during the course of the year has meant that there are now fewer officers reporting to the Managing Director than in previous years. This limits the number of officers for whom information is provided through this disclosure than in the previous year.

2015/16	Salary	Pension Contribution	Total
	£	£	£
Executive Director	98,267	20,053	118,320
Director of Skills & Performance	56,334	11,736	68,070
Head of Skills & Employment	52,603	11,185	63,788
Director of Transport	48,676	10,144	58,820
Head of Policy	47,167	10,063	57,230
TOTAL	**303,047**	**63,181**	**366,228**

The Combined Authority's other employees receiving more than £50,000 remuneration for the year were paid the following amounts:-

Remuneration Band	2016/17 Total
£50,000 - £54,999	4
£55,000 - £59,999	1
	5
There were no redundancies during the year	

For the financial years 2016/17 and 2015/16 Barnsley MBC have provided direct legal and Human Resources (HR) support to the Combined Authority, whilst Sheffield City Council have provided the Section 73 officer and finance function.

Members' Allowances

The Combined Authority paid the following amounts to Council Members who represent the local authorities that make up the Combined Authority during the year:

2015/16 Re-stated £000		2016/17 £000
0	Basic Allowance	0
3	Expenses	0
3	**TOTAL**	**0**

30. External Audit Fees

The Combined Authority has incurred the following costs in relation to the audit of the Statement of Accounts, provided by the external auditors:

2015/16 £000		2016/17 £000
63	Fees payable with regard to external audit services carried out by the appointed auditor	59
63	**Total**	**59**

31. Grant Income

The Combined Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

2015/16 £000		2016/17 £000
	Credited to Services:	
(495)	Department for Business Innovation and Skills	0
(16,098)	Department for Communities and Local Government	(69,202)
(43,642)	Department for Transport	(37,840)
(3,092)	Skills Funding Agency	(4,304)
0	Department for Business, Energy & Industrial Strategy	(410)
0	Careers Enterprise Company	(153)
0	Department for Health	(32)
0	Department for International Trade	(29)
(69,190)	English Local Government	(65,360)
(30)	Cabinet Office	(30)
(132,547)		**(177,360)**
	Credited to Taxation and Non Specific Grant Income:	
	Non-ring fenced Government Grants:	
0	Department for Communities and Local Government	0
0		**0**
(132,547)	**Total**	**(177,360)**

The Combined Authority has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that may require the monies or property to be returned to the giver. The balances at year end are as follows:

31 March 2016 £000		31 March 2017 £000
	Revenue Grants Receipts in Advance:	
(1,983)	Department for Business Innovation and Skills	(1,957)
(69)	Department for Transport	(696)
(65)	Cabinet Office	(297)
0	Department for Communities and Local Government	(28)
(2,117)	**Total**	**(2,978)**
	Capital Grants Receipts in Advance:	
(627)	Department for Transport	(3,496)
(28,250)	Department for Communities and Local Government	0
(28,877)	**Total**	**(3,496)**

The high value of grants awarded by the Department for Communities and Local Government not yet applied relates to the grant awarded for the Local Growth Fund capital programme. All the cash associated with these grants has been deployed, but much of it by way of loan, reflected in the long-term debtor note to these accounts, rather than as defrayed expenditure.

32. Related Party Disclosures

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

For the Combined Authority, the main categories of related party are the 9 constituent Local Authorities, whose Leaders make up the membership of the Combined Authority and have direct control through voting rights.

Members

During 2016/17 and 2015/16 no works or services were commissioned from companies in which any members had an interest.

Officers

There have been no pecuniary interests involving the Head of Paid Service, the Chief Financial Officer or the Monitoring Officer to the Combined Authority.

Significant Transactions

2016/17							
	Note	**Receipts**	**Payments**	**Net Payments**	**Receivables**	**Payables**	**Net Assets**
Related Party		**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Sheffield City Council	**1**	(29,405)	23,583	**(5,822)**	25,838	(2,334)	**23,504**
Barnsley Metropolitan Borough Council	**2**	(11,266)	21,722	**10,456**	2,634	(1,357)	**1,277**
Doncaster Metropolitan Borough Council	**3**	(13,740)	13,998	**258**	10,000	(2,326)	**7,674**
Rotherham Borough Council	**4**	(11,934)	8,664	**(3,270)**	31,686	(1,087)	**30,599**
Bolsover District Council		(4)	0	**(4)**	0	0	**0**
Bassetlaw District Council	**5**	(4)	1,450	**1,446**	0	0	**0**
North East Derbyshire District Council		(4)	0	**(4)**	0	0	**0**
Chesterfield Borough Council	**6**	(167)	2,981	**2,814**	1,132	0	**1,132**
Derbyshire Dales District Council		(4)	0	**(4)**	0	0	**0**
South Yorkshire Passenger Transport Executive	**7**	(111)	68,528	**68,417**	0	(206,800)	**(206,800)**
South Yorkshire ITA Properties LTD		(101)	0	**(101)**	58	(103)	**(45)**
SCR Financial Interventions Holding Company	**8**	0	15,653	**0**	15,653	0	**15,653**

Notes – relating to significant transactions

1 Receipts: £25m transport levy. Payments: £27m capital grants. Receivables: £25m treasury loans. Payables: £1.9m capital accruals.

2 Receipts: £10.5m transport levy. Payments: £14.3m capital grants. Receivables: £2.1m investment loan. Payables: £1.3m capital grants accrued.

3 Receipts: £13.5m transport levy, Payments: £13.9m capital grants. Receivables: £10m treasury loan. Payables: £2.2m capital accruals.

4 Receipts: £11.5m transport levy. Payments: £4.9m capital grant. Receivables: £30m treasury loans, £1.5m investment loan. Payables: £1m capital accruals

5 Payments: £1.5m capital grant.

6 Payments: £3m capital grant. Receivables: £1.1m Enterprise Zone retained business rates.

7 Payments: £63m revenue support grant, £4m capital grants. Payables: cash retained for SYPTE.

8 Payments: £15.7m investment loan. Payables: £15.7m investment loan owed.

2015/16 - Comparative Information

Related Party	Note	Receipts £000	Payments £000	Net Payments £000	Receivables £000	Payables £000	Net Assets £000
Barnsley Metropolitan Borough Council	**1**	(11,858)	7,895	**(3,963)**	469	(2,123)	**(1,654)**
Doncaster Metropolitan Borough Council	**2**	(15,232)	8,270	**(6,962)**	5	(2,122)	**(2,117)**
Rotherham Borough Council	**3**	(13,041)	7,288	**(5,753)**	165	(1,811)	**(1.646)**
Sheffield City Council	**4**	(28,302)	8,916	**(19,386)**	357	(4,948)	**(4,591)**
Bolsover District Council	**5**	(4)	6	**2**	0	0	**0**
Bassetlaw District Council	**6**	(4)	0	**(4)**	0	0	**0**
North East Derbyshire District Council	**7**	(4)	0	**(4)**	0	0	**0**
Chesterfield Borough Council	**8**	(4)	48	**44**	255	0	**255**
Derbyshire Dales District Council	**9**	(4)	0	**(4)**	0	0	**0**
South Yorkshire Passenger Transport Executive	**10**	0	14,227	**14,227**	11	(69,425)	**(69,414)**
SYITA Properties Ltd	**11**	0	0	**0**	4,156	0	**4,156**

1 Income (split across receipts and receivables) - £13.1m Transport Levy, £0.03m LEP Subs, £0.5m Enterprise zone, £0.09m Loan w/off. Expenditure (split across payments and payables) - £3m highways capital maintenance grant and £2.5m payment for Local transport Plan and Local Sustainable Transport Fund.
2 Income - £17m Transport Levy, £0.04m LEP Subs, £0.09m Loan w/off. Expenditure (split across payments and payables) - £3.4m payment of highways capital maintenance grant and £4.1m payment for Local Transport Plan and Local Sustainable Transport Fund.
3 Income - (split across receipts and receivables) - £14.5m Transport Levy, £0.04m LEP Subs, £0.13m Enterprise zone, £0.09m Loan w/off. Expenditure (split across payments and payables) - £2.7m payment of highways capital maintenance grant and £4.3m payment for Local Transport Plan / Local Sustainable Transport Fund.
4 Income - £31.4m Transport Levy, £0.08m LEP Subs, £0.02m Enterprise zone, £0.19m Loan write off. Expenditure (split across payments and payables) - £7.5m payments for Local Transport Plan / Local Sustainable Transport Fund.
5 £0.004m LEP Subs income, £0.023m Loan write off.
6 £0.027m Loan write off.
7 £0.004m LEP Subs income, £0.023m Loan write off.
8 £0.004m LEP Subs income, £0.023m Loan write off.
9 £0.004m LEP Subs income.
10 £110.35m Revenue and Capital Grant payments, £2.45m PFI, £10.6m Local Transport Plan / Local Sustainable Transport Fund and £0.1m Expenses.
11 £6.186m Soft Loan.

Group Subsidiaries

South Yorkshire Passenger Transport Executive

The balance owing to South Yorkshire Passenger Transport Executive as at 31 March is shown in the table below:

2015/16 £000		2016/17 £000
116,458	Amount held by the CA to repay SYPTE loans	115,945
87,498	Grant monies owing to SYPTE	90,855
203,956	**Total owed to SYPTE by the CA**	**206,800**

South Yorkshire ITA Properties Ltd

The Combined Authority owns the share capital of SYITA Properties Ltd (formerly SYPTA Ltd), a company set up in accordance with the provisions of the Transport Act 1985. The principal activity is the rental of property for business use.

The net worth of the company as at 31 March 1985 was £9.5m. The Combined Authority owns 17,608,900 of the 17,608,902 shares issued by the company, the other two being held by an employee of Barnsley MBC as the nominee of the Combined Authority. The nominal value of the ordinary share capital was reduced from £1 to 55p per share following a capital restructuring exercise undertaken in 1993/94. The issued share capital is therefore £9,684,896 with a called up value of £7,805,632.

Transactions with Other Public Bodies

The UK government exerts significant influence over the Combined Authority through legislation and grant funding. Grant funding received is detailed in the notes to the consolidated income and expenditure account. The following table shows transactions excluding grants:

2016/17							
Related Party	**Notes**	**Receipts £000**	**Payments £000**	**Net Payments £000**	**Receivables £000**	**Payables £000**	**Net Assets £000**
Derbyshire County Council	**1**	0	3,780	**3,780**	0	0	**0**
Lancashire County Council	**9**	0	15	**15**	10,000	0	**10,000**
Leeds City Council		0	0	**0**	0	(6)	**(6)**
Merseytravel	**2**	0	344	**344**	0	(81)	**(81)**
Network Rail	**3**	0	2,829	**2,829**	0	(1,211)	**(1,211)**
South Yorkshire Pensions Authority		(21)	24	**3**	0	0	**0**
Transport for Greater Manchester	**4**	0	5,339	**5,339**	0	(2,421)	**(2,421)**
West Yorkshire Combined Authority	**5**	0	769	**769**	0	(5,121)	**(5,121)**
Highways England	**6**	0	0	**0**	0	(376)	**(376)**
London & Continental Railways	**7**	0	0	**0**	0	(69)	**(69)**
North East Combined Authority	**8**	0	121	**121**	0	0	**0**

Notes relating to significant transactions

1 Settlement of prior year liability regarding Seymour Link.
2 Amounts transacted on behalf of Transport for the North
3 Amounts transacted on behalf of Transport for the North
4 Amounts transacted on behalf of Transport for the North
5 Amounts transacted on behalf of Transport for the North
6 Amounts transacted on behalf of Transport for the North
7 Amounts transacted on behalf of Transport for the North
8 Amounts transacted on behalf of Transport for the North
9 Long-Term Debtor

2015/16 - Comparative Information							
	Notes	**Receipts**	**Payments**	**Net Payments**	**Receivables**	**Payables**	**Net Assets**
Related Party		**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Derbyshire County Council	**1**	0	0	**0**	0	(3,780)	**(3,780)**
Network Rail	**2**	0	0	**0**	0	(845)	**(845)**
West Yorkshire Combined	**3**	0	0	**0**	0	(819)	**(819)**
Authority Transport For	**4**	0	0	**0**	0	(778)	**(778)**
Greater	**5**	0	288	**288**	0	0	**0**
Manchester Mersey travel	**6**	0	177	**177**	0	0	**0**
Transport for the North	**7**	(38)	34	**(4)**	0	0	**0**
South Yorkshire Pensions Authority	**8**	0	23	**23**	0	0	**0**

Notes relating to significant transactions
1 £3.8m grant for Seymour Link, all owed.
2 Northern Transport Strategy grant programme £845k, all owed.
3 Northern Transport Strategy grant programme £819k, all owed.
4 Northern Transport Strategy grant programme £778k, all owed.
5 Northern Transport Strategy grant programme £288k.
6 Northern Transport Strategy grant programme £177k.
7 Fees.
8 Fees

33. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure cannot be paid for immediately and is to be financed in future years by charges to revenue as the assets are used by the Combined Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Combined Authority that has yet to be financed.

2015/16 £000		2016/17 £000
	Capital Investment	
34,806	Revenue Expenditure Funded from Capital Under Statute	**88,216**
	Sources of Finance	
34,806	Government Grants and Other Contributions	88,216
0	Borrowing	0
34,806		**88,216**
	Capital Financing Requirements	
110,733	Opening Balance	107,196
0	Borrowing in Year	0
0	Application of grants and contributions	(35,293)
(3,537)	Statutory / Voluntary Provision for repayment of debt (MRP / VMRP)	(3,138)
107,196	**Closing Balance**	**68,765**
(25,000)	PWLB Borrowing	(25,000)
(684)	Other Borrowing	(660)
(25,684)		**(25,660)**
81,512	**Under borrowed**	**43,105**

Group Accounts

The Group accounts, as at 31 March 2017, comprise the accounts of the Combined Authority, together with those of the South Yorkshire Passenger Transport Executive and SYITA Properties Limited.

All intra-group trading, balances and unrealised gains and losses, at the end of the financial year 2016/17, have been eliminated in full. The Group Accounts have been prepared on a going concern basis.

South Yorkshire Passenger Transport Executive

The accounts of the South Yorkshire Passenger Transport Executive (SYPTE) are prepared in accordance with the Accounts and Audit (England) Regulations 2015. These regulations require the accounts to be prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (The Code) and the CIPFA Service Reporting Code of Practice 2016/17, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 7 of the 2015 Regulations.

The accounting convention of the SYPTE accounts is principally historic cost, modified by the revaluation of certain categories of assets and liabilities and financial instruments.

SYPTE has one subsidiary, Supertram Assets Limited, which is non-trading and interest in a joint venture with West Yorkshire Combined Authority, “Yorcard Limited”. Neither are material in value and SYPTE has taken the decision not to consolidate in to SYPTE’s accounts in 2016/17.

Further information about SYPTE’s accounts is available from the following address:

The Finance Department
South Yorkshire Passenger Transport Executive
11 Broad Street West
Sheffield
S1 2BQ

SYITA Properties Limited

The accounts of SYITA Properties Limited (formerly SYPTA Properties Limited) are prepared in accordance with UK Generally Accepted Accounting Practices and the Companies Act 2006.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008), which are then adjusted during consolidation into the Group accounts to be IFRS compliant.

Further information about SYITA Properties Limited accounts is available from the following address:
The Directors

SYITA Properties Limited
18 Regent Street
Barnsley
S70 2PQ

SCR Financial Interventions Holding Company Ltd

This company was repurposed in March 2017 from Sheffield Supertram Ltd. It is yet to produce financial statements.

Further information about SCR Financial Interventions Holding Company Ltd accounts are available from the following address:
The Directors
SCR Financial Interventions Holding Company Ltd
c/o SCR Combined Authority Finance
11 Broad Street West
Sheffield
S1 2BQ

South Yorkshire Passenger Transport Pension Fund

The Combined Authority has responsibility as the accountable body for the South Yorkshire Passenger Transport Pension Fund accounts, which are included as a memorandum item to these accounts and not consolidated into the Group.

Further information about South Yorkshire Passenger Transport Pension Fund accounts is available from the following address:

South Yorkshire Pensions Authority
18 Regent Street
Barnsley
South Yorkshire
S70 2HG

Basis of Dominant Influence

The Combined Authority is made up of the nine Leaders of Barnsley Metropolitan Borough Council, Doncaster Metropolitan Borough Council, Rotherham Metropolitan Borough Council, Sheffield City Council, Bassetlaw District Council, Bolsover District Council, Chesterfield Borough Council, North East Derbyshire District Council, and Derbyshire Dales Districts Council.

A copy of the Combined Authority constitution, which details the Combined Authority's functions, responsibilities, procedures and protocols can be found on the Combined Authority website Combined Authority Constitution.

Group Core Financial Statements

Group Expenditure and Funding Analysis Statement (EFA)

The Expenditure and Funding Analysis (EFA) shows how annual expenditure is used and funded from resources (government grants, rents) by the Authority in comparison with those resources consumed or earned by the Authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Authority's portfolios. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement (CIES).

2015/16							2016/17				
Single Entity £000	**Intercompany Adjustments £000**	**Net Expenditure Chargeable to the General Fund Balance £000**	**Adjustments between the Funding and Accounting Basis £000**	**Net Expenditure in the CI&ES £000**		**Notes**	**Single Entity £000**	**Intercompany Adjustments £000**	**Net Expenditure Chargeable to the General Fund Balance £000**	**Adjustments between the Funding and Accounting Basis £000**	**Net Expenditure in the CI&ES £000**
3,369	(74,703)	(71,334)	(3,145)	(74,479)	Transport Authority		3,761	(66,949)	(63,188)	(2,516)	(65,704)
(4,260)	0	(4,260)	285	(3,975)	Local Enterprise Partnership		(1,868)	(2,744)	(4,612)	(33,794)	(38,406)
(10,912)	0	(10,912)	0	(10,912)	Transport for the North		1,069	0	1,069	0	1,069
10,949	71,195	82,144	(5,569)	76,575	Transport Services – PTE		14,026	67,526	81,552	(10,210)	71,342
(847)	0	(847)	0	(847)	ITA Properties		(604)	542	(61)	0	(61)
(1,701)	**(3,508)**	**(5,209)**	**(8,429)**	**(13,638)**	**Net Cost of Services**	36	**16,385**	**(1,626)**	**14,759**	**(46,520)**	**(31,760)**
		(7,026)	(678)	(7,704)	Other Income & Expenditure				(13,838)	(1,337)	(15,175)
		(12,235)	**(9,107)**	**(21,342)**	**(Surplus) / Deficit**	**36**			**921**	**(47,857)**	**(46,935)**
		(58,764)			Opening General Fund Balance				(70,796)		
		(12,235)			Surplus / Deficit on General Fund in year				921		
		314			Other Movements				(239)		
		(70,685)			**Closing General Fund Balance at 31 March**				**(70,114)**		

Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Group, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

The (Surplus) / Deficit on the Provision of Services line shows the true economic cost of providing the Group's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance. The net (increase) / decrease before transfers to earmarked reserves line shows the statutory General Fund Balance before any discretionary transfers (to) or from earmarked reserves undertaken by the Group.

Group Movement in Reserves: Usable Reserves

2016/17	Note	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000
	Note	51	51	51	51	51
Balances transferred in at 1 April 2016		**(7,556)**	**(63,241)**	**(6,859)**	**(5,588)**	**(83,244)**
Movement in reserves during 2016/17:						
(Surplus) / deficit on provision of services	CI&ES	(46,935)	0	0	0	(46,935)
Other Comprehensive (Income) and Expenditure	CI&ES	(80)	0	0	0	(80)
Total Comprehensive (Income) and Expenditure		**(47,015)**	**0**	**0**	**0**	**(47,015)**
Adjustments between accounting basis and funding basis under regulations	39	47,856	0	178	(7,316)	40,718
Net (increase) / decrease before transfers to earmarked reserves		**841**	**0**	**178**	**(7,316)**	**(6,297)**
Transfers (to) / from earmarked reserves	40	(4,396)	4,238	0	0	(158)
(Increase) / decrease in year		**(3,555)**	**4,238**	**178**	**(7,316)**	**(6,455)**
Balance at 31 March 2017		**(11,111)**	**(59,003)**	**(6,681)**	**(12,904)**	**(89,699)**

Re-stated 2015/16 Re-stated – Comparative Information

	Note	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000
		51	51	51	51	51
Balances transferred in at 1 April 2015		**(45,490)**	**(13,276)**	**(7,003)**	**(6,130)**	**(71,899)**
Movement in reserves during 2015/16:						
(Surplus) / deficit on provision of services	CI&ES	(21,342)	0	0	0	(21,342)
Other Comprehensive (Income) and Expenditure	CI&ES	4	0	0	0	4
Total Comprehensive (Income) and Expenditure		**(21,338)**	**0**	**0**	**0**	**(21,338)**
Adjustments between accounting basis and funding basis under regulations	39	8,995	0	0	1,003	9,998
Net (increase) / decrease before transfers to earmarked reserves		**(12,343)**	**0**	**0**	**1,003**	**(11,340)**
Transfers (to) / from earmarked reserves	40	50,279	(49,965)	145	(459)	0
(Increase) / decrease in year		**37,936**	**(49,965)**	**145**	**544**	**(11,340)**
Balance at 31 March 2016		**(7,554)**	**(63,241)**	**(6,858)**	**(5,586)**	**(83,239)**

Group Movement in Reserves: Unusable Reserves and Total Group Reserves

2016/17

	Note	Capital Adjustment Account £000	Financial Instruments Adjustment Account £000	Deferred Capital Grant Reserve (PTE) £000	Revaluation Reserve £000	Pension Reserve (PTE) £000	Accumulated Absences Reserve (PTE) £000	Unusable Reserves £000	Total Group Reserves £000
	Note	52	52	52	52	52	52	52	
Balances transferred in at 1 April 2016		**107,195**	**0**	**(78,987)**	**(17,117)**	**41,687**	**57**	**52,835**	**(30,409)**
Movement in reserves during 2016/17:									
(Surplus) / deficit on provision of services	CI&ES	0	0	0	0	0	0	0	(46,935)
Other Comprehensive (Income) and Expenditure	CI&ES	0	0	0	(4,807)	5,654	0	847	767
Total Comprehensive (Income) and Expenditure		**0**	**0**	**0**	**(4,807)**	**5,654**	**0**	**847**	**(46,168)**
Adjustments between accounting basis and funding basis under regulations	39	(38,430)	784	(5,035)	937	1,026	0	(40,718)	0
Net (increase) / decrease before transfers to earmarked reserves		**(38,430)**	**784**	**(5,035)**	**(3,870)**	**6,680**	**0**	**(39,871)**	**(46,168)**
Transfers (to) / from earmarked reserves		0	0	0	158	0	0	158	0
(Increase) / decrease in year		**(38,430)**	**784**	**(5,035)**	**(3,712)**	**6,680**	**0**	**(39,713)**	**(46,167)**
Balance at 31 March 2017		**68,765**	**784**	**(84,022)**	**(20,829)**	**48,367**	**57**	**13,122**	**(76,576)**

2015/16 Re-stated– Comparative Information

	Note	Capital Adjustment Account £000	Deferred Capital Grant Reserve (PTE) £000	Revaluation Reserve £000	Pension Reserve (PTE) £000	Accumulated Absences Reserve (PTE) £000	Unusable Reserves £000	Total Group Reserves £000
	Note	52	52	52	52	52	52	
Balances transferred in at 1 April 2015		**110,733**	**(70,980)**	**(17,562)**	**45,264**	**60**	**67,515**	**(4,384)**
Movement in reserves during 2015/16:								
(Surplus) / deficit on provision of services	CI&ES	0	0	0	0	0	0	(21,342)
Other Comprehensive (Income) and Expenditure	CI&ES	0	0	(5)	(4,677)	0	(4,682)	(4,678)
Total Comprehensive (Income) and Expenditure		**0**	**0**	**(5)**	**(4,677)**	**0**	**(4,682)**	**(26,020)**
Adjustments between accounting basis and funding basis under regulations	39	(3,538)	(8,007)	450	1,100	(3)	(9,998)	0
Net (increase) / decrease before transfers to earmarked reserves		**(3,538)**	**(8,007)**	**445**	**(3,577)**	**(3)**	**(14,680)**	**(26,020)**
Transfers (to) / from earmarked reserves	40	0	0	0	0	0	0	0
(Increase) / decrease in year		**(3,538)**	**(8,007)**	**445**	**(3,577)**	**(3)**	**(14,680)**	**(26,020)**
Balance at 31 March 2016		**107,195**	**(78,987)**	**(17,117)**	**41,687**	**57**	**52,835**	**(30,405)**

Group Consolidated Comprehensive Income and Expenditure Statement

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

2015/16 Restated Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Notes	2016/17 Gross Expenditure £000	Gross Income £000	Net Expenditure £000
22,678	(97,157)	(74,479)	Transport Authority		14,941	(80,645)	(65,704)
17,885	(21,860)	(3,975)	Local Enterprise Partnership		77,625	(116,030)	(38,405)
3,303	(14,215)	(10,912)	Transport for the North		16,262	(15,193)	1,069
112,394	(35,819)	76,575	Transport Services – PTE		81,690	(10,348)	71,342
52	(899)	(847)	SYITA Properties		410	(471)	(61)
156,312	**(169,950)**	**(13,638)**	**(Surplus) / Deficit on Continuing Operations**		**190,927**	**(222,688)**	**(31,760)**
			Other Operating Income and Expenditure				43
		0	Gains on disposal of non-current assets				0
		0	Investment Property Change in Fair Value				277
		16,144	Financing and Investment Income	41			13,891
		(23,848)	Taxation and Non-Specific Grant Income	42			(29,386)
		(21,342)	**(Surplus) / Deficit on Provision of Services**				**(46,935)**
		(5)	(Surplus) / Deficit on revaluation of non-current assets				(4,821)
		0	Surplus / deficit on revaluation of available for sale financial assets				(66)
		(4,677)	Actuarial gains / losses on pensions assets / liabilities	63			5,654
		4	Other				0
		(4,678)	Other comprehensive income and expenditure				**768**
		(26,020)	**(Surplus) / deficit for the year**				**(46,168)**
		(15,341)	Combined Authority				(34,685)
		(9,869)	SYPTE				(11,144)
		(811)	SYITA Properties Ltd				(339)
		(26,020)					**(46,168)**

Group Consolidated Balance Sheet

The Balance Sheet shows the value, as at the Balance Sheet date, of the assets and liabilities recognised by the Group. The net assets of the Group (assets less liabilities) are matched by the reserves held by the Group.

Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Group may use to provide services, subject to the need to maintain a prudent level of reserves, and any statutory limitations on their use. The second category of reserves is unusable reserves, i.e. those that the Group is not able to use to provide services. This category includes reserves that hold unrealised gains and losses where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Re-stated 31 March 2016 £000		**Notes**	**As at 31 March 2017 £000**
5,408	Investment Property	45	4,952
244	Intangible Assets	43	183
115,037	Property, Plant and Equipment	44	122,224
120,689	**Non-Current Assets**		**127,359**
68,000	Long Term Investments	46	75,000
0	Long Term Debtors	46	18,856
68,000	**Long Term Assets**		**93,856**
188,689	**Total Long Term Assets**		**221,215**
134,001	Short Term Investments	46	123,501
0	Inventories		0
26,478	Short Term Debtors	47	22,977
28,842	Cash and Cash Equivalents	48	36,912
0	Assets Held for Sale		66
189,321	**Current Assets**		**183,456**
378,010	**Total Assets**		**404,671**
(7,947)	Short Term Borrowing	46	(11,502)
(47,114)	Short Term Creditors	49	(51,906)
(1,059)	Short Term Provisions	50	(1,644)
(176)	PFI / PPP Finance Lease Liability	62	(192)
(32,447)	Capital Grants Receipts In Advance	59	(4,811)
0	Other Liabilities		0
(88,743)	**Current Liabilities**		**(70,055)**
289,267	**Total Assets less Current Liabilities**		**334,616**
(205,327)	Long Term Borrowing	46	(198,017)
(202)	Long Term Provisions	50	(202)
(11,646)	PFI / PPP Finance Lease Liability	62	(11,454)
(41,687)	Net Pension Liability	63	(48,367)
(258,862)	**Long Term Liabilities**		**(258,040)**
30,405	**Net Assets / (Liabilities)**		**76,576**
(69,057)	Combined Authority		(66,095)
(13,766)	SYPTE		(22,689)
(417)	SYITA Properties Ltd		(915)
(83,240)	**Usable Reserves**	51	**(89,699)**
107,195	Combined Authority		69,549
(54,202)	SYPTE		(56,426)
(158)	SYITA Properties Ltd		0
52,835	**Unusable Reserves**	52	**13,123**
(30,405)	**Total Reserves**		**(76,576)**

Group Consolidated Cash Flow Statement

The Consolidated Cash Flow statement shows the changes in cash and cash equivalents of the Group during the reporting period. The statement shows how the Group 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 of the Group are funded by way of taxation and grant income or from the recipients of services provided by the Group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Group 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 the Group**.**

2015/16 £000		**Notes**	**2016/17 £000**
21,343	Net surplus or (deficit) on the provision of services		46,935
35,425	- Adjustment to surplus or (deficit) on the provision of services for non-cash movements	53	29,232
163,846	- Adjustment for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities	53	66,783
220,614	**Net cash flow from operating activities**		**142,950**
(254,126)	Investing activities	54	(130,948)
(18,797)	Financing activities	55	(3,932)
(52,309)	**Net increase / (decrease) in cash and cash equivalents**		**8,070**
81,151	Cash and cash equivalents at 1 April	48	28,842
28,842	**Cash and cash equivalents at 31 March**	48	**36,912**

Notes to the Group Core Financial Statements

The following notes contain further information to that presented in the main statements. They provide narrative descriptions, disaggregation of items presented in the statements and information about items that do not qualify for recognition in the statements.

34. Group Accounting Policies

The accounting policies of the Combined Authority apply to the Group. Where the nature and type of transactions differ to those of the Combined Authority, the significant policies are summarised below.

XX. Charges to Revenue for Non-Current Assets

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

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

XXI. Employee Benefits

The Combined Authority has no employees and receives a recharge from Barnsley MBC and Sheffield City Council for work completed on Combined Authority matters by its Officers, and during the year, shared the costs of its Executive Director (Head of Paid Service) with the South Yorkshire Passenger Transport Executive (SYPTE). SYPTE applies the following policies for its paid employees.

Benefits Payable during Employment

Short-term employee benefits (those that fall due wholly within 12 months of the year end), such 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 for services in the year in which employees render service to the Group.

An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is calculated using the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to (Surplus) / Deficit on the Provision of Services but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

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 Combined Authority can no longer withdraw the offer of those benefits or when the Combined Authority recognises costs for a restructuring.

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

Post-Employment Benefits

The requirements of IAS 19 Employee Benefits have been fully adopted in the financial statements of the Group. Detailed disclosures can be found in note 60 to the accounts and relate principally to SYPTE.

IAS 19, together with IFRIC 14 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 up to 25 October 1986 for all staff employed by SYPTE up to that date. The responsibility includes all staff that transferred to South Yorkshire Transport Limited as a consequence of the Transport Act 1985. For service from 26 October 1986 onwards SYPTE is only responsible to payments for the Fund in respect of its own directly employed staff. The annual cost of this responsibility is charged to the revenue account under Pension and Non-recurring costs.

The liabilities of the 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 the assumption about mortality rates, employee turnover rates etc., and projections of projected earnings for current employees.

The assets of the South Yorkshire Pension 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
- The change in the net pension liability is analysed into the following components:

- current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed costs
- net interest cost – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement- this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period-taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- return on 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 Pensions Reserve as Other Comprehensive Income and Expenditure.
- contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

XXII. 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 or preconstruction costs on existing assets which do not enhance the value of the asset. Examples are rail and highway infrastructure and grants payable. The Group has no ownership / legal rights in respect of these assets and as a consequence the costs are charged directly to revenue.

In addition, any new borrowing requirements for SYPTE will be met by the Combined Authority. To facilitate this, the Combined Authority pays SYPTE a capital grant representing expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets for the Combined Authority directly.

XXIII. Investment Properties

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

Investment properties are initially recognised at cost, and subsequently at fair value based on the amount at which the asset could be exchanged between knowledgeable parties at arms-length. 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 Comprehensive Income and Expenditure account.

XXIV. Interest in Companies and Other Entities

The authority has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the authority's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

XXV. Intangible Assets

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

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 the Group 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 goods and services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Group can be determined 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 Statement of 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.

XXVI. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or 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.

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 the Group 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.

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.

The Group 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 the Group).

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 the Group.

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

- Infrastructure, community assets and assets under construction – depreciated historical cost.
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- All other assets – current 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 current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

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

Assets included on the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current 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 loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- 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 an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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 as follows:

- 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 an 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 subsequently reversed, 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.

Depreciation

Depreciation is provided for 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 a straight line basis, over the useful life of the asset following the year of construction or acquisition, determined as follows:

- Buildings – straight-line allocation over the useful life of the property assessed as part of the rolling programme of revaluations.
- Vehicles, plant and equipment – a percentage of the value of each class of asset in the Balance Sheet, as advised by a suitably qualified officer.
    - Plant, machinery, fixtures and fittings – 10 years
    - Vehicles – 5 years
    - Computer equipment – 3 years
- Infrastructure – straight-line allocation:
    - Operational equipment – 10 years
    - Route equipment – 20 years
    - Trams – over the varying life of components – between 10 and 39 years
    - Track bed and system – 24 years
- Park and Ride – 15 years

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total costs 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.

XXVII. 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 previous losses recognised in the (Surplus) / Deficit on Provision of Services.

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 on the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (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).

XXVIII. Private Finance Initiative (PFI) Transactions

PFI contracts are agreements to receive services, where the responsibility for making available the non-current assets needed to provide the services passes to the PFI contractor. 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. The Government Grant, which helps to finance the PFI scheme is held and managed by the Combined Authority and paid to SYPTE.

SYPTE's PFI scheme is for 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 assets was balanced by the recognition of a liability for the 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.
- 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.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts remains within the Capital Receipts Reserve, and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the Operational Revenue Reserve Balance in the Movement in Reserves Statement.

XXIX. Value Added Tax (VAT)

The Combined Authority is a Section 33 VAT body and recovers all of its input VAT where possible. VAT is excluded from both income and expenditure where it can be recovered.

For SYPTE, 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.

XXX. Corporation Tax

SYPTE is a public body and most of activities are not subject to Corporation Tax. SYITA Properties is a limited company and is liable for Corporation Tax, paid on profits for ordinary activities.

35. Group Accounting Standards that have been issued but have not yet been adopted

Paragraph 3.3.2.13 of the 2016/17 Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. Paragraph 3.3.4.3 requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year. The additional disclosures that will be required in the 2016/17 and 2017/18 financial statements in respect of accounting changes that are introduced in the 2017/18 Code (i.e. that are relevant to the requirements of paragraph 3.3.4.3) are:

- Amendment to the reporting of pension fund scheme transaction costs

- Amendment to the reporting of investment concentration (see paragraph 6.5.5.1 (m) of the 2017/18 Code)

36. Group Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis:

2016/17				
Adjustments from General Fund to arrive at the CI&ES Amounts	**Adjustments for Capital Purposes £000**	**Net change for the Pensions Adjustment £000**	**Other Differences £000**	**Total Adjustments £000**
Transport Authority	(3,138)	0	622	(2,516)
Local Enterprise Partnership	(35,293)	0	1,499	(33,794)
Transport for the North	0	0	0	0
Transport Services - PTE	(11,236)	1,026	0	(10,210)
Net Cost of Services	**(49,666)**	**1,026**	**2,121**	**(46,520)**
Other income & expenditure from the Expenditure & Funding Analysis	0	0	(1,337)	(1,337)
Difference between General Fund Surplus / Deficit and CI&ES Surplus / Deficit on Provision of Services	**(14,374)**	**1,026**	**784**	**(47,857)**

2015/16				
Adjustments from General Fund to arrive at the CI&ES Amounts	**Adjustments for Capital Purposes**	**Net change for the Pensions Adjustment**	**Other Differences**	**Total Adjustments**
	£000	**£000**	**£000**	**£000**
Transport Authority	(3,538)		393	(3,145)
Local Enterprise Partnership	0	0	285	285
Transport for the North	0	0	0	0
Transport Services - PTE	(6,556)	989	(2)	(5,569)
Net Cost of Services	**(10,094)**	**989**	**676**	**(8,429)**
Other income & expenditure from the Expenditure & Funding Analysis	0	0	(678)	(678)
Difference between General Fund Surplus / Deficit and CI&ES Surplus / Deficit on Provision of Services	**(10,094)**	**989**	**(2)**	**(9,107)**

Adjustments for Capital Purposes - The statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from income and expenditure as these are not chargeable under generally accepted accounting practices.

Net Change for the Pensions Adjustments - IAS 19 Employee Benefits pension related expenditure and income relating to SYPTE.

Other Differences - Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For Services - adjusted for interest payable / receivable which is added to the Financing and Investment income and expenditure line under other income & expenditure.
- For Financing and investment income – The charge for services here is a statutory adjustment for a financial instrument relating to a decision by the Combined Authority to issue soft loans to Rotherham and Barnsley Metropolitan Borough Councils. Soft loans are loans below market rates.
- Taxation and non-specific grant income and expenditure – Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year.

37. Group Expenditure and Income Analysed by Nature

The Authority's expenditure and income is analysed as follows:

2015/16 £000		2016/17 £000
	Expenditure:	
12,042	Employee Benefits Expenditure	11,565
193,236	Other Service Expenses	232,386
0	Support Service Recharges	297
22,781	Depreciation, Amortisation, Impairment	19,167
16,775	Interest Payments	15,171
244,834	**Total Expenditure**	**278,587**
	Income:	
(11,678)	Fees, charges & other service income	(11,508)
(2,075)	Interest Investment Income	(2,733)
(252,422)	Government Grants & Contributions	(311,281)
(1)	Other Income	0
(266,176)	**Total Income**	**(325,522)**
(21,342)	**(Surplus) / Deficit on the Provision of Services**	**(46,935)**

Re-conciliation of Income analysed by nature to Comprehensive Income and Expenditure Statement

	£000
Income as analysed by nature	**(325,522)**
Interest Investment Income	2,733
Taxation and Specific Grant Income and Other Operating Income (PTE)	31,473
Elimination of Group Transactions	68,628
Income as part of (Surplus) / Deficit on Continuing Operations in the CI&ES	**(222,688)**

38. Group Segmental Income

Income received on a segmental basis is analysed below:

2016/17

Services:	£000 Fees, Charges & Service	£000 Interest & Investment	£000 Grants & Contributions	£000 Total Income
Transport Authority	0	0	(80,645)	(80,645)
Local Enterprise Partnership	784	0	(116,815)	(116,031)
Transport for the North	0	0	(15,193)	(15,193)
Corporate	0	(2,725)	0	(2,725)
Transport Services – PTE	(11,270)	(8)	(98,628)	(109,906)
ITA Properties	(1,022)	0	0	(1,022)
Total Income	**(11,508)**	**(2,733)**	**(311,281)**	**(325,522)**

2015/16				
Services:	**£000 Fees, Charges & Service**	**£000 Interest & Investment**	**£000 Grants & Contributions**	**£000 Total Income**
Transport Authority	(4)	0	(95,745)	(95,749)
Local Enterprise Partnership	(681)	0	(16,679)	(17,360)
Transport for the North	0	0	(14,215)	(14,215)
Corporate	0	(2,066)	(5,908)	(7,974)
Transport Services – PTE	(10,095)	(9)	(119,876)	(129,981)
ITA Properties	(898)	0	0	(898)
Total Income	**(11,679)**	**(2,075)**	**(252,423)**	**(266,176)**

The Authority does not internally report on the assets and liabilities of individual segments. Therefore, segmental analysis for these is not required to be disclosed.

39. Group Adjustments between Accounting Basis and Funding Under Regulation

2016/17	General Fund Balance £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Reversal of items debited or credited to the CI&ES:					
Capital grants and contributions credited to the CI&ES	88,216	0	88,216	(88,216)	**0**
Application of grants and contributions to capital financing from the Capital Grants Unapplied Reserve	0	0	0	0	**0**
Application of grants and contributions to capital financing transferred to Capital Adjustment Account	35,293	0	35,293	(35,293)	**0**
Revenue expenditure funded from capital under statute	(88,216)	0	(88,216)	88,216	**0**
Other movements	(3,233)	0	(3,233)	3,233	**0**
Insertion of items not debited or credited to the CI&ES:					
Statutory provision for repayment of debt (MRP)	3,138	0	3,138	(3,138)	0
Employers contribution to Pension Scheme	1,424	0	1,424	(1,424)	0
Other:					
Adjustment for the difference between fair value depreciation and historical cost	(937)	0	(937)	937	0
Transfer to Accumulating Absences Account	0	0	0	0	0
Grants received and receivable during the year	18,396	2,363	20,759	(20,759)	0
Grants released to Operational Revenue Reserve	(15,724)	0	(15,724)	15,724	0
Release to Revaluation Reserve	0	0	0	0	0
Other Movements	0	0	0	0	0
Total	**38,355**	**2,363**	**40,718**	**(40,718)**	**0**

2015/16 Re-stated– Comparative Information

	General Fund Balance £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Reversal of items debited or credited to the CI&ES:					
Capital grants and contributions credited to the CI&ES	34,806	0	34,806	(34,806)	**0**
Application of grants and contributions to capital financing from the Capital Grants Unapplied Reserve	0	0	0	0	**0**
Revenue expenditure funded from capital under statute	(34,806)	0	(34,806)	34,806	**0**
Other movements (PTE)	(2,642)	0	(2,642)	2,642	**0**
Insertion of items not debited or credited to the CI&ES:					
Statutory provision for repayment of debt (MRP)	3,537	0	3,537	(3,537)	0
Employers contribution to Pension Scheme	1,542	0	1,542	(1,542)	0
Other:					
Adjustment for the difference between fair value depreciation and historical cost	(450)	0	(450)	450	0
Transfer to Accumulating Absences Account	2	0	2	(2)	0
Grants received and receivable during the year	26,268	1,003	27,271	(27,271)	0
Grants released to Operational Revenue Reserve	(19,264)	0	(19,264)	19,264	0
Release to Revaluation Reserve	0	0	0	0	0
Other Movements	2	0	2	(2)	0
Total	**8,995**	**1,003**	**9,998**	**(9,998)**	**0**

40. Group Transfers (to) / from Earmarked Reserves

This note sets out the amounts set aside from the Group General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure during the year.

	Note	1 April 2015 £000	Transfer Out 2015/16 £000	Transfer In 2015/16 £000	Total Movements £000	31 March 2016 £000	Transfer Out 2016/17 £000	Transfer In 2016/17 £000	Total Movements £000	31 March 2017 £000
Combined Authority:										
Revenue Grants and Contributions:										
- Apprenticeship Grant for Employers	51	**0**	0	0	**0**	**0**	0	(682)	**(682)**	**(682)**
- Transport for the North	51	**0**	0	(10,912)	**(10,912)**	**(10,912)**	1,069	0	**1,069**	**(9,843)**
Other Earmarked Revenue Reserves:										
- PFI Revenue Reserve	51 51	**(6,068)**	2,000	(1,408)	**592**	**(5,476)**	0	(1,408)	**(1,408)**	**(6,884)**
- Local Growth Fund	51	**0**	131	(4,000)	**(3,869)**	**(3,869)**	623	0	**623**	**(3,246)**
- Levy Reduction Reserve		**0**	0	(36,923)	**(36,923)**	**(36,923)**	5,169	0	**5,169**	**(31,754)**
SYPTE:										
Earmarked Revenue Reserve	**51**	**(7,208)**	1,147	0	**1,147**	**(6,061)**	0	(533)	**(533)**	**(6,594)**
Total		**(13,276)**	**3,278**	**(53,243)**	**(49,965)**	**(63,241)**	**6,861**	**(2,623)**	**4,238**	**(59,003)**

41. Group Financing and Investment Income and Expenditure

The following table provides a breakdown of Financing and Investment Income and Expenditure:

2015/16 Re-stated £000		2016/17 £000
16,899	Interest payable and similar charges	15,171
(2,088)	Interest receivable and similar income	(2,733)
0	Reversal of impairment of short-term deposit	0
14,811		**12,438**
1,444	Pensions – Interest payable	1,453
16,144	**Total**	**13,891**

42. Group Taxation and Non-Specific Grant Income

The following table provides an analysis of Non-Specific Grant Income:

2015/16 £000		2016/17 £000
	Non ring-fenced grants:	
0	LEP Core Grant (DCLG)	0
(14,795)	Department for Transport	(14,662)
(561)	Better Bus Area	(5,653)
(5,473)	European Regional Development Fund / Other	(261)
(3,070)	Other	(8,875)
(23,899)	**Total**	**(29,451)**

The following table provides an analysis of Taxation Payable:

2015/16 £000		2016/17 £000
	SYITA Properties Ltd:	
51	UK Corporation Tax	65
0	Deferred Tax	0
51	**Total**	**65**

43. Group Intangible Assets

The following is an analysis of Intangible Assets:

2015/16 £000		2016/17 £000
	Cost or valuation:	
306	At 1 April 2015	244
(62)	Amortisation (remaining life is 6 years)	(61)
244	**At 31 March 2016**	**183**

Intangible assets represent £183k (£244k for 2015/16) for software associated with the development of the Yorcard project which is being amortised over the remaining life of the licence agreement.

44. Group Property Plant and Equipment

Movements on Balances:

2016/17	Land and Buildings £000	Infrastructure (Light Railway System) £000	Vehicles, Plant and Equipment £000	Assets Under Construction £000	Total PPE £000	PFI Assets included in Land & Buildings £000
Cost or Valuation:						
At 1 April 2016	70,038	59,965	21,790	19,866	**171,659**	11,200
Additions - programmed investment	0	0	330	6,906	**7,236**	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	1,780	0	0	0	**1,780**	(150)
De-recognition – disposals	0	0	0	0	**0**	0
At 31 March 2017	**71,818**	**59,965**	**22,120**	**26,772**	**180,675**	**11,050**
Accumulated Depreciation and Impairment:						
At 1 April 2016	(3,781)	(33,840)	(19,001)	0	**(56,622)**	(350)
Depreciation Charge	(2,629)	(1,652)	(509)	0	**(4,790)**	(350)
De-recognition – Disposals	0	0	0	0	**0**	0
De-recognition - other	0	0	0	0	**0**	0
Revaluation adjustments	2,961	0	0	0	**2,961**	700
At 31 March 2017	**(3,449)**	**(35,492)**	**(19,510)**	**0**	**(58,451)**	**0**
Net Book Value						
As at 1 April 2016	**66,257**	**26,125**	**2,789**	**19,866**	**115,037**	**10,850**
As at 31 March 2017	**68,369**	**24,473**	**2,610**	**26,772**	**122,224**	**11,050**

2015/16 – Comparative Information	Land and Buildings £000	Infrastructure (Light Railway System) £000	PPE Vehicles, Plant and Equipment £000	PPE Assets Under Construction £000	Total PPE £000	PFI Assets included in Land & Buildings £000
Cost or Valuation:						
At 1 April 2015	69,408	59,965	21,315	8,382	**159,070**	11,200
Additions - programmed investment	0	0	573	11,485	**12,058**	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	630	0	0	0	**630**	0
Revaluation increases / (decreases) to Surplus / Deficit on the Provision of Services	0	0	0	0	**0**	0
De-recognition – disposals	0	0	(98)	0	**(98)**	0
De-recognition - other	0	0	0	0	**0**	0
At 31 March 2016	**70,038**	**59,965**	**21,790**	**19,867**	**171,660**	**11,200**
Accumulated Depreciation and						
Impairment:	(1,152)	(32,187)	(18,580)	0	**(51,919)**	0
At 1 April 2015	(2,629)	(1,654)	(519)	0	**(4,802)**	(350)
Depreciation Charge	0	0	98	0	**98**	0
De-recognition – Disposals	0	0	0	0	**0**	0
De-recognition - other						
At 31 March 2016	**(3,781)**	**(33,841)**	**(19,001)**	**0**	**(56,623)**	**(350)**
Net Book Value						
As at 1 April 2015	**68,256**	**27,778**	**2,735**	**8,382**	**107,151**	**11,200**
As at 31 March 2016	**66,257**	**26,124**	**2,789**	**19,867**	**115,037**	**10,850**

45. Group Investment Properties

The following is an analysis of Investment Properties:

2015/16		2016/17
£000	**Cost or valuation:**	**£000**
5,608	**At 1 April**	**5,408**
(200)	Revaluation	(456)
0	Disposals	0
5,408	**At 31 March**	**4,952**

The assets held as investment properties are held to earn rentals or capital appreciation or both rather than for use in the production or supply of goods or services for administrative purposes or for sale in the ordinary course of business.

Fair Value Hierarchy

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

Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant unobservable inputs (Level 3) £000	Fair value as at 31 March 2017 £000
SYPTE	-	1,170	-	1,170
SYITA	-	3,782	-	3,782
Total	**-**	**4,952**	**-**	**4,952**

There were no transfers between Levels during the year.

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

Valuation Techniques Used to Determine Level 2 Fair Values for Investment Properties

<u>Significant Observable Inputs – Level 2</u>

The fair value for the Investment Properties have been categorised at Level 2 in the fair value hierarchy as both are subject to estimation based on comparable properties at market value.

<u>Highest and Best Use of Investment Properties</u>

In estimating the fair value of the Combined Authority's Investment Properties, the highest and best use of the properties is their current use.

<u>Valuation Techniques</u>

There has been no change in the valuation techniques used during the year for Investment Properties.

Valuation Process for Investment Properties

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

SYITA valuations were carried out by the SCC Property Services team.

Valuations were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

46. Group Financial Instruments

Categories of Financial Instruments

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

Long Term 31 March 2016 £000	Current 31 March 2016 £000		Long Term 31 March 2017 £000	Current 31 March 2017 £000
		Investments		
68,000	134,001	Loans and receivables	75,000	123,501
		Debtors		
0	26,478	Loans and receivables	18,856	23,011
		Cash and cash equivalents		
0	28,842	Loans and receivables	0	36,912
		Borrowings		
205,327	7,947	Financial liabilities at amortised cost	198,016	11,502
		Other Liabilities		
11,646	176	Financial liabilities at amortised cost (PFI)	11,454	192
		Creditors and provisions		
202	80,620	Financial liabilities at amortised cost	202	93,534

Financial Liabilities Liabilities measured at amortised cost £000	Financial Assets Investments and Debtors £000	2015/16 Total £000	Income, Expense, Gains and Losses	Financial Liabilities Liabilities measured at amortised cost £000	Financial Assets Investments and debtors £000	2016/17 Total £000
(15,751)	0	(15,751)	Interest expense – debt	(14,139)	0	(14,139)
(1,046)	0	(1,046)	Interest expense – PFI	(1,032)	0	(1,032)
0	(3)	(3)	Reductions in fair value	0	(2)	(2)
10	0	10	Impairment losses / (gains)	0	0	0
(16,787)	**(3)**	**(16,790)**	**Total expense in Surplus or Deficit on the Provision of Services**	**(15,171)**	**(2)**	**(15,173)**
0	2,103	2,103	Interest income	0	2,733	2,733
0	**2,103**	**2,103**	**Total income in Surplus or Deficit on the Provision of Services**	**0**	**2,733**	**2,733**
(16,787)	**2,100**	**(14,687)**	**Net gain / (loss) for the year**	**(15,171)**	**2,731**	**(12,440)**

Fair Value 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, using the following assumptions.

Interest is calculated using the most common market convention, ACT/365 (366 in a leap year with the exception of PWLB)
Interest is not paid/received on the start of the instrument but is paid/received on the maturity date
We have not adjusted the interest value and date where the a relevant date occurs on a non-working day

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 are calculated as follows:

31 March 2016 Carrying value £000	31 March 2016 Fair value £000		31 March 2017 Carrying value £000	31 March 2017 Fair value £000
187,875	252,905	PWLB	184,375	220,193
21,015	27,182	Non-PWLB	20,941	27,182
11,822	11,822	Doncaster Interchange PFI	11,646	11,822
220,712	**291,909**	**Total Financial Liabilities**	**216,962**	**259,021**

The fair value of the liabilities is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest payable is higher than the prevailing rates at the Balance Sheet date. This shows the notional future loss arising from the commitment to pay interest to lenders above current market rates.

The maturity analysis of financial liabilities excluding PFI liabilities is as follows:

31 March 2016 £000	Re-stated 31March 2016 £000		31 March 2017 £000
3,563	3,563	Less than one year	3,563
18,000	11,500	Between one and two years	18,000
77,975	71,500	Between two and five years	77,975
109,352	122,327	More than five years	109,352
208,890	**208,890**	**Total**	**208,890**

47. Group Short Term Debtors

The following is an analysis of Debtors:

31 March 2016 £000		31 March 2017 £000
5,526	Central Government Bodies	10,443
8,551	Other Local Authorities	2,908
12,401	Other Entities and Individuals	9,626
26,478	**Total**	**22,977**

48. Group Cash & Cash Equivalents

31 March 2016 £'000		31 March 2017 £'000
	Cash:	
(372)	Combined Authority	(62)
1,047	PTE	3,010
2,438	SYITA Properties Ltd	2,801
3,113		**5,749**
	Cash Equivalents:	
25,729	Combined Authority	15,510
0	PTE	0
0	SYITA Properties Ltd	0
0	Financial Interventions	15,653
25,729		**31,163**
	Cash & Cash Equivalents:	
25,357	Combined Authority	15,448
1,047	PTE	3,010
2,438	SYITA Properties Ltd	2,801
0	Financial Interventions	15,653
28,842	**Total**	**36,912**

49. Group Short Term Creditors

The following table shows an analysis of Short Term Creditors:

31 March 2016 £000		31 March 2017 £000
(3,770)	Central Government Bodies	(7,156)
(25,977)	Other Local Authorities	(27,735)
(17,367)	Other Entities and Individuals	(17,016)
(47,114)	**Total**	**(51,906)**

50. Group Provisions

The Combined Authority maintains the following Provisions:

31 March 2016 £000		31 March 2017 £000
(690)	Opening Balance	(1,261)
(571)	Charge to Income and Expenditure Account during the year	(585)
(1,261)	**Total**	**(1,846)**
	Split by:	
(4)	Combined Authority	(73)
(1,055)	SYPTE	(1,571)
0	SYITA Properties Ltd	0
(1,059)	**Short Term**	**(1,644)**
0	Combined Authority	0
(0)	SYPTE	0
(202)	SYITA Properties Ltd	(202)
(202)	**Long Term**	**(202)**

51. Group Usable Reserves

The following table summarises the Usable Reserves balances. Movements in the Group's usable reserves are shown in the Movement of Reserves Statement.

31 March 2017	Combined Authority £000	SYPTE £000	SYITA Properties Ltd £000	Total £000
General Fund	(8,343)	0	0	(8,343)
Earmarked Reserves	(10,130)	(8,528)	0	(18,658)
Revenue Grants Reserve	(42,279)	0	0	(42,279)
Capital Receipts Reserve	(5,343)	(1,338)	0	(6,681)
Capital Grants Unapplied	0	(12,904)	0	(12,904)
Operational Revenue Reserve	0	81	0	81
Profit & Loss Account	0	0	(915)	(915)
Total	**(66,095)**	**(22,689)**	**(915)**	**(89,699)**

31 March 2016 – Comparative Information	Combined Authority £000	SYPTE £000	SYITA Properties Ltd £000	Total £000
General Fund	(6,534)	0	0	(6,534)
Earmarked Reserves	(46,268)	(6,061)	0	(52,329)
Revenue Grants Reserve	(10,912)	0	0	(10,912)
Capital Receipts Reserve	(5,343)	(1,515)	0	(6,858)
Capital Grants Unapplied	0	(5,586)	0	(5,586)
Operational Revenue Reserve	0	(604)	0	(604)
Profit & Loss Account	0	0	(417)	(417)
Total	**(69,057)**	**(13,766)**	**(417)**	**(83,240)**

52. Group Unusable Reserves

The following table summarises the Unusable Reserves balances. Movements in the Group's unusable reserves are shown in the Movement of Reserves Statement:

31 March 2017	Combined Authority £000	SYPTE £000	SYITA Properties Ltd £000	Total £000
Capital Adjustment Account	68,765	0	0	68,765
Financial Instruments Account	784	0	0	784
Deferred Capital Grants and Contributions	0	(84,022)	0	(84,022)
Pension Reserve	0	48,367	0	48,367
Revaluation Reserve	0	(20,829)	0	(20,829)
Accumulated Absence Reserve	0	57	0	57
Total	**69,549**	**(56,427)**	**0**	**13,122**

31 March 2016 – Comparative Information – Re-stated				
	Combined Authority	**SYPTE**	**SYITA Properties Ltd**	**Total**
	£000	**£000**	**£000**	**£000**
Capital Adjustment Account	107,195	0	0	107,195
Deferred Capital Grants and Contributions	0	(78,987)	0	(78,987)
Pension Reserve	0	41,687	0	41,687
Revaluation Reserve	0	(16,959)	(158)	(17,117)
Accumulated Absence Reserve	0	57	0	57
Total	**107,195**	**(54,202)**	**(158)**	**52,835**

53. Group Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2015/16		2016/17
£000		**£000**
2,088	Interest Received	2,734
(16,788)	Interest Paid	(14,225)
(14,700)	**Total**	**(11,491)**

The surplus or (deficit) on the provision of services has been adjusted for the following non-cash movements:

2015/16		2016/17
£000		**£000**
4,802	Depreciation	4,852
(430)	Impairment and downward valuations	179
18,180	Amortisation	13,623
0	Increase / (decrease) in impairment for bad debts	(16)
18,316	Increase / (decrease) in creditors	4,792
(7,260)	Increase / (decrease) in debtors	3,501
258	Increase / (decrease) in inventories	0
989	Movement in pension liability	932
570	Other non-cash items charged to the net surplus or deficit on the provision of services	1,369
35,425	**Total**	**29,232**

The surplus or (deficit) on the provision of services has been adjusted for the following items that are investing and financing activities:

2015/16		2016/17
£000		**£000**
199,000	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	199,500
(35,154)	Any other items for which the cash effects are investing or financing cash flows	(132,717)
163,846	**Total**	**66,783**

54. Group Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

2015/16		2016/17
£000		**£000**
(30,174)	Purchase of property, plant and equipment, investments property and intangible assets	(20,859)
(287,000)	Purchase of short-term and long-term investments	(196,000)
0	Other payments for investing activities	(19,641)
63,048	Other receipts from investment activities	105,552
(254,126)	**Total**	**(130,948)**

55. Group Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

2015/16		2016/17
£000		**£000**
(162)	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(176)
(18,635)	Repayments of short and long-term borrowing	(3,756)
(18,797)	**Total**	**(3,932)**

56. Group Officers' Remuneration

Under the Accounts and Audit Regulations 2011, Local Authorities are required to disclose information on their employees' remuneration in two sections.

The first section must contain the details of those officers defined in the Regulations as senior employees whose salary is above £50,000 per annum. Senior employees are typically categorised as statutory chief officers or non-statutory chief officers. The latter category typically includes those officers who report directly to the Chief Executive (excluding those whose duties are solely secretarial). In addition, those senior officers whose salary is above £150,000 are required to be named in this section.

The second section must include a disclosure of the numbers of other staff whose total remuneration (i.e. salary plus overtime and allowances, etc.) is above £50,000.
The remuneration paid to the Combined Authorities senior employees is shown in the table below:

2016/17					
Post Holder Information	**Salary - including Fees and Allowances**	**Expenses Allowances**	**Compensation for Loss of Office**	**Pension Contributions**	**Total Remuneration including Pension Contributions**
	£	**£**	**£**	**£**	**£**
Deputy Managing Director (CA)	87,551	1,068	0	20,618	109,237
Director of Corporate Affairs (CA) *	34,949	0	0	8,192	43,141
Executive Director (PTE)	101,000	33	0	12,322	113,355
Head of Financial Services (PTE)	64,863	0	0	7,913	72,776
Principal Solicitor & Secretary (PTE)	77,964	172	0	9,512	87,648
Total	**366,327**	**1,273**	**0**	**58,557**	**426,157**

* The Director of Corporate Affairs' took up position with effect from 31/10/16.

2015/16 – Comparative Information					
Post Holder Information	**Salary - including Fees and Allowances**	**Expenses Allowances**	**Compensation for Loss of Office**	**Pension Contributions**	**Total Remuneration including Pension Contributions**
	£	**£**	**£**	**£**	**£**
Interim Director General (PTE) / Executive Director (CA)	139,656	0	0	25,102	164,758
Interim General Director (PTE)	76,667	0	112,797	10,508	199,972
Principal Solicitor and Secretary (PTE)	75,145	402	0	9,060	84,607
Head of Financial Services (PTE)	61,762	0	0	7,535	69,297
Director of Skills & Performance (CA)	56,334	0	0	11,736	68,070
Head of Skills & Employment (CA)	52,603	0	0	11,185	63,788
Director of Transport	48,676	0	0	10,144	58,820

(CA)					
Head of Policy (CA)	47,167	0	0	10,063	57,230
Director of Strategy (PTE)	36,073	0	0	4,067	40,140
Total	**594,083**	**402**	**112,797**	**99,400**	**806,682**

The Combined Authority's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

2015/16 Total	**Remuneration Band**	**2016/17 Total**
0	£50,000 - 54,999	**5**
1	£55,000 - 59,999	**4**
3	£60,000 - 64,999	**2**
1	£65,000 - 69,999	**1**
0	£70,000 - 74,999	**0**
2	£75,000 - 79,999	**1**
0	£100,000 - 104,999	**1**
7	**Total**	**14**

57. Group Termination Benefits

SYPTE terminated the contracts of 3 employees in 2016/17 (17 in 2015/16) incurring liabilities of £23k (£321k in 2015/16).

The number of exit packages and total cost per band are set out in the table below:

			2015/16					**2016/2017**
Number of Compulsory Redundancies	**Number of Other Departures**	**Total number of exit packages by cost band**	**Total cost of exit packages in each band £0000**	**Exit Package cost band (including special payments)**	**Number of Compulsory Redundancies**	**Number of Other Departures**	**Total number of exit packages by cost band**	**Total cost of exit packages in each band £000**
7	5	12	62	£0 - £20,000	1	2	3	23
0	3	3	97	£20,001 - £40,000	0	0	0	0
0	1	1	49	£40,001 - £60,000	0	0	0	0
0	0	0	0	£60,001 - £80,000	0	0	0	0
0	0	0	0	£80,001 - £100,000	0	0	0	0
0	1	1	113	£100,001 - £150,000	0	0	0	0
7	**10**	**17**	**321**	**Total**	**1**	**2**	**3**	**23**

58.- Group External Audit Fees

The following fees were paid to the auditors of the Group members:

2015/16 £000		2016/17 £000
63	Combined Authority	59
43	South Yorkshire Passenger Transport Executive	39
9	SYITA Properties Limited	9
115	**Total**	**107**

The costs were in relation to the following services provided by the External Auditors:

2015/16 £000		2016/17 £000
112	Fees payable with regard to external audit services carried out by the appointed auditor	103
3	Fees payable for the certification of grant claims and returns	4
115	**Total**	**107**

59. Group Grant Income

The Group credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

2015/16 £000		2016/17 £000
	Credited to Services:	
(495)	Department for Business Innovation and Skills	0
(43,642)	Department for Communities and Local Government	(69,202)
(69,190)	Department for Transport	(37,840)
(16,098)	Skills Funding Agency	(4,304)
(30)	Department for Business, Energy & Industrial Strategy	(410)
	Careers Enterprise Company	(153)
	Department for Health	(32)
	Department for International Trade	(29)
(3,092)	English Local Government	(65,360)
	Cabinet Office	(30)
(132,547)		**(177,360)**
	Credited to Taxation and Non Specific Grant Income:	
	Non-ring fenced Government Grants:	
0	Department for Communities and Local Government	0
(15,521)	Department for Transport	(20,315)
(8,378)	European Regional Development Fund / Other	(9,135)
(23,899)		**(29,450)**
(156,446)	**Total**	**(206,810)**

The Group has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at year end are as follows:

31 March 2016 £000		31 March 2017 £000
	Revenue Grants Receipts in Advance:	
(1,983)	Department for Business Innovation and Skills	(1,957)
(69)	Department for Transport	(696)
(65)	Cabinet Office	(297)
0	Department for Communities and Local Government	(28)
(2,117)	**Total**	**(2,978)**
	Capital Grants Receipts in Advance:	
(4,197)	Department for Transport	(4,811)
(28,250)	Department for Communities and Local Government	0
(32,447)	**Total**	**(4,811)**

60. Group Related Party Transactions

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

For the Combined Authority, the main categories of related party are the nine constituent Local Authorities who's Leaders make up the membership of the Combined Authority and have direct control through voting rights. The material related party transactions in year amounted to net payments of £9.6m (£35m in 2015/16).

Members

During 2016/17 and 2015/16 no works or services were commissioned from companies in which any members had an interest.

Officers

There have been no pecuniary interests involving the Head of Paid Service, the Chief Financial Officer or the Monitoring Officer to the Combined Authority.

Significant Transactions:

2016/17

Related Party	Notes	Receipts £000	Payments £000	Net Payments £000	Receivables £000	Payables £000	Net Assets £000
Sheffield City Council	**1**	(29,405)	23,583	**(5,822)**	25,838	(2,334)	**23,504**
Barnsley Metropolitan Borough Council	**2**	(11,266)	21,722	**10,456**	2,634	(1,357)	**1,277**
Doncaster Metropolitan Borough Council	**3**	(13,740)	13,998	**258**	10,000	(2,326)	**7,674**
Rotherham Metropolitan Borough Council	**4**	(11,934)	8,664	**(3,270)**	31,686	(1,087)	**30,599**
Bolsover District Council		(4)	0	**(4)**	0	0	**0**
Bassetlaw District Council	**5**	(4)	1,450	**1,446**	0	0	**0**
North East Derbyshire District Council		(4)	0	**(4)**	0	0	**0**
Chesterfield Borough Council	**6**	(167)	2,981	**2,814**	1,132	0	**1,132**
Derbyshire Dales District Council		(4)	0	**(4)**	0	0	**0**

1 Income: £25.0m transport levy. Expenditure: £10m payment to be passed to the University of Sheffield regarding Lightweighting, £6.4m capital contribution to Retail Quarter and Olympic Legacy Park, £2.7m other capital charges, £2.7m recharged salaries, £0.8m designated area rates retention receivable.
2 Income: £10.5m transport levy, £494k Economic Zone membership receivable. Expenditure: £3m Highway Capital Maintenance, £8m recharged salaries, £5m capital charges.
3 Income: £13.4m transport levy. Expenditure: £4.9m Highways Capital Maintenance, £2.7m High-speed railway College, £2.6m SCRIF claims, £3.2m other capital charges
4 Income: £11.5m transport levy. Expenditure: £3.6m Highways Capital Maintenance, £2.2m other capital costs, £1.5m relating to Forge Island.
5 Expenditure: £0.7m capital charges, £0.7m relating to Retford Enterprise Centre.
6 Income: £163k Economic Zone membership. Expenditure: £2m capital charges

2015/16 – Comparative Information

Related Party	Notes	Receipts £000	Payments £000	Net Payments £000	Receivables £000	Payables £000	Net Assets £000
Barnsley Metropolitan Borough Council	**1**	(11,858)	7,895	**(3,962)**	469	(2,123)	**(1,654)**
Doncaster Metropolitan Borough Council	**2**	(15,232)	8,270	**(6,962)**	5	(2,122)	**(2,117)**
Rotherham Borough Council	**3**	(13,041)	7,288	**(5,753)**	165	(1,811	**(1,646)**
Sheffield City Council	**4**	(28,302)	8,916	**(19,386)**	357	(4,948)	**(4,591)**
Bolsover District Council	**5**	(4)	6	**2**	0	0	**0**
Bassetlaw District Council	**6**	(4)	0	**(4)**	0	0	**0**
North East Derbyshire District Council	**7**	(4)	0	**(4)**	0	0	**0**
Chesterfield Borough Council	**8**	(4)	48	**44**	255	0	**255**
Derbyshire Dales District Council	**9**	(4)	0	**(4)**	0	0	**0**

1 Income (split across receipts and receivables) - £13.1m Transport Levy, £0.03m LEP Subs, £0.5m Enterprise zone, £0.09m Loan write off. Expenditure (split across payments and payables) - £3m highways capital maintenance grant and £2.5m payment for Local Transport Plan and Local Sustainable Transport Fund.
2 Income - £17m Transport Levy, £0.04m LEP Subs, £0.09m Loan w/off. Expenditure (split across payments and payables) - £3.4m payment of highways capital maintenance grant and £4.1m payment for Local Transport Plan and Local Sustainable Transport Fund.
3 Income - (split across receipts and receivables) - £14.5m Transport Levy, £0.04m LEP Subs, £0.13m Enterprise zone, £0.09m Loan w/off. Expenditure (split across payments and payables) - £2.7m payment of highways capital maintenance grant and £4.3m payment for Local Transport Plan / Local Sustainable Transport Fund.
4 Income - £31.4m Transport Levy, £0.08m LEP Subs, £0.02m Enterprise zone, £0.19m Loan write off. Expenditure (split across payments and payables) - £7.5m payments for Local Transport Plan / Local Sustainable Transport Fund.
5 £0.004m LEP Subs income, £0.023m Loan write off.
6 £0.027m Loan write off.
7 £0.004m LEP Subs income, £0.023m Loan write off.
8 £0.004m LEP Subs income, £0.023m Loan write off.
9 £0.004m LEP Subs income.

Transactions with Other Public Bodies

The UK government exerts significant influence over the Combined Authority through legislation and grant funding. Grant funding received is detailed in the notes to the consolidated income and expenditure account. The following table shows transactions excluding grants:

2016/17							
Related Party	**Notes**	**Receipts £000**	**Payments £000**	**Net Payments £000**	**Receivables £000**	**Payables £000**	**Net Assets £000**
Derbyshire County Council	**1**	0	3,780	**3,780**	0	0	**0**
Lancashire County Council		0	15	**15**	0	0	**0**
Leeds City Council		0	30	**30**	0	0	**0**
Merseyside ITA	**2**	0	0	**0**	0	(81,071)	**(81,071)**
Network Rail	**3**	(1,014)	2,829	**1,815**	0	0	**0**
South Yorkshire Pensions Authority		(21)	41	**20**	0	0	**0**
Transport for Greater Manchester	**4**	0	4,667	**4,667**	0	0	**0**
West Yorkshire ITA	**5**	0	20	**20**	0	(4,959)	**(4,959)**

1 Settlement of prior year liability regarding Seymour Link.
2 Payables related to Transport for the North claims.
3 Income: £1m loan repayment. Expenditure: £2.8m consultants' fees.
4 Expenditure: £4.7m consultants' fees.
5 Payables related to Transport for the North claims.

2015/16 – Comparative Information							
Related Party	**Notes**	**Receipts £000**	**Payments £000**	**Net Payments £000**	**Receivables £000**	**Payables £000**	**Net Assets £000**
Derbyshire County Council	**1**	0	0	**0**	0	(3,780)	**(3,780)**
Network Rail	**2**	0	0	**0**	0	(845)	**(845)**
West Yorkshire ITA	**3**	0	0	**0**	0	(819)	**(819)**
Transport For Manchester	**4**	0	0	**0**	0	(778)	**(778)**
Mersey Travel	**5**	0	288	**288**	0	0	**0**
TfN	**6**	0	177	**177**	0	0	**0**
South Yorkshire Pensions Authority	**7**	(38)	34	**(4)**	0	0	**0**
Leeds City Council	**8**	0	23	**23**	0	0	**0**

1 £3.8m grant for Seymour Link, all owed.
2 Northern Transport Strategy grant programme £845k, all owed
3 Northern Transport Strategy grant programme £819k, all owed
4 Northern Transport Strategy grant programme £778k, all owed
5 Northern Transport Strategy grant programme £288k
6 Northern Transport Strategy grant programme £177k
7 Fees
8 Fees

SYPTE

SYPTE has one subsidiary, Supertram Assets Ltd which is non-trading. Certain SYPTE Directors and Officers are also Directors of Supertram Assets Limited, but do not receive any remuneration from the company.

At 31 March 2017 the Executive had a Joint Venture with Yorcard Ltd. This is a trading company which was incorporated in England on 2 March 2007. As the Joint Venture is not material to SYPTE it has not consolidated Yorcard Ltd into its accounts.

SYITA Properties Ltd

SYITA did not disclose any related party transactions.

61. Group Leases

SYPTE and SYITA as Lessee

Finance Leases

The Group has not classified any leases as Finance Leases other than the Private Finance Initiative (note 59).

Operating Leases

The future minimum lease payments due under non-cancellable leases in future years are:

2015/16 £000		2016/17 £000
570	Not later than one year	17
2,183	Later than one year and not later than five years	0
656	Later than five years	0
3,409	**Total**	**17**

SYPTE and SYITA Properties Ltd as Lessor

Finance Leases

The Group has not classified any leases as Finance Leases.

Operating Leases

The future minimum lease payments due under non-cancellable leases in future years are:

2015/16 £000		2016/17 £000
482	Not later than one year	502
1,585	Later than one year and not later than five years	1,567
1,427	Later than five years	1,327
3,494	**Total**	**3,396**

SYPTE has 27 property leases for the provision of transport infrastructure to support customer experience such as shops and bus depots.

Contingent Rents

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

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

62. Group Private Finance Initiative (PFI)

SYPTE's PFI contract, Doncaster Interchange was signed on 3 December 2003 with Teesland Property Company (Northern) Limited and involved the construction of a new Bus Station. It became operational in June 2007. The contract runs until June 2039 and incorporates the future maintenance and upkeep of both the building and the fixtures and fittings. The net book value of the Interchange as at 31 March 2017 is £10.5m (£10.9m at 31 March 2016). The project is a 32 year scheme and funds are provided by SYPTE to the PFI contractor by monthly unitary charge payments.

In 2016/17 unitary charge payments of £2.4m (£2.4m in 2015/16) were paid by SYPTE to the operator, Teesland Property Company. Unitary charge payments over the whole life of the contract will total £89.0m of which SYPTE will contribute £18.2m and the remainder will be recovered in the form of PFI credits paid to SYPTE by the Combined Authority. The actual level of payments will depend on inflation rates and the satisfactory contract performance by the operator.

The Combined Authority receives income (PFI credits) quarterly for Doncaster Interchange from the Department of Communities and Local Government (DCLG). This is granted to the SYPTE. Timing differences between income received and expenditure paid is managed by the Combined Authority in the PFI Earmarked Reserve (see note 9).

The Combined Authority received income of £3.9m (£2.5m in 2015/16). Total contributions towards the SYPTE unitary charge payments granted by the Combined Authority to SYPTE for 2016/17 were £2.5m (2015/16 £4.5m).

Further details of the scheme are shown in the table below:

2016/2017	Repayment of Liability	Interest Charge	Contingent/ Rental	Service Charge	Lifecycle Costs	Total
	£000	£000	£000	£000	£000	£000
Within 1 year	192	1,017	0	1,056	119	**2,384**
Within 2 -5 years	949	3,885	0	4,606	518	**9,958**
Within 6 - 10 years	1,733	4,309	0	6,725	756	**13,523**
Within 11 - 15 years	2,634	3,408	0	7,987	898	**14,927**
Within 16 - 20 years	4,004	2,039	0	9,486	1,067	**16,596**
Within 21 – 25 years	2,134	283	(983)	4,276	481	**6,191**
Total	**11,646**	**14,941**	**(983)**	**34,136**	**3,839**	**63,579**

2015/16 – Comparative Information	Repayment of Liability	Interest Charge	Contingent/ Rental	Service Charge	Lifecycle Costs	Total
	£000	£000	£000	£000	£000	£000
Within 1 year	176	1,032	100	1,020	115	2,443
Within 2 -5 years	873	3,961	0	4,450	501	9,785
Within 6 - 10 years	1,594	4,448	0	6,497	731	13,270
Within 11 - 15 years	2,423	3,620	0	7,717	868	14,628
Within 16 - 20 years	3,682	2,360	0	9,165	1,031	16,238
Within 21 – 25 years	3,074	552	(983)	6,305	709	9,657
Total	**11,822**	**15,973**	**(883)**	**35,154**	**3,955**	**66,021**

2016 Doncaster Interchange PFI Assets £'000		2017 Doncaster Interchange PFI Assets £'000
	Net book value:	
11,200	As at 1 April	10,850
02	Revaluations	0
(350)	Depreciation	(350)
10,850	**As at 31 March**	**10,500**

2016 Doncaster Interchange PFI Liability £'000		2017 Doncaster Interchange PFI Liability £'000
11,984	As at 1 April	11,821
(1,308)	Lease repayments	(1,309)
1,046	Interest Charge	1,032
100	Contingent rentals	100
11,822	**As at 31 March**	**11,644**

63. Group 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 to 25 October 1986 for all staff employed by SYPTE to that date, including all employees 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 contributes 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 are charged to the Comprehensive Income and Expenditure Statement.

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

Re-stated 2015/16 £000		**2016/17 £000**
	Movement in Reserves Statement	
(2,642)	Reversal of net charges made to the (Surplus) / Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(2,450)
	Actual amount charged against the General Fund Balance for pensions in the year:	
1,542	Employers contributions payable to scheme	1,424

Assets & Liabilities in Relation to Post-Employment Benefits

Reconciliation of present value of the scheme liabilities:

Re-stated 2015/16 £000		**2016/17 £000**
(142,305)	Opening Balance at 1 April	(134,727)
(1,178)	Current Service Cost	(944)
(4,452)	Interest cost	(4,604)
(350)	Contributions by Scheme Participants	(309)
6,843	Re-measurements	(27,603)
(20)	Curtailments	(53)
6,735	Benefits paid	6,702
0	Business Combinations	0
(134,727)	**Closing Balance at 31 March**	**(161,538)**

Reconciliation of fair value of the scheme (plan) assets:

Re-stated 2015/16 £000		2016/17 £000
97,041	Opening Balance at 1 April	93,040
3,028	Interest on Plan Assets	3,169
(2,166)	Re-measurements	21,949
(20)	Administration expenses	(18)
0	Business Combinations	0
1,542	Contributions by Employer	1,424
350	Contributions by Scheme (plan) Participants	309
(6,735)	Benefits Paid	(6,702)
93,040	**Closing Balance at 31 March**	**113,171**

Pension Scheme Assets Comprised:

Re-stated 2015/16 £000		2016/17 £000
53,629	**Equities**	68,989
	Bonds:	
13,714	Government Bonds	16,138
5,871	Other Bonds	7,039
10,876	**Property**	**10,605**
8,950	**Other**	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

	Re-stated 2015/16 £000	2016/17 £000
Present Values of Liabilities	(134,727)	(161,538)
Fair Value of Scheme Assets	93,040	113,171
Surplus / (Deficit) in the scheme	**(41,687)**	**(48,367)**

Basis for Estimating Assets and Liabilities

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

2015/16		2016/17
	Mortality assumptions:	
	Longevity at age 65 for current pensioners:	
23 years	Men	22.9 years
25.7 years	Women	25.7 years
	Longevity at age 65 for future pensioners:	
25.4 years	Men	25.1 years
28.5 years	Women	28 years
	Financial assumptions:	
2.0%	Rate of CPI inflation	2.3%

3.8%	Rate of increase in salaries	3.6%
2.0%	Rate of increase in pensions	2.3%
3.5%	Discount rate	2.5%

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

	Central	**Sensitivity 1**	**Sensitivity 2**	**Sensitivity 3**	**Sensitivity 4**
		+ 0.1% p.a. discount	**+0.1% p.a. inflation**	**+0.1% p.a. pay growth**	**1 year increase in life expectancy**
	£000	**£000**	**£000**	**£000**	**£000**
Disclosure item					
Liabilities	161,538	158,751	164,373	161,854	164,798
Assets	(113,171)	(113,171)	(113,171)	(113,171)	(113,171)
Deficit/(Surplus)	48,367	45,580	51,202	48,683	51,627
Projected Service Cost for next year	1,417	1,373	1,462	1,417	1,447
Projected Net Interest Cost for next year	1,142	1,115	1,223	1,160	1,234

History of Experience Gains and Losses

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

	31 March 2016 %	**31 March 2017 %**
Differences between the expected and actual return on assets	0.9	19.4
Experience gains and losses on liabilities	0.0	17.1

South Yorkshire Passenger Transport Pension Fund

South Yorkshire Passenger Transport Pension Fund Account

2015/16		2016/17		Note
£000		£000	£000	
	Dealings with members, employers and others directly involved in the Fund			
2,968	Contributions receivable	6,735		7
53	Transfers in from other pension funds	13		8
3,021			6,748	
(10,818)	Benefits payable	(11,396)		9
(170)	Payments to and on account of leavers	0		10
(10,988)			(11,396)	
(7,967)	**Net additions/(withdrawals) from dealing with members**		**(4,648)**	
(924)	Management expenses		(952)	11
	Returns on investments			
5,100	Investment income	5,206		12
(4,300)	Profit and losses on disposal of investments and changes in value of investments	35,691		13a
(23)	Taxes on income	(32)		12
777			40,865	
(8,114)	**Net increase (decrease) in the net assets available for benefits during the year**		**35,265**	
212,424	**Net assets of the Fund at 1 April**		**204,310**	
204,310	**Net assets of the Fund at 31 March**		**239,575**	

South Yorkshire Passenger Transport Pension Net Assets Statement

31 March 2016 £000		31 March 2017 £000	£000	Note
	Investment assets			
34,514	Fixed Interest Securities	38,224		
77,456	Equities	93,207		
86,873	Index-Linked Securities	103,388		
2,872	Pooled Investment Vehicles	118		
514	Cash - Foreign currency	692		
608	Cash – Sterling	924		
1,296	Other investment balances	1,344		
204,133			237,897	
	Investment liabilities			
(-)	Other investment liabilities	(-)		
(-)			(-)	
204,133	**Net investment assets**		237,897	13
293	**Current assets**	1,795		
-	**Long Term Debtors**	-		
293			1,795	19
(116)	**Current liabilities**		(117)	20
204,310	**Net assets of the Fund available to fund benefits at 31 March**		**239,575**	

The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at Note 18

Notes to the South Yorkshire Passenger Transport Pension Fund Account

1. Description of the Fund

a) General

The South Yorkshire Passenger Transport Pension Fund ("the Fund") is part of the Local Government Pension Scheme (LGPS). It is a contributory defined benefit pension scheme.
Each constituent LGPS fund is managed by an administering authority: in this case it is the Barnsley, Doncaster, Rotherham and Sheffield Combined Authority, known as the Sheffield City Region Combined Authority ("the Authority").

The Authority has appointed South Yorkshire Pensions Authority (SYPA) to manage the day-to-day affairs of the Fund. This includes all aspects of pensions administration, including the calculation and payment of benefits, and the overall management of the Fund. The Authority has, in addition to SYPA, appointed Old Mutual Global Investors as an investment manager. More information is shown in Note 13b. Barnett Waddingham LLP is the Fund's retained actuary and Eric Lambert has been employed as an independent investment advisor. All of these appointments are governed by management agreements in accordance with LGPS Regulations and are kept under review.

The Authority has delegated its administering authority duties and responsibilities to a specialist Committee of six Authority Councillors (South Yorkshire Passenger Transport Pension Fund Committee). Committee meetings are held at least quarterly and Authority and SYPA officers and independent advisors usually attend.

In accordance with sections 5(1) and (2) of the Public Service Pensions Act 2013 the Authority created a Local Pension Board. The Secretary of State granted the two South Yorkshire LGPS funds the power to establish a Joint Local Pension Board and this held its first meeting in July 2015.

The Fund has only one contributing employer, First South Yorkshire Limited, and 2,086 members (see note 1b).

The Fund's Investment Strategy Statement (ISS) was reviewed during the year and is available on the Fund's website (www.sypensions.org.uk).

b) Membership

The following summarises the position with regard to membership as at 31 March:

	2016/17	2015/16
	£000	**£000**
Active Contributors	152	184
Pensioners and Dependents	1,565	1,531
Deferred Pensions	369	391
Total	**2,086**	**2,106**

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2017.

Employee contributions are matched by employer's contributions which are set based on triennial actuarial funding valuations. The last such valuation was as at 31 March 2016 and the Employer's contribution rate required to cover the cost of accruing benefits and expenses is 29.5% of pensionable pay from 1 April 2017, 30.5% from 1 April 2018 and 31.5% from 1 April 2019. Deficit payments of £3.25m on 31 March 2018 and 3.5M on 31 March 2019 and 2020 are also due.
Contributions of 23.1% of pensionable pay and deficit payments amounting to £5.5m were paid during 2016/17.

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarized below:

	Service pre 1 April 2008	Service post 31 March 2008
Pension	Each year worked is worth 1/80 x final pensionable salary	Each year worked is worth 1/60 x final pensionable salary
Lump sum	Automatic lump sum of 3/80 x salary. In addition, part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax-free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is uprated annually in line with the Consumer Prices Index.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits. For more details please refer to the LGPS website.

e) Investment Performance

The Fund's market value (not including current net assets) increased during the year and closed at £237.8m (£204.1m in 2015/16) producing an overall return of 19.9% (0.1% in 2015/16). The Fund's benchmark return was 17.6% (-0.2% in 2015/16).

Two political surprises dominated financial markets this year. The first was the June UK referendum vote to leave the EU. The most significant impact for UK investors has been the marked depreciation of sterling and thus the significant increase in the value of overseas investments. The other event was the Trump victory in the US presidential election. This led to a reflation rally in markets. The economic backdrop improved towards the end of the financial year with all regions improving. There is now much discussion about a stronger and synchronised economic recovery across both developed and emerging economies. This raises the question of whether we are at the end of the period of low interest rates coupled with central bank asset purchases because the need for an ultra-accommodative policy is diminishing and this could predicate a fall in bond markets.

The Fund's tactical strategy remained largely unchanged during the year being overweight in international equities and relatively light in UK equities and corporate bonds. It was necessary to trim this position during the year as the Fund's customised benchmark changed and also to meet cash-flow requirements. Monies were switched into both index-linked gilts and corporate bonds. The weighting to property unit trusts was reduced substantially given that there is no longer an allocation to this asset class within the Fund's benchmark.

Overall the Fund produced a return of 19.9% compared to the benchmark return of 17.6%. This continues the strong long term track record with the Fund also outperforming its benchmark by 10.9%p.a versus 10.1%p.a. over three years and 8.1%p.a. versus 6.8%p.a. over ten years.

2. Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for 2016/17 and its position at the year end of 31 March 2017. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year.

The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note 18 of these accounts.

3. Accounting Policies

Fund account – revenue recognition

a) Contributions income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the Fund actuary in the payroll period to which they relate.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

b) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the Fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations 2013 (see Notes 8 and 10).
Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.
Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

c) Investment Income

i. Interest income
Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

ii. Dividend income
Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as an investment asset.

iii. Distributions from pooled funds
Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as an investment asset.

iv. Movement in the net market value of investments
Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

Fund account – expense items

d) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

e) Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

f) Management expenses

The code does not require any breakdown of pension fund administration expenses. However, in the interests of greater transparency, the Authority discloses its pension fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016).

Administration expenses

All administration expenses are accounted for on an accruals basis. All costs incurred by SYPA (the Fund Manager) in respect of administration expenses are charged directly to the Fund.

Oversight and governance costs

All oversight and governance expenses are accounted for on an accruals basis. All costs incurred by SYPA (the Fund Manager) in respect of oversight and governance are charged directly to the Fund.

Investment management expenses

All investment management expenses are accounted for on an accruals basis. Fees of the overseas equity portfolio manager are fixed, however the Authority has negotiated that an element of their fee be performance related. All costs incurred by SYPA (the Fund Manager) in respect of investment management expenses are also charged directly to the Fund.

Net assets statement

g) Financial assets

Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of assets are recognised by the Fund.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 14). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

h) Foreign Currency transactions

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period. Any gains or losses arising on conversion or translation are dealt with as part of the change in market value.

i) Cash and cash equivalents

Cash comprises cash in hand and demand deposits.
Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

j) Financial liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of liability are recognised by the Fund.

k) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed at the period end using a roll forward of the results of the triennial valuation (as at 31 March 2016) allowing for the different financial assumptions required under IAS19.
As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to these accounts (Note 18).

l) Additional Voluntary Contributions (AVCs)

In accordance with regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 contributions to AVCs have not been included in either the Authority's Fund Account or Net Assets Statement, as they are paid directly to the AVC providers by employers of contributors. AVCs are specifically for the provision of additional benefits for individual contributors. AVC funds returned to the scheme and benefits paid as a result of this are included in the Fund Account as part of transfer values received and benefits paid respectively.

Details of AVC investments are however shown in Note 21

4. Critical Judgements in applying accounting policies

Pension Fund Liability

The pension fund liability is calculated every three years by the Fund's actuary, Barnett Waddingham, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with financial standards. Assumptions underpinning the valuations are agreed with the actuary and are disclosed in Notes 17 and 18. This estimate is subject to significant variances based on changes to the underlying assumptions.

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

The Pension Fund Accounts contain estimated figures that are based upon assumptions made about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The one item in the Pension Fund Accounts at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year is as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Pensions liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries (Barnett Waddingham) is engaged to provide the fund with expert advice about the assumptions to be applied.	The funding level at the 2016 actuarial valuation was 89% (a deficit of £24.888m) The effects on the funding level of changes in individual assumptions can be measured. For instance, no allowance for asset performance in excess of gilt yields increases the deficit by £27.507m. A 0.25% increase in mortality long term rate of improvement would increase the deficit by 2.696m. A 0.1% decrease in inflation rates would reduce the deficit by £2.704m

6. Events after the Balance Sheet Date

Proposals have been put to the government by First Group to merge all of their LGPS funds (Greater Manchester, West Yorkshire and South Yorkshire) under one host administering authority – the Greater Manchester Pension Fund (GMPF). At the time of writing, the Minister was consulting on this proposal, effective 01/04/17. No directive has yet been issued but when that happens the Fund will be transferred to GMPF. At present there is no firm timetable for when this will occur. In the meantime SYPA will continue to manage the Fund.

7. Contributions Receivable

Contributions represent the total amount receivable from First South Yorkshire Limited in respect of its own contributions and those of its pensionable employees.

When First South Yorkshire Limited (the Employer) retires staff early, on redundancy or efficiency grounds, a strain on the Fund is generated through the early payment of their benefits. The Authority requires the employer to reimburse the fund for that strain by making capital injections over a phased period of up to 3 years. These capital injections are accounted for in full when they occur.

Analysis of contributions receivable:

	2016/17 £000	2015/16 £000
From the Employer		
Normal Contributions	966	1,147
Deficit Funding lump sums	5,500	1,500
Additional Capital contributions	0	0
Additional cost of early retirement	0	0
	6,466	**2,647**
From Members	269	321
	6,735	**2,968**

8. Transfers In

	2016/17 £000	2015/16 £000
Group Transfers In	0	0
Individual Transfers In	13	53
	13	**53**

9. Benefits Payable

Analysis of benefits payable:

	2016/17 £000	2015/16 £000
Retirement Pensions	9,098	8,882
Commutation of benefits and lump sum retirement benefits	2,187	1,379
Lump sum death benefits	111	557
	11,396	**10,818**

10. Payments to and on account of leavers

	2016/17 £000	2015/16 £000
Group transfers out	0	0
Individual transfers out	0	170
Refunds of contributions	0	0
	0	**170**

11. Management Expenses

	2016/17 £000	2015/16 £000
Administrative costs	36	38
Investment Management Expenses	752	715
Oversight and Governance	164	171
	952	**924**

This analysis of the costs of managing the South Yorkshire Passenger Transport Pension Fund during the period has been prepared in accordance with CIPFA guidance.

Administration expenses were slightly lower in 2016/17 than the previous year due to efficiencies and the less complex nature of this Fund.

Oversight and Governance costs reduced during the year due mainly to professional fees that had been paid in 2015/16 in respect of the Fund's VAT position and liability. There were additional costs in 2016/17 due to the triennial valuation.

Oversight and Governance costs includes fees payable to the Fund's auditor KPMG of £21,000 (£21,000 in 2015/16).

These management expenses include a total VAT liability of £68,613 (£59,565 in 2015/16)

11a. Investment Management Expenses

	2016/17 £000	2015/16 £000
South Yorkshire Pensions Authority	176	171
Old Mutual	386	352
Custody	54	38
Transaction costs	78	72
Management fees deducted at source	1	37
VAT Liability	57	45
	752	**715**

The overseas portfolio manager fees include a performance-related fee of just over £0.339m £0.336m in 2015/16)

In accordance with CIPFA guidance management fees deducted at source and transaction costs are now shown gross.
Wherever possible these figures are based on actual costs disclosed by the manager, where this is not available, best estimates have been made using other available information.
It is important to note that this is a change in reporting only and does not represent an actual increase in costs, nor a decrease in the Fund's resources available to pay pension benefits.

12. Investment Income

	2016/17 £000	2015/16 £000
Interest from fixed interest securities	1,640	1,648
Dividends from equities	2,457	2,235
Income from index Linked Securities	1,064	1,064
Income from pooled investment vehicles (property)	48	150
Interest on cash deposits	3	5
Other	(6)	(2)
	5,206	**5,100**
Irrecoverable withholding tax - equities	(32)	(23)
Total Investment Income	**5,174**	**5,077**

13. Net Investment Assets

	2016/17 £000	2015/16 £000
Fixed Interest Securities		
UK corporate bonds	38,224	34,514
Equities	33,785	29,851
UK quoted	59,422	47,605
Overseas quoted	*93,207*	*77,456*
Index-Linked Securities		
UK public sector quoted	85,008	71,264
UK corporate bonds	18,380	15,609
	103,388	*86,873*
Pooled Investment Vehicles		
UK Property	118	2,872
Cash - Foreign currency	692	514
Cash - Sterling	924	608
Other investment assets (broker balances, outstanding dividend entitlement and recoverable withholding tax)	1,344	1,296
Other Investment liabilities (broker balances)	0	0
Total Investment Assets	**237,897**	**204,133**

13a. Change in Market Value of Investments

The change in market value of investments during the year comprises all the increases and decreases in the market value of investments held at any time during the year, including all realised and unrealised profits and losses.

Indirect costs are incurred through the bid-offer spread on investments. The amount of indirect costs is not separately provided to the scheme.

	Mkt Value at 1/4/16 £'000	Purchases at Cost £'000	Sale Proceeds £'000	Change in Mkt Value £'000	Mkt Value at 31/3/17 £'000
Fixed Interest Securities	34,514	4,761	(3,365)	2,314	38,224
Equities	77,456	101,915	(107,211)	21,047	93,207
Index-Linked Securities	86,873	11,804	(7,865)	12,576	103,388
Pooled Investment Vehicles	2,872	4	(2,467)	(291)	118
	201,715	118,484	(120,908)	35,646	234,937
Cash – Foreign currency	514			45	692
Cash - Sterling	608				924
Other investment assets	1,296				1,344
Other investment liabilities	-				-
NET INVESTMENT ASSETS	**204,133**			**35,691**	**237,897**

Previous year comparative:

	Mkt Value at 1/4/15 £'000	Purchases at Cost £'000	Sale Proceeds £'000	Change in Mkt Value £'000	Mkt Value at 31/3/16 £'000
Fixed Interest Securities	33,951	4,899	(2,891)	(1,445)	34,514
Equities	87,688	85,881	(92,936)	(3,177)	77,456
Index-Linked Securities	79,231	13,645	(5,777)	(226)	86,873
Pooled Investment Vehicles	8,872	2	(6,558)	556	2,872
	209,742	104,427	(108,162)	(4,292)	201,715
Cash – Foreign currency	745			(8)	514
Cash - Sterling	614				608
Other investment assets	1,264				1,296
Other investment liabilities	-				-
NET INVESTMENT ASSETS	**212,365**			**(4,300)**	**204,133**

13b. Investments analysed by Fund Manager

	Market value 31 March 2017 £'000	%	Market value 31 March 2016 £'000	%
South Yorkshire Pensions Authority	182,397	76.67	159,567	78.17
Old Mutual (overseas equities)	55,500	23.33	44,566	21.83
	237,897		**204,133**	

The Fund has one investment that represents more than 5% of the net assets of the Scheme:

2016/17 **Security**	**Holding**	**Valuation £'000**	**% of total fund**
UK Treasury Index Linked 2020	3,700,000	13,785	5.8
2015/16 **Security**	**Holding**	**Valuation £'000**	**% of total fund**
UK Treasury Index Linked 2020	3,700,000	13,355	6.5

14. Fair Value – Basis of valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Description of asset	Valuation hierarchy	Basis of valuation	Observable unobservable inputs	Key sensitivities affecting the valuations provided
Market quoted investments	Level 1	Published closing bid market price ruling on the final day of the accounting period	Not required	Not required
Bonds	Level 2	Average of broker prices Valued on a "clean" basis (not including accrued interest)	Composite prices/ Evaluated price feeds	Not required
Pooled investment vehicles – property funds	Level 2	Closing bid price where bid and offer prices are published Closing single price where single price published	NAV-based pricing set on a forward pricing basis	Not required

14a: Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

Financial instruments at Level 1 are those where the fair value are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities.
Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data. This includes composite prices for fixed income instruments and fund net asset value prices.

Level 3

Financial instruments at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.
Investments in private equity funds and unquoted listed partnerships are valued based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the guidelines set out by the British Venture Capital Association or other professional bodies.
The following table provides an analysis of the financial assets and liabilities of the Fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

	Quoted market price	**Using observable inputs**	**With significant unobservable inputs**	
Value at 31 March 2017	**Level 1 £'000s**	**Level 2 £'000s**	**Level 3 £'000s**	**Total £'000s**
Financial assets at fair value through profit or loss	94,551	141,730	-	236,281
Net investment assets (excl cash)	**94,551**	**141,730**	**-**	**236,281**

	Quoted market price	**Using observable inputs**	**With significant unobservable inputs**	
Value at 31 March 2016	**Level 1 £'000s**	**Level 2 £'000s**	**Level 3 £'000s**	**Total £'000s**
Financial assets at fair value through profit or loss	78,752	124,259	-	203,011
Net investment assets (excl cash)	**78,752**	**124,259**	**-**	**203,011**

15. Financial Instruments

The Fund's financial instruments are the investment assets and debtors and creditors, these are all disclosed on the Net Assets Statement. The assets and debtors are all carried at fair value. The creditors are carried at amortised cost.

15a: Classification of Financial Instruments

The following table analyses the carrying amount of financial instruments by category and net assets statement heading. No financial instruments were reclassified during the accounting period.

	31 March 2017 £'000	31 March 2016 £'000
Fair value through profit or loss		
Financial Assets		
Fixed Interest Securities	38,224	34,514
Equities	93,207	77,456
Index-Linked Securities	103,388	86,873
Pooled Investment Vehicles	118	2,872
Other investment balances	1,344	1,296
Total	**236,281**	**203,011**
Financial Liabilities		
Other investment balances	(-)	(-)
Total	**(-)**	**(-)**
Loans and receivables		
Financial Assets		
Cash – Foreign currency	692	514
Cash - Sterling	924	608
Current assets	1,795	293
Total	**3,411**	**1,415**
Financial Liabilities at amortised cost		
Financial Liabilities		
Current liabilities	(117)	(116)
Total	**(117)**	**(116)**

See Note 14 re method of valuation of asset classes. Debtors and creditors are included at cost.

15b: Net gains and losses on Financial Instruments

	31 March 2017 £'000	31 March 2016 £'000
Financial assets		
Fair value through profit and loss	35,646	(4,292)
Loans and receivables	45	(8)
Financial liabilities		
Fair value through profit and loss	-	-
Financial liabilities measured at amortised cost	-	-
Total	**35,691**	**(4,300)**

16. Nature and Extent of risks arising from Financial Instruments

Risk and risk management

The Fund's primary long-term risk is that its assets will fall short of its liabilities (ie promised benefits payable to members). Therefore the aim of investment risk management is to minimize the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio.

The Fund's activities expose it to a variety of financial risks:

- market risk – the possibility that financial loss might arise for the Fund as a result of changes in such measures as interest rates and stock market movements.

- credit risk – the possibility that other parties might fail to pay amounts due to the Fund

- liquidity risk – the possibility that the Fund might not have funds available to meet its commitments to make payments

The management of risk is described within the Fund's ISS which is posted on the Fund's website (www.sypensions.org.uk). It centres upon the adoption of an investment strategy, as represented by the Fund's customised benchmark, which is appropriate to meet the objectives of the Funding Strategy Statement. It focuses on the unpredictability of financial markets and seeks to minimise the potential adverse effects on the resources available to fund services.

The Fund Manager's (SYPA) treasury management activities are governed by the Local Government Act 2003 and the Fund has broadly adopted CIPFA's Treasury Management Code of Practice. The annual Treasury Management Strategy was approved by the Authority in March 2016.
As a pension fund the primary risks which affect it are market risk and credit risk.

a) Market Risk

Market Risk – Price Risk

The Fund publishes its SIP which details how the real risk of negative returns due to price fluctuations is managed.

Because different asset classes have different risk and return characteristics they will react differently to external events and will not necessarily do so in a pre-determined or correlated manner to each other. No single asset class or market acts in isolation from other assets or markets. It is, therefore, extremely difficult to meaningfully estimate the consequences of a particular event in a particular asset on other asset classes. It is important to recognise that returns, volatility and risks vary over time.

In order to minimise the risks associated with market movements the Fund is well diversified across asset classes and within individual portfolios and constantly monitored and reviewed.

Price Risk – Sensitivity Analysis

Potential price changes are determined based on the observed historical volatility of asset class returns. 'Riskier' assets such as equities will display greater potential volatility than bonds as an example, so the overall outcome depends largely on the Fund's' asset allocations. Based on this the following movements in market price risk are reasonably possible for the 2016/17 reporting period.

Asset type	**Potential market movements (+/-)**
Bonds	5.06%
UK Equities	9.06%
Overseas Equities	10.03%
Index Linked securities	7.81%
Property (unit trusts) - only residual holding left	0%

This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the Fund investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market price would have been as follows (the prior year comparator is shown below):

Asset type	**Value as at 31 March 2017 £'000**	**Potential Market Movement £'000**	**Value on increase £'000**	**Value on decrease £'000**
Bonds	38,224	1,934	40,158	36,290
UK Equities	33,785	3,061	36,846	30,724
Overseas equities	59,422	5,960	65,382	53,462
Index linked securities	103,388	8,075	111,463	95,313
Property (unit trusts)	118	0	118	118
Cash - Foreign currency	692	0	692	692
Cash - Sterling	924	0	924	924
Other investment assets	1,344	0	1,344	1,344
Net investment assets	**237,897**	**19,030**	**256,927**	**218,867**

Asset type	**Value as at 31 March 2016 £'000**	**Potential Market Movement £'000**	**Value on increase £'000**	**Value on decrease £'000**
Bonds	34,514	1,905	36,419	32,609
UK Equities	29,851	3,179	33,030	26,672
Overseas equities	47,605	4,799	52,404	42,806
Index linked securities	86,873	5,786	92,659	81,087
Property (unit trusts)	2,872	70	2,942	2,802
Cash - Foreign currency	514	0	514	514
Cash - Sterling	608	0	608	608
Other investment assets	1,296	0	1,296	1,296
Net investment assets	**204,133**	**15,739**	**219,872**	**188,394**

Market Risk – Interest Rate Risk

This primarily impacts upon the valuation of the Fund's bond holdings and, to a lesser degree, the return it receives on cash held. A rise in interest rates would lead to the income earned on variable rate investments increasing but would cause the value of fixed rate investments to fall. The Fund's correlation to interest rates will vary depending upon the profile of investments held.
The Fund manages its cash investments with a view to obtaining the best returns possible whilst ensuring the security of the deposits. The Fund also holds foreign currency balances which could be affected by interest rate movements but are more sensitive to exchange rate movements (see Market risk – Currency risk).

The Fund's direct exposure to interest rate movements as at 31 March 2017 and 31 March 2016 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Asset type	**As at 31 March 2017 £'000**	**As at 31 March 2016 £'000**
Cash - Sterling	924	608
Total	**924**	**608**

Interest Rate Risk – Sensitivity Analysis

The Authority recognises that interest rates can vary and can affect both income to the fund and the value of the net assets.

The one standard deviation of the 10 year government bond yield (annualised) amounts to 0.93%.

The following analysis assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets of a +/- 0.93% change in interest rates:

Asset type	**Carrying amount as at 31 March 2017 £'000**	**Potential movement on 0.92% change in interest rates**	**Value on increase £'000**	**Value on decrease £'000**
Cash - Sterling	924	9	933	915
Total change in assets available	**924**	**9**	**933**	**915**

Asset type	**Carrying amount as at 31 March 2016 £'000**	**Potential movement on 0.92% change in interest rates**	**Value on increase £'000**	**Value on decrease £'000**
Cash - Sterling	608	6	614	602
Total change in assets available	**608**	**6**	**614**	**602**

Market Risk – Currency Risk

The Fund holds cash balances in foreign currency and has investments quoted in foreign currency. The risk of exchange rate movements is accepted as part of the overall management strategy of the Fund.

Currency Risk – Sensitivity Analysis

The potential volatility of the aggregate currency exposure within the Fund based on historical data for the last 3 years associated with foreign exchange rate movements is 15.17%.

A 15.17% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets as follows:

Currency exposure – asset type	**Asset value as at 31 March 2017 £'000**	**Potential Market Movement**	**Value on increase £'000**	**Value on decrease £'000**
Overseas quoted securities	59,422	9,014	68,436	50,408
Overseas property funds	-	-	-	-
Cash - Foreign currency	692	105	797	587
Total change in assets available	**60,114**	**9,119**	**69,233**	**50,995**

Currency exposure – asset type	**Asset value as at 31 March 2016 £'000**	**Potential Market Movement**	**Value on increase £'000**	**Value on decrease £'000**
Overseas quoted securities	47,605	7,222	54,827	40,383
Overseas property funds	-	-	-	-
Cash - Foreign currency	514	78	592	436
Total change in assets available	**48,119**	**7,300**	**55,419**	**40,819**

b) Credit Risk

Arises from deposits with banks and financial institutions, as well as credit exposures to the Fund's customers. The risk is minimised through the SYPA Treasury Management Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum criteria set by SYPA. The Treasury Management Strategy also imposes a maximum sum to be invested with each institution. In practice the Fund holds minimal cash balances. Counterparties must have a short term debt credit rating of F1 or better.

The Fund's benchmark allows for cash at 31 March 2017 to a maximum of 5% of the Fund (actual cash holdings were 0.39%).
Interest received on advances during 2016/17 was £1,749 (£3,423 in 2015/16) at an average rate of 0.25% (0.39% in 2015/16) (as the Fund maintains short term deposits only, the rate of interest is closely aligned to the Bank of England base rate which reduced to 0.25% in August 2016, previously the rate had remained at 0.5% since

March 2009). For illustration purposes an increase of 0.25% in interest rates achieved would have resulted in an increase of £1,749 (£3,423) in interest received provided that bank balances had remained the same.

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c) Liquidity Risk

The Fund ensures it has adequate cash resources to meet its commitments. This is particularly the case for cash to meet pensioner payroll costs and investment commitments.
The Fund has immediate access to its cash holdings with a majority of cash being deposited for no longer than a week and no cash being deposited for more than a month. Also the Fund holds Government bonds amounting to £85.0m (£71.3m at 31 March 2016) which can be realised within a week in normal market conditions, if necessary, to meet expected or unexpected demands for cash.

All financial liabilities are due to be paid in less than one year.

17. Funding Arrangements

In accordance with Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008, Barnett Waddingham, the consulting actuary, carried out an examination of the financial position of the Fund as at 31 March 2016.

The market value of the Fund's assets at the date of the valuation was £204.310m. The previous valuation had been completed as at 31 March 2013 (market value £194.220m).

The assumptions adopted are (2013 valuation assumptions shown in brackets):-

Financial assumptions:

		(non-pensioner/pensioner)	
Price inflation RPI		2.7% / 2.15%	(3.6% / 3.4%)
Price inflation CPI		2.35% / 1.85%	(2.7% / 2.5%)
General earnings increases		3.25%	(3.6%)
Investment return	- before retirement	5.8%	(6.6%)
	- after retirement	2.7% / 2.15%	(3.6% / 2.8%)

Demographic assumptions:

Mortality table	120% S1PA	
Ill health mortality table	120% S1PA + 6 years	
Mortality projections	CMI_2015 long term rate of improvement 1.25% pa	(CMI_2012 long term rate of improvement 1.0% pa)
Allowance for cash commutation	70% of members elect to take maximum cash	

The funding objective is to ensure that the funding level is 100% and that the long term future contribution rate is relatively stable over time.

On an ongoing basis, the Fund had a valuation deficit in respect of past service rights of £24.88m at 31 March 2016 (£32.8m at 31 March 2013). This represents a funding level of 89% (86% at 31March 2013).

The primary contribution rate payable by First South Yorkshire Limited has been calculated at 30.5% for the period to 31 March 2020 (23.1% in 2013 effective 1 April 14 to 31 March 2017). Additional deficit payments are also due over the same period.

18. Actuarial Present Value of Promised Retirement Benefits

IAS26 requires the present value of the Fund's promised retirement benefits to be disclosed. To assess the value of the liabilities as at 31 March 2017 the actuary has rolled forward the value calculated for the triennial valuation as at 31 March 2016 allowing for the different financial assumptions required under IAS19.

The financial assumptions used for the purposes of the calculations are shown in the table below:-

	31 March 2017	31 March 2016
CPI increases	2.5% p.a.	2.1% p.a.
Salary increases	3.4% p.a.	3.0% p.a.
Pension increases	2.5% p.a.	2.1% p.a.
Discount rate	2.5% p.a.	3.4% p.a.

It is not possible to assess the accuracy of the estimated liability as at 31 March 2017 without completing a full valuation. However the actuary is satisfied that the approach of rolling forward the previous valuation results to 31 March 2017 should not introduce any material distortions in the results provided that the actual experience of the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. There appears to be no evidence that this approach is not appropriate.

On this basis, the value, for IAS26 purposes, of the Fund’s promised retirement benefits as at 31 March 2017 was £248.667m (£216.208m as at 31 March 2016) giving a net liability of £9.092m (£11.898m as at 31 March 2016).

The Actuarial Present Value of Fund Obligation consists entirely of Vested Obligations.

19. Current Assets

	31 March 2017 £000	31 March 2016 £000
Contributions due - employers	13	16
Contributions due - employees	4	5
Additional cost of early retirement	0	0
Sundry debtors	100	104
	117	**125**
Cash at Bank	**1,678**	**168**
	1,795	**293**

Analysis of debtors:

	31 March 2017 £000	31 March 2016 £000
Central government bodies	47	50
Other local authorities	5	0
Public corporations and trading funds	0	0
Other entities and individuals	65	75
	117	**125**
Cash at bank	1,678	168

There are no long term debtors.

20. Current Liabilities

Creditors:

	31 March 2017 £000	31 March 2016 £000
Benefits Payable	0	4
Sundry creditors	117	112
	117	**116**

Analysis of creditors:

	31 March 2017 £000	31 March 2016 £000
Other local authorities	66	57
Public corporations and trading funds	14	12
Other entities and individuals	37	47
	117	**116**

21. Additional Voluntary Contributions

Additional Voluntary Contributions (AVCs) made by pension fund contributors are managed by Equitable Life and Scottish Widows. The Fund value of AVCs with these managers and contributions received during the year are shown below:

	Fund value		Contributions received	
	31 March 2017 £000	31 March 2016 £000	31 March 2017 £000	31 March 2016 £000
Equitable Life	13	11	0	0
Scottish Widows	57	162	0	0

22. Related Party Transactions

There are no material transactions with related parties other than those which have been properly recorded and disclosed elsewhere in the accounts.

The employer, First South Yorkshire Limited, is a related party to the Fund and has material transactions with the Authority during the year in the form of contributions described elsewhere in the accounts.

The fund managers are related parties to the Fund and fees paid to them are included in Investment management expenses (see Note 11a).

23. Compensation Payments

The Fund makes compensation payments in respect of non-statutory pension benefits (e.g. ’added years’). These costs are not chargeable to the Fund, but are recovered from First South Yorkshire Limited.
During 2016/17, the Fund made payments in respect of non-statutory pension benefits of £104,425 (£107,533 in 2015/16).

Glossary

Term	Definition
Abbreviations	The symbol ‘k’ following a figure represents £thousand. The symbol ‘m’ following a figure represents £million. The symbol ‘bn’ following a figure represents £billion.
Accounting Period	The period of time covered by the Combined Authority’s accounts. Normally 12 months, beginning on 1 April. Also known as the Financial Year.
Accounting Policies	These are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.
Accruals Concept	Income and Expenditure are recognised as they are earned or incurred, not as money is received or paid.
Added Years	A discretionary award increasing the value of pensions for retiring employees aged 50 or over subject to specific conditions. Employers must exercise this discretion in accordance with the national regulations and organisation’s own policies.
Amortisation	An accounting technique of recognising a cost or item of income in the Comprehensive Income and Expenditure Statement over a period of years rather than when the initial payment is made. Its purpose is to charge / credit the cost / income over the accounting periods that gain benefit for the respective item.
Capital Expenditure	Expenditure that is incurred to acquire, create or add value to a non-current asset.
Capital Financing Requirement	It measures the Combined Authority’s underlying need to borrow or finance by other long-term liabilities for a capital purpose. It represents the amount of capital expenditure that has not yet been resourced absolutely, whether at the point of spend or over the longer term. Alternatively, it means capital expenditure incurred but not yet paid for.

Capital Receipts	The proceeds from the sale of capital assets which, subject to various limitations, can be used to finance capital expenditure, invested, or to repay outstanding debt on assets originally financed through borrowing.
Cash	Comprises cash on hand and demand deposits.
Cash Equivalents	These are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.
Consistency Concept	The consistency concept requires that there should be a consistent method of accounting treatment of like items within each accounting period and from one period to the next.
Contingency	A condition which exists at the Balance Sheet date, where the outcome will be confirmed only on the occurrence of one or more uncertain future events not wholly within the Combined Authority’s control.
Credit Risk	The possibility that one party to a financial instrument will fail to meet their contractual obligations, causing a loss to the other party.
Creditors	Amounts owed by the Combined Authority for work done, goods received or services rendered, for which no payment has been made at the date of the Balance Sheet.
Debtors	Amounts owed to the Combined Authority for work done, goods received or services rendered, for which no payment has been received at the date of the Balance Sheet.
Defined Benefit Scheme	A pension or other retirement benefit scheme, other than a Defined Contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).
Defined Contribution	A pension or other retirement benefit scheme into which an

Scheme	employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.
Depreciation	The measure of the wearing out, consumption or other reduction in a non-current asset either as a result of its use, ageing or obsolescence.
Fair Value	Fair Value is the 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.
Finance Lease	A lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. The payments usually cover the full cost of the asset together with a return for the cost of finance.
Financial Instrument	A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term “financial instrument” covers both financial assets and financial liabilities and includes both straightforward financial assets and liabilities such as trade receivables (debtors) and trade payables (creditors) and complex ones such as derivatives.
General Fund	The total services of the Combined Authority.
Goodwill	The difference between the aggregate fair value of the net assets of a business and the value of the business as a whole. Goodwill can be internally developed or purchased.
Impairment	A reduction in the value of a non-current asset below its carrying amount on the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a fixed asset’s market value and evidence of obsolescence or physical damage to the asset.
Intangible Assets	Non-financial assets that do not have physical substance but are identified and are controlled by the entity through custody

	or legal rights. The two broad types of intangible non-current assets applicable to local authorities are goodwill and other intangible assets. Examples of other intangible assets might be patents or software licences.
International Financial Reporting Standards (IFRS)	Accounting standards developed by the International Accounting Standards Board which determine the standards to be adopted in the preparation and presentation of the Combined Authority's accounting records.
Inventories	Inventories are assets: • in the form of materials or supplies to be consumed in the production process or consumed or distributed in the rendering of services • held for sale or distribution in the ordinary course of operations • in the process of production for sale or distribution
Investment Property	Property held solely to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administration purposes or sale in the ordinary course of operations.
Materiality	Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.
Minimum Revenue Provision (MRP)	The minimum amount which must be charged to an Authority's revenue account each year and set aside as provision for credit liabilities, as required by the Local Government and Housing Act 1989.
Net Book Value	The amount at which non-current assets are included on the Balance Sheet, i.e. their historical cost or current value less the cumulative amount provided for depreciation.
Net Current Replacement Cost	The cost of replacing or recreating the particular asset in its existing condition and in its existing use i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current position of the existing asset.

Net Realisable Value	The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses incurred in realising the asset.
Operating Lease	A lease other than a Finance Lease. An agreement in which the Combined Authority 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 the Combined Authority.
Private Finance Initiative (PFI)	A contract in which the private sector is responsible for supplying services that are linked to the provision of a major asset. Payments are made for the provision of service, which is linked to availability, performance and levels of usage.
Property, Plant and Equipment	Tangible assets that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period.
Provisions	Amounts charged to revenue during the year for costs with uncertain timing, though a reliable estimate of the cost involved can be made.
Prudence Concept	Requires that revenue is not anticipated until realisation can be assessed. Provision is made for all known liabilities whether the amount is certain or can only be estimated in light of the information available.
Public Works Loan Board (PWLB)	A government agency, which provides loans to authorities at favourable rates.
Related Party	The definition of a related party is dependent upon the situation, though key indicators of related parties are if: • One party has direct or indirect control of the other party • One party has influence over the financial and operating policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests.
Remuneration	All sums paid to or receivable by an employee and sums due

	by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.
Reserves	Result from events that have allowed monies to be set aside, surpluses, decisions causing anticipated expenditure to have been postponed or cancelled, or by capital accounting arrangements.
Revenue Expenditure	Expenditure incurred on the day-to-day running of the Combined Authority, for example, staffing costs, supplies and transport.
Specific Government Grants	These are designed to aid particular services and may be revenue or capital in nature. They typically have specified conditions attached to them such that they may only be used to fund expenditure which is incurred in pursuit of defined objectives.
Termination Benefits	These are benefits payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits.
Unsupported (Prudential) Borrowing	Borrowing for which no financial support is provided by Central Government. The borrowing costs are to be met from current revenue budgets.

Independent Auditor's Report

Independent auditor's report to the members of Sheffield City Region Combined Authority

We have audited the financial statements of Sheffield City Region Combined Authority for the year ended 31 March 2017 on pages 44 to 180. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of the Authority, 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 Authority, 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 Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that the financial statements give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 31 March 2017 and of the Authority's and the Group's expenditure and income for the year then ended;

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2017 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2017 other than liabilities to pay pensions and other benefits after the end of the scheme year; and

- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Matters on which we are required to report by exception

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

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

- the information given in the Narrative Statement for the financial year for which the financial statements are prepared is not consistent with the financial statements; or

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit; or

- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014; or

- any other special powers of the auditor have been exercised under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

Conclusion on Sheffield City Region Combined Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Authority's responsibilities

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

Auditor's responsibilities

We are required under Section 20(1) (c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Comptroller and Auditor General (C&AG) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority 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 Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by C&AG in November 2016, as to whether Sheffield City Region Combined Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Sheffield City Region Combined Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, Sheffield City Region Combined Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

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

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

14 September 2017