SHEFFIELD CITY REGION MAYORAL COMBINED AUTHORITY

STATEMENT OF ACCOUNTS 2017/18

Audited

For the period
1 April 2017 to 31 March 2018

Contents

Narrative Report by the Chief Financial Officer

1. INTRODUCTION

Purpose of the Narrative Report

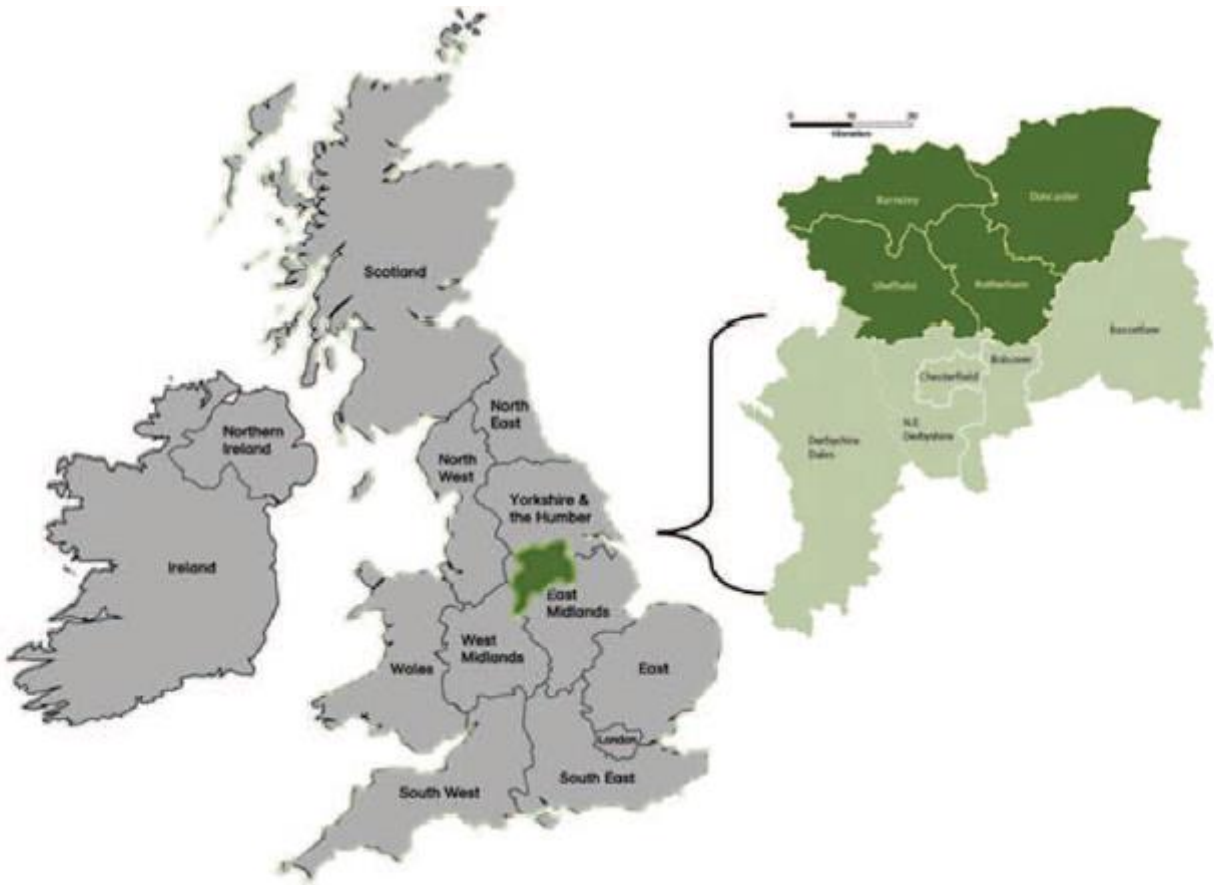
The Narrative Report provides key messages on the organisational structure of the Combined Authority, its overall strategies and objectives and how it has performed over the year in delivering operational activities towards achieving its objectives.

It also provides a summary of its financial performance and how it has secured economy, efficiency and effectiveness (value for money) in the use of its resources over the course of the 2017/18 financial year in meeting its strategic aims.

2. ORGANISATION & CORPORATE OBJECTIVES

The Sheffield City Region Combined Authority and CA group

The Sheffield City Region Mayoral Combined Authority (MCA) consists of the four ‘constituent’ authorities from South Yorkshire, and five ‘non-constituent’ districts from North Derbyshire and the North Midlands:



The overall purpose of the Combined Authority is to fulfil two distinct functions:

- To drive economic growth in the City Region through a public private partnership between the MCA and the private sector led Local Enterprise Partnership (LEP) through the SCR's ten year Strategic Economic Plan (SEP), and
- To act as the Local Transport Body for South Yorkshire and be responsible for its statutory Local Transport Plan.

The Combined Authority acts as the financial accountably body for all funding awarded to the LEP, primarily Local Growth Deal funding.

The newly elected mayor will be a member, and chair, of the MCA and a member of the LEP. As yet, no powers have been devolved to the mayor pending public consultation on the proposed transfer of powers.

Economic Development

The City Region's SEP sets out a 10-year plan for economic growth, creating new jobs and businesses covering the period 2015 to 2025.

The key targets that the SCR is seeking to achieve through economic growth are to:

- Create 70,000 new jobs in the private sector by 2024, 30,000 of which should be in highly skilled occupations to improve the average rate of employment and close the productivity gap with the rest of the UK.
- Increase GVA by 10% or £3bn between 2014 and 2024 by supporting growth of existing firms, seeking to attract inward investment, from other parts of the UK and overseas, and increasing sales of goods and services to other parts of the UK and abroad; and
- Create an additional 6,000 business start-ups by 2024 by providing first class business support.

In order to support these aims, there is a need to:

- Develop the City Region's skills base, labour mobility and education performance to create the skilled workforce that will enable the economy to grow.
- Provide an interconnected public transport network within and outside the City Region.
- Deliver an infrastructure capital investment programme to unlock key development opportunities; and
- Provide 70,000 new dwellings by 2024 to provide suitable housing to meet demand from a growing economy.

Work has concluded on a refresh of the evidence based underpinning the SEP and work to refresh the SEP will take place in 2018, leading to a suite of conditional outcomes the SCR LEP and MCA seek to achieve .

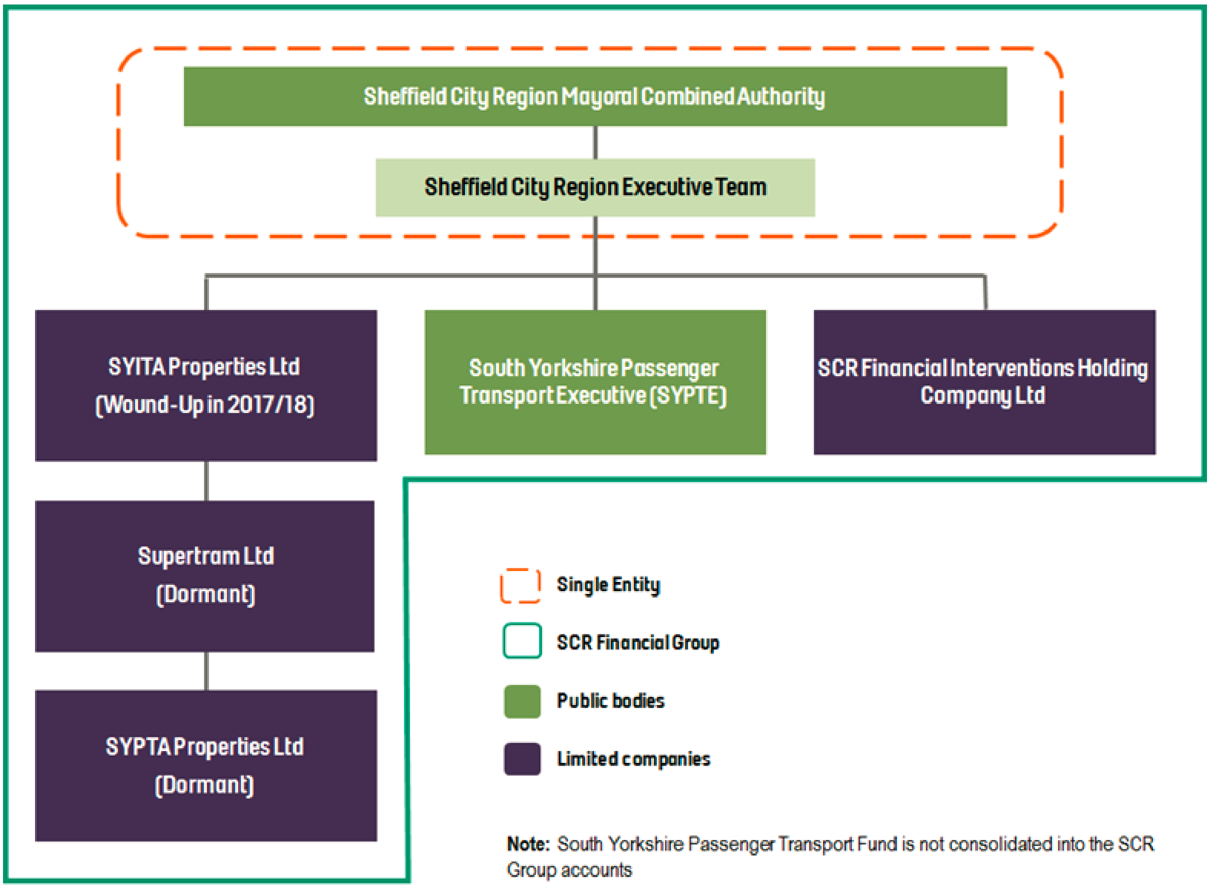
Transport

In January 2017, the MCA agreed to refresh the SCR Transport Strategy that was published in 2011 to reflect the CA's responsibilities on transport and align our strategy with national and sub-national transport priorities such as those of Transport for the North, including Northern Powerhouse Rail, and nationally-led initiatives such as HS2.

The draft SCR Transport Strategy 2018 – 2040 aims to boost economic growth by ensuring everyone can get to work easily, that streets are safe and healthy, the quality of the outdoors is improved, and that innovations in transport technologies are adopted. The statutory consultation on the new strategy ended on 1 April 2018. Responses to the consultation are currently being evaluated with the final strategy due to be adopted by the CA in Summer 2018.
The PTE have recognised the decline in public transport patronage as a key risk. They will continue to monitor the position in 2018/19.

CA group structure

The CA group comprises the following organisations:



South Yorkshire Passenger Transport Executive (SYPTE) is responsible for the development and delivery of public transport and is tasked with delivering the South

Yorkshire Transport Plan. The MCA is responsible for approving the income and expenditure estimates of the PTE and its capital programme.

The SCR Financial Interventions Holding Company is a wholly owned subsidiary of the MCA. Its purpose is to support capital investment in furtherance of Sheffield City Region's strategic objectives as set out in its Strategic Economic Plan and draft Inclusive Industrial Strategy. Its focus at present is on supporting the successful launch of the SCR's LEP Housing Fund.

The MCA was the administering body for the South Yorkshire Passenger Transport Pension Fund (SYPTPF) until its transfer to Greater Manchester MCA on 1 November 2017. The SYPTPF is a closed scheme restricted to a number of employees and former employees of First South Yorkshire Ltd who participate in the local government pension scheme. The SYPTF was managed on an agency basis by South Yorkshire Pensions Authority (SYPA) until 31 October 2017.

On 31 March 2017 the MCA ceased to act as the financial accountable body for the Transport for the North (TfN) partnership. Greater Manchester MCA became the accountable body with effect from 1 April 2017.

3. ORGANISATIONAL PERFORMANCE

The SCR is performing strongly towards delivering its economic growth targets set out in the LEP's Strategic Economic Plan:

Target: Grow the economy by 10% (or £3.1bn) between 2014 and 2024
Actual Performance: Current annualised growth projections demonstrate that SCR is exceeding this target with strong performance in a range of sectors. Growth has been at around double the target rate, averaging over 2% in 2013-15. If this rate of growth continues, the 10% target growth will be achieved by 2018, 6 years ahead of schedule.

Target: Create 70,000 net new jobs by 2024, with 30,000 to be highly skilled
Actual Performance: We are approximately 4 years ahead of schedule on achieving this target with 37,000 jobs created since 2014. This growth has been private sector-led with the business services and manufacturing sectors adding the most jobs. 16,000 of these jobs were a direct result of activity led by the Sheffield City Region, including 2,200 apprenticeships.

Target: Generate 6,000 new business start-ups by 2024
Actual Performance: SCR has achieved 5,670 of the target 6,000 business start-ups in just three years.

Key achievements of the LEP and CA in this area include:

- Managing a £52m Business investment Fund to help existing firms within the City Region and businesses re-locating to the City Region which have the potential for growth by providing financial assistance that can't be met through traditional sources of finance.

- Providing, through the SCR's Growth Hub, a single point of access where business owners can obtain advice and support on starting-up, running and growing their business. Growth Hub includes assistance with skills and training, innovation and exporting and advice on financing a business. The Growth Hub has provided support to 4,700 businesses within the City Region and helped local firms to create over 800 jobs.
- Successfully attracting inward investment into the City Region including internationally renowned brands such as McLaren Automotive and Boeing. In total, £500 million of private sector investment has been brought into the Sheffield City Region to date by the SCR's Trade and Investment Team.
- Continuing expansion of development on SCR LEPs Enterprise Zone. 89ha of land has been developed out, primarily for advanced manufacturing and logistics, creating 2,600 new jobs to date. This is now providing the City Region with annual business rates growth of £2.9m.
- Delivering Superfast broadband connectivity to 99% of premises within the City Region and high speed connectivity in its Enterprise Zones and Business Parks.

This has been supported by:

- Continuing to invest the SCR LEP's £360m Local Growth Fund (LGF) Capital Programme which covers the 6 year period 2015 to 2021. £230m of this relates to infrastructure schemes which are expected to lever in £800m of private sector investment to unlock jobs and GVA growth across the City Region. Overall, in the three years to date, £212m of LGF has been applied towards capital investment supporting schemes promoting urban regeneration and urban living; major residential, retail, and leisure opportunities; research and education inspired investment; and land for warehousing and distribution.
- Co- Investing, with employers, in the skills and training their workforce need for their businesses to drive growth through the SCR's Skills Bank. Over 1,200 businesses have registered for SCR Skills Bank with 5,400 employees ready for training.
- Investing LGF in the development of state-of-the-art training facilities and equipment across the Sheffield City Region. This includes the new National College for High Speed Rail in Doncaster and the new Higher Education Centre in Rotherham.
- Successfully winning a bid for £7.5m to become one of only two pilots nationally to help people with depression, anxiety, physical health issues and disabilities into sustainable employment.

The one area where the City Region is currently underperforming is against its target of delivering 7,000 new dwellings per annum with a target of 70,000 new homes by 2024. To date over the first three years of the SEP 17,150 dwellings have been completed. To meet the target requires a doubling of the rate at which new homes are currently being built. To stimulate development, the SCR, utilising LGF, launched a £10m Housing Fund in 2017/18 which is looking at innovative ways to help private developers and housing associations accelerate delivery of affordable and high quality homes within the City Region.

4. FINANCIAL PERFORMANCE

Summary Highlights

The MCA's total spending power in 2017/18 comprised revenue spend of £65.5m (£5.8m on CA / LEP economic development and £59.7m on transport) and capital spend of £107.7m (£78.2m LGF, £22m transport and £7.5m corporate).

The key areas of financial performance for the year were as follows:

- The net revenue spend for the year on MCA / LEP economic development activity was £0.3m less than budgeted for. This was after charging costs of £1.9m for staging the first mayoral election for the SCR.
- The net revenue spend on South Yorkshire transport activity was £0.7m less than budgeted for. This reduced the planned use of earmarked reserves to support the budget from £5.8m to £5.1m.
- The LGF capital programme spend of £78.2m was in line with the allocation from central government at the time that the budget was set.
- The South Yorkshire transport capital programme spend in 2017/18 was £40.4m against a final approved programme of £48.5m. Most of the underspend represents funding received that is fully committed to schemes that will be delivered in 2018/19 and is therefore being carried forward.
- The addition of £17.5m of property, plant and equipment and investment properties during the year through strategic acquisitions and transfer of assets from SYITA Properties Limited.

Revenue Budget

The MCA's revenue budget comprises:

- The MCA / LEP economic development budget, which is used to support the furtherance of the MCA / LEP's strategic objectives as set out in its Strategic Economic Plan. This covers the direct costs in relation to policy development, stakeholder engagement, programme design, control and governance; and
- The South Yorkshire Transport budget, which is used to fulfil the role the MCA inherited from the former ITA, as local transport authority for South Yorkshire.

<u>MCA / LEP economic development budget</u>

The MCA / LEP economic development budget for the year was £5.1m. The budgeted funding of £3.5m was a mix of grant from central government, subscriptions and

Enterprise Zone business rates growth from the constituent and non-constituent authorities within the SCR, and investment income from treasury activity. There was also a planned use of general balances of £1.5m to balance the budget.

The spend for the year out turned at £5.8m, £0.7m higher than budget. However, this was after £1.9m of costs relating to the staging of the first mayoral election in May 2018.

Funding was £1m higher than budgeted, due principally to new sources of funding arising during the year and investment income from treasury activity being higher than anticipated. The new sources of income included:

- Property rentals as a result of the investment property management business of SYITA Properties Limited (a wholly owned subsidiary of the MCA) being transferred to the MCA during the course of the year.
- The trading surplus arising as a result of the acquisition of a strategic asset (the Advanced Manufacturing Park technology centre) during the course of the financial year; and
- Third party contributions towards marketing and global inward investment events staged during the year.

As a consequence, only £1.2m of general balances have been needed, an improvement of £0.3m against budget.

South Yorkshire transport budget

The MCA's transport budget principally comprises the revenue grant payable to SYPTE to meet its operational costs and the net debt financing costs on capital investment funded by borrowing. The overall budget for the year was £63.3m, of which £60m related to operational costs and £3.3m net debt financing.

The source of funding for the South Yorkshire transport budget is the transport levy payable by the four South Yorkshire metropolitan authorities (Barnsley, Doncaster, Rotherham and Sheffield). The levy payable in 2017/18 was £57.5m.

To balance the budget, there was a planned use of earmarked reserves of £5.8m. This was in line with the long term financial plan for the South Yorkshire transport budget, which involves using earmarked reserves to sustain levy reductions below the base budget until the two converge around 2024/25.

The spend for the year out turned at £62.6m, due to net debt financing costs being £0.7m lower than budgeted as a consequence of higher than anticipated investment income on treasury activity. As a consequence only £5.1m of earmarked reserves have been needed to balance the outturn position.

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

The Revenue Budget Outturn reports financial performance on the statutory basis on which Local Government raises finance from local taxpayers to deliver services and invest in its capital assets.

This differs from the way in which financial performance is reported in the CIES in the Statement of accounts which is on the basis of generally accepted accounting practice (International Financial Reporting Standards).

The following table shows how the MCA's deficit on the provision of services shown in the CIES of £5,099k reconciles to the net loss for the year on a statutory basis of £1,204k.

Deficit on Total Comprehensive Income & Expenditure Account	**5,099**
Reversal of items not chargeable against revenue budget:	
Capital grants & contributions credited to CIES	100,183
Revenue expenditure funded by capital under statute	-96,837
Amortisation of soft loans	70
Other operating expenditure	-218
Items chargeable against revenue budget not included in CIES:	
Statutory provision for repayment of debt (MRP)	3,107
Net amount chargeable to revenue before transfers from reserves	**11,404**
Transfers from/to earmarked reserves :	
Transport for the North	-9,843
Apprenticeship Grant for Employers	-575
Local Growth Fund - Business Growth	-798
Mayoral Election	1,355
Other LEP reserves	360
Levy reduction reserve	-2,190
PFI reserve	1,491
Net decrease in General Fund balance	**1,204**
LEP economic Development	1,204
Transport	0

Capital Programme

The MCA's capital programme for the year comprises;

- The Local Growth Fund (LGF) capital programme,
- South Yorkshire transport capital programme, and
- Corporate programme

Local Growth Fund Programme

2017/18 is the third year of the SCR's six year £360m Growth Deal.

The spend for the year of £78.2m was very much in line with the original profiled allocation of £78m when the budget was set in March 2017. However, the actual grant allocation was increased by MHCLG to £86.9m in April 2017 resulting in an underspend of £8.7m against the increased 2017/18 grant allocation.

The support delivered through the LGF towards the SCR's strategic objectives is summarised as follows:

Description	Purpose	LGF spend (£'m)
SCRIF	To support strategic infrastructure schemes within the City region which unlock investment to generate economic development	51.5
Business Investment Fund	To support the growth of indigenous companies within the City region and to attract inward investment	12.2
Superfast broadband	To support improve accessibility to superfast broadband and provide high speed connectivity within Enterprise Zone sites and business parks	3.4
Sustainable transport	To provide funding for interventions within South Yorkshire which promote sustainable transport	6.6
Skills Capital	To support investment in further and higher education facilities and equipment	4.5
Total		78.2

South Yorkshire Transport Programme

The South Yorkshire transport capital programme spend in 2017/18 was £40.4m against a final approved programme of £48.5m.

£6.9m of the £8.1m underspend represents funding received that is fully committed to schemes that will be delivered in 2018/19 and is therefore being carried forward.

The underspend on LGF funded sustainable transport schemes has been recycled elsewhere in the LGF programme to avoid the risk of any loss of funding.

Key elements of the 2017/18 capital spend include:

- £13.9m on highways maintenance and pot hole funding
- £7.785m on rail infrastructure works and the testing and commissioning of new vehicles in readiness for the new tram train service between Rotherham and Sheffield
- £8.1m of transport capital improvements supporting delivery of the South Yorkshire transport local transport plan
- £6.5m (LGF funded) on sustainable transport schemes

The Tram Train expenditure was fully funded by grant from the Department for Transport.

<u>Corporate</u>

As part of the drive to consolidate and expand the corporate assets held across the MCA group and to develop an effective asset management strategy, the MCA has acquired the following properties during the course of the year:

- £6.7m of property, plant & equipment and £3.3m of investment properties transferred from SYITA Properties limited when its investment property management business was transferred to the MCA, and
- The purchase of a strategic asset (the Advanced manufacturing park technology centre) for £7.5m

A key task over the next 12-18 months will be to undertake a thorough review of the assets across the whole of the CA group to consider how they can best contribute to the SCR's strategic objectives and how they can contribute to a long term sustainable funding model for the MCA.

Usable Reserves

As at 31 March 2018, the MCA group held £5.8m of reserves and general balances to support its economic development activity. This includes a £2.4m LGF revenue reserve which is earmarked to support future Growth Hub activity.

It also held £50.6m of reserves and general balances relating to South Yorkshire transport activity. A significant proportion of this is held in a levy reduction reserve (£29.5m) to support sustainable levy reductions over the medium to long term and in a PFI reserve (£8.4m) to meet the long term liabilities associated with the Doncaster Interchange PFI scheme.

5. GOVERNANCE

Combined Authority

The MCA is responsible for making large investment decisions in line with the SCR's SEP, and is the accountable body for the LEPs Growth Deal funding. It is the Local Transport Authority for South Yorkshire.

All four constituent members of the MCA have an equal vote and decisions are made by a majority vote. The SCR Constitution allows for voting rights to be extended to non-constituent members at the discretion of the constituent members.

Local Enterprise Partnership

The LEP is a voluntary business-led partnership which brings together business leaders, local politicians and other partners to promote and drive economic growth across the Sheffield City Region LEP.

It comprises eleven representatives from the private sector and academia, the nine local authority Leaders, the Mayor and three co-opted specialist advisers.

The LEP is the custodian of the Strategic Economic Plan (SEP). It bids for funding and programmes from Government and is responsible for their delivery and contribution towards realising the outcomes identified in the SEP.

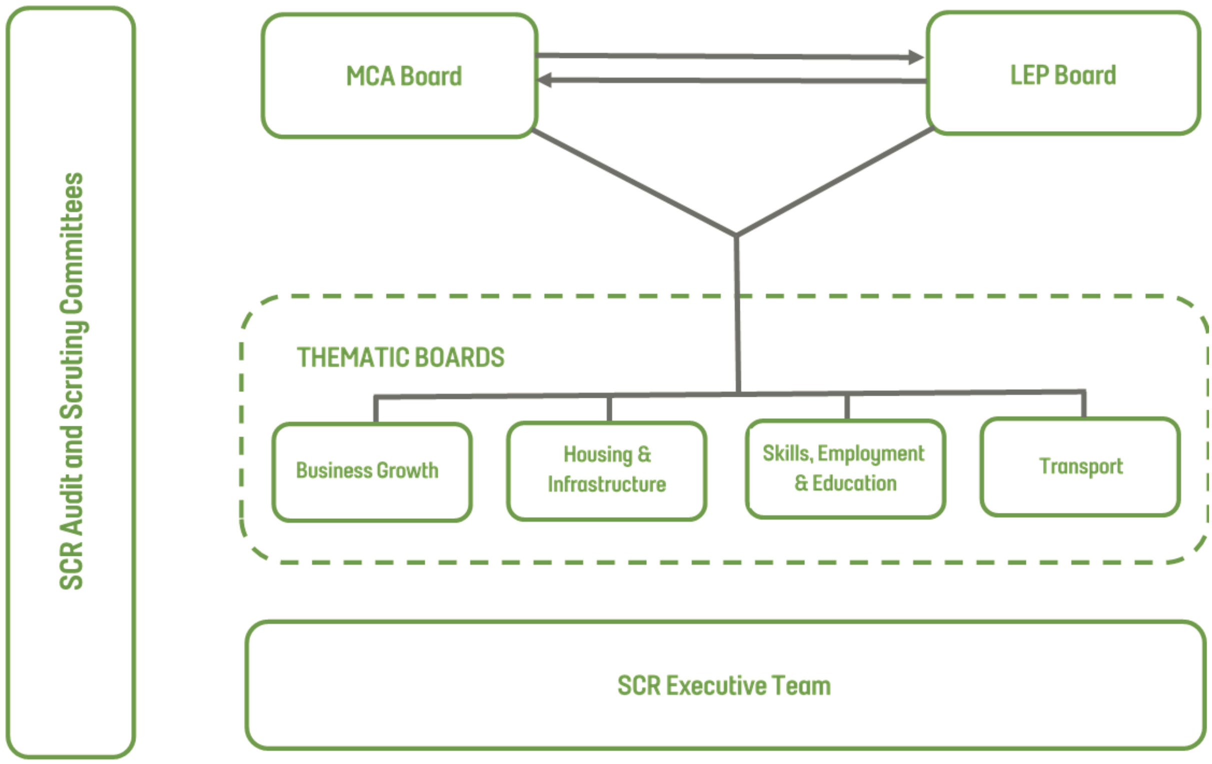
All LEP Board members (apart from co-opted members) have voting rights and decisions are taken on the basis of a simple majority.

Thematic Boards

To support decision -making and delivery, the MCA and LEP are supported by four thematic Boards. The Thematic Boards are accountable to the MCA and LEP each one having a defined thematic portfolio with distinct responsibilities for Business Growth; Housing and Infrastructure; Transport; and Skills, Employment and Education.

Within their respective themes, it is the role of Thematic Boards to provide leadership review of programme performance and to identify and recommend mitigations for any programme risks or poor performance. It is not the role of the Thematic Boards to discuss or develop new policy, but rather to ensure that policy agreed by the MCA and LEP is enacted through the investments in different areas.

The governance arrangements are depicted in the diagram below:



Audit Committee

The MCA's Audit Committee provides a high-level focus on assurance and the SCR's arrangements for governance. The Audit Committee ensures that the organisation is fulfilling its legal obligations, has robust control measures in place and is managing risk effectively. The Committee reports on both financial and non-financial performance.

In addition, the MCA has an established process for internal and external audit. Internal audit is provided by Barnsley Metropolitan District Council (BMBC), and KPMG were the appointed external auditors for 17/18.

Overview and Scrutiny Committee

The Overview and Scrutiny Committee holds the MCA and LEP to account and ensures that all aspects of decision-making are transparent, inclusive and fair. The Committee is responsible for checking that the MCA and LEP are delivering their objectives and that SCR policies, strategies and plans are made in the best interests of residents and workers in the City Region.

Membership of the Overview and Scrutiny Committee is politically balanced and consists of 14 elected Councillors from the nine local authorities in the Sheffield City Region. The Overview and Scrutiny Committee has the authority to review and scrutinise a decision made or action taken by the MCA, LEP, Thematic Boards and Sub-Boards. The Committee can, at their discretion, produce reports and make recommendations for change or improvements.

Independent assessment of governance arrangements

The MCA's overall governance arrangements have been subject to independent assessment on an annual basis by external audit, internal audit and, in relation to the Local Growth Deal by MHCLG.

The overall conclusion reached in their most recent assessments is set out below

- External audit– KPMG have yet to report their findings on the 2017-18 audit. In 2016-17 they concluded that the CA had made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people
- Internal audit 2017/18 – The Head of Internal Audit's Assurance opinion was that based on the systems reviewed and reported on by Internal Audit during the year, together with management's response to issues raised he was able to provide an overall Adequate assurance opinion.
- MHCLG Annual Conversation and deep dive audit – concluded that SCR MCA / LEP had good / excellent governance arrangements in place

6. OUTLOOK

The refresh to the Strategic Economic Plan will set out a vision of how the City region wants to grow the economy and will form a basis for investment going forward.

The final shape of the Strategy will be determined having regards to the newly elected mayor's priorities and whether further devolved funding can be secured from Central Government.

Until such time as devolved funding is secured, the revenue budget for core CA/LEP economic development activity remains dependent on unpredictable funding streams which only allows for financial planning on a short term basis. The risks this presents is being mitigated through the prudent management of the reserves.

The draft transport strategy is due to be finalised and presented to the MCA for approval in Summer 2018. Once finalised, an Implementation Plan will be drawn-up to outline the transport investment and projects that will deliver the strategy's policies and priorities. Together, the strategy and Implementation Plan will form the statutory Local Transport Plan and will be adopted by the MCA.

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 Combined Authority 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.

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

Local Enterprise Partnership (LEP)

LEPs are private sector led voluntary partnerships between the private and public sector 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 is the originator of economic policy within SCR and is author and custodian of the Strategic Economic Plan (SEP). The SCR LEP has entered into three growth deals with government to deliver programmes which deliver the vision of the SEP, increasing jobs, improving GVA and growing business density. The LEP are responsible for decision making on the direction of the Local Growth Fund (LGF) programme and the outcomes this funding delivers.

The SCR CA

The CA was established on the 1st April 2014. The CA footprint reflects the economic geography of the SCR and the SCR CA comprises the leaders and elected mayor (Doncaster) of each of the nine councils which constitute the body. The CA has a distinct and separate role from each of the individual local authorities it is comprised of. The remit of the CA is to coordinate and drive forward economic regeneration and transport initiatives for the benefit of citizens and the business community within its boundaries.

The CA Constitution and operating arrangements, approved by all nine member bodies, have been in place since April 2014. 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. The CA is also the accountable body for funds awarded to the LEP.

The election of the Mayor signalled that a revised approach to the CA Constitution would be required. The Constitution has therefore been updated and reflects that the Mayor is a voting member of the CA.

CA Group

The CA Group includes an operational subsidiary, the South Yorkshire Passenger Transport Executive (SYPTE). SYPTE is the operational transport arm of the Combined Authority, tasked with delivering the South Yorkshire Transport Plan. Also within the Group structure is limited number of other subsidiaries including the SCR Interventions Holding Company which supports delivery of the LGF programme and SYITA Properties Ltd which operated until October 2017.

SCR Executive Team

The CA and LEP are supported by a dedicated Executive Team, who provide day-to-day support on policy, commissioning, project development, project appraisal, programme management and governance. 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, with support for the statutory finance function being provided by SCC and HR governance by BMBC.

Statutory Officers

The Statutory Officers of the Authority have 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.

4. Governance review activity

During 17/18 SCR has given priority to ensuring governance arrangements are robust, transparent and continue to be aligned to deliver SCR's programme of work efficiently and effectively. A number of activities have taken place to review and strengthen governance during the year.

LEP Governance and Transparency

Within year, the government concluded the initial phase of its review of LEPs. This led to the 'Review of Local Enterprise Partnership Governance and Transparency' being published. This report outlined the strengths and weaknesses within the LEP Network nationally. This review was formalised into a best practice guide and issued in January 2018.

The SCR Executive, on behalf of the LEP and CA, undertook a self-assessment review of compliance against requirements leading to an action plan of governance improvements. The output of this plan was the revision of a number of core documents, for example, the LEP Code of Conduct, and the publication of a revised set of Member Registers of Interest. Validation of the governance work has been received via a national compliance audit where the SCR LEP has been deemed to have good and exceptional governance when judged against national criteria.

Efficiency and Effectiveness of the CA Group

The Statutory Officers of the CA with the Senior Leadership Team of the operating subsidiary, SYPTE, commissioned in-year an independent, formal review of the operations of the Group in order to identify any operational changes which could lead to greater efficiencies and improved effectiveness. The review considered all aspects of the operation of the group including finance, legal, IT, HR, audit, governance, risk and procurement and commercial. The review has recently concluded and will be presented for consideration by the CA.

Annual Governance Review

SCR's Governance team has worked with the SCR Executive team to conduct an assessment of SCR's Governance Framework and compliance with SCR's Code of Corporate Governance, to gain assurance the effectiveness of current arrangements and to identify any opportunities for improvement. The outputs from the Annual Governance Review process are summarised in annex A and have assisted in the preparation of this Annual Governance Statement.

5. External Audit Recommendations 2016/17

The 2016/17 External Audit Report identified three areas for development and concluded that three of the four recommendations made in the 2015/16 audit had only been partially implemented and required further attention.

Table 1: Areas for development identified through the 2016/17 external audit

Area for development	Status
Impairment Review The Group needs to review that the PTE has an effective control for monitoring possible impairment of its assets. This should include developing a revaluation policy, in line with accounting standards, that considers not just the assets appropriate for revaluation but also the remaining assets for signs of impairment. This should be done by as a desktop review of the estates and through a review of corporate decision making, looking at any future changes to be made to the assets.	Partially implemented The CA have had oversight of the financial reporting process for the CA group as a whole in 2017/18. The work undertaken as part of the Strategic Asset Management Review will address these recommendations further.
Review of Pension Assumptions The Group should ensure that PTE management have performed a review of the assumptions and can evidence that this has been done.	Partially implemented The CA have had oversight of the financial reporting process for the CA group as a whole in 2017/18. As such, this has ensured that the recommendation has been implemented in preparing the 2017/18 accounts.
Continued Review of Governance The Authority should continue to review and	Implemented (under regular review) The Statutory Officers have continued to

amend its governance structure to meet its needs. This should include full consideration of all issues raised within the Metro Dynamics report and a consideration of the governance structures within the Group.	ensure that improvements in Governance are embedded. Within the 17/18 year an internal review of governance has been conducted. This has informed steps to further strengthen arrangements where opportunities to do so are identified.

Table 2: Outstanding recommendations from 2015/16 external audit

Area requiring attention	Status
Pension Admin System (SYPA) –Mapping Errors Management should continue to be alert for mapping errors and deal with them promptly and completely (making full use of the DART tool once operational) once identified.	This issue has been resolved in the 2017/18 year as the fund transferred to Greater Manchester.
Pensions Administration System (SYPA) –Helpdesk issues Management should address those outstanding issues relating to data migration problems promptly and completely (making full use of the DART tool once operational).	This issue has been resolved in the 2017/18 year as the fund transferred to Greater Manchester.
Pensions Administration System (SYPA) –Access Control Management should carry out a formal review of the above area as soon as possible to ensure: •Only authorised changes have and are made to data and system; •The results of the review should be documented and actions identified should be tracked to completion; •Appropriate segregations of duties are implemented to reduce the risk of unauthorised changes; and •Going forward a formal periodic reviews is carried out, documented and signed off by management.	This issue has been resolved in the 2017/18 year as the fund transferred to Greater Manchester.

6. Progress against the 17/18 governance improvement plan

In addition to the recommendations made by external auditors, SCR Statutory Officers, through SCR's review of governance in 2016/17, identified three key areas for improvement during 2017/18. An action plan was included in the 2016/17 Annual Governance Statement.

Table 3: Progress against the 2017/18 action plan

Governance Area	Focus for 17/18	Progress Update
Information	• Meeting the requirements of	• An action plan aligned to the ICO's 12

Governance	the GDPR. • Developing a better understanding of SCR information assets, their management and security.	steps to GDPR compliance was developed to ensure requirements were met. Regular updates regarding progress against the plan were provided to Statutory Officers. Ongoing actions have been identified and are being progressed. • Information Asset Owners have been identified and a significant 'house-keeping' exercise and data audit has taken place to collate Information Asset Registers. The completion of these registers has assisted SCR in identifying where and why personal data is held.
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.	• Budget was approved in order to commission the development of the Group Asset Management Strategy and an OJEU procurement process undertaken. The successful party has commenced work.

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. • Addressing recommendations of internal audit of procurement processes. • Appropriate monitoring and oversight of operational subsidiary. • Meeting all requirements to ensure an unqualified value for money conclusion is attained.	• The post of Assistant Director of Assurance and Appraisal was filled June 2017 and a suite of appraisal models aligned to the specific requirements of SCR's strategic thematic objectives has been developed. These have been reviewed independently by government and have further strengthened the robustness of the scheme appraisal process. • Further to the Executive Team restructure the Commissioning Team are now able to focus on supporting scheme promoters on the development of business cases. • A Projects and Contracts Management Team are now in place to monitor schemes through the delivery phase and regular project review meetings are held with DoFs and EDs to ensure contractual compliance. • Recommendations of internal audit are reported within the Internal Audit Report Update to the Audit Committee. The actions of the IA Procurement have been addressed. • Statutory Officers have taken steps to assess the effectiveness of current arrangements to ensure monitoring and oversight of operational subsidiary governance arrangements. An action plan has been put in place during the year and monitored by Statutory Officers.

7. Governance issues during 2017/18

The review of the CA's governance, risk and internal control measures led by Statutory Officers in2017/18 has concluded that arrangements are now better aligned to deliver SCR's programme of work efficiently and effectively. This review, whilst not identifying anything fundamental, highlighted the following issues.

Shared Strategic Intent

Differences within the SCR on strategic direction and intent, if unresolved, may in the medium term, adversely affect consistent planning and prioritisation. Operational effectiveness is not adversely impacted at this time and attention is being given to resolving differences and managing the way forward. This includes the refresh of the Strategic Economic Plan, the development of a Local Industrial Strategy and the embedding of the Mayoral priorities following the election.

Long term financial planning

The revenue budgets of the CA / LEP for core operations continue to be over reliant on a number of short term funding streams including a LEP grant, Enterprise Zone income, subscriptions from Local Authority and other income from interest. This only permits financial decision making on a short-term basis and management of reserves to mitigate any fluctuations. Management of this issue is on-going.

The Local Growth Fund (LGF) programme is well managed however the notional allocation of programme expenditure to schemes when they enter the pipeline is creating significant management issues where schemes do not progress to profile. Significant efforts have been made to achieve a more secure position however in 18/19 an independent audit will be commissioned to enable the LEP Board to make decisions about repurposing the LGF programme for the next three years.

These issues are recognised in the Governance Improvement Plan at section 8 below.

8. Governance improvement plan 2018/19

In addition to the issues acknowledged in section 7 SCR has a clear understanding of the key areas of focus for strengthening governance in 2018/19 these include:

Table 4: Areas of focus for 2018/19

Governance Area	Focus for 18/19
Strategic	
Shared Strategic Intent	Supporting the LEP and the Mayor in the development of a single, integrated set of policies and priorities that effectively deliver the economic, social and environmental ambitions of the City Region.
Operational	
Financial Governance	Ensuring that the LGF programme delivers the outputs and outcomes agreed as part of the Growth Deal in the final three years of the programme. Ensuring appropriate oversight and visibility of the South Yorkshire Transport Capital Programme to provide assurance that funding is utilised in a way that fully supports the ambitions of the City Region.
Information Governance & Decision Making	Ensuring data is used effectively to create robust, meaningful information/evidence to inform priorities and courses of action and to underpin decision making. Ensuring the performance of the organisation is measured

	appropriately so that the impact and effectiveness of courses of action are understood. Ensuring information assets (including any personal data) are managed appropriately and meet the requirements of relevant legislation or regulation. Ensuring that the CA Group works efficiently and effectively and that the decision-making structure is fit for purpose. .
Asset Management	Ensuring we have the information we need to manage the Groups assets including understanding where liabilities lie and developing a plan for any future acquisitions or divestment mapped against strategic ambitions.
Delivery	
Achieving Outcomes	Ensure the appropriate support and advice is given to assist the process for agreeing the 2015 devolution deal. Ensuring the Mayoral Manifesto is implemented through the effective deployment of resources available and can be delivered alongside and integrated with Strategic Economic Plan priorities. Ensuring the Local Industrial Strategy is informed by the integrated LEP and Mayoral policies and priorities that deliver the ambitions of the City Region.

9. 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.

………………………………………………………...

On behalf of the Sheffield, Barnsley, Doncaster & Rotherham Mayoral Combined Authority

Annex A

1. The Governance Framework

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.

The CA, in delivering the Accountable Body function for the LEP, is obliged to consider the requirements of the National Assurance Framework in processes related to the operationalisation of the LGF programme.

2. 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 constitution and policies of both the CA and the LEP set out the requirement that the business of SCR is conducted in accordance with the [1]Nolan Principles. The following section considers the main components of the framework, their effectiveness during 17/18, describes any improvements made in year and how SCR intends to strengthen arrangements into 18/19.

2.1 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 CA Constitution

The CA constitution defines the operating principles of the and embraces a suite of policies including an approved Code of Conduct, which define the standards of behaviours for members and employees. In 2018 the Constitution has been updated to

[1] Selflessness, integrity, objectivity, accountability, openness, honesty, leadership

reflect its Mayoral Combined Authority status. Constitutional policies and procedures include:

- **Whistleblowing Policy** - which sets out the protocols to be followed in relation to any allegations of misconduct. Any allegations are directed to the CA's Monitoring Officer. 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.

- **Gift and Hospitality Procedures**

- **Register and Declaration of Interest** – which requires each member of the CA to make a declaration of interest, pecuniary and non-pecuniary, for the purposes of their individual organisations. Registers are updated as necessary and reviewed annually, are available on the website and 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 within the Constitution to ensure that members do not participate in any decision making related to that interest.

- **Financial Regulations** and regulations including Anti Bribery, Fraud and Money Laundering. These regulations have also been reviewed and updated within year.

SCR contracts for the supply of goods and services also included standard clauses relating to anti-bribery, anti-corruption, human rights, human trafficking and counter terrorism, information laws and environmental regulations.

The SCR LEP

The SCR LEP policies have been revised and amended in year. These were approved by the LEP Board at its meeting 5th February 2018. The LEP suite of policies include:

- **Code of conduct** – – which requires all LEP Board Members to approve and agree their adherence to the LEP Code of Conduct. This has been developed in accordance with the Nolan principles.

- **Terms of reference –** that set out the role and purpose of the Board and how it will operate to fulfil this role.

- **Declaration of gifts and hospitality** - which is aligned with existing local authority standards and Government guidance

- **Whistleblowing and confidential complaints** –– that set out the process by which people can raise confidential complaints about the work of, and decisions made, by the LEP. These policies are both published on the SCR website and based on government templates.

- **Register and declaration of interest** – which requires each member of the LEP to declare and register any interest, pecuniary and non-pecuniary. These registers, must be updated immediately a Members interest changes with a revised register being published within 28 dates of the interest changing. Registers are available on the SCR website. 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 within the Constitution, the LEP Terms of Reference and LEP Declaration of Interest Policy to ensure that members do not participate in any decision making related to that interest.

- **Diversity and equalities** – that sets out the Board's commitment to promoting diversity, including through recruitment processes and its activities

- **Gifts and hospitality** – identifies the policy for accepting gifts and hospitality offered as a result of being LEP Board member.

- **Expenses** – eligible claimable items and associated amounts are set out within the policy.

The National Guidance for LEPs requires that protocols for conflicts and declaration of interests for members extends to any sub-boards which make decision on LGF spend and any officers advising on decision making. Therefore, the same requirements for registering and declaring interest and transparency and publication applies to the Business Investment Fund Panel and the SCR Housing Fund. Statutory Officer Registers are also published.

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

The CA's **Financial Regulations** which determine how money can be spent, and ensure that expenditure is lawful, have been reviewed during the year to ensure they are fit for purpose. The CA Board approved the revised Regulations in March 2018.

Contract Procurement Rules have also been refreshed to bring them into line with Public Contracts Regulations 2015 ensuring that procurement processes are robust and designed to minimise risk. These revised processes were approved by Statutory Officers (18th August '17) and a set of performance indicators agreed which will continue to be monitored regularly during 18/19.

During 17/18 the SCR Executive has reviewed its **FOI Publication Scheme** and related Guide to Information as well as undertaking a review of arrangements against the requirements of GDPR.

The Statutory Officers monitor the arrangements in place to ensure compliance and appropriate information governance though its **strategic risk management** processes (see section 2.13 for additional detail).

Before making a recommendation to the CA the Appraisal Panel, operating on behalf of the Statutory Officers, will ensure that all schemes are **state aid compliant**. The responsibility for obtaining a legal opinion resides with the Scheme Promotor however, this is tested prior to a legal opinion being provided to the CA.
Employment Law - SCR procures its HR support through BMBC and operates under their suite of compliant policies.

Freedom of Information Act 2000 and information law compliancy is assured through working with BMBC
Customer Feedback and Improvement team to co-ordinate and comply with FOI requests.

2.3 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 committees are published online in accordance with statutory access to information requirements. The paper publication approach is replicated for the LEP Board.

Annual accounts are reviewed by external auditors, their opinion together with the final accounts are published and available for inspection.

SCR's Assurance and Accountability Framework (AAF) is reviewed annually to ensure compliance with any revisions to the National Assurance Framework requirements. Within 2017/18 a substantial Internal Audit opinion has been received for adherence to the AAF and an external audit (March 2018) has concluded SCR processes adhere to the published Assurance Process. All schemes seeking LGF are independently appraised and are then objectively considered by the SCR Appraisal Panel. Each schemes value for money statement, which is included in each appraisal panel summary, is published with papers when seeking approval and then on SCR website once approval has been granted. In 2017/18 was a requirement for Scheme Promotors to publish business cases in draft to enable comments to be made. It is proposed that, to ensure this process happens consistently in 2018/19, the SCR Executive will undertake this function.

A reviewed **FOI Publication Scheme** and the launch of a new website has made information more easily accessible to the public.

A **LEP Governance and Transparency Policy Framework** which includes protocols regarding conflicts of interest and gifts and hospitality and is aligned to Government guidance was approved by the LEP Board. These polices are available on the SCR website.

An **open recruitment process** for new private sector LEP board members took place during 17/18 and resulted in the appointment of 5 new members. Particular attention was paid towards equality and diversity (in the broadest sense) focusing on both individual attributes in addition to the sectoral, business and geographical representation required.

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

During the year SCR have launched a new website making key documents and information more accessible to SCR communities and stakeholders.

SCR has in place a series of corporate communications and marketing plans which sets out a number of actions to ensure effective engagement with stakeholders and partners. This is being refreshed in light of the context of a Mayoral Combined Authority. An integral element of this is the events programme of the SCR. This programme of events has provided ongoing engagement with public and private sector partners and institutional investors across the City Region and internationally. The programme has included the Horasis Global China business meeting and MIPIM Cannes, as well as bespoke engagement to promote SCR's investable propositions.

SCR also has made progress in harnessing the power of social media platforms, including Twitter and Facebook during the year, and undertaken analysis to understand the effectiveness of this engagement. Statistics show significant and consistent growth across all platforms. For example, Linked In followers have doubled in year and, during February and March, driven by the Mayoral Election awareness campaign, the number of people who saw SCR tweets increased by 486%.

The SCR Executive Team has led on the statutory consultation required for the proposed revisions to the Transport Strategy. The draft strategy was presented to the Combined Authority and LEP Boards in Autumn 2017 ahead of a 12-week public consultation exercise. The consultation which ended on 2 April 2018 received 281 online responses in addition to those received by email and by post. Work is currently underway with local authority partners to reconcile the comments, survey results and written responses received during the consultation. The strategy is due to be finalised and presented to the Combined Authority Board for approval in autumn 2018.

The SCR Executive, LEP and CA has engaged with partners through contributing to a range of other Boards, Forums and events including, but not limited to, Executive Boards, Local Authority Scrutiny sessions, Executive Directors Forum, Directors of Finance Groups and Business Membership meetings. These forums have provided a clear channel of communication with local authority partners on a range of issues including economic performance, devolution, the LGF programme, transport strategy and priorities, for example. Each engagement is designed to ensure appropriate consultation and challenge.

2.5 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.

In 2017 SCR's economic evidence base was updated and work with partners on refreshing the SEP commenced. The renewed economic evidence base has been shared and discussed with the LEP, the CA, the Overview and Scrutiny Committee as well as with a wide range of stakeholders including private sector networks. The implications for change and development of the SEP has been widely debated. The outcomes of these consultative processes are contributing to the development of the final draft of the revised SEP.

The new SEP will bring in the latest evidence on the performance of the economy, and will respond to the changed context in the wider UK economy. It will also respond to the announcement in the Government's Industrial Strategy White Paper of an intention to develop "Local Industrial Strategies" with local areas. The Government's White Paper has made the development of the Local Industrial Strategy the responsibility of the newly elected Mayor, in collaboration with the LEP. Work on a refreshed SEP will progress through 2019/20

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

SCR's current Strategic Economic Plan (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. The LGF programme and is directly linked to delivery of each of the SEP themes.

The Programme Commissioning directorate within the SCR Executive, are then responsible for setting out how the thematic priorities can be achieved. This involves the development of project and programmes, at scale, some of which are directly delivered by the SCR Executive, but the majority will involve externally commissioning activity to be delivered by partners and outside agencies. Prior to this, these projects and programmes are evaluated to ensure they contribute towards the SEP's economic objectives. Once validated the Executive Team contracts with scheme promotors, coordinates activity in the programme and reports on performance. Remedial action is agreed by the LEP and CA to improve delivery where necessary.

2.7 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.

SCR's decision-making framework is described in the Constitution and, for the delivery of the LGF programme, in the Assurance and Accountability Framework (AAF).

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 and other local and national intelligence.

SCR bases the capital programme decisions it makes on objective and robust information. Schemes are considered following an analysis of strategic alignment, options appraisal and risk assessment to ensure any investment will deliver the outcomes required by the Strategic Economic Plan (SEP) and represent good value for money. This assurance process is mirrored for the elements of the LGF which operate under a scheme of delegation namely the Business Investment Fund (BIF) and the Housing Fund (HF).

During 17/18 the Assurance Team have begun to develop appropriate appraisal criteria for opportunities unrelated to the Growth Deal. These models are peer reviewed by the relevant governing body to ensure they will successfully inform sound judgements and decision making.

The AAF requires SCR to communicate clearly with partners through publication of any programme commissioning the decision-making criteria that will be used. This has been evidenced in 2017/18 through the communication of criteria for the deployment of skills capital, the housing fund and Expressions of Interest (EOIs) for acceptance onto a LGF reserve pipeline of schemes.

2.8 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 Framework (AAF) 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 LGF investments.
Throughout the lifespan of a programme monitoring, including site visits and the auditing of evidence, takes place to ensure the investment delivers its approved outputs and outcomes in line with SCR strategic priorities. Funding agreements, including those made via the Business Investment Fund, tie projects to delivering outcomes e.g. job creation that represent the best use of public resources and value for money whilst the use of clawback and retention clauses ensure mitigation of risk.

2.9 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 (see section 2.1) 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.

2.10 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 Statutory Officer of the Authority and operates in line with the CIPFA Statement on the Role of the CFO (2015). The CFO is 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 staff are professionally qualified and suitably experienced.

The recent 'deep dive' audit that examined the LEPs local Assurance and Accountability Framework (AAF), assessed compliance with the National Assurance Framework, Mary Ney recommendations and the Local Enterprise Partnership governance and transparency best practice guidance, recognised that the SCR LEP has a close working relationship with Sheffield CA Section 73 Officer and the Finance Team. This relationship provides a strong framework for managing LEP finances including a role in ensuring propriety and regularity of spend. The Section 73 Officer and representatives attend as advisors on all decision-making boards as well as the Scrutiny and Audit Committees.

The Section 73 deputy is embedded in the SCR Executive Team and is therefore positioned to ensure financial risks and issues are managed. The deputy also has overview and provides advice to projects and the programme in general. In addition, the deputy has a delegation for approving project applications under £2m from the Business Investment Fund, which avoids delay in waiting for CA Board meeting approval.

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

The CA Constitution outlines functions and delegated responsibilities of the statutory officers, namely the Head of Paid Service, the Chief Finance Officer and the Monitoring Officer. 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.

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

CA Members – Members of the CA are engaged in discussions on the development of the vision, priorities and delivery of the SCR. Individual members are advised and supported by officers of the CA through papers and briefing meetings.

Scrutiny Induction and workshop - An OSC toolkit has been developed to ensure a consistent approach to scrutiny is taken by members and officers. This toolkit has been used to structure the induction of new OSC members and has been provided to current members to support them in their strategic role. A workshop has taken place to further enhance members skills and to establish the approach to scrutiny within a Mayoral Combined Authority.

LEP Induction - A formal programme of induction took place in autumn 2017 for new LEP Board Members to cover the role and purpose of the LEP, economic performance and the opportunities and challenges facing the City Region, the Strategic Economic Plan, corporate affairs and governance. This is followed up by a 6-monthly review with the Managing Director.

SCR Executive - All team members have a corporate induction which covers statutory matters including health and safety at work, IT compliance and HR matters. In addition, organisational specific induction modules, such as the CA and LEP governance, financial systems, programme management approach are also delivered to new team members.

Work will commence in 2018 to ensure all SCR Executive Members have clear, documented objectives and a personalised training record.

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

Throughout 2017/18 the CA approach to Risk Management has been embedded. Risk Management Action Plans, covering 14 areas of strategic and operational significance, have been developed and managed by Statutory Officers.

The risk strategy and policy are reviewed annually in conjunction with the Audit Committee and, on a quarterly basis, the Risk Management Action Plans are reviewed and a statement of assurance provided to the Audit Committee by the Risk 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 (AAF) includes a comprehensive issue and risk management approach developed in accordance with the 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, appraised as part of the assurance process and are part of the scheme monitoring approach in the project delivery phase.

In relation to LGF investments, programmes of work are monitored throughout their lifespan. The Finance Team, who are embedded in the SCR Executive Team, work with the Programme Management Team to understand the overall scale of investment 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 Managing Director and S73 Officer, convene a Capital Programme Board of Officers. In 2018 this board has also included the LEP Vice Chair as the responsible LEP Board Member for LGF. The Capital Programme Board provides a detailed overview of the LGF capital and revenue programme to ensure that the programme is progressing in line with SCR objectives and priorities. Within year the Managing Director and S73 Officer have convened a partnership meeting with the major Local Authority Scheme Promotors (Directors of Finance and Executive Directors) to review programme performance and risks to ensure corrective actions are implemented.

2.14 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.

2.15 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.

The CA Scrutiny Officer commenced in post in September 2017. Since that time progress has been made in further embedding the function of scrutiny within the organisation and ensuring compliance with the 2016 Order. Developments of note include production of a OSC Toolkit to ensure a consistent approach to scrutiny is adopted, and a set of performance monitoring tools. An Annual Report will be available on the SCR website.

2.16 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 the CA is provided by BMBC. The principles within the CIPFA Statement on the role of the HoIA in Local Government are embedded in the CA's arrangements and the Internal Audit function is fully compliant with Public Sector Internal Audit Standards (PSIAS).

The Head of Internal Audit (HoIA) performs an important role in assisting SCR in delivering its strategic objectives through regular and open engagement, particularly with Statutory Officers and the Audit Committee. They agree in advance an annual Internal Audit Plan and lead and direct an internal audit service that is resourced to be fit for purpose, professionally qualified and suitably experienced.

2.17 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. From July 2018 the Committee has increased its membership to 16 with the addition of two independent members. Inclusive in the review of the constitution the Audit Committee terms of reference have been reviewed and an action plan developed to maximise the value the committee gives to SCR.

KPMG, who are appointed as external auditors 17/18, also attend Audit Committee meetings. This process is in keeping with arrangements in place for local authority. 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 progress of implementing recommendations that have been made, updates on the risk management process, financial management reports, and reports from the external auditors.

As part of its governance remit, the Audit Committee have considered this AGS and, have provided challenge and comments where necessary. In addition, the committee will monitor the implementation of any emerging developments or improvements, recommended through the governance review process.

2.18 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, conduct a self-assessment review 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. There are no longstanding internal audit recommendations to report at this time.

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

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. However, the SCR Exec recognises that the External Auditor’s opinion on the PTE last year included some qualifications related to Governance. Follow up with the management team of the PTE to review improvement plans has taken place. CA oversight of the PTE subsidiary has also been facilitated via the Statutory Officers Group meetings, whose membership includes the senior officers of both the SCR and PTE. In addition, an external review of group structures and support services has led to recommendations that will draw the two organisations together more formally.

More broadly, the scale of ambition of our Strategic Economic Plan (SEP) means that neither the LEP nor the CA can deliver this alone. Collaboration and a true partnership approach has been a cornerstone of the SCR LEP and CA achieving what they have to date. This is not collaboration for its own sake, instead it is a focused programme of engagement which has been designed to accelerate the delivery of the SEP and harness the City Region's latent potential so that SCR can play a full role in the Northern Powerhouse. Examples of this include engagement with Transport for the North, the Department for International Trade on trade missions and, the inclusion of three investment propositions in the Northern Powerhouse Investment portfolio/pitchbook.

3. 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, and are responsible for ensuring compliance with, as well as improvement against the governance, risk and internal control framework.

The CA are also informed by the HoIA's annual report and also by comments made by external auditors and other regulators or inspectorates. 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 14th June 2018. 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 2017/18.

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,
- taken reasonable steps for the prevention and detection of fraud and other irregularities,
- assessed the Combined Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern,

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

- maintained such internal control as determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

I hereby certify that the Statement of Accounts on pages 41 - 183 gives a true and fair view of the financial position of Sheffield City Region Mayoral Combined Authority at 31 March 2018 and of its income and expenditure for the year ended 31 March 2018.

Eugene Walker
Chief Financial Officer (Section 73 Officer)
30 July 2018

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).

2016/17					2017/18		
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**
3,761	(2,516)	1,245	Transport Authority		585	1,107	1,692
(1,868)	(33,793)	(35,661)	Local Enterprise Partnership		1,194	(1,449)	(256)
1,069	0	1,069	Transport for the North		9,843	0	9,843
2,962	**(36,309)**	**(33,347)**	**Net Cost of Services**		**11,622**	**(342)**	**11,279**
0	(1,337)	(1,337)	Other Income & Expenditure		0	**(6,180)**	(6,180)
2,962	**(37,646)**	**(34,684)**	**(Surplus) / Deficit**	**10**	**11,622**	**(6,523)**	**5,099**
(63,714)			Opening General Fund Balance		(60,752)		
0			Transferred in from subsidiary		(1,474)		
2,962			Surplus / Deficit on General Fund Balance in year		11,622		
			Other Movement		(218)		
(60,752)			**Closing General Fund Balance at 31 March**		**(50,822)**		

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 2017/2018	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	29	29	29	29		30	
Balances at 1 April 2017		**(8,343)**	**(52,409)**	**0**	**(5,343)**	**(66,095)**	**69,549**	**3,454**
Transferred in from Subsidiary	**8**		(1,474)			(1,474)	(1,387)	(2,861)
Movement in reserves during 2017/18:								
(Surplus) / deficit on provision of services	CI&ES	5,099	0	0	0	5,099	0	5,099
Total Comprehensive (Income) and Expenditure		**5,099**	**0**	**0**	**0**	**5,099**	**0**	**5,099**
Adjustments between accounting basis and funding basis under regulations	12	6,523	0	0	(3)	6,520	(6,520)	0
Net (increase) / decrease before transfers to earmarked reserves		**11,622**	**0**	**0**	**(3)**	**11,619**	**(6,520)**	**5,099**
Transfers (to) / from earmarked reserves	13	(10,418)	10,200	0	(107)	(325)	325	0
(Increase) / decrease in year		**1204**	**10,200**	**0**	**(110)**	**11,294**	**(6,195)**	**5,099**
Balance at 31 March 2018		**(7,139)**	**(43,683)**	**0**	**(5,453)**	**(56,275)**	**61,967**	**5,692**

Movement in Reserves Statement 2016/2017	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	29	29	29	29		30	
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	12	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	13	(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**

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.

2016/17 Gross Expenditure £000	2016/17 Gross Income £000	2016/17 Net Expenditure £000		Notes	2017/18 Gross Expenditure £000	2017/18 Gross Income £000	2017/18 Net Expenditure £000
			Continuing Operations:				
81,890	(80,645)	1,245	Transport Authority		81,653	(79,961)	1,692
80,369	(116,030)	(35,661)	Local Enterprise Partnership		85,907	(86,162)	(256)
16,262	(15,193)	1,069	Transport for the North*		0	0	0
178,521	(211,868)	(33,347)	**Total Continuing Operations Excluding Services Transferred**		167,560	(166,123)	1436
0	0	0	**Services Transferred: TfN is now transferred to Greater Manchester Combined Authority*	8	11,693	(1,850)	9,843
178,521	**(211,868)**	**(33,347)**	**(Surplus) / Deficit on Continuing Operations**		**179,253**	**(167,973)**	**11,279**
			Other Operating Income and Expenditure				**218**
		(1,337)	Financing and Investment Income and Expenditure	14			(1,561)
		0	Taxation and Non-Specific Grant Income	15			(4,837)
		(34,684)	**(Surplus) / Deficit on Provision of Services**	10			**5,099**
		(34,684)	**Total Comprehensive (Income) and Expenditure**				**5,099**

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 are 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 2017 £000		**Notes**	**As at 31 March 2018 £000**
0	Intangible Assets	18	946
0	Property, Plant and Equipment	16	15,193
0	Other Fixed Assets – Investment Properties	17	3,332
0	**Non-Current Assets**		**19,471**
34,509	Long Term Debtors	21	29,084
75,000	Long Term Investments	22	68,000
109,509	**Long Term Assets**		**97,084**
129,919	Short Term Investments	19	125,000
10,646	Short Term Debtors	23	6,228
15,448	Cash and Cash Equivalents	24	27,847
156,013	**Current Assets**		**159,075**
(660)	Short Term Borrowing	25	(660)
(45,798)	Short Term Creditors	26	(43,343)
(73)	Short Term Provisions	27	(382)
(3,496)	Capital Grants Receipts In Advance	37	(15,511)
(50,027)	**Current Liabilities**		**(59,896)**
(25,000)	Long Term Borrowing	19	(25,000)
(193,949)	Other Long Term Liabilities	28	(196,426)
(218,949)	**Long Term Liabilities**		**(221,426)**
(3,454)	**Net Assets / (Liabilities)**		**(5,692)**
(66,095)	Usable Reserves	29	(56,276)
69,549	Unusable Reserves	30	61,968
3,454	**Total Reserves**		**5,692**

The audited Statement of Accounts for the Sheffield City Region Mayoral Combined Authority was approved and authorised for issue by the Chief Financial Officer, in accordance with the Accounts and Audit (England) Regulations 2015 on 30 July 2018.

These financial statements replace the unaudited financial statements authorised by the Chief Financial Officer on the 30th May 2018.

Eugene Walker	Mayor Dan Jarvis
Chief Financial Officer (Section 73 Officer)	Chair of the Sheffield City Region Combined Authority
30 July 2018	30 July 2018

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 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.

2016/17 Restated £000		**Notes**	**2017/18 £000**
34,684	Net surplus or (deficit) on the provision of services		(5,099)
11,524	Adjustment to surplus or (deficit) on the provision of services for non-cash movements	31	18,636
(123,509)	Adjustment for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities	31	(100,271)
(77,301)	**Net cash flow from operating activities**		**(86,734)**
70,544	Investing activities	32	99,133
(3,152)	Financing activities	33	0
(9,909)	**Net increase / (decrease) in cash and cash equivalents**		**12,399**
25,357	Cash and cash equivalents at 1 April	24	15,448
15,448	**Cash and cash equivalents at 31 March**	**24**	**27,847**

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 2017/18 financial year and its position at the year end of 31 March 2018. 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 2017/18, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 7 of the 2015 regulations.

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

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. During 2017-18, the Combined Authority has acquired a significant Trading Operation: AMP Technology Centre. A Project account is being maintained by an agent, Creative Space and income and expenditure transactions have been put through the Combined Authority's accounts. At yearend, net gain/loss will be shown in CIES statement against the Financing and Investment income and expenditure line. There will a debtor or creditor in the Combined Authority accounts for the gain/loss made during the year awaiting extracting cash from trading operation.

As at 2 November 2017, the business operations of a wholly owned subsidiary, SYITA Properties Ltd, were transferred to the Combined Authority as a going concern. The assets and liabilities of the company have been combined with those of the Combined Authority at that date on a line by line basis at their carrying value. The reserves transferred from the company are disclosed in the movement in the reserves statement, the assets and liabilities in a separate line disclosing their transferred value.

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 the 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 the Statement of Accounts is authorised for issue.

Three 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. Combined Authority currently does not have any available for sale financial asset.

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).

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.

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 re-purchase 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 a 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. 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 have 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.

Applying the principles of symmetry, where the CA awards a grant to a third party, the grant expenditure is recognised as payable when the Combined Authority has reasonable assurance that:

- the grant recipient will comply with the conditions attached to the payments, and
- the grants or contributions will be paid.

Capital grants are recognised in the Comprehensive Income and Expenditure Statement as Revenue Expenditure Funded by capital under statute (REFCUS) under the relevant service line (see Accounting Policy xvii). This expenditure is reversed out of the General Fund Balance in the Movement in Reserves Statement to the Capital Adjustment Account.

X. 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.

XI. 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.

XII. 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.

XIII. 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.

XIV. 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. 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.

XV. 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 revenue finances of the Combined Authority.

XVI. 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.

XVII. 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.

XVIII. 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 Combined Authority, 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.

Borrowing costs are capitalised where significant for capital projects that take a substantial period of time to get ready for intended use, until the construction is complete.

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 Combined Authority). 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 Combined Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. When gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

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 on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) 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 are based upon individual asset lives, which are reassessed as part of the rolling programme of revaluations. Fixtures and fittings – 4 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately where they have significantly different useful lives. Components are also recognised where capital investment for replacement or enhancement of the asset establishes a material component.

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

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 re-valued 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). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.
Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Capital receipts are credited to the Capital Receipts Reserve, and can then only be used to finance new capital investment or set aside to reduce the underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written off value of disposals is not a charge against revenue, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

XIX. Employee Benefits

Officers of the SCR are employed through Barnsley MBC who recharge salary and payroll costs to the CA on a monthly basis.

Benefits Payable During Employment

Short term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Authority.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority 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 in the Comprehensive Income and Expenditure Statement at the earlier of when the authority can no longer withdraw the offer of those benefits or when the authority recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council 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

Employees are members of the Local Government Pension Scheme.

- The Local Government Pension Scheme, administered by South Yorkshire Pensions Authority.

The Local Government Pension Schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

The Local Government Scheme is a defined benefits scheme.

However, because SCR officers are employed by Barnsley MBC, the pension assets and liabilities of these staff are subsumed within Barnsley MBC's underlying share of the overall pension deficit or surplus of the South Yorkshire Local Government pension scheme. Furthermore Barnsley MBC do not charge the Authority any back funding contributions because the Authority was only established on 1 April 2014 and is therefore immature in relation to the other major employers within the Scheme. Accordingly, pension contributions are accounted for as a defined contribution scheme rather than a defined benefit scheme.

Superannuation Fund Accounts are available from the South Yorkshire Pensions Authority, PO Box 18, Regent Street, Barnsley, S70 2HG.

XX. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value based on the amount at which the asset could be exchanged between knowledgeable parties at arm's 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 Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

XXI. National Non-Domestic Rates

The Authority receives the growth in business rates income from businesses within Enterprise Zones. All such Business Rates is collected by the billing authority who retain 100% of such income which is then paid over to the Authority to fund its economic development activities.

The income is recognised by the Authority in accordance with Collection Fund accounting rules. Namely, income is recognised in year based on the business rates estimates submitted by the billing authorities to MHCLG before the start of the financial year in their NNDR 1. The surplus or deficit arising against the estimate is recognised in the following year once the audited outturn has been audited and submitted by billing authorities to MHCLG in their NNDR 3.

XXII. Interests in Companies and Other Entities

The Combined 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 2017/18 the CA group comprised the following active entities:

- SCR CA as the ultimate controlling entity
- SYPTE which is controlled by the CA by virtue of its statutory relationship
- SYITA Properties Limited whose principal activity is property rental
- SCR Financial Interventions Holding Company limited whose principal activity is financial management in furtherance of the SCR's strategic objectives

The SCR CA was also the accountable body for the South Yorkshire Passenger Transport Pension Fund until it was transferred to Greater Manchester on 1 November 2017. The Pension fund is not consolidated within the group accounts but is presented separately as an addendum to the statement of 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.

XXIII Acquisitions and Discontinued Operations

Acquired Operations

On 2 November 2017, the property rental business of the CA's wholly owned subsidiary, SYITA Properties Limited, was transferred to the CA as a going concern.

The transfer of business has been presented in the accounts by following the accounting rules for local government reorganisation and other transfers of function from one public sector body to another using the absorption method.

This entails the line by line amalgamation of the company's assets, liabilities and reserves with those of the CA on the date of transfer with assets and liabilities being transferred at their carrying value. Financial performance in relation to the transferred activity is reported in from the date the transfer took place.
In accordance with the rules of absorption accounting, no comparative information is required for activity and assets and liabilities prior to the date of transfer in the CA's single entity accounts. However, an additional note is provided of the value of the Company's assets and liabilities transferred to the CA. The value of reserves balances transferred is shown separately within the movement in reserves statement.

Discontinued Operations

Up to and including 2016/17, the SCRCA was the accountable body for Transport for the North (TfN). On 1 April 2017, responsibility transferred to Greater Manchester CA.

Unapplied grant in the SCRCA balance sheet at 31 March 2017, received whilst the SCRA was the accountable body and paid over to Greater Manchester in 2017/18, has been accounted for under the accounting rules for local government reorganisation and other transfers of function from one public sector body to another.
Work undertaken by SCRCA on behalf of TfN since 1 April 2017 has been on an agency basis and is not included within income and expenditure in the 2017/18 CIES.

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

The Code has introduced changes in accounting policy as a result of amendments to accounting standards. These standards have been issued, but have not yet been adopted by the Council. If these had been adopted for the financial year 2017/18 there would be no material change, as detailed below.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments has been implemented in the 2018/19 CIPFA Accounting Code of Practice. Its introduction will see the classifications of financial assets change to Amortised Cost, Fair Value through Comprehensive Income and Fair Value through Profit and Loss, from the previous categories of Loans and Receivables, Available for Sale and Fair Value through Profit and Loss.

The second main change will be the introduction of an expected credit loss model for particular asset types, rather than an impairment of the asset resulting from a specific incident. Certain aspects of the introduction of IFRS 9 have been adapted for local authorities, effectively removing the IFRS 9 implications. These cover such areas as soft loans, Lender Option Borrowing Option (LOBO) loans, immaterial transactions, exchanges of debt instruments and hedge accounting.

The impact of these changes on the Authority's financial position is therefore likely to be limited. The main financial assets held by the Authority will be treasury management investments which will move from the Loans and Receivables category to Amortised Cost and will be accounted for on a similar basis. In addition, the high credit quality adopted by the Authority for its investment counterparties is likely to see an immaterial expected credit loss position.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts and their associated interpretations.

IFRS 15 establishes the principles that an entity applies when reporting information about the nature, amount, timing and uncertainty of revenue and cash flows from a contract with a customer. Applying IFRS 15, an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Current data suggests that early adoption of this standard is not expected to have a material impact on the figures currently reported in the financial statements.

Amendments to IAS 12 Income Taxes

The amendments to IAS 12 Income Taxes (Recognition of Deferred Tax Assets for Unrealised Losses) clarify how to account for deferred tax assets related to debt instruments measured at fair value.

We currently don't measure any of our debt instruments at fair value therefore don't incur unrealised losses to have any deferred tax liability.

Amendments to IAS 7 Statement of Cash Flows

In January 2016 the IASB issued an amendment to IAS 7 Statement of Cash Flows (Disclosure Initiative) to require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. This is to provide the wider users of the local authority financial statements access to more information on local authority debt and any changes in debt during the reporting period.

We are aware of this amendment to the standard; this is merely a presentational change which will be adopted in the 2018/19 statement of Cash Flows.

3. Critical Judgements in Applying Accounting Policies

The business activity of the Combined Authority's wholly owned subsidiary "SYITA Properties Ltd" together with its assets and liabilities was transferred as a going concern to the CA on 4 November 2017. The business combination has been accounted for under the absorption method. This entails consolidation of the carrying value of the company's assets, liabilities and reserves on a line by line basis with those of the CA on the date of transfer. The financial performance of the business activity is included within the single entity accounts from the date of transfer. The financial performance of the company prior to the date of transfer is consolidated in the group financial statements. Further detail is continued in the Note on Acquired and Discontinued operations (Note 8)

The principal non-current asset transferred as part of the business combination is Broad Street West. This has been reclassified from investment properties to PPE as its primary purpose is to serve as the administrative HQ for the CA Group, and has been revalued accordingly at the date of transfer. The new valuation of £7.3m is reflected in the value of PPE and disclosed in note-8.

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.

In terms of the Combined Authority's single entity accounts, the main source of estimation is the value at which non-current assets are carried in the balance sheet. Professionally qualified valuers are engaged to provide valuations with sufficient regularity to ensure that the carrying values are materially accurate.

In the Group accounts, in addition to the CA's non-current assets, the other main sources of estimation are non-current assets held by SYPTE, and SYPTE's pension assets and liabilities. Further information regarding the basis on which these are valued is contained in Note 69 to the Group Accounts.

As with all public sector bodies, the Combined Authority faces significant uncertainty about the future levels of Government and stakeholder funding in respect of both its transport and economic development functions. However, these challenges are being managed through robust financial planning and management processes and by building in sufficient financial resilience to ensure the Group's sustainability in the medium to longer term.

5. Prior Period Adjustments

There are no prior period adjustments relating to 2017/18

6. Events After the Reporting Date

The audited Statement of Accounts was authorised for issue by the Chief Financial Officer (Section 73 Officer) on 30 July 2018. 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 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

"On 3 May 2018, the first election was held for the Sheffield City Region mayor. The costs of staging the election have been met from the earmarked reserve set aside in 2017/18 for this purpose.

Given the current status of the SCR 2015 Devolution Deal it is not possible to assess at this stage what implications the election of the mayor may have for the functions that the SCR undertakes and finances at its disposal."

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

2017/2018

There were no exceptional items in 2017/18

2016/2017

There were no exceptional items in 2016/17.

8. Acquired and Discontinued Operations

Acquired Operations

2017/18

The business activity of the Combined Authority's wholly owned subsidiary "SYITA Properties Ltd" together with its assets and liabilities was transferred as a going concern to the CA on 4 November 2017.

The business combination has been accounted for under the absorption method. This entails consolidation of the carrying value of the company's assets, liabilities and reserves on a line by line basis with those of the CA on the date of transfer. The financial performance of the business activity is included within the single entity accounts from the date of transfer.

The table below shows the detail of assets, liabilities and reserves transferred to Combined Authority balance sheet on the date of transfer

2016/17		**2017/18**
		At 04 Nov-17
£000		**£000**
	Assets and Liabilities	
3,782	Investment Properties	3,332
5,300	PPE	7,627
199	Debtors	133
2,801	Cash and bank	2,608
(312)	Creditors	(4,421)
(4402)	Long term borrowing and Provisions	0
7,368	**Total assets less liabilities**	**9,279**
	Share capital and Reserves	
437	Useable Reserves	(1,474)
(7,805)	Share Capital	(6,419)
0	Unusable Reserves	(1,386)
(7,368)	**Total Share Capital and Reserves**	**(9,279)**

2016/17

There were no acquired operations during 2016/17

Discontinued Operations/Transferred function

2017/18

As at 1 April 2017, the Accountable Body status for the Transport for the North (TfN) was transferred from SCR CA to Greater Manchester Combined Authority. At the end of 2016/17 £9.843m of unapplied grant was held in the CA's balance sheet in earmarked reserves awaiting transfer. The transfer of this unapplied grant to Greater Manchester Combined Authority, is shown within the CIES as a transferred operation in 2017/18.

Activity undertaken by SCR CA since 1 April 2017 is as an agent on behalf of TfN / Greater Manchester CA. Accordingly, expenditure incurred and its recovery from Greater Manchester CA is not included within the expenditure and income reported in the SCR CA's 2017/18 CIES.

The Accountable Body status for the Transport for the North was terminated on 31/03/2017 At the end of 2016/17 £9.843m earmarked reserves were held on Combined Authority balance sheet which have now been transferred to Greater Manchester Combined Authority, who have taken over that role on behalf of TfN.

The Combined Authority still manages a few immaterial projects on behalf of TfN of which all the expenditure incurred has been recovered from TfN, therefore it has nil impact on Combined Authority

2016/17					2017/18		
Gross Expenditure £000	**Gross Income £000**	**Net Expenditure £000**		**Notes**	**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
			Transferred Operations:				
16,262	(15,193)	1,069	Transport for the North		11,693	(1,850)	9,843
16,262	**(15,193)**	**1,069**	**(Surplus) / Deficit on transferred Operations**		**11,693**	**(1,850)**	**9,843**

2016/17

There were no discontinued operations during 2016/17

9. Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis:

2017/18				
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	(3,107)	0	4,214	1,107
Local Enterprise Partnership	0	0	(1,449)	(1,449)
Transport for the North	0	0	0	0
Net Cost of Services	**(3,107)**	**0**	**2,765**	**(342)**
Other income & expenditure from the Expenditure & Funding Analysis	(3,346)	0	(2,835)	(6,180)
Difference between General Fund Surplus / Deficit and CI&ES Surplus / Deficit on Provision of Services	**(6,453)**	**0**	**(70)**	**(6,523)**

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)**

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 and expenditure the other differences column included soft loans to Rotherham and Barnsley.
- 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.

10. Expenditure and Income Analysed by Nature

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

2016/17 £000		2017/18 £000
	Expenditure:	
2,783	Employee Benefits Expenditure	3,270
175,367	Other Service Expenses	175,872
371	Support Service Recharges	596
1,388	Interest Payments	1,388
179,909	**Total Expenditure**	**181,126**
	Income:	
784	Fees, charges & other service income	(70)
(2,725)	Interest Investment Income	(3,218)
(212,652)	Government Grants & Contributions	(167,903)
0	Other Income	(4,836)

(214,593)	**Total Income**	**(176,027)**
(34,684)	**(Surplus) / Deficit on the Provision of Services**	**5,099**

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

	£000
Income as analysed by nature	**(176,027)**
Interest Investment Income	3,218
Income as part of (Surplus) / Deficit on Continuing Operations in the CI&ES	**(172,809)**

11. Segmental Income

Income received on a segmental basis is analysed below:

2017/18

Services:	**£000 Fees, Charges & Service**	**£000 Interest & Investment**	**£000 Grants & Contributions**	**£000 Total Income**
Transport Authority	0	0	(79,961)	(79,961)
Local Enterprise Partnership	(70)	0	(86,092)	(86,162)
Transport for the North	0	0	(1,850)	(1,850)
Corporate	0	(3,218)	(4,837)	(8,054)
Total Income	**(70)**	**(3,218)**	**(172,739)**	**(176,027)**

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)**

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

12. 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.

2017/18	**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 – taxation and non- specific grants	3,346	0	3,346	(3,346)	**0**
Capital grants & contributions credited to CIES - REFCUS	96,837	0	96,837	(96,837)	**0**
	0	0	0	0	**0**
Revenue expenditure funded from capital under statute	(96,837)	0	(96,837)	96,837	**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	70	0	70	(70)	**0**
Insertion of items not debited or credited to the CI&ES:					
Statutory provision for repayment of debt (MRP)	3,107	0	3,107	(3,107)	0
Total	**6,523**	**0**	**6,523**	**(6,523)**	**0**

2016/17 – 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	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**

13. 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 2016 £000**	**Transfer Out 2016/17 £000**	**Transfer In 2016/17 £000**	**Total Movements £000**	**31 March 2017 £000**	**Transfers Out 2017/18 £000**	**Transfer in 2017/18 £000**	**Total Movements £000**	**31 March 2018 £000**
General Fund:										
Revenue Grants and Contributions:										
- Transport for the North	29	**(10,912)**	1,069	0	**1,069**	**(9,843)**	9,843	0	**9,843**	**0**
- Apprenticeship Grant for Employers	29	**0**	0	(682)	**(682)**	**(682)**	575	0	**575**	**(107)**
Other Earmarked Revenue Reserves:										
- PFI Revenue Reserve	29	**(5,476)**	0	(1,408)	**(1,408)**	**(6,884)**	0	(1,491)	**(1,491)**	**(8,375)**
- Local Growth Fund	29	**(3,869)**	623	0	**623**	**(3,246)**	798	0	**798**	**(2,448)**
-Mayoral Elections	29	**0**	0	0	**0**	**0**	0	(1,355)	**(1,355)**	**(1,355)**
Other Reserves	29							(360)	(360)	(360)
Properties Reserves-from subsidiary	29	**0**	0	0	**0**	**0**	0	(1,474)	**(1,474)**	**(1,474)**
- Levy Reduction Reserve	29	**(36,923)**	5,169	0	**5,169**	**(31,754)**	2,190	0	**2,190**	**(29,564)**
Total		**(57,180)**	**6,861**	**(2,090)**	**4,771**	**(52,409)**	**13,406**	**(4,680)**	**8,726**	**(43,683)**

14. Financing and Investment Income and Expenditure

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

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

31March 2017 £000			31 March 2018 £000
1,388	Interest Payable and similar charges		1,388
(2,725)	Interest receivable and similar income		(2,615)
0	Pension interest cost and expected return on pensions assets		0
0	(Surplus) or deficit of trading undertakings	Note-35	(220)
0	Property Management – Investment income	Note-18	(114)
(1,337)	**Total**		**(1,561)**

15. Taxation and Non Specific Grant Income

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

Re-stated 31 March 2017 £000		31 March 2018 £000
0	Transport Levy from South Yorkshire Districts	0
	Non-ring-fenced government grants:	
0	LGF Funding from DCLG	0
0	LEP Core Funding from DCLG	0
0	PFI Grant From DCLG	(1,491)
0	Other	0
0	Capital Grants and Contributions	(3,346)
0	**Total**	**(4,837)**

16. Property, Plant and Equipment (PPE)

Movements on Balances:

Movements in 2017/18	**Council Dwellings £000**	**Other Land and Buildings £000**	**Vehicles, Plant, Furniture and Equipment (VPFE) £000**	**Infrastructure Assets £000**	**Community Assets £000**	**Surplus Assets £000**	**Assets Under Construction £000**	**Total PPE £000**	**Total PFI Assets included in PPE £000**
Cost or Valuation:									
At 1 April 2017	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Additions – transferred in from subsidiary	0	7,300	327	0	0	0	0	**7,627**	**0**
Additions - programmed investment	0	7,566	0	0	0	0	0	**7,566**	**0**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	**0**	**0**
Revaluation increases / (decreases) to Surplus / Deficit on the Provision of Services	0	0	0	0	0	0	0	**0**	**0**
De-recognition – disposals	0	0	0	0	0	0	0	**0**	**0**
De-recognition – other	0	0	0	0	0	0	0	**0**	**0**
Reclassification and transfers	0	0	0	0	0	0	0	**0**	**0**
At 31 March 2018	**0**	**14,866**	**327**	**0**	**0**	**0**	**0**	**15,193**	**0**

Movements in 2017/18 (Continued)	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total PPE £000	Total PFI Assets included in PPE £000
Accumulated Depreciation and Impairment:									
At 1 April 2017	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Depreciation charge	0	0	0	0	0	0	0	**0**	**0**
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	0	0	**0**	**0**
Depreciation written out to the Surplus / Deficit on the Provision of Services	0	0	0	0	0	0	0	**0**	**0**
Impairment (losses) / reversals recognised in the Revaluation Reserve	0	0	0	0	0	0	0	**0**	**0**
Impairment (losses) / reversals recognised in the Surplus / Deficit on the Provision of Services	0	0	0	0	0	0	0	**0**	**0**
De-recognition - disposals	0	0	0	0	0	0	0	**0**	**0**
De-recognition - other	0	0	0	0	0	0	0	**0**	**0**
Reclassification and Transfers	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
At 31 March 2018	0	0	0	0	0	0	0	**0**	**0**
Net Book Value:									
At 31 March 2018	0	14,866	327	0	0	0	0	**15,193**	**0**
At 31 March 2017	0	0	0	0	0	0	0	**0**	**0**

Combined Authority did not have PPE in 2016-17.

Depreciation

Depreciation is charged on a straight line basis over the useful life of the asset.

Depreciation is not charged in the year of acquisition. Likewise, depreciation on revaluations is only charged at the revised amount in the year following valuation.

Capital Commitments

There is no significant capital commitment as at 31 March 2018.

Revaluations

Assets of £7.627m were transferred from the CA subsidiary company SYITA Properties Limited on transfer of business at their fair value. The fair value valuation was provided by Sanderson Wetherall. The Combined Authority also acquired the Advanced Manufacturing Park Technology Centre during the year on the market price.

The Authority will be carrying out a rolling programme that ensures all Property, Plant and Equipment required to be measured at Fair Value, is revalued at least every five years hereafter.

For those categories reported at Fair Value or Current Value, the Authority re-values the assets at least every five years, on a rolling programme of valuations. The following statement splits the value of those asset categories, into the years the assets were most recently valued.

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Surplus Assets	Total
	£000	£000	£000	£000	£000
Carried at Historical Cost	**0**	**19**	**327**	**0**	**346**
Valued at Fair Value as at:					
31 March 2018	0	14,847	0	0	14,847
31 March 2017	0	0	0	0	0
31 March 2016	0	0	0	0	0
31 March 2015	0	0	0	0	0
31 March 2014	0	0	0	0	0
Total Cost or Valuation	**0**	**14,866**	**327**	**0**	**15,193**

17. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure Statement.

2016/17 £000		2017/18 £000
0	Rental income from investment property	114
0	Net gain/(loss)	114

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

2016/17 £000	**Cost or Valuation**	2017/18 £000
0	Transfer from subsidiary	3,332
0	Revaluations	0
0	Balance at 31 March	3,332

Fair Value Hierarchy

To conform to the requirements of IFRS 13, Fair Value measurement, details of the Authority's investment properties and information about the fair value hierarchy as at 31 March 2018 are as follows:

2017/18				
Recurring fair value measurements using:	**Quoted prices in active markets for identical assets (Level 1)**	**Other significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Fair value as at 31 March 2018**
	£000	**£000**	**£000**	**£000**
Investment Properties	0	3,332	0	0
Total	**0**	**3,332**	**0**	**0**

Valuation Process for Investment Properties

Assets of £3.3m were transferred from the CA subsidiary company SYITA Properties Limited on transfer of business at their fair value. The fair value of the Authority's investment property will be measured annually at each reporting date hereafter.

18. Intangible Assets

The carrying amount of intangible assets is amortised on a straight-line basis.

The movement on intangible asset balances during the year is as follows:

	2017/18			2016/17		
	Internally Generated Assets	Other Assets	Total	Internally Generated Assets	Other Assets	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Amortisation for the period	0	0	0	0	0	0
Additions	0	946	946	0	0	0
Net Carrying Amount at End of Year	0	946	946	0	0	0
Comprising:						
Gross carrying amounts	0	946	946	0	0	0
Accumulated amortisation	0	0	0	0	0	0
	0	946	946	0	0	0

19. Financial Instruments

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

Current 31 March 2017 £000	Long Term 31 March 2017 £000		Current 31 March 2018 £000	Long Term 31 March 2018 £000
660	25,000	Financial liabilities at amortised cost	660	25,000
0	0	Accrued Interest	0	0
660	**25,000**	**Total other long term liabilities**	**660**	**25,000**
123,500	75,000	Loans and receivables	125,000	68,000
0	0	Accrued Interest	0	
6,419	0	Unquoted equity investment at cost	0	0
129,919	**75,000**	**Total Loans & Receivable**	**125,000**	**68,000**
15,434	0	Cash and Cash Equivalents	27,847	0
15	0	Accrued Interest	0	0
15,448	**0**	**Cash and Cash Equivalents**	**27,847**	**0**
146,027	**75,000**	**Total investments**	**153,507**	**68,000**
	7,047	**Soft Loans Provided**		**2,926**

Financial Liabilities at amortised cost

The balance of £25m comprises six PWLB fixed rate loans repayable on maturity.

Loans and Receivables

The Balance of £68m long term and £125m short term investments represents fixed rate deposits with counter parties approved in the annual investment strategy. Further information on long term investment is provided in note-22.

Soft Loans

In 2016/17, the Combined Authority was owed £4.2m 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 was treated as a soft loan to a subsidiary. However during 2017/18, the activities of SYITA Properties Limited were transferred to the Combined Authority and the company wound up. In the result of wound up, the loan given to subsidiary has been extinguished.

During 2016/17, 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.

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 2017 £000	**31 March 2018 £000**
Opening Balance	4,156	7,047
New Loans Granted	3,640	0
Less Fair Value Adjustment on Initial Recognition	(784)	0
Less Discounted Amount	0	0
Less Other Adjustments	0	(4,191)
Less Dividend Payment	(9)	0
Fair Value Adjustment	44	70
Balance Carried Forward	**7,047**	**2,926**
Nominal Value	**7,840**	**3,640**

The other adjustment relates to the removal of the soft loan element relating to the SYITA Property Limited dividend.

Financial Instrument Gain / Losses

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

	2016/17			2017/18	
Financial Liabilities	**Financial Assets Loans and receivable**	**Total**	**Financial Liabilities**	**Financial Assets Loans and receivable**	**Total**

£000	£000	£000		£000	£000	£000
(1,388)	0	(1,388)	Interest expense	(1,388)	0	(1,388)
0	0	0	Interest on PFI scheme liabilities	0	0	0
(1,388)	**0**	**(1,388)**	**Interest payable and similar charges**	**(1,388)**	**0**	**(1,388)**
0	2,725	2,725	Interest income	0	2,616	2,616
0	**2,725**	**2,725**	**Interest and investment income**	**0**	**2,616**	**2,616**
(1,388)	**2,725**	**1,337**	**Net gain / (loss) for the year**	**(1,388)**	**2,616**	**1,228**

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 PWLB 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 2017 Carrying Amount £000	31 March 2017 Fair Value £000		31 March 2018 Carrying Amount £000	31 March 2018 Fair Value £000
(25,000)	(33,782)	PWLB debt	(25,000)	(35,793)
(25,000)	**(33,782)**	**Total Financial Liabilities**	**(25,000)**	**(35,793)**

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 £35.8m 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 £25.7m would be valued at £35.8m. 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 £32.6m.

31 March 2017			31 March 2018	
Carrying Amount £000	**Fair Value £000**		**Carrying Amount £000**	**Fair Value £000**
75,000	78,501	Loans & Receivables - Long Term	68,000	69,716
124,013	124,087	Loans & Receivables - Current	125,654	125,604
199,013	**202,588**	**Loans & Receivables - Total**	**193,654**	**195,320**

The Combined Authority held a number of fixed terms investments with durations up to 365 days with banks and other financial institutions totalling £125.7m (including accrued interest) compared to £124.0m in 2016/17.

The Combined Authority also has a number of fixed term investments with Local Authorities totalling £68m (£75m in 2016/17).

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

20. 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 & Poor's 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 Poor's) 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 2018, 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 2018	**Historical Experience of Default**	**Adjustment for conditions at 31 March 2018**	**Estimated Maximum Exposure to Default**
Deposits with	**£000**			**£000**
AAA rated counterparties	25,127	0%	0.000%	0
AA rated counterparties	163,000	0%	0.055%	90
A rated counterparties	45,000	0%	0.011%	5
	233,127			**95**

* 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 2018 reflects the risk on this deposit at that date as determined by Credit Rating Agencies.

The figure used for customers in terms of both historical default and adjustment for conditions were calculated by using the 2017/18 write offs as a % of the total amount of invoices raised in 2017/18.

	Amount at 31 March 2017	Historical Experience of Default	Adjustment for conditions at 31 March 17 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.

As at 31 March 2018 the Combined Authority held £30.0m in fixed term deposits with banks and other financial institutions. At 31 March 2018, the default risk attached to these deposits ranged between 0.002% and 0.015%. The Authority also held £163m in fixed term investments with other Local Authorities – of which £68m are longer term investments.

Other funds held at the year-end (£25.1m) were deposited with AAA Money Market Funds (MMFs) and a further £15m in a 95 day call account which matured in April 2018. As these funds offer near 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 2018 was £193.0m (including £68m in Long Term Investments); and at 1 April 2017 the outstanding balance was £198.5m (of which £75m were Long Term investments).

31 March 2018			
Financial Institution	**Rating of Counterparty**	**Country**	**Amount £000**
Local Authorities		UK	163,000
Barclays Bank plc	A-	UK	10,000
Qatar National Bank	A+	Qatar	20,000

31 March 2017– Comparative Information			
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

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 £40.1m as at 31 March 2018 and offer near 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:

2016/17 Principal	2016/17 Accrued Interest	2016/17 Principal plus Interest		2017/18 Principal	2017/18 Accrued Interest	2017/18 Principal plus Interest
£000	**£000**	**£000**		**£000**	**£000**	**£000**
12,000	0	12,000	Between 5 and 10 years	20,000	0	25,000
13,000	0	13,000	More than 10 years	5,000	0	5,000
25,000	**0**	**25,000**	**Total**	**25,000**	**0**	**25,000**

The maturity analysis of financial assets is:

2016/17 Principal	2016/17 Accrued Interest	2016/17 Principal plus Interest		2017/18 Principal	2017/18 Accrued Interest	2017/18 Principal plus Interest
£000	**£000**	**£000**		**£000**	**£000**	**£000**
0	0	0	Under 1 year	125,000	0	125,000
20,000	0	20,000	Between 1 and 2 year	8,000	0	8,000
32,000	0	32,000	Between 2 and 5 years	45,000	0	45,000
23,000	0	23,000	Between 5 and 10 years	15,000	0	15,000
0	0	0	More than 10 years	0	0	0
75,000	**0**	**75,000**	**Total**	**193,000**	**0**	**193,000**

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 2018, 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 **	771
Increase in government grant receivable for financing costs	0
Impact on Surplus or Deficit on the Provision of Services	771
Decrease in fair value of fixed rate investment assets****	332
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)	3,397

Notes:

*All borrowing raised from the PWLB were at fixed rates in 2017/18 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 2017/18.

**** A number of fixed term investments totalling £163m (of which £68m is long term) are held with various Local Authorities at the year end. There was a further £30m 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 near 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.

21. Long Term Debtors

The following is an analysis of Long Term Debtors:

31 March 2017 £000		31 March 2018 £000
0	Dividend Receivable from SYITA Properties Limited	0
2,856	Other Local Authorities	2,926
15,653	SCR Financial Interventions Holding Company Ltd	9,983
15,000	JESSICA	15,000
1,000	Others	1,175
34,509	**Total**	**29,084**

The long term debtors represents Capital Loans advanced to 3rd parties to support the MCA's strategic economic development objectives.

22. Long Term Investments

The following is an analysis of Long Term Investments:

31 March 2017 £000		31 March 2018 £000
75,000	Investments with Local Authorities	68,000
75,000	**Total**	**68,000**

The ageing of the investment balance is:

31 March 2017 £000		31 March 2018 £000
20,000	Between one and two years	8,000
32,000	Between two and five years	45,000
23,000	Between five and ten years	15,000
75,000	**Total**	**68,000**

23. Short Term Debtors

The following is an analysis of short term Debtors:

31 March 2017 £000		31 March 2018 £000
3,018	Central Government Bodies	1,147
2,780	Other Local Authorities	289
0	NHS Bodies	0
0	Public Corporations and Trading Funds	0
0	Capital Projects	0
4,848	Other Entities and Individuals	4,792
10,646	**Total**	**6,228**

24. Cash and Cash Equivalents

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

31 March 2017 £000		31 March 2018 £000
(62)	Cash at Bank	(12,280)
15,510	Short Term Investments	40,127
15,448	**Total**	**27,847**

25. 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 2017 £000		31 March 2018 £000
(660)	Other Local Authorities	(660)
(660)	**Total**	**(660)**

26. Short Term Creditors

The following is an analysis of Creditors:

31 March 2017 £000		31 March 2018 £000
(7,156)	Central Government Bodies	(4,862)
(22,960)	Other Local Authorities	(4,545)
(15,682)	Other Entities and Individuals	(33,935)
(45,798)	**Total Creditors**	**(43,343)**

27. Provisions

The Combined Authority has the following Provisions:

31 March 2017 £000		31 March 2018 £000
0	Opening Balance	(73)
0	Released as no longer required	73
(73)	Charge to Income and Expenditure Account during the year	(382)
(73)	**Total**	**(382)**
	Split by:	
(73)	Short term	(382)
0	Long term	0
(73)	**Total**	**(382)**

The short term provision relates to expenditure incurred on staging the mayoral election.

28. 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 2017 Fair Value £000		31 March 2018 Fair Value £000
(193,949)	South Yorkshire Passenger Transport Executive	(196,426)
(193,949)	**Total**	**(196,426)**

29. Usable Reserves

Movements in the 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 Authority are required to be paid and out of which all liabilities of the 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 Authority is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Authority is required to recover) at the end of the financial year.

The table below shows the balance of the General Fund available balance:

31 March 2017 £000		31 March 2018 £000
(5,888)	General Balances Available	(5,888)
(2,455)	CA/LEP General Reserve	(1,251)
(8,343)	**Total**	**(7,139)**

Earmarked General Fund Reserves

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

31 March 2017 £000		31 March 2018 £000
	Revenue Grants and Contributions Reserve:	
(9,843)	- Transport for the North	0
(682)	- Apprenticeship Grant for Employers	(107)
	Other Earmarked Reserves:	
0	- Mayoral Elections	(1,355)
0	- Other	(360)
0	- Properties Reserves-transferred in from subsidiary	(1,474)
(6,884)	- PFI Revenue Reserve	(8,375)
(3,246)	- Local Growth Fund Reserve	(2,448)
(31,754)	- Levy Reduction Reserve	(29,564)
(52,409)	**Total**	**(43,683)**

Earmarked reserves are set aside to provide financing for future spending plans or to provide cover for potential liabilities that are not certain enough to create a provision in the accounts. Information on how Earmarked Reserves have been used to support expenditure in the year is provided on page-12 on the narrative report- see reconciliation of Revenue budget outturn to the deficit reported in the CIES.

Earmarked reserves are available to fund capital or revenue expenditure.

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 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.
- LGF Reserve: The Local Growth Fund 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 over a four year period.
    - 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.
- Mayoral election reserve: established to ensure that the Combined Authority Returning Officer has sufficient resources to fund the cost of the mayoral election.
- Property reserve: retained profits transferred to the CA from SYITA Properties Limited on transfer of business ring-fenced in the short term for asset management property-related issues given that the CA's borrowing powers are currently restricted to transport.

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 repay debt. 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 2017 £000		**31 March 2018 £000**
(5,343)	Capital Receipts Reserve	(5,343)
0	Capital loan repaid	(7,550)
0	Capital receipt applied during the year	7,547
0	Capital grant repaid	(107)
(5,343)	**Total**	**(5,453)**

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 2018, the balance on the Capital Grants Unapplied Reserve was nil, (nil at 31 March 2017).

30. Unusable Reserves

The following table summarises the Unusable Reserves balances:

1 April 2017 £000		31 March 2018 £000
	Capital Reserves:	
68,765	Capital Adjustment Account	61,253
68,765		61,253
	Revenue Reserves:	
784	Financial instruments Adjustment Account	714
784		714
69,549	**Total**	**61,967**

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 Council as finance for the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 12 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2016/17 £000		2017/18 £000
107,195	**Balance at 1 April**	**68,765**
0	Transferred in from subsidiary	**(1,387)**
	Reversal of items relating to capital expenditure debited or credited to the CI&ES:	
	Depreciation of Non-current assets	
	Impairment of Non-current assets	
	Revaluation losses	
	Movements in fair value of Investment Properties	
	Movements in fair value of Donated Asset Account	
	Amortisation of Intangible assets	
88,216	Revenue expenditure funded from capital under statute	96,837
	Non-Current assets written off on disposal	
	Other	325
	Adjusting amounts written out of the Revaluation Reserve:	
	Difference between fair value depreciation and historical cost depreciation	
	Accumulated gains on assets sold or scrapped	
	Other	
195,411	**Net written out amount of the cost of non-current assets consumed in the year**	**164,541**
	Capital financing applied in the year:	
0	Use of the Capital Receipts Reserve to finance new capital expenditure	(7,547)
	Capital loan repaid	7,550
0	Use of the Major Repairs Reserve to finance new capital expenditure	0
(88,216)	Capital grants and contributions credited to the CI&ES including REFCUS Income	(100,183)
0	REFCUS Income	0
(35,293)	Application of grants and contributions to capital financing	0
0	transferred to Capital Adjustment Account	
0	Application of grants and contributions from the Capital Grants Unapplied Reserve	0
(3,138)	Statutory provision for the repayment of debt	(3,107)
0	Voluntary provision for the repayment of debt	0
0	Capital expenditure charged to the General Fund and HRA	0
(126,647)		(103,287)
	Transfer from the Deferred Capital Receipts Reserve	
68,765	**Balance at 31 March**	**61,253**

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 Council 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 Council'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.

2016/17 £000		**2017/18 £000**
0	**Balance at 1 April**	**784**
0	Proportion of premiums incurred in previous financial years to be charged against the General fund Balance in accordance with statutory requirements	**0**
784	Soft Loan Amortisation	(70)
0	Effective Interest Rate Adjustment	0
784	Amount by which finance costs charged to the CI&ES are different from finance costs chargeable in the year in accordance with statutory requirements	(70)
784	**Balance at 31 March**	**714**

31. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2016/17 £000		**2017/18 £000**
2,725	Interest Received	2,546
(604)	Interest Paid	(1,318)
2,121	**Total**	**1,228**

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

2016/17 £000		**2017/18 £000**
6,922	Increase / (decrease) in creditors	13,056
3,748	(Increase) / decrease in debtors	4,418
854	Other non-cash items charged to the net surplus or deficit on the provision of services	1,162
11,524	**Total**	**18,636**

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

2016/17-Restated £000		2017/18 £000
(0)	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	0
(123,509)	Any other items for which the cash effects are investing or financing cash flows	(100,271)
(123,509)	**Total**	**(100,271)**

32. Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

2016/17 £000		2017/18 £000
(196,000)	Purchase of short term and long term investments	(168,459)
(31,083)	Other payments for investing activities	(4,730)
0	Purchase of PPE, Investment property and Intangible assets	(8,512)
199,500	Proceeds from short term and long term investments	173,959
98,127	Other receipts from investment activities	106,875
70,544	**Total**	**99,133**

33. Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

2016/17 £000		2017/18 £000
(3,152)	Repayments of short and long-term borrowing	0
0	Other receipts from financing activities	0
(3,152)	**Total**	**0**

34. Trading Operations

AMP Technology Centre Operation

On the 7th December 2017, the Combined Authority acquired the AMP Technology Centre (AMP) and its associated trading operations. The financial performance of the AMP from its date of acquisition until the end of the financial year was as follows:

2017/18	Income £000	Expenditure £000	Operating (Surplus)/ Deficit £000	Accounting Adjustments £000	Accounting (Surplus)/ Deficit £000
AMP Technology Centre Operation	(488)	268	(220)	0	(220)
	(488)	**268**	**(220)**	**0**	**(220)**

Trading operations overall reported surpluses on controllable income and expenditure.

35. 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.

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

2017/18	**Salary**	**Pension Contribution**	**Total**
	£	**£**	**£**
Dr Dave Smith – Managing Director (Head of Paid Service)*	175,189		175,189
Deputy Managing Director	99,501	14,627	114,128
Director of Programme Commissioning	92,001	13,524	105,526
TOTAL	**366,691**	**28,151**	**394,842**

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

Remuneration Band	**2017/18 Total**
£50,000 - £54,999	1
£55,000 - £59,999	5
	6

There were no redundancies during the year

The Section 73 officer has been provided to the Combined Authority by Sheffield City Council at a nil cost.

The Monitoring officer has been provided to the Combined Authority by Barnsley MBC at a cost of £18k.

For the financial years 2017/18, 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.

There were no termination benefits incurred within the year (none in 2016-17).

There was no member allowances paid by the Combined Authority to their public sector members.

Private sector LEP Board members received reimbursement of expenses of £2k

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

36. 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:

2016/17 £000		**2017/18 £000**
59	Fees payable with regard to external audit services carried out by the appointed auditor	59
0	16-17 fee variation agreed	5
59	**Total**	**64**

37. Grant Income

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

Restated 2016/17 £000		**2017/18 £000**
	Credited to Services:	
0	Department for Business Innovation and Skills	(703)
(104,494)	Department for Communities and Local Government	(58,288)
(37,840)	Department for Transport	(47,458)
(4,304)	Skills Funding Agency	0
(410)	Department for Business, Energy & Industrial Strategy	0
(153)	Careers Enterprise Company	0

(32)	Department for Health	0
(29)	Department for International Trade	0
(65,360)	English Local Government	(60,321)
(30)	Cabinet Office	(86)
	Other	(1,049)
(212,652)		**(167,903)**
	Credited to Taxation and Non Specific Grant Income:	
	Non-ring fenced Government Grants:	
0	Department for Communities and Local Government	(4,837)
0		**(4,837)**
(212,652)	**Total**	**(172,740)**

The 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 will require the monies or property to be returned to the giver. The balances at year end are as follows:

31 March 2017 £000		**31 March 2018 £000**
	Revenue Grants Receipts in Advance:	
(1,957)	Department for Business Innovation and Skills	(282)
(696)	Department for Transport	(1,945)
(297)	Cabinet Office	0
(28)	Department for Communities and Local Government	0
0	European Skills Funding Agency (ESFA)	(1,788)
0	Local Government Association (LGA)	(667)
0	None Departmental Government Bodies	(8)
0	NHS UK	(181)
(2,978)	**Total**	**(4,870)**
	Capital Grants Receipts in Advance:	
(3,496)	Department for Transport	(6,850)
0	Department for Communities and Local Government	(8,661)
(3,496)	**Total**	**(15,511)**

38. 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 4 constituent and 5 non- constituent Local Authorities, whose Leaders make up the membership of the Combined Authority and have direct control through voting rights.

Members

During 2017/18 and 2016/17 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

2017/18

Related Party	Note	Receipts £000	Payments £000	Net Payments £000	Receivables £000	Payables £000	Net Assets £000
Sheffield City Council	**1**	(26,543)	18,879	**(7,664)**	0	(1,005)	**(1,005)**
Barnsley Metropolitan Borough Council	**2**	(11,462)	15,194	**3,733**	495	(573)	**(79)**
Doncaster Metropolitan Borough Council	**3**	(13,013)	25,387	**12,374**	0	0	**0**
Rotherham Borough Council	**4**	(11,487)	5,794	**(5,693)**	83	(3)	**79**
Bolsover District Council		(4)	0	**(4)**	0	0	**0**
Bassetlaw District Council		(4)	1,622	**1,618**	225	0	**225**
North East Derbyshire District Council		(4)	0	**(4)**	0	0	**0**
Chesterfield Borough Council	**5**	(1,112)	7,475	**6,362**	0	0	**0**
Derbyshire Dales District Council		(4)	0	**(4)**	0	0	**0**
South Yorkshire Passenger Transport Executive	**6**	(142)	62,961	**62,819**	0	(203,673)	**(203,673)**
South Yorkshire ITA Properties LTD		0	0	**0**	0	0	**0**
SCR Financial Interventions Holding Company		0	0	**0**	9,983	0	**9,983**

Notes – relating to significant transactions

1 Income: £23.8m Transport Levy: £0.4m LEP subscriptions and £1.6m Enterprise Zone fees: Expenditure, £3m STEP: £3.9m Knowledge gateway & £1m SRQ payment.

2 Income: £10.0m Transport Levy income: £1m EZ rates.

3 Income: £13m Transport Levy: Expenditure, £3m for Urban markets, £4.5m for St Sepulchre west & £0.5m.

4 Income: £10.9m Transport Levy income: £0.5m EZ rates & Subscription: Expenditure, £0.4m LTP, £0.3m Sustainable access travel.
5 Income:£0.7m EZ rates income and £0.4m subscription: Expenditure, £5.3m Northern gateway.
6 Expense: £57m transport grant, Payable of (£203m) is deferred liability which will be settled in the future years.

2016/17

Related Party	Note	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 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	**15,653**	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.

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:

2016/17 £000		2017/18 £000
115,945	Amount held by the CA to repay SYPTE loans	114,774
90,855	Grant monies owing to SYPTE	91,195
206,800	**Total owed to SYPTE by the CA**	**205,969**

South Yorkshire ITA Properties Ltd

During 2017-18, the business activity and the assets and liabilities were transferred from SYITA Properties Ltd (formerly SYPTA Ltd) to Combined Authority on 04 November 2017. The company has been dormant since this date.

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:

2017/18							
Related Party	**Notes**	**Receipts £000**	**Payments £000**	**Net Payments £000**	**Receivables £000**	**Payables £000**	**Net Assets £000**
West Yorkshire Combined Authority	**1**	0	5,137	**5,137**	0	0	**0**
Greater Manchester CA	**2**	(784)	11,641	**10,856**	79	0	**79**
Notes relating to significant transactions							
1	£5.1m 1st grant claim paid.						
2	£9.8m Earmarked reserves relating to previous years & £1.8m grant received in advance now paid back to GMCA.						

Combined Authority is no longer accountable body for Transport for North, therefore the list of transactions taken place with other government bodies is smaller than the previous year.

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

39. 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.

2016/17 - Restated £000		2017/18 £000
	Capital Investment	
	Property, Plant and Equipment	7,566
	Intangible Assets	946
88,216	Revenue Expenditure Funded from Capital Under Statute	**96,836**
	Capital loans	**2,380**
88,216	Total	**107,728**
	Sources of Finance	
88,216	Government Grants and Other Contributions	100,163
	Capital Receipts	7,546
	Direct Revenue Financing	19
0	Borrowing	0
88,216		**107,728**
	Capital Financing Requirements	
107,196	Opening Balance - restated	104,058
0	Borrowing in Year	0
0	Application of grants and contributions	0
	Other - Transfer from subsidiary	2,701
(3,138)	Statutory / Voluntary Provision for repayment of debt (MRP / VMRP)	(3,107)
104,058	**Closing Balance**	**103,651**
(25,000)	PWLB Borrowing	(25,000)
(660)	Other Borrowing	(660)
(25,660)		**(25,660)**
78,398	**Under borrowed**	**77,991**

Group Accounts

The Group accounts, as at 31 March 2018, comprise the accounts of the Combined Authority, together with its subsidiary, the South Yorkshire Passenger Transport Executive.

All intra-group trading, balances and unrealised gains and losses, at the end of the financial year 2017/18, 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 2017/18 (The Code) and the CIPFA Service Reporting Code of Practice 2017/18, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 7 of the 2015 Regulations.

The accounting convention 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 into SYPTE’s accounts in 2017/18.

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 Ltd

During 2017-18, the business activity and the assets and liabilities were transferred from SYITA Properties Ltd (formerly SYPTA Ltd) to Combined Authority on 04 November 2017. The company has been dormant since this date

SCR Financial Interventions Holding Company Ltd

This company was repurposed in March 2017 from Sheffield Supertram Ltd. Further information about SCR Financial Interventions Holding Company Ltd.’s accounts is 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

During 2017-18, the Combined Authority has given up the responsibility as an accountable body for the South Yorkshire Passenger Transport Pension Fund accounts. Therefore the accounts are prepared for 7 months (October-2017) 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 shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2016/17 Single Entity £000	2016/17 Intercompany Adjustments £000	2016/17 Net Expenditure Chargeable to the General Fund Balance £000	2016/17 Adjustments between the Funding and Accounting Basis £000	2016/17 Net Expenditure in the CI&ES £000		Notes	2017/18 Single Entity £000	2017/18 Intercompany Adjustments £000	2017/18 Net Expenditure Chargeable to the General Fund Balance £000	2017/18 Adjustments between the Funding and Accounting Basis £000	2017/18 Net Expenditure in the CI&ES £000
3,761	(66,949)	(63,188)	(2,516)	(65,704)	Transport Authority		585	(64,069)	(63,484)	1,107	(62,377)
(1,868)	(2,744)	(4,612)	(33,794)	(38,406)	Local Enterprise Partnership		1,194	(1,739)	(545)	(1,449)	(1,995)
1,069	0	1,069	0	1,069	Transport for the North		9,843	0	9,843	0	9,843
14,026	67,526	81,552	(10,210)	71,342	SYPTE		(754)	65,809	65,055	(1,279)	63,776
(604)	542	(61)	0	(61)	ITA Properties		0	0	0	0	0
16,385	**(1,626)**	**14,759**	**(46,520)**	**(31,760)**	**Net Cost of Services**	43	**10,868**	**0**	**10,868**	**(1,621)**	**9,247**
		(13,838)	(1,337)	(15,175)	Other Income & Expenditure				3,663	**(6,180)**	(2,517)
		921	**(47,857)**	**(46,935)**	**(Surplus) / Deficit**	**43**			**14,532**	**(7,802)**	**6,729**
		(70,796)			Opening General Fund Balance				(70,114)		
		0			Transferred in from subsidiary				(559)		
		921			Surplus / Deficit on General Fund in year				14,532		
		(239)			Other Movements				(1,451)		
		(70,114)			**Closing General Fund Balance at 31 March**				**(57,593)**		

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

2017/18	Note	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000
	Note	57	57	57	57	57
Balances at 1 April 2017		**(9,177)**	**(60,937)**	**(6,681)**	**(12,904)**	**(89,699)**
Transferred in from subsidiary	57	915	(1,474)			(559)
Movement in reserves during 2017/18:						
(Surplus) / deficit on provision of services	CI&ES	6,729	0	0	0	6,729
Other Comprehensive (Income) and Expenditure	CI&ES	0	0	0	0	0
Total Comprehensive (Income) and Expenditure		**6,729**	**0**	**0**	**0**	**6,729**
Adjustments between accounting basis and funding basis under regulations	45	7,802	0	(3)	6,542	14,341
Net (increase) / decrease before transfers to earmarked reserves		**14,531**	**0**	**(3)**	**6,542**	**21,070**
Transfers (to) / from earmarked reserves	46	(15,069)	13,618	81	1,045	(325)
(Increase) / decrease in year		**(539)**	**13,618**	**78**	**7,587**	**20,745**
Balance at 31 March 2018		**(8,800)**	**(48,793)**	**(6,603)**	**(5,317)**	**(69,511)**

2016/17 - Restated						
		General Fund Balance £000	**Earmarked General Fund Reserves £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied Reserve £000**	**Total Usable Reserves £000**
	Note	57	57	57	57	57
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	45	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	46	(2,462)	2,304	0	0	(158)
(Increase) / decrease in year		**(1,621)**	**2,304**	**178**	**(7,316)**	**(6,455)**
Balance at 31 March 2017		**(9,177)**	**(60,937)**	**(6,681)**	**(12,904)**	**(89,699)**

Group Movement in Reserves: Unusable Reserves and Total Group Reserves

2017/18	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	58	58	58	58	58	58	58	
Balances transferred in at 1 April 2017		**68,765**	**784**	**(84,022)**	**(20,829)**	**48,367**	**57**	**13,122**	**(76,576)**
Transferred in from subsidiary		**(1,387)**						**(1,387)**	**(1,945)**
Movement in reserves during 2017/18:									
(Surplus) / deficit on provision of services	CI&ES	0	0	0	0	0	0	0	6,729
Other Comprehensive (Income) and Expenditure	CI&ES	0	0	0	(10,440)	(5,438)	0	(15,878)	(15,878)
Total Comprehensive (Income) and Expenditure		**0**	**0**	**0**	**(10,440)**	**(5,438)**	**0**	**(15,878)**	**(9,148)**
Adjustments between accounting basis and funding basis under regulations	45	(6,449)	(70)	(3,509)	0	(4,312)	0	(14,340)	0
Net (increase) / decrease before transfers to earmarked reserves		**(6,449)**	**(70)**	**(3,509)**	**(10,440)**	**(9,750)**	**0**	**(30,218)**	**(9,148)**
Transfers (to) / from earmarked reserves		325	0	0	0	0	0	325	0
(Increase) / decrease in year		**(6,124)**	**(70)**	**(3,509)**	**(10,440)**	**(9,750)**	**0**	**(29,893)**	**(9,148)**
Balance at 31 March 2018		**61,254**	**714**	**(87,532)**	**(31,269)**	**38,617**	**58**	**(18,158)**	**(87,669)**

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	58	58	58	58	58	58	58	
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	45	(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)**

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.

2016/17 Gross Expenditure £000	2016/17 Gross Income £000	2016/17 Net Expenditure £000		Notes	2017/18 Gross Expenditure £000	2017/18 Gross Income £000	2017/18 Net Expenditure £000
14,941	(80,645)	(65,704)	Transport Authority		17,583	(79,961)	(62,377)
77,625	(116,030)	(38,405)	Local Enterprise Partnership		84,167	(86,162)	(1,995)
16,262	(15,193)	1,069	Transport for the North		0	0	0
81,690	(10,348)	71,342	SYPTE		69,079	(5,303)	63,776
410	(471)	(61)	SYITA Properties		0	0	0
190,927	**(222,688)**	**(31,760)**	**Total Continuing Operations Excluding Services Transferred**		**170,829**	**(171,426)**	**(597)**
0	0	0	*Services Transferred: Transport for Greater Manchester Combined Authority*		11,693	(1,850)	9,843
190,927	**(222,688)**	**(31,760)**	**(Surplus) / Deficit on Continuing Operations**		**182,523**	**(173,276)**	**9,247**
		43	Other Operating Income and Expenditure				218
		0	Gains on disposal of non-current assets				0
		277	Investment Property Change in Fair Value				0
		13,891	Financing and Investment Income	47			13,081
		(29,386)	Taxation and Non-Specific Grant Income	48			(15,816)
		(46,935)	**(Surplus) / Deficit on Provision of Services**				**6,729**
		(4,821)	(Surplus) / Deficit on revaluation of non-current assets				(10,439)
		(66)	Surplus / deficit on revaluation of available for sale financial assets				0
		5,654	Actuarial gains / losses on pensions assets / liabilities	**69**			(5,438)
		0	Other				0
		768	Other comprehensive income and expenditure				**(15,877)**
		(46,168)	**(Surplus) / deficit for the year**				**(9,148**)
		(34,685)	Combined Authority				**5,099**
		(11,144)	SYPTE				(14,247)

(339)	SYITA Properties Ltd	0
(46,168)		**(9,148)**

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'.

31 March 2017 £000		Notes	As at 31 March 2018 £000
4,952	Investment Property	51	4,482
183	Intangible Assets	49	1,068
122,224	Property, Plant and Equipment	50	144,863
127,359	**Non-Current Assets**		**150,413**
75,000	Long Term Investments	52	68,000
18,856	Long Term Debtors	52	19,101
93,856	**Long Term Assets**		**87,101**
221,215	**Total Long Term Assets**		**237,514**
123,501	Short Term Investments	52	125,001
0	Inventories		0
22,977	Short Term Debtors	53	10,144
36,912	Cash and Cash Equivalents	54	39,847
66	Assets Held for Sale		66
183,456	**Current Assets**		**175,058**
404,671	**Total Assets**		**412,572**
(11,502)	Short Term Borrowing	52	(10,695)
(51,906)	Short Term Creditors	55	(61,266)
(1,644)	Short Term Provisions	56	(2,551)
(192)	PFI / PPP Finance Lease Liability	68	(208)
(4,811)	Capital Grants Receipts In Advance	65	(15,700)
0	Other Liabilities		0
(70,055)	**Current Liabilities**		**(90,420)**
334,616	**Total Assets less Current Liabilities**		**322,152**
(198,017)	Long Term Borrowing	52	(187,305)
(202)	Long Term Provisions	56	0
(11,454)	PFI / PPP Finance Lease Liability	68	(11,246)
(48,367)	Net Pension Liability	69	(35,932)
(258,040)	**Long Term Liabilities**		**(234,483)**
76,576	**Net Assets / (Liabilities)**		**87,669**
(66,095)	Combined Authority		(56,275)
(22,689)	SYPTE		(13,236)
(915)	SYITA Properties Ltd		0
(89,699)	**Usable Reserves**	57	**(69,511)**
69,549	Combined Authority		61,968
(56,426)	SYPTE		(80,126)
0	SYITA Properties Ltd		0
13,123	**Unusable Reserves**	58	**(18,158)**
(76,576)	**Total Reserves**		**(87,669)**

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**.**

2016/17 £000		Notes	2017/18 £000
46,935	Net surplus or (deficit) on the provision of services		(6,729)
29,232	- Adjustment to surplus or (deficit) on the provision of services for non-cash movements	59	31,891
66,783	- Adjustment for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities	59	60,408
142,950	**Net cash flow from operating activities**		**85,570**
(130,948)	Investing activities	60	(70,925)
(3,932)	Financing activities	61	(11,710)
8,070	**Net increase / (decrease) in cash and cash equivalents**		**2,935**
28,842	Cash and cash equivalents at 1 April	54	36,912
36,912	**Cash and cash equivalents at 31 March**	54	**39,847**

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.

40. Group Accounting Policies

The accounting policies of the Combined Authority apply to the Group. Where the nature and type of transactions of group entities differ to those of the Combined Authority, the significant policies that are applied are summarised below. The principal group entity to which these policies apply is SYPTE.

XXIII. 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.

Where grant has been used to finance the acquisition or construction of an asset, it is held in a deferred capital grants reserve and released against the depreciation charge attributable to the asset over its useful life.

XXIV. 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 fully amortised as a charge to revenue in the year in which they are incurred. Their treatment is therefore much the same as Revenue Expenditure Funded by Capital Under Statute (REFCUS) in the Authority's accounts. However, unlike REFCUS, the amortisation charge is not reversed out through the movement in Reserves statement. It is however fully financed by capital grants and contributions so that the amortisation charge is fully offset by the release of capital grants from the deferred capital grants reserve.

XXV. Employee Benefits

Short term accumulated absences

An accrual is made against for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following financial year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

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

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

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 69 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.

XXVI. 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.

XXVII. 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.

XXVIII.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.

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

The potential impact of accounting standards that have been issued but not yet been adopted is the same for the group as for the single entity and is fully disclosed in the single company note-2.

42. Group Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis:

2017/18				
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	(3,107)	0	4,214	1,107
Local Enterprise Partnership	0	0	(1,449)	(1,449)
Transport for the North	0	0	0	0
Transport Services - PTE	3,033	(4,312)	0	(1,279)
Net Cost of Services	**(74)**	**(4,312)**	**2,765**	**(1,621)**
Other income & expenditure from the Expenditure & Funding Analysis	(3,346)	0	(2,835)	(6,180)
Difference between General Fund Surplus / Deficit and CI&ES Surplus / Deficit on Provision of Services	**(3,420)**	**(4,312)**	**(70)**	**(7,802)**

2016/17-Restated				
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	**(49,666)**	**1,026**	**784**	**(47,857)**

Adjustments for Capital Purposes - The statutory charges for capital financing i.e. 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 for 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 and expenditure the other differences column included soft loans to Rotherham and Barnsley.
- 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.

43. Group Expenditure and Income Analysed by Nature

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

2016/17 £000		2017/18 £000
	Expenditure:	
11,565	Employee Benefits Expenditure	6,497
232,386	Other Service Expenses	227,156
297	Support Service Recharges	597
19,167	Depreciation, Amortisation, Impairment	15,888
15,171	Interest Payments	14,925
278,587	**Total Expenditure**	**265,062**
	Income:	
(11,508)	Fees, charges & other service income	(10,678)
(2,733)	Interest Investment Income	(3,219)
(311,281)	Government Grants & Contributions	(239,599)
0	Other Income	(4,837)
(325,522)	**Total Income**	**(258,333)**
(46,935)	**(Surplus) / Deficit on the Provision of Services**	**6,729**

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

2017-18	**£000**
Income as analysed by nature	**(258,333)**
Interest Investment Income	3,219
Taxation and Specific Grant Income and Other Operating Income	16,029
Elimination of Group Transactions	65,809
Income as part of (Surplus) / Deficit on Continuing Operations in the CI&ES	**(173,276)**

2016-17	**£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)**

44. Group Segmental Income

Income received on a segmental basis is analysed below:

2017/18

Services:	**£000 Fees, Charges & Service**	**£000 Interest & Investment**	**£000 Grants & Contributions**	**£000 Total Income**
Transport Authority	0	0	(79,961)	(79,961)
Local Enterprise Partnership	(70)	0	(86,092)	(86,162)
Transport for the North	0	0	(1,850)	(1,850)
Corporate	0	(3,218)	(4,837)	(8,054)
SYPTE	(10,608)	(2)	(71,696)	(82,306)
ITA Properties	0	0	0	0
Total Income	**(10,678)**	**(3,219)**	**(244,435)**	**(258,333)**

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)
SYPTE	(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)**

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.

45. Group Adjustments between Accounting Basis and Funding Under Regulation

2017/18	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	100,182	0	100,182	(100,182)	**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	0	0	0	0	**0**
Revenue expenditure funded from capital under statute	(96,837)	0	(96,837)	96,837	**0**
Finance costs	70	0	70	(70)	**0**
Other movements	(2,512)	0	(2,512)	2,512	**0**
Insertion of items not debited or credited to the CI&ES:					
Statutory provision for repayment of debt (MRP)	3,107	0	3,107	(3107)	0
Employers contribution to Pension Scheme	5,523	0	5,523	(5,523)	0
Transfer year one pension prepayment	1,301	0	1,301	(1,301)	0
Capital Financing:					
Use of Capital Receipts Reserve to finance new capital expenditure	0	0	(3)	3	0
Other:					
Adjustment for the difference between fair value depreciation and historical cost	0	0	0	0	0
Transfer to Accumulating Absences Account	0	0	0	0	0
Grants received and receivable during the year	(3,033)	6,542	3,509	(3,509)	0
Grants released to Operational Revenue Reserve					0
Release to Revaluation Reserve	0	0	0	0	0
Other Movements	0	0	0	0	0
Total	**7,802**	**6,542**	**14,341**	**(14,341)**	**0**

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**

46. 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 2016 £000	Transfer Out 2016/17 £000	Transfer In 2016/17 £000	Total Movements £000	31 March 2017 £000	Transfer Out 2017/18 £000	Transfer In 2017/18 £000	Total Movements £000	31 March 2018 £000
Combined Authority:										
Revenue Grants and Contributions:										
- Apprenticeship Grant for Employers	57	**0**	0	(682)	**(682)**	**(682)**	575	0	**575**	**(106)**
- Transport for the North	57	**(10,912)**	1,069	0	**1,069**	**(9,843)**	9,843	0	**9,843**	**0**
Other Earmarked Revenue Reserves:										
- PFI Revenue Reserve	57 57	**(5,476)**	0	(1,408)	**(1,408)**	**(6,884)**	0	(1,491)	**(1,491)**	**(8,375)**
- Local Growth Fund	57	**(3,869)**	623	0	**623**	**(3,246)**	798	0	**798**	**(2,448)**
- Levy Reduction Reserve		**(36,923)**	5,169	0	**5,169**	**(31,754)**	2,190	0	**2,190**	**(29,564)**
Mayoral Elections		**0**	0	0	**0**	**0**	0	(1,355)	**(1,355)**	**(1,355)**
Other Reserves		**0**	0	0	**0**	**0**	0	(360)	**(360)**	**(360)**
Properties Reserves-transferred in from subsidiary		**0**	0	0	**0**	**0**	0	(1,474)	**(1,474)**	**(1,474)**
SYPTE:										
Earmarked Revenue Reserve	**57**	**(6,061)**	0	(2,467)	**(2,467)**	**(8,528)**	3,418	0	**3,418**	**(5,110)**
Total		**(63,241)**	**6,861**	**(4,557)**	**2,304**	**(60,937)**	**16,824**	**(4,680)**	**12,144**	**(48,793)**

47. Group Financing and Investment Income and Expenditure

The following table provides a breakdown of Financing and investment income and Expenditure:-

2016/17	2017/18

£000		£000
15,171	Interest payable and similar charges	14,925
(2,733)	Interest receivable and similar income	(2,951)
0	Reversal of impairment of short-term deposit	0
12,438		**11,974**
1,453	Pensions – Interest payable	1,107
13,891	**Total**	**13,081**

48. Group Taxation and Non-Specific Grant Income

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

2016/17		2017/18
£000		**£000**
	Non ring-fenced grants:	
0	DCLG-Capital grants	(3,346)
0	DCLG-PFI grant	(1,491)
(14,662)	Department for Transport	(4,886)
(5,653)	Better Bus Area	(2,567)
(261)	European Regional Development Fund / Other	0
(8,875)	Other	(3,527)
(29,451)	**Total**	**(15,816)**

The following table provides an analysis of Taxation Payable:

2016/17		2017/18
£000		**£000**
	SYITA Properties Ltd:	
65	UK Corporation Tax	106
0	Deferred Tax	0
65	**Total**	**106**

49. Group Intangible Assets

The following is an analysis of Intangible Assets:

2016/17		2017/18
£000		**£000**
	Cost or valuation:	
244	At 1 April 2017- PTE	183
(61)	Amortisation (remaining life is 6 years) - PTE	(61)
0	Combined Authority	946
0	Amortisation - CA	0
183	**At 31 March 2018**	**1,068**

PTE-Intangible assets represent £122k (£183k for 2016/17) for software associated with the development of the Yorcard project, which is being amortised over the remaining life of the licence agreement.

50. Group Property Plant and Equipment

Movements on Balances:

2017/18	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 2017	**71,818**	**59,965**	**22,120**	**26,772**	**180,675**	**11,050**
Additions - programmed investment	7,566	0	1,570	5,085	**14,221**	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	9,533	0	(1,043)	0	**8,490**	780
De-recognition – disposals	0	0	(52)	0	**(52)**	0
At 31 March 2018	**88,917**	**59,965**	**22,595**	**31,857**	**203,334**	**11,830**
Accumulated Depreciation and Impairment:						
At 1 April 2017	**(3,449)**	**(35,492)**	**(19,510)**	0	**(58,451)**	**0**
Depreciation Charge	(97)	(1,652)	(424)	0	**(2,174)**	0
De-recognition – Disposals	0	0	52	0	**52**	0
De-recognition - other	0	0	0	0	**0**	0
Revaluation adjustments	2,103	0	0	0	**2,103**	0
At 31 March 2018	**(1,444)**	**(37,144)**	**(19,882)**	**0**	**(58,471)**	**0**
Net Book Value						
As at 1 April 2017	**68,369**	**24,473**	**2,610**	**26,772**	**122,224**	**11,050**
As at 31 March 2018	**87,473**	**22,820**	**2,713**	**31,857**	**144,863**	**11,830**

2016/17– Comparative Information

	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**

51. Group Investment Properties

The following is an analysis of Investment Properties:

2016/17		2017/18
£000	**Cost or valuation:**	**£000**
5,408	**At 1 April**	**4,952**
(456)	Revaluation	(470)
0	Disposals	0
4,952	**At 31 March**	**4,482**

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 2018 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 2018 £000
SYPTE	-	1,150	-	1,150
Combined Authority	-	3,332	-	3,332
Total	**-**	**4,482**	**-**	**4,482**

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

Significant Observable Inputs – Level 2

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.

Highest and Best Use of Investment Properties

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

Valuation Techniques

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.

Combined Authority 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.

52. Group Financial Instruments

Categories of Financial Instruments

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

	Long Term		Current	
	31 March 2018 £’000	31 March 2017 £’000	31 March 2018 £’000	31 March 2017 £’000
Investments				
Loans and receivables	68,000	75,000	125,001	123,501
Debtors				
Loans and receivables	19,101	18,856	10,144	22,977
Cash and cash equivalents				
Loans and receivables	-	-	39,847	36,912
Borrowings				
Financial liabilities at amortised cost	187,305	193,816	10,695	15,702
Other Liabilities				
Financial liabilities at amortised cost (PFI)	11,246	11,454	208	192
Creditors and provisions				
Financial liabilities at amortised cost	0	202	79,517	58,363

	Financial Liabilities	Financial Assets	Total
2017/18 **Income, Expense, Gains and Losses**	**Liabilities measured at amortised cost £’000**	**Investments and debtors £’000**	**£’000**
Interest expense – debt	(13,909)	0	(13,909)
Interest expense - PFI	(1,017)	0	(1,017)
Reductions in fair value	0	(20)	(20)
Impairment losses/(gains)	0	0	0
Total expense in Surplus or Deficit on the Provision of Services	**(14,926)**	**(20)**	**(14,946)**
Interest income	0	2,727	2,727
Total income in Surplus or Deficit on the Provision of Services	**0**	**2,727**	**2,727**
Net gain/(loss) for the year	**(14,926)**	**2,707**	**(12,219)**

2016/17 Income, Expense, Gains and Losses	Financial Liabilities Liabilities measured at amortised cost £'000	Financial Assets Investments and debtors £'000	Total £'000
Interest expense – debt	(14,139)	0	(14,139)
Interest expense - PFI	(1,032)	0	(1,032)
Reductions in fair value	0	(2)	(2)
Impairment losses/(gains)	0	0	0
Total expense in Surplus or Deficit on the Provision of Services	**(15,171)**	**(2)**	**(15,173)**
Interest income	0	2,733	2,733
Total income in Surplus or Deficit on the Provision of Services	**0**	**2,733**	**2,733**
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

Borrowing	**2017/18**		**2016/17**	
	Carrying value £'000	**Fair value £'000**	**Carrying value £'000**	**Fair value £'000**
PWLB	176,410	221,747	184,375	245,118
Non-PWLB	21,590	31,513	21,601	31,659
Doncaster Interchange PFI	11,454	11,454	11,646	11,646
Total Financial Liabilities	**209,454**	**264,714**	**217,622**	**288,423**

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 2018 £'000	31 March 2017 £'000
Less than one year	10,695	12,160
Between one and two years	33,000	6,500
Between two and five years	55,975	72,975
More than five years	98,330	114,341
	198,000	**205,976**

53. Group Short Term Debtors

The following is an analysis of Debtors:

31 March 2017 £000		31 March 2018 £000
10,443	Central Government Bodies	2,077
2,908	Other Local Authorities	399
9,626	Other Entities and Individuals	7,668
22,977	**Total**	**10,144**

54. Group Cash & Cash Equivalents

31 March 2017 £'000		31 March 2018 £'000
	Cash:	
(62)	Combined Authority	(12,280)
3,010	PTE	(279)
0	HIF	0
2,801	SYITA Properties Ltd	0
5,749		**(12,559)**
	Cash Equivalents:	
15,510	Combined Authority	40,127
0	PTE	2,296
0	HIF	9,983
0	SYITA Properties Ltd	0
15,653	Financial Interventions	0
31,163		**52,405**
	Cash & Cash Equivalents:	
15,448	Combined Authority	27,847
3,010	PTE	2,017
0	HIF	9,983
2,801	SYITA Properties Ltd	0
15,653	Financial Interventions	0
36,912	**Total**	**39,847**

55. Group Short Term Creditors

The following table shows an analysis of Short Term Creditors:

31 March 2017 £000		31 March 2018 £000
(7,156)	Central Government Bodies	(4,862)
(27,735)	Other Local Authorities	(8,781)
(17,016)	Other Entities and Individuals	(47,623)
(51,906)	**Total**	**(61,266)**

56. Group Provisions

The Combined Authority maintains the following Provisions:

31 March 2017 £000		31 March 2018 £000
(1,261)	Opening Balance	(1,846)
(585)	Charge to Income and Expenditure Account during the year	(705)
(1,846)	**Total**	**(2,551)**
	Split by:	
(73)	Combined Authority	(382)
(1,571)	SYPTE	(2,169)
0	SYITA Properties Ltd	0
(1,644)	**Short Term**	**(2,551)**
0	Combined Authority	0
0	SYPTE	0
(202)	SYITA Properties Ltd	0
(202)	**Long Term**	**0**

57. 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 2018	Combined Authority £000	SYPTE £000	SYITA Properties Ltd £000	Total £000
General Fund	(7,139)	0	0	(7,139)
Earmarked Reserves	(43,683)	(5,110)	0	(48,793)
Revenue Grants Reserve	0	0	0	0
Capital Receipts Reserve	(5,453)	(1,150)	0	(6,603)
Capital Grants Unapplied	0	(5,315)	0	(5,315)
Operational Revenue Reserve	0	(1,661)	0	(1,661)
Total	**(56,275)**	**(13,236)**	**0**	**(69,511)**

31 March 2017– Comparative Information				
	Combined Authority	**SYPTE**	**SYITA Properties Ltd**	**Total**
	£000	**£000**	**£000**	**£000**
General Fund	(8,343)	0	0	(8,343)
Earmarked Reserves	(41,884)	(8,528)	0	(50,412)
Revenue Grants Reserve	(10,525)	0	0	(10,525)
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)**

58. 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 2018				
	Combined Authority	**SYPTE**	**SYITA Properties Ltd**	**Total**
	£000	**£000**	**£000**	**£000**
Capital Adjustment Account	61,254	0	0	61,254
Financial Instruments Account	714	0	0	714
Deferred Capital Grants and Contributions	0	(87,532)	0	(87,532)
Pension Reserve	0	38,617	0	38,617
Revaluation Reserve	0	(31,268)	0	(31,268)
Accumulated Absence Reserve	0	57	0	57
Total	**61,968**	**(80,126)**	**0**	**(18,158)**

31 March 2017 – Comparative Information				
	Combined Authority	**SYPTE**	**SYITA Properties Ltd**	**Total**
	£000	**£000**	**£000**	**£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**

59. Group Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2016/17 £000		2017/18 £000
2,734	Interest Received	2,548
(14,225)	Interest Paid	(14,856)
(11,491)	**Total**	**(12,308)**

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

2016/17 £000		2017/18 £000
4,852	Depreciation	2,235
179	Impairment and downward valuations	1,149
13,623	Amortisation	12,610
(16)	Increase / (decrease) in impairment for bad debts	(16)
4,792	Increase / (decrease) in creditors	9,047
3,501	Increase / (decrease) in debtors	12,833
0	Increase / (decrease) in inventories	0
932	Movement in pension liability	(6,997)
1,369	Other non-cash items charged to the net surplus or deficit on the provision of services	1,030
29,232	**Total**	**31,891**

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

2016/17 £000		2017/18 £000
199,500	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	173,959
(132,717)	Any other items for which the cash effects are investing or financing cash flows	(113,551)
66,783	**Total**	**60,408**

60. Group Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

2016/17 £000		2017/18 £000
(20,859)	Purchase of property, plant and equipment, investments property and intangible assets	(26,407)
(196,000)	Purchase of short-term and long-term investments	(168,459)
(19,641)	Other payments for investing activities	(2,850)
105,552	Other receipts from investment activities	126,791
(130,948)	**Total**	**(70,925)**

61. Group Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

2016/17 £000		2017/18 £000
(176)	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(192)
(3,756)	Repayments of short and long-term borrowing	(11,518)
(3,932)	**Total**	**(11,710)**

62. 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:

2017/18					
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)	99,501	0	0	14,627	114,128
Director of Programme Commission (CA)	92,001	0	0	13,524	105,525
Dr Dave Smith- Managing Director (Director of paid service (CA))	175,189	0	0	0	175,189
Executive	102,010	0	0	13,057	115,067

Director (PTE)					
Director of Public Transport (PTE)	80,800	525	0	10,342	91,667
Director of Customer Services (PTE)	80,800	0	0	10,342	91,142
Head of Financial Services (PTE)	29,465	0	0	3,772	33,237
Interim Head of Financial Services (PTE)	33,307	79	0	4,263	37,649
Principal Solicitor & Secretary (PTE)	77,691	86	0	9,944	87,721
Total	**770,764**	**690**	**0**	**79,871**	**851,325**

PTE- Head of Financial Services – to 16 September 2017
PTE- Interim Head of Financial Services – from 11 September 2017

2016/17- Comparative information- Restated					
Post Holder Information	**Salary - including Fees and Allowances**	**Expenses Allowances**	**Compensation for Loss of Office**	**Pension Contributions**	**Total Remuneration including Pension Contributions**
	£	**£**	**£**	**£**	**£**
Dr Dave Smith- Managing Director (CA)	128,350	0	0	0	128,350
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	77,964	172	0	9,512	87,648

Solicitor & Secretary (PTE)					
Total	**494,677**	**1,273**	**0**	**58,557**	**554,507**

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

The Managing Director was made Head of paid service at a meeting of the Combined Authority on 22nd June 2016. Prior to this date the function was covered by the clerk of the authority.

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:

2016/17 Restated Total	Remuneration Band	2017/18 Total
5	£50,000 - 54,999	**2**
4	£55,000 - 59,999	**8**
0	£60,000 - 64,999	**0**
0	£65,000 - 69,999	**0**
0	£70,000 - 74,999	**0**
0	£75,000 - 79,999	**0**
0	£75,000 - 79,999	0
0	£100,000 - 104,999	**0**
9	**Total**	**10**

63. Group Termination Benefits

SYPTE terminated the contracts of (0) employees in 2017/18 (3 in 2016/17) incurring liabilities of (£0k) (£23k in 2016/17).

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

2016/17 Number of Compulsory Redundancies	2016/17 Number of Other Departures	2016/17 Total number of exit packages by cost band	2016/17 Total cost of exit packages in each band £0000	Exit Package cost band (including special payments)	2017/2018 Number of Compulsory Redundancies	2017/2018 Number of Other Departures	2017/2018 Total number of exit packages by cost band	2017/2018 Total cost of exit packages in each band £000
1	2	3	23	£0 - £20,000	0	0	0	0
0	0	0	0	£20,001 - £40,000	0	0	0	0
0	0	0	0	£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	0	0	0	£100,001 - £150,000	0	0	0	0
1	**2**	**3**	**23**	**Total**	**0**	**0**	**0**	**0**

64. Group External Audit Fees

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

2016/17 £000		2017/18 £000
59	Combined Authority	64
39	South Yorkshire Passenger Transport Executive	36
9	SYITA Properties Limited	0
107	**Total**	**100**

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

2016/17 £000		2017/18 £000
103	Fees payable with regard to external audit services carried out by the appointed auditor	95
4	Additional work carried out	5
107	**Total**	**100**

65. Group Grant Income

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

2016/17 £000 Restated		2017/18 £000
	Credited to Services:	
0	Department for Business Innovation and Skills	(703)
(104,494)	Department for Communities and Local Government	(101,062)
(37,840)	Department for Transport	(4,683)
(4,304)	Skills Funding Agency	0
(410)	Department for Business, Energy & Industrial Strategy	0
(153)	Careers Enterprise Company	0
(32)	Department for Health	0
(29)	Department for International Trade	0
(65,360)	English Local Government	(60,321)
(30)	Cabinet Office	(86)
0	Other	(1,048)
(212,652)		**(167,903)**
	Credited to Taxation and Non Specific Grant Income:	
	Non-ring fenced Government Grants:	
0	Department for Communities and Local Government	(4,837)
(20,315)	Department for Transport	(7,453)
(9,135)	European Regional Development Fund / Other	(3,527)
(29,450)		**(15,816)**
(242,102)	**Total**	**(183,719)**

The 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 will require the monies or property to be returned to the giver. The balances at year end are as follows:

31 March 2017 £000		31 March 2018 £000
	Revenue Grants Receipts in Advance:	
(1,957)	Department for Business Innovation and Skills	(282)
(696)	Department for Transport	(1,945)
(297)	Cabinet Office	0
(28)	Department for Communities and Local Government	0
0	ESFA	(1,788)
0	LGA	(667)
0	None departmental government bodies	(8)
0	NHS UK	(181)
(2,978)	**Total**	**(4,870)**
	Capital Grants Receipts in Advance:	
(4,811)	Department for Transport	(7,039)
0	Department for Communities and Local Government	(8,661)
(4,811)	**Total**	**(15,700)**

66. 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 £17.8m (£9.6m in 2016/17).

Members

During 2017/18 and 2016/17 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:

2017/18							
Related Party	**Note**	**Receipts £000**	**Payments £000**	**Net Payments £000**	**Receivables £000**	**Payables £000**	**Net Assets £000**
Sheffield City Council	**1**	(27,734)	27,126	**(608)**	0	(6,067)	**(6,067)**
Barnsley Metropolitan Borough Council	**2**	(11,462)	15,194	**3,733**	495	(573)	**(79)**
Doncaster Metropolitan Borough Council	**3**	(13,013)	25,387	**12,374**	0	0	**0**
Rotherham Borough Council	**4**	(11,487)	5,794	**(5,693)**	83	(3)	**79**
Bolsover District Council		(4)	0	**(4)**	0	0	**0**
Bassetlaw District Council		(4)	1,622	**1,618**	225	0	**225**
North East Derbyshire District Council		(4)	0	**(4)**	0	0	**0**
Chesterfield Borough Council		(1,112)	7,475	**6,362**	0	0	**0**
Derbyshire Dales District Council		(4)	0	**(4)**	0	0	**0**

Notes – relating to significant transactions

1 Income: £23.8m Transport Levy: £0.4m LEP subscriptions and £1.6m Enterprise Zone fees: Expenditure, £3m STEP: £3.9m Knowledge gateway & £1m SRQ payment.

2 Income: £10.0m Transport Levy income: £1m EZ rates.

3 Income: £13m Transport Levy: Expenditure, £3m for Urban markets, £4.5m for St Sepulchre west & £0.5m.

4 Income: £10.9m Transport Levy income: £0.5m EZ rates & Subscription: Expenditure, £0.4m LTP, £0.3m Sustainable access travel.

2016/17 – Comparative Information

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

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:

2017/18

Related Party	Notes	Receipts £000	Payments £000	Net Payments £000	Receivables £000	Payables £000	Net Assets £000
West Yorkshire Combined Authority	**1**	0	5,137	**5,137**	0	0	**0**
Greater Manchester CA	**2**	(784)	11,641	**10,856**	79	0	**79**

Notes Relating to Significant Transactions

1. £5.1m 1st grant claim paid.
2. £9.8m Earmarked reserves relating to previous years & £1.8m grant received in advance now paid back to GMCA.

2016/17 – Comparative Information

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.

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.

67. Group Leases

SYPTE and Combined Authority as Lessee

Finance Leases

The Group has not classified any leases as Finance Leases other than the Private Finance Initiative (note 68).

Operating Leases

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

2016/17 £000		2017/18 £000
17	Not later than one year	17
0	Later than one year and not later than five years	0
0	Later than five years	0
17	**Total**	**17**

SYPTE and Combined Authority 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:

2016/17 £000		2017/18 £000
502	Not later than one year	560
1,567	Later than one year and not later than five years	1675
1,327	Later than five years	1338
3,396	**Total**	**3,573**

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.

68. 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 2018 is £11.8m (£11.0m at 31 March 2017). The project is a 32 year scheme and funds are provided by SYPTE to the PFI contractor by monthly unitary charge payments.

In 2017/18 unitary charge payments of £2.4m (£2.4m in 2016/17) 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 (£3.9m in 2016/17). Total contributions towards the SYPTE unitary charge payments granted by the Combined Authority to SYPTE for 2017/18 were £2.4m (2016/17 £2.5m).

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

2017/2018						
	Repayment of Liability	**Interest Charge**	**Contingent/ Rental**	**Service Charge**	**Lifecycle Costs**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Within 1 year	208	1,000	-	1,074	121	2,403
Within 2 -5 years	1,032	3,802	-	4,685	527	10,046
Within 6 - 10 years	1,885	4,158	-	6,839	769	13,651
Within 11 - 15 years	2,864	3,178	-	8,123	914	15,079
Within 16 - 20 years	4,353	1,689	-	9,648	1,085	16,775
Within 21 – 25 years	1,111	97	(983)	2,137	240	2,602
Total	11,453	13,924	(983)	32,506	3,656	60,556

2016/17 – Comparative Information						
	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**

2017 Restated Doncaster Interchange PFI Assets £'000		**2018 Restated Doncaster Interchange PFI Assets £'000**
	Net book value:	
10,850	As at 1 April	11,050
550	Revaluations	780
(350)	Depreciation	0
11,050	**As at 31 March**	**11,830**

2017 Doncaster Interchange PFI Liability Restated		**2018 Doncaster Interchange PFI Liability Restated**

£'000		£'000
11,822	As at 1 April	11,645
(1,309)	Lease repayments	(1,229)
1,032	Interest Charge	1,017
100	Contingent rentals	20
11,645	**As at 31 March**	11,453

69. 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.

In accordance with IAS19, SYPTE fully recognises any deficit in the pension fund in its Accounts. The Pension Liability as at 31 March 2018 was £35.9 million, a decrease of £12.5 million.

Statutory provisions require that any pension fund deficit be made good by increased contributions over the remaining working life of the employees. At the last triennial valuation on 31st March 2017, SYPTE agreed a strategy with the scheme's Actuary to achieve a funding level of 100% over the next 19 years. SYPTE paid £4.0 million contributions for the three-year period 2017/18 to 2019/20 on 3 April 2017.
£1.301m has been charged into 2017-18 leaving £2.687m to be charged in 2018-19 and 2019-20.

Pension Reserve

The Unusable Reserve – Pension Reserve represents the accounting for the Net Pension Liability in the Balance Sheet. The Pension Reserve is greater than the Liability by £2.687m due to the advance payment of the deficit recovery contribution made in April 2017.

Contributions made to the Fund in respect of current and past service are charged to the Comprehensive Income and Expenditure Statement.

2016/17 £000		2017/18 £000
	Comprehensive Income and Expenditure Statement	
997	Current Service Cost	1,405
1,453	Financing Investment Income and Expenditure	1,107
5,654	Re-measurements in other Comprehensive Income and Expenditure	(5,438)
8,104	**Total Post-Employment Benefits Charged to the Comprehensive Income and Expenditure Statement**	(2,926)

2016/17 £000		2017/18 £000
	Movement in Reserves Statement	
(2,450)	Reversal of net charges made to the (Surplus) / Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(2,512)
0	Transfer of year one contribution	1301
	Actual amount charged against the General Fund Balance for pensions in the year:	
1,424	Employers contributions payable to scheme*	5,523

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

Assets & Liabilities in Relation to Post-Employment Benefits

Reconciliation of present value of the scheme liabilities:

2016/17 £000		2017/18 £000
(134,727)	Opening Balance at 1 April	(161,538)
(944)	Current Service Cost	(1405)
(4,604)	Interest cost	(3,953)
(309)	Contributions by Scheme Participants	(306)
(27,603)	Re-measurements	7,514
(53)	Curtailments	0
6,702	Benefits paid	7,149
0	Business Combinations	0
(161,538)	**Closing Balance at 31 March**	**(152,539)**

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

2016/17 £000		2017/18 £000
93,040	Opening Balance at 1 April	113,171
3,169	Interest on Plan Assets	2,863
21,949	Re-measurements	1,912
(18)	Administration expenses	(17)
0	Business Combinations	0
1,424	Contributions by Employer	5,523
309	Contributions by Scheme (plan) Participants	306
(6,702)	Benefits Paid	(7,149)
113,171	**Closing Balance at 31 March**	**116,609**

Pension Scheme Assets Comprised:

2016/17 £000		2017/18 £000
68,989	**Equities**	65,149
	Bonds:	
16,138	Government Bonds	16,232
7,039	Other Bonds	8,606
10,605	**Property**	**10,658**
10,400	**Other**	15,964

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

Scheme History

	2016/17 £000	2017/18 £000
Present Values of Liabilities	(161,538)	(152,539)
Fair Value of Scheme Assets	113,171	116,609
Surplus / (Deficit) in the scheme	**(48,367)**	**(35,930)**

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:

2016/17		2017/18
	Mortality assumptions:	
	Longevity at age 65 for current pensioners:	
22.9 years	Men	23.0 years
25.7 years	Women	25.80 years
	Longevity at age 65 for future pensioners:	
25.1 years	Men	25.2 years
28 years	Women	28.1 years
	Financial assumptions:	
2.3%	Rate of CPI inflation	2.1%
3.6%	Rate of increase in salaries	3.4%
2.3%	Rate of increase in pensions	2.2%
2.5%	Discount rate	2.6%

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	152,539	150,135	154,982	152,776	155,617
Assets	(116,609)	(116,609)	(116,609)	(116,609)	(116,609)
Deficit/(Surplus)	35,930	33,526	38,373	36,167	39,008
Projected Service Cost for next year	1,298	1,258	1,340	1,298	1,326
Projected Net Interest Cost for next year	914	884	990	933	1,007

History of Experience Gains and Losses

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

	31 March 2017	**31 March 2018**
	%	**%**
Differences between the expected and actual return on assets	19.4	1.6
Experience gains and losses on liabilities	17.1	4.9

South Yorkshire Passenger Transport Pension Fund

South Yorkshire Passenger Transport Pension Fund Account

2016/17 £'000		7 months to 31 October 2017 £'000	£'000	Note
	Dealings with members, employers and others directly involved in the Fund			
6,735	Contributions receivable	755		7
13	Transfers in from other pension funds	29		8
6,748			784	
(11,396)	Benefits payable	(6,687)		9
(-)	Payments to and on account of leavers	(-)		10
(11,396)			(6,687)	
(4,648)	**Net additions/(withdrawals) from dealing with members**		**(5,903)**	
(952)	Management expenses		(726)	11
	Returns on investments			
5,206	Investment income	3,080		12
35,691	Profit and losses on disposal of investments and changes in value of investments	3,797		13a
(32)	Taxes on income	(15)		12
40,865	**Net return on investments**		6,862	
35,265	**Net increase (decrease) in the net assets available for benefits during the year**		**233**	
204,310	**Net assets of the Fund at 1 April**		**239,575**	
239,575	**Net assets of the Fund at 31 October**		**239,808**	

South Yorkshire Passenger Transport Pension Net Assets Statement

31 March 2017 £'000		31 October 2017 £'000	£'000	Note
	Investment assets			
38,224	Fixed Interest Securities	35,322		
93,207	Equities	92,963		
103,388	Index-Linked Securities	104,834		
118	Pooled Investment Vehicles	9		
692	Cash - Foreign currency	519		
924	Cash - Sterling	107		
1,344	Other investment balances	1,081		
237,897			234,835	
	Investment liabilities			
(-)	Other investment liabilities	(-)		
(-)			(-)	
237,897	**Net investment assets**		234,835	13
1,795	**Current assets**	5,476		
-	**Long Term Debtors**	-		
1,795			5,476	19
(117)	**Current liabilities**		(503)	20
239,575	**Net assets of the Fund available to fund benefits at period end**		**239,808**	

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 2,077 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).

This set of accounts covers the period 1 April 2017 to 31 October 2017 as the Authority ceased to be the Administering Authority for the Fund on 1 November 2017 (see note 6).
This set of accounts covers the period 1 April 2017 to 31 October 2017 as the Authority ceased to be the Administering Authority for the Fund on 1 November 2017 (see note 6).

b) Membership

The following summarises the position with regard to membership as at the period end:

	31 October 2017	31 March 2017
	£000	**£000**
Active Contributors	135	152
Pensioners and Dependents	1,589	1,565
Deferred Pensions	353	369
Total	**2,077**	**2,086**

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 period ending 31 October 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 29.5% of pensionable pay were paid during the 7 months to 31 October 2017 and no deficit payments were made.

d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, summarised 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 increased slightly during the period and closed at £239.8m (£237.8m in 2016/17) producing an overall return for the 6 months to 30 September of 1.3% (19.9% in 2016/17). The Fund's benchmark return over the same period was 0.2% (17.6% in 2016/17).

Global equities continued their gains with solid economic data providing momentum and with European markets being the stand out performer. UK Government bonds sold-off sharply in September as members if the MPC started discussing the possibility of rate rises given the above target inflation data.
Emerging markets were generally strong as US dollar weakness, continued momentum in the Chinese economy and a pick-up in commodity prices provided support.

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.

Overall the Fund produced a return of 1.3% compared to the benchmark return of 0.2%. This continues the strong long term track record with the Fund also outperforming its benchmark by 9.9%p.a versus 8.6%p.a. over three years.

2. Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 7 month period ending 31 October 2017 and its position at the period end of 31 October 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 October 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

Pursuant to the issue of an order by DCLG on 4 August 2017 the Fund's administering authority changed to Tameside Metropolitan Borough Council with effect from 1 November 2017. All responsibility for member benefits transferred on that date. SYPA continued to manage the Fund assets which were then liquidated during December with cash being transferred to Greater Manchester Pension Fund.

A small residual balance will be transferred during February and this will complete the process.

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:-

	7 mths to 31/10/17 £000	2016/17 £000
Employers' Contributions		
Normal Contributions	619	966
Deficit Funding lump sums	0	5,500

Additional Capital contributions	0	0
Additional cost of early retirement	0	0
	619	**6,466**
Employees' Contributions	136	269
	755	**6,735**

8. Transfers In

	7 mths to 31/10/17 £000	2016/17 £000
Group Transfers In	0	0
Individual Transfers In	29	13
	29	**13**

9. Benefits Payable

Analysis of benefits payable:

	7 mths to 31/10/17 £000	2016/17 £000
Retirement Pensions	5,475	9,098
Commutation of benefits and lump sum retirement benefits	1,083	2,187
Lump sum death benefits	129	111
	6,687	**11,396**

10. Payments to and on account of leavers

	7 mths to 31/10/17 £000	2016/17 £000
Group transfers out	0	0
Individual transfers out	0	0
Refunds of contributions	0	0
	0	**0**

11. Management Expenses

	7 mths to 31/10/17 £000	2016/17 £000
Administrative costs	53	36
Investment Management Expenses	577	752
Oversight and Governance	96	164
	726	**952**

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 higher in the 7 months to 31 October 2017 due to costs of processing the transfer of membership data to GMPF.
Oversight and Governance stayed in line with the previous financial year.
Oversight and Governance costs includes fees payable to the Fund's auditor KPMG of

£21,000 (£21,000 in 2016/17).

These management expenses include a total VAT liability of £33,282 (£68,613 in 2016/17).

11a. Investment Management Expenses

	7 mths to 31/10/17 £000	2016/17 £000
South Yorkshire Pensions Authority	105	176
Old Mutual	382	386
Custody	29	54
Transaction costs	42	78
Management fees deducted at source	0	1
VAT Liability	19	57
	577	**752**

The overseas portfolio manager fees include a performance-related fee of just over £0.372m (£0.339m in 2016/17)

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

	7 mths to 31/10/17 £000	2016/17 £000
Interest from fixed interest securities	977	1,640
Dividends from equities	1,453	2,457
Income from index Linked Securities	629	1,064
Income from pooled investment vehicles (property)	0	48
Interest on cash deposits	2	3
Other	19	(6)
	3080	**5,206**
Irrecoverable withholding tax - equities	(15)	(32)
Total Investment Income	**3,065**	**5,174**

13. Net Investment Assets

	31/10/17 £000	2016/17 £000
Fixed Interest Securities		
UK corporate bonds	35,322	38,224
Equities	34,663	33,785
UK quoted	58,300	59,422
Overseas quoted	*92,963*	*93,207*

Index-Linked Securities		
UK public sector quoted	104,417	85,008
UK corporate bonds	417	18,380
	104,834	*103,388*
Pooled Investment Vehicles		
UK Property	9	118
Cash - Foreign currency	519	692
Cash - Sterling	107	924
Other investment assets (broker balances, outstanding dividend entitlement and recoverable withholding tax)	1081	1,344
Other Investment liabilities (broker balances)	0	0
Total Investment Assets	**234,835**	**237,897**

13a. Change in Market Value of Investments

The change in market value of investments during the period comprises all the increases and decreases in the market value of investments held at any time during the period, 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 1/4/17 £'000	**Purchases at Cost £'000**	**Sale Proceeds £'000**	**Change in Mkt Value £'000**	**Mkt Value at 31/10/17 £'000**
Fixed Interest Securities	38,224	3,206	(5,808)	(300)	35,322
Equities	93,207	54,613	(60,550)	5,693	92,963
Index-Linked Securities	103,388	43,315	(40,283)	(1,586)	104,834
Pooled Investment Vehicles	118	0	(115)	6	9
	234,937	101,134	(106,756)	3,813	233,128
Cash – Foreign currency	692			(16)	519
Cash - Sterling	924				107
Other investment assets	1,344				1,081
Other investment liabilities	-				-
NET INVESTMENT ASSETS	**237,897**			**3,797**	**234,835**

Previous year comparative:

	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**

13b. Investments analysed by Fund Manager

	Market value 31 October 2017 £'000	%	Market value 31 March 2017 £'000	%
South Yorkshire Pensions Authority	180,954	77.06	182,397	76.67
Old Mutual (overseas equities)	53,881	22.94	55,500	23.33
	234,835		**237,897**	

The Fund has one investment that represents more than 5% of the net assets of the Scheme:

31/10/17 **Security**	**Holding**	**Valuation £'000**	**% of total fund**
UK Treasury Index Linked 2020	4,308,000	15,808	6.7
2016/17 **Security**	**Holding**	**Valuation £'000**	**% of total fund**
UK Treasury Index Linked 2020	3,700,000	13,785	5.8

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 and 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 October 2017	**Level 1** **£'000s**	**Level 2** **£'000s**	**Level 3** **£'000s**	**Total** **£'000s**
Financial assets at fair value through profit or	94,044	140,165	-	234,209

loss				
Net investment assets (excl cash)	**94,044**	**140,165**	**-**	**234,209**

Value at 31 March 2017	**Quoted market price**	**Using observable inputs**	**With significant unobservable inputs**	
	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**

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 October 2017 £'000	**31 March 2017 £'000**
Fair value through profit or loss		
Financial Assets		
Fixed Interest Securities	35,322	38,224
Equities	92,963	93,207
Index-Linked Securities	104,834	103,388
Pooled Investment Vehicles	9	118
Other investment balances	1,081	1,344
Total	**234,209**	**236,281**
Financial Liabilities		
Other investment balances	(-)	(-)
Total	**(-)**	**(-)**
Loans and receivables		
Financial Assets		
Cash – Foreign currency	519	692
Cash - Sterling	107	924
Current assets	5,476	1,795
Total	**6,102**	**3,411**

Financial Liabilities at amortised cost		
Financial Liabilities		
Current liabilities	(503)	(117)
Total	**(503)**	**(117)**

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 October 2017 £'000	31 March 2017 £'000
Financial assets		
Fair value through profit and loss	3,813	35,646
Loans and receivables	(16)	45
Financial liabilities		
Fair value through profit and loss	-	-
Financial liabilities measured at amortised cost	-	-
Total	**3,797**	**35,691**

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 minimise 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 2017.

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 ISS 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 7 months to 31 October reporting period.

Asset type	Potential market movements (+/-)
Bonds	5.22%
UK Equities	9.10%
Overseas Equities	10.15%
Index Linked securities	8.17%
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 October 2017 £’000	Potential Market Movement £’000	Value on increase £’000	Value on decrease £’000
Bonds	35,322	1,844	37,166	33,478
UK Equities	34,663	3,154	37,817	31,509
Overseas equities	58,300	5,917	64,217	52,383
Index linked securities	104,834	8,565	113.399	96,269
Property (unit trusts)	9	0	9	9
Cash - Foreign currency	519	0	519	519
Cash - Sterling	107	0	107	107
Other investment assets	1,081	0	1,081	1,081
Net investment assets	**234,835**	**19,480**	**254,315**	**215,355**

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**

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 October 2017 and 31 March 2017 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Asset type	As at 31 October 2017 £'000	As at 31 March 2017 £'000
Cash - Sterling	107	924
Total	**107**	**924**

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 0.91%.

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 +/- 0.91% change in interest rates:

Asset type	Carrying amount as at 31 October 2017	Potential movement on 0.93% change in interest	Value on increase	Value on decrease

		rates		
	£'000		**£'000**	**£'000**
Cash - Sterling	107	1	108	106
Total change in assets available	**107**	**1**	**108**	**106**

Asset type	Carrying amount as at 31 March 2017	Potential movement on 0.91% change in interest rates	Value on increase	Value on decrease
	£'000		**£'000**	**£'000**
Cash - Sterling	924	8	932	916
Total change in assets available	**924**	**8**	**932**	**916**

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 8.89%.

An 8.89% 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 October 2017 £'000	Potential Market Movement	Value on increase £'000	Value on decrease £'000
Overseas quoted securities	58,300	5,183	63,483	53,117
Overseas property funds	-	-	-	-
Cash - Foreign currency	519	46	565	473
Total change in assets available	**58,819**	**5,229**	**64,048**	**53,590**

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	5,283	64,705	54,139
Overseas property funds	-	-	-	-
Cash - Foreign currency	692	61	753	631
Total change in assets available	**60,114**	**5,344**	**65,458**	**54,770**

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 October 2017 to a maximum of 5% of the Fund (actual cash holdings were 0.05%).

Interest received on advances during the period to 31 October 2017 was £459 (£1,749 in 2016/17) at an average rate of 0.13% (0.25% in 2016/17) (as the Fund maintains short term deposits only, the rate of interest is 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 0.13% in interest rates achieved would have resulted in an increase of £459 (£1,749) in interest received provided that bank balances had remained the same.

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 £104.4m (£85.0m at 31 March 2017) 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 62 of the Local Government Pension Scheme (LGPS) Regulations 2013 (as amended), 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 31 March 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 October 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 October 2017	31 March 2017
CPI increases	2.6% p.a.	2.5% p.a.
Salary increases	3.5% p.a.	3.4% p.a.
Pension increases	2.6% p.a.	2.5% p.a.
Discount rate	2.6% p.a.	2.5% p.a.

It is not possible to assess the accuracy of the estimated liability as at 31 October 2017 without completing a full valuation. However the actuary is satisfied that the approach of rolling forward the previous valuation results to 31 October 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 October 2017 was £246.513m (£248.667m as at 31 March 2017) giving a net liability of £6.705m (£9.092m as at 31 March 2017).

The Actuarial Present Value of Fund Obligation consists entirely of Vested Obligations.

19. Current Assets

	31 October 2017 £000	31 March 2017 £000
Contributions due - employers	21	13
Contributions due - employees	4	4
Additional cost of early retirement	0	0
Sundry debtors	32	100
	57	**117**
Cash at Bank	**5,419**	**1,678**
	5,476	**1,795**

Analysis of debtors:

	31 October 2017 £000	31 March 2017 £000
Central government bodies	8	47
Other local authorities	6	5
Public corporations and trading funds	1	0
Other entities and individuals	42	65
	57	**117**
Cash at bank	5,419	1,678

There are no long term debtors.

20. Current Liabilities

Creditors:

	31 October 2017 £000	31 March 2017 £000
Benefits Payable	0	0
Sundry creditors	503	117
	503	**117**

Analysis of creditors:

	31 October 2017 £000	31 March 2017 £000
Other local authorities	70	66
Public corporations and trading funds	4	14
Other entities and individuals	429	37
	503	**117**

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	2016/17 £000	2015/16 £000
Equitable Life	13	11	0	0
Scottish Widows	157	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 the 7 months to 31 October, the Fund made payments in respect of non-statutory pension benefits of £59,785 (£104,425 in 2016/17).

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Sheffield City Region Combined Authority ('the Authority') for the year ended 31 March 2018 which comprise the Authority and Group Comprehensive Income and Expenditure Statement(s), the Authority and Group Balance Sheet(s), the Authority and Group Movement in Reserves Statement(s), the Authority and Group Cash Flow Statement(s) and the Fund Account and Net Assets Statement for the South Yorkshire Passenger Transport Pension Fund (as at 31 October 2017) and the related notes, including the accounting policies in note 1 and the Pension Fund accounting policies in note 3.

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 2018 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 South Yorkshire Passenger Pension Fund during the period ended 31 October 2017 and the amount and disposition of the Fund's assets and liabilities as at 31 October 2017 other than liabilities to pay pensions and other benefits after the end of the scheme period; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Basis for opinion

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

Going concern

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

Other information published with the financial statements

The Chief Financial Officer is responsible for the other information published with the financial statements, including the Narrative Statement and the Annual Governance Statement. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.
Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information. In our opinion the other information published with the financial statements for the financial year is consistent with the financial statements.

Chief Financial Officer's responsibilities

As explained more fully in the statement set out on page 39&40, the Chief Financial Officer is responsible for: the preparation of the Authority's financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Authority's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting on the assumption that the functions of the Authority and the Group will continue in operational existence for the foreseeable future.

Auditor's responsibilities

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

REPORT ON OTHER LEGAL AND REGULATORY MATTERS

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

Conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, 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 2018.

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

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.

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. 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.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether 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 Comptroller and Auditor General 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 2018.

Statutory reporting matters

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

- any matters have been reported in the public interest under Section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit;
- any recommendations have been made under Section 24 of the Local Audit and Accountability Act 2014;
- an application has been made to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- an advisory notice has been issued under Section 29 of the Local Audit and Accountability Act 2014; or
- an application for judicial review has been made under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

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

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.

DELAY IN CERTIFICATION OF COMPLETION OF THE AUDIT

Due to work on the WGA Return not being completed by the 30 July 2018.
We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

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

30 July 2018