

SHEFFIELD CITY REGION
COMBINED AUTHORITY

STATEMENT OF ACCOUNTS
2014/15

(Audited)

For the period
1 April 2014 to 31 March 2015

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Foreword by the Director of Finance

1. Introduction

Purpose of the Foreword

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

The Statement of Accounts contains all the financial statements and disclosure notes required by statute. They have been prepared in accordance with the 2014/15 Code of Practice on Local Authority Accounting (the Code) together with guidance notes as published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Transitioning from the Integrated Transport Authority to the City Region Combined Authority

Constituted on the 1st April 2014, the Sheffield City Region Combined Authority is a new and innovative means of providing public services. The legal title of the Authority, as set up by the Statutory Order is Barnsley, Doncaster, Rotherham and Sheffield Combined Authority, however the trading name of Sheffield City Region Combined Authority has been adopted by the Authority to better reflect the role of the wider region, which also includes North Derbyshire and North Nottinghamshire. This name will be used throughout the Statement of Accounts.

Building on the role of its predecessor (the South Yorkshire Integrated Transport Authority (SYITA)) the Combined Authority benefits from wide-ranging competencies in relation to the provision of transport matters.

However, the enabling legislation that constituted the Combined Authority also conferred upon it the additional wider powers enjoyed by English local authorities, which allows it to conduct expansive economic development activity.

Accordingly, the Combined Authority enjoys broader powers than its predecessor that allow it to carry out activities that were outside the scope of the SYITA.

These powers conferred upon the Combined Authority are complementary to those enjoyed by the nine individual districts that constitute the city region. In creating the Combined Authority, government did not revoke any powers from the individual districts.

Again, however, the Combined Authority can be differentiated from its predecessor by the geography of its constituent districts. Whilst the SYITA was solely a South Yorkshire body, the Combined Authority has a wider area of operations spreading into North Nottinghamshire and North Derbyshire.

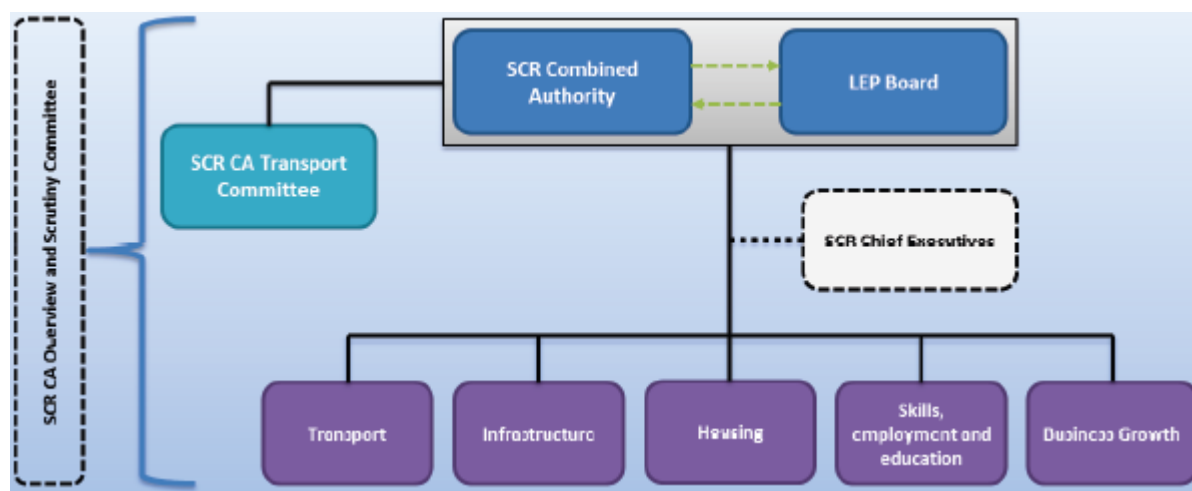


This broader constituency of districts reflects the economic realities of our communities, where populations live and work across more traditional, local authority boundaries. Aligning our resources and aspirations to these realities is essential to delivering on economic growth goals.

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



To deliver on the SEP, the Combined Authority's activity and governance has been shaped over the course of the year into five thematic work streams. Governance arrangements for the thematic work streams can be represented accordingly:



Funding and decision making is also affected by the nature of the activity.

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

South Yorkshire transport activity is principally funded through a levy by the Combined Authority on the individual South Yorkshire districts. The use of this funding is then, per statute, used only to support South Yorkshire expenditure.

Other Combined Authority activity is funded from subscriptions from the nine Combined Authority districts, and retained business rates from the region's Enterprise Zone. The Combined Authority also benefits from government through support for programme activity, and some general revenue support.

Capital activity is funded through the award of grants from government and Europe, and where necessary borrowing. Currently, the Combined Authority's borrowing powers only extend to South Yorkshire transport activity.

During financial year 2014/15 all capital activity fell on South Yorkshire transport schemes, with no wider regional economic development activity. This principally reflects that there was, during the year, no funding awarded from government for economic development schemes.

This situation will, however, be addressed in 2015/16 and through the region's Local Growth Fund (LGF) settlement with government. This settlement saw the region awarded £313m of capital funding over a ten year period to pursue our SEP goals.

The region's award was one of the largest in the country, and reflects our strong aspirations and assurances to government that we are better placed locally to make investment decisions, and deliver on them, than Whitehall departments.

Delivering on the SEP agenda, whilst managing resource pressures, will be the key challenge for the Combined Authority over the coming financial years.

2. Group Structure

The Combined Authority's core activity can be broadly split between two distinct but complementary themes:

- South Yorkshire transport activity in support of the South Yorkshire Transport Plan; and,
- Economic development activity in support of the Strategic Economic Plan (SEP).

South Yorkshire transport activity is principally carried out through the Combined Authority's operating subsidiary: South Yorkshire Passenger Transport Executive (SYLTE).

SYLTE is primarily funded through a revenue grant awarded from the Combined Authority. The Authority funds this grant through a levy on the four South Yorkshire districts. This levy is negotiated each year as part of the budget setting process.

Operational activity in pursuit of the SEP is primarily carried out directly through the Sheffield City Region Executive; the Combined Authority's officer team. This team is led by the Combined Authority's Executive Director (Head of Paid Service). Economic development activity is carried out in collaboration with the SCR Local Enterprise Partnership (LEP) who provide strategic leadership.

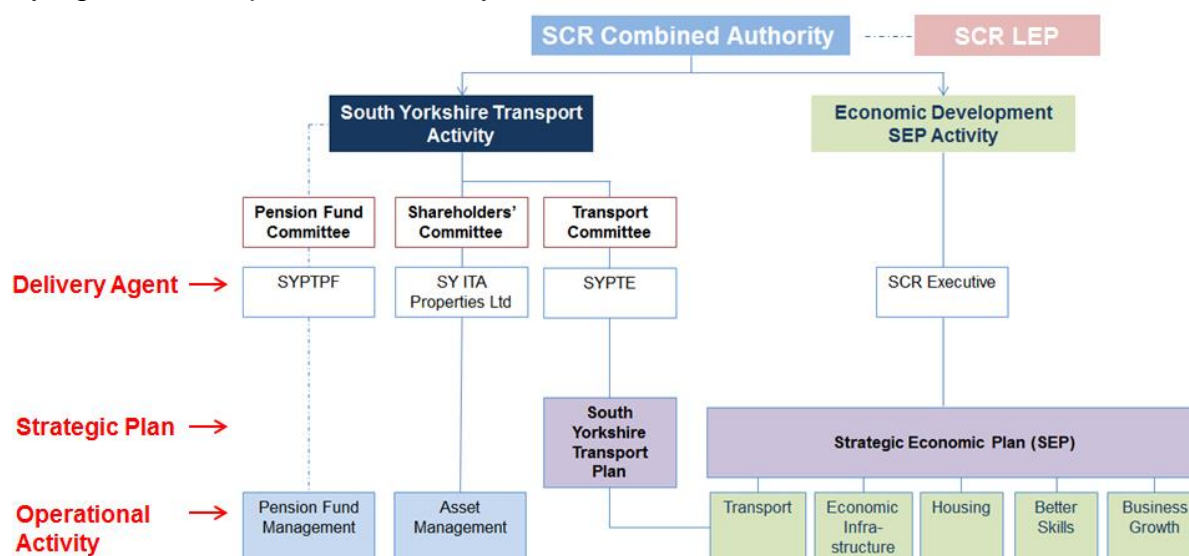
Alongside its core activities of delivering on the South Yorkshire Transport Plan and economic development activity in pursuit of the SEP, the Combined Authority also holds responsibilities in respect of the South Yorkshire Passenger Transport Pension Fund (SYLTPF) for which the Authority holds administering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

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

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

The Combined Authority also owns, by way of a majority shareholding, a company principally concerned with the management of a number of assets. This company, SYITA Properties Ltd, provides a management function for several properties currently leased to third parties. The company's major asset, an office facility in Sheffield, is leased directly to SYLTE.

The following image identifies the core areas of activity, along with strategic plans, delivery agents, and operational activity:



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

As a single entity the Combined Authority accounts for its work in support of the SEP, and the transactions it enters into as the parent body for SYPTF, SYITA Properties Ltd, and the administering body for SYTPF.

As a group, the Combined Authority consolidates the full financial results of SYPTF and SYITA Properties Ltd into its own to create an overall group financial position.

3. Financial Year 2014/15 Overview

Financial year 2014/15 was a year of consolidation, policy development, and preparation for the Combined Authority.

Much work has been done to embed responsive governance processes through the Authority Assurance Framework that will provide a suitable decision making structure to ensure we deliver on the SEP and the promises we made to government in it.

The successful Local Growth Fund award is seen as testament to the strength of the Combined Authority goals, and the infrastructure put in place to deliver upon it.

Work has also been undertaken, and continues, to ensure the Combined Authority's activities are conducted on a sustainable financial basis.

This has meant a fundamental review of some of the operations, including the efficacy of operating a property portfolio through SYITA Properties Ltd.

A review of the relationship between the Combined Authority and SYPTF, within the context of capital financing, has also raised inefficiencies in the resourcing of legacy

capital expenditure. The award of a capital grant, to the value of £72.9m, seeks to redress this situation.

Though the award of this grant increases the Combined Authority's capital financing requirement, in aligning debt provision charges to the period over which the assets created by the expenditure provide economic benefit, the Combined Authority is able to alleviate undue pressure on the South Yorkshire transport levy. This grant is discussed in more detail in the following section.

Work has also been undertaken to formalise and codify the means by which retained business rates from the region's Enterprise Zones are passed to the Combined Authority. This income stream is of particular importance to Combined Authority as it is one of the few non-programme revenue funding streams available to the Combined Authority to support economic development activity.

Capital Grant Award

The material changes to the Combined Authority's financial position over the course of the year principally relate to the award by the Combined Authority of a capital grant worth £72.9m to its operating subsidiary, SYPTE.

This grant was awarded to resource past capital expenditure that could have been funded by the Combined Authority / SYITA at the time.

The award of the grant moves capital financing liabilities from SYPTE to the Combined Authority. This is in common with how other Combined Authorities / ITA's transact within their group structures.

Moving the liability allows the Combined Authority to properly align the costs associated with the financing decisions to the period over which the assets created provide economic benefit to the region.

In so aligning costs to benefits, the Combined Authority is able to create a more prudent provision for the repayment of debt and avoid placing undue pressure on the transport levy.

Upon the award of the grant no cash changed hands between the Combined Authority and SYPTE. This reflects the role the Combined Authority plays in providing cash management services to SYPTE and only releasing cash to its subsidiary as it is required.

The award of the grant increases the Combined Authority's indebtedness by £72.9m. This indebtedness will eventually be fully provided for through debt provisions.

The Group has commissioned external surveyors to determine useful economic lives for the assets funded by this grant award, and minimum revenue provision (MRP) profiles have been created on the basis of these assessments.

Following the award of the grant, the Combined Authority and SYPTE agreed to reduce the revenue grant award payable to SYPTE during the year by £39.7m. This reduction meant the accrual of a surplus on operating activity of £39.7m that was taken to reserves.

This contribution to reserves will support the Combined Authority and SYPTE in addressing budget challenges as the levied districts come under increasing revenue pressure.

The residual £33.2m of the grant award will be retained at SYPTE as a grant unapplied, and will be released to offset depreciation charges that would otherwise fall upon the transport levy.

Headlines

The following bullet points summarise the main headlines from this year's single-entity (non-group) accounts:

- Decrease in net worth by £47.2m:
 - This is principally due to the £72.9m grant award to SYPTE which increases indebtedness
 - This is improved by the reduction of the in-year revenue grant from the Combined Authority to SYPTE by £39.7m which created an in-year surplus
- Increase in useable reserves of £23.6m:
 - This is a net increase principally due to:
 - The £37.6m in-year surplus on transport activity; and,
 - The application of capital and revenue grants to the value of £14m
- Decrease in short-term creditors of £33.7m:
 - Principally due to the increase in cash due to SYPTE as a result of the award of the capital grant; offset by,
 - The transfer of £11m cash to SYPTE for the repayment of loans falling due.

Revenue Budgets

Two revenue budgets were separately approved to form the Combined Authority's 2014/15 budget.

The South Yorkshire Transport budget was approved by the former SY ITA Board in March 2014, whilst the Chief Executives of the nine Combined Authority districts approved a revenue budget to support economic development activity.

This consolidated budget can be broadly shown as follows:

	SY Transport	Economic Development	Total Budget
	£000	£000	£000
Expenditure			
Salaries	0	920	920
Supplies & Services	440	661	1,101
Debt Charges	2,032	0	2,032
Grants to 3 rd Parties	78,679	0	78,679
	81,151	1,581	82,732
Income			
Grants	0	(639)	(639)
Local authority contributions	(75,982)	(204)	(76,186)
Retained business rates	0	(734)	(734)
Investment income	(1,562)	0	(1,562)
	(77,544)	(1,577)	(79,121)
Net Budget	3,607	4	3,611
Use of Reserves	(3,607)	(4)	(3,611)

The Combined Authority's outturn position was largely affected by one-off interventions, not in the original budget, but were designed to support longer-term budget sustainability across both of the South Yorkshire transport and Combined Authority / LEP economic development work streams.

On the Combined Authority's South Yorkshire transport side this was reflected in the award of the capital grant (£72.9m) previously described, which allowed the Combined Authority to reduce the revenue grant it paid to SYPTA during the year by £39.7m. This transaction was coupled with a small (£62k) underspend on in-year activity.

Allowing for the planned use of reserves factored into the budget (as above) the balance of this underspend was transferred to reserves, and will be used to facilitate sustainable South Yorkshire levy reductions in support of the Combined Authority's South Yorkshire district partners' budget challenges and wider transport policy aspirations.

On the Combined Authority / LEP economic development side, a one-off intervention was required to manage revenue deficits and provide a stable base budget for financial year 2015/16. This was achieved by districts opting to either impair revenue loans previously advanced to the Combined Authority / LEP, or award in-year grants, and secured additional resource of £558k. These transactions, coupled with a general underspend of £59k, are taken to reserves to support the 2015/16 budget and provide a prudent level of contingency reserves to underpin Combined Authority / LEP activity.

The following table shows how we go from the revenue budget outturn position to the deficit on the Consolidated Income and Expenditure Statement (CIES).

Differences between these figures relate to accounting rules, particularly around the accounting for capital expenditure that does not result in the creation of assets for the

Combined Authority. Such transactions are often called deferred charges and normally relate to situations where the Authority advances capital grants to partners in support their capital activity. Statute requires these charges to be treated differently in the financial statements than how we show charges in the budget.

	£000
South Yorkshire Transport (surplus)	(37,560)
CA/LEP Economic Development (surplus)	(613)
CA Revenue Budget (surplus) 2014/15	(38,173)
Use of LSTF Reserves	4,870
Removal of Debt Charges per Statute	(1,993)
Revenue Expenditure Funded by Capital Under Statute (REFCUS):	
Capital Grant Award to SYPTE	72,900
Other Deferred Charges	9,648
	82,548
Deficit on Total Comprehensive Income & Expenditure Account	47,252

The large deficit on the CIES principally relates to the capital grant award to SYPTE. This is a capital transaction, and for budgeting purposes falls outside the revenue budget. However, for accounting purposes we are required to show it as a charge to the revenue statement.

This charge is, though, reversed out of the Statement of Movement on General Fund Balance to avoid it being an in-year charge to the General Fund and taxpayer. Instead, the transaction is transferred to the Capital Adjustment Account to reflect capital expenditure (by way of grant) that is yet to be resourced. The Authority is committed to resourcing the grant through minimum revenue provisions (MRP) that will result in a charge to the General Fund.

Capital Programme

The Combined Authority's capital programme in 2014/15 was limited to its South Yorkshire transport activity.

This principally reflects that the Combined Authority / LEP received no capital funding during the year, and does not currently have the vires to borrow for its economic development activity.

During the year capital activity for the single entity was recorded on the following activity:

Programme	Expenditure £000	Income £000	Net £000
Local Transport Plan (LTP)	15,560	(15,560)	0
Local Sustainable Transport Fund (LSTF)	8,626	(8,626)	0
Highways Capital Maintenance	9,139	(9,139)	0
Capital Grant Award	72,900	0	72,900
Total	106,225	(33,325)	72,900

Usable Reserves

The Combined Authority holds a prudent level of reserves to support its activity, guard against fiscal shock and allow for flexibility.

As with the revenue budget, these reserves can be split between those that are held to support South Yorkshire transport activity, and those that are held to support Combined Authority / LEP economic development activity.

During the year, the South Yorkshire transport element of the Combined Authority General Fund significantly increased as a result of the reduced revenue grant paid to SYPTE. This reduction (£39.7m) was made possible due to the award of the capital grant by the Combined Authority to SYPTE (£72.9m).

The impairment of loans previously advanced, together with a small surplus in year, provides the Combined Authority / LEP activity with a revenue reserve to underpin activity in 2015/16.

Financial Outlook

The Combined Authority's financial outlook is heavily tied to the fortunes of national government and its local authority partners.

The Authority's transport activities are predominantly funded by the South Yorkshire districts, and future budgets and levies will be negotiated within the context of the budget challenges those partners face and their aspirations for the transport activity.

Similarly, Combined Authority / LEP economic development activity is heavily reliant upon central government for future capital resource and revenue contributions to support core activity. Much successful work has been undertaken to achieve notional future capital funding allocations, but actual awards will be predicated on government's ability to resource them.

Combined Authority / LEP revenue resource remains low in the context of the proposed SEP capital programme. Much of the revenue resource will flow from retained business rates collected from the region's Enterprise Zone. The region will therefore work to stimulate activity on the sites within the Enterprise Zone. Uncertainty remains around government's willingness to continue to provide revenue support to Combined Authority / LEP activity. Should this funding fall away, the region will be required to consider additional partner support or review the scope of activity.

Annual Governance Statement

Sheffield City Region Combined Authority

Annual Governance Statement 2014/15

1. Scope of Responsibility

- 1.1 The Sheffield City Region (SCR) Combined Authority ('the Authority') is responsible for ensuring that its business is conducted in accordance with statute and 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 Authority is responsible for establishing proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and the management of any associated risks.

- 1.2 The Authority's corporate governance arrangements have not been fully in place during 2014/15 and are still being developed in line with its programme of work. The governance arrangements being developed will comply with 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***. A copy of the Authority's Constitution is available on its website at www.southyorks.gov.uk.
- 1.3 The Authority acknowledges that good governance arrangements are the basis upon which it is able to establish policies and ultimately the efficient delivery of its services and programme of work to communities within the city region. For good governance to be truly effective it must be robust yet permissive and be able to be adapted swiftly to changing circumstances. Public bodies such as the Combined Authority must be responsive to developments in services, public expectations and the actions of other stakeholders. The Annual Governance Statement offers reassurance in part and highlights where improvements are being made, so that a comprehensive and effective governance framework is in place.

2. The Purpose of the Governance Framework

- 2.1 The governance framework evidences the systems, processes, culture and values, by which the Authority directs and controls the activities it is accountable for in order to provide an effective service to the Sheffield City Region.
- 2.2 The system of internal control is a significant part of the Framework and throughout the first year's operation of the Combined Authority it has developed such that any risks have been managed efficiently and effectively, acknowledging that a Risk Management Strategy and Framework is still to be developed for the Combined

Authority but taking account of systems and processes in place of those partner authorities charged with governance responsibilities. Whilst it is not possible to eliminate all risk when delivering the Authority's policies, aims and objectives, it is intended to provide reasonable assurance of the effectiveness of the arrangements in place. The system of internal control is based on an evolving process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives and to evaluate the likelihood of those risks being realised and any likely impact. Once identified, the Authority will seek to manage them transparently, effectively and economically.

- 2.3 The new Combined Authority met for the first time on 22 April 2014 at which time a new Constitution was presented and formally agreed. It was acknowledged at that time that the Combined Authority's Corporate Governance Framework would be 'work in progress' as its key delivery objectives evolved.

3. THE GOVERNANCE FRAMEWORK

Context

- 3.1 The key elements of the governance framework, its systems and processes, are outlined below.
- 3.2 The period 2014-15 was the first year's operation of the Sheffield City Region Combined Authority and understandably has focused on establishing a framework which is fit for purpose, acknowledging it needs to improve further as work programmes develop. The Sheffield City Region Combined Authority comprises the areas of nine local authorities:

Constituent Authorities

Barnsley Metropolitan Borough Council;
Doncaster Metropolitan Borough Council;
Rotherham Metropolitan Borough Council;
Sheffield City Council;

Non-Constituent Authorities

Bassetlaw District Council;
Bolsover District Council;
Chesterfield Borough Council;
North East Derbyshire District Council;
Derbyshire Dales District Council

- 3.3 The Combined Authority is a new local government body established to coordinate and drive forward economic regeneration and transport initiatives for the benefit of citizens and the business community within its boundaries. The transport functions

were previously the responsibility of the former South Yorkshire Integrated Transport Authority.

- 3.4 There has been a long standing approach to collaborative working amongst the partner authorities; a reflection of the natural and economic geography of the region. This was formalised firstly through the Sheffield City Region Forum, which subsequently became the SCR Local Enterprise Partnership and in turn aligned with the SCR Leaders Group.
- 3.5 The functions and powers of the Combined Authority provide for a stable and effective governance function in support of key strategic policy areas; economic development, regeneration and transport. The Authority's objective, working in tandem with central Government, is to see greater devolution of funding, resources and functions to the city region. As this approach evolves it will be necessary that the Authority's governance framework also develops and becomes embedded so as to maintain confidence in this arrangement.

Structure

- 3.6 The Sheffield City Region Combined Authority comprises the Leaders and Elected Mayor (Doncaster) of each of the nine councils which constitute the body. It meets every six weeks and is aligned to a number of supporting committees and boards which provide the expected degree of scrutiny and challenge in formulating policy and driving key strategic decision-making.
- 3.7 The Authority's Constitution and operating arrangements have been approved by all nine member bodies and include terms of reference for the SCR Transport Committee and the authority it has both delegated and referred to it. The Constitution sets out the powers and functions of the Combined Authority, including financial procedures, Member and officer Codes of Conduct, the scheme of delegation to officers and arrangements for the operation of a scrutiny and audit committee function.
- 3.8 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. This will expand further as the Authority formalises key work streams and their operation. In further strengthening its governance structure the Authority has agreed to implement a Leader and Executive model for programme management which will maintain robust accountability whilst ensuring decisions are taken in an efficient and timely manner.

SCR Transport Committee

- 3.9 The SCR Transport Committee is a joint committee of the Combined Authority comprising all nine districts, (four constituent and five non-constituent authorities). The Transport Committee has oversight of a broad programme of work which is carried out by the South Yorkshire Passenger Transport Executive (its executive body), which includes scrutinising the performance of a wide range of public transport operators, monitoring the delivery of a significant capital programme, its revenue spend and overseeing the delivery of a transformational transport policy programme.

The Committee has both referred and delegated responsibilities. In respect of the former, which includes approving the revenue budget for transport and its capital programme, the Committee advises the Combined Authority by way of recommendation for approval or otherwise.

- 3.10 In addition to its transport functions, the Committee is responsible for oversight of the South Yorkshire Passenger Transport Pension Fund in accordance with statutory regulations. It appoints an external manager and an external advisor to administer the Fund on its behalf. It is required to publish a Funding Strategy and Statement of Investing Principles. The external manager has experienced some difficulties in normal service provision as a result of the introduction of new pensions' administration software. This has not resulted in significant problems for those in receipt of pensions but given the issue it will be incorporated in the Governance Improvement Plan for the forthcoming year and progress on its resolution reported to the Authority
- 3.11 The CA has appointed a Pension Fund Committee whose membership is drawn from the former Passenger Transport Pension Fund Committee of the former Integrated Transport Authority and who are now members of the Transport Committee of the Combined Authority. A review of the arrangements for the management of the South Yorkshire Passenger Transport Pension Fund is to be undertaken to consider how the Authority should most appropriately discharge its functions as Administering Authority for the Fund, having regard to Members fiduciary obligations. This is acknowledged in the Governance Improvement Plan appended to this document. The Authority has in accordance with The Public Service Pensions Act 2013 established a Pensions Board. It is expected, (awaiting confirmation from the Secretary of State for Communities and Local Government before the end of July 2015) that for administrative efficiency this will be a joint arrangement with the Local Government Pension Scheme Board in South Yorkshire, given the day to day management of the Fund is undertaken by the same body, South Yorkshire Pensions Authority.

South Yorkshire ITA Properties Limited

- 3.12 SY ITA Properties Limited is wholly owned subsidiary company of the Combined Authority. The Company's main activity is property management and disposal of the former Integrated Transport Authority's property holdings. In acknowledging the clear requirement to evidence due-diligence, officers have sought to examine the relationship between the Combined Authority and SY ITA Ltd and its efficiency as a means of supporting the Combined Authority. The Authority's Section 151 Officer has commissioned an external review in order to inform the Authority on future options, acknowledging the legal and financial implications of the company's operation. An internal audit of the company's governance arrangements has been undertaken which has highlighted a number of governance deficiencies when comparing the company against public sector standards of governance and accountability. . In view of these concerns, the Authority acknowledges the current operating arrangements as a control weakness and as such this features in the Governance Improvement Plan appended to this document.

Overview and Scrutiny

- 3.13 The Authority has established an Overview and Scrutiny Committee comprising 14 Members drawn from each of the nine constituent and non-constituent Member councils, reflective of political balance within the South Yorkshire City Region.
- 3.14 Meetings are convened on a quarterly basis and provide scope for the work programme and performance of the Combined Authority to be effectively challenged. The Audit Committee was not formally constituted during 2014/15 and therefore has yet to meet.

Internal Audit

- 3.15 Barnsley MBC provides the internal audit service to the Combined Authority. The Head of Internal Audit has liaised with the relevant statutory officers during the year to assist in the development of governance arrangements and on the adequacy and effectiveness of the Authority's existing systems of internal control. Arrangements for internal audit during 2014/15 have been difficult in the context of the Authority developing its governance and control arrangements. As a consequence, Internal Audit support has been largely limited to advising statutory officers, assistance in developing the control, risk and governance framework, the audit of South Yorkshire ITA Properties Limited and work undertaken on the financial systems utilised by the Authority. A full programme of internal audit coverage has been discussed and planned for 2015/16.
- 3.16 The Head of Internal Audit's annual assurance opinion is reproduced below from his annual report to the Overview and Scrutiny Committee.

Although the context of 2014/15 is of being a year of development and transition, the absence of a comprehensive framework of governance is a fundamental weakness. As such it is not possible to give a positive assurance opinion. As stated previously, it is acknowledged by management and reflected in the draft Annual Governance Statement that significant work is required to correct this position.

Audit Committee Arrangements

- 3.17 The Authority agreed that the distinct roles of the Overview and Scrutiny and Audit Committees will be maintained and acknowledged that in terms of efficiency, Audit Committee meetings will be convened at the rising of the Scrutiny Committee, in effect utilising the same Membership. The two Committees will have distinct and separate programmes of work. As stated above, the audit committee has not met in 2014/15.

Sheffield City Region Local Enterprise Partnership

- 3.18 The Sheffield City Region Local Enterprise Partnership is a voluntary partnership between the constituent and non-constituent local authorities and the business community, playing a key role in determining local economic priorities and growth. The Partnership is a key interface with central Government and the City Region and

offers policy advice and strategic direction aligned with the objectives set out above. The Combined Authority works closely with the LEP; the four local authority leaders and the Mayor of Doncaster being members of both bodies.

Decision-making

- 3.19 All agendas and reports produced for meetings of the Combined Authority and its associated Committees are issued to members and published online, www.southyorks.gov.uk in accordance with statutory access to information requirements. All meetings are held in public and meetings of the Transport Committee are streamed (webcast) live over the internet.

Financial Management

- 3.20 A key responsibility of the Combined Authority is determining, agreeing and monitoring appropriate budgets in order for it to be able to fulfill strategic objective setting in the areas of economic development, regeneration and the transport levy on constituent councils.
- 3.21 The Section 151 function is undertaken by the Director of Finance, Sheffield City Council on behalf of constituent and non-constituent authorities. A framework for financial monitoring and an agreed reporting process has been established. Internal control is based on Sheffield City Council's financial systems, which are well established and any identified risks managed in accordance with City Council policies and procedures. So as to ensure absolute transparency, the Combined Authority's funds and any financial systems employed in administering them remain distinct from that of the City Council. The Director of Finance has acknowledged that as the Combined Authority's operating budgets increase, financial systems will require further consideration so as to ensure they remain fit for purpose and proportionate in ensuring robust financial monitoring.
- 3.22 Quarterly update reports incorporating all areas of corporate operation from both a revenue and capital perspective are presented to the Authority for challenge and scrutiny. The transport element of Authority spend is further considered by the Transport Committee and appropriate recommendations made to the Authority. The Section 151 officer has in addition made presentations to the Scrutiny Committee to ensure an effective understanding of the process is established and an appropriate degree of challenge takes place moving forward.
- 3.23 The Head of Internal Audit has provided commentary in relation to the operation of the Authority's core financial systems.

Risk Management

- 3.24 The Combined Authority's Audit Committee will be responsible for overseeing the Authority's approach to risk management and the establishment and maintenance of its risk register. Statutory officers have ensured that corporate risk has been managed appropriately in the first year of the Authority's operation aligned to their own 'home' authorities systems and processes. It is acknowledged that this is an area of weakness and as such will require further work so as to provide the

necessary degree of assurance moving forward. This point is emphasised in the Governance Improvement Plan for the forthcoming year, appended to this document.

- 3.25 The Transport Committee, through the Passenger Transport Executive has a well-established risk management strategy in place to provide corporate oversight of its remit.

Managing Performance

- 3.26 The Strategic Economic Plan and Growth Deal set out how the Combined Authority and Local Enterprise Partnership (LEP) will help transform the City Region economy, deliver growth and jobs and in so doing drive up UK exports, expertise and productivity.
- 3.27 Given the level of investment the City Region will be responsible for, it is vital that robust programme management processes are further developed. Integral to their success will be a clearly defined and communicated performance management process, which acknowledges the work taking place across distinct themes and provides scope for collective consideration of outputs and outcomes.
- 3.28 Each of the themed portfolio areas for delivery will develop their own business plans which will set out objectives, targets, milestones and their investment plan for the year ahead. Appropriate performance measures will be devised in order that progress against these objectives can be measured.

4. Review of Effectiveness

- 4.1 The Authority has responsibility for conducting an annual review of the effectiveness of its governance framework. This includes consideration of systems of internal control and arrangements for internal audit and assurance statement from key officers. The review of effectiveness is informed by the work of its senior officers with responsibility for the development and maintenance of governance, its structures and processes. The process is further supported through the production of the Head of Internal Audit's Annual Report and input from the External Audit Team.

5 Significant Governance Issues 2014/15

- 5.1 The first year's operation of the Sheffield City Region Combined Authority has seen strides made in developing a corporate governance framework that is fit for purpose and acknowledges the principles of good governance.
- 5.2 The framework continues to develop in line with the exacting programme of work the Authority is establishing in meeting its key operational objectives. This transitional period has placed significant demands on partner bodies to ensure the Authority's work programme is delivered with due diligence and in accordance with statute and proper standards.
- 5.3 In establishing a Governance Improvement Plan for the forthcoming year, the Authority acknowledges further work is required to establish a more robust corporate governance framework, most notably the management of risk and performance reporting.

- 5.4 The Section 151 Officer has indicated he has instigated a review of South Yorkshire ITA Properties Ltd which is also included in the Authority's Governance Improvement Plan.

.....
Councillor Sir Stephen Houghton CBE
Chairman, Sheffield City Region Combined Authority

.....
Dr Ben Still
Executive Director,
Sheffield City Region Combined Authority/Local Enterprise Partnership

APPENDIX

The Sheffield City Region Combined Authority Governance Improvement Plan 2015/16			
Issue	Action Required	Responsible Officer	Date for Completion
Code of Corporate Governance	Establish a Code of Corporate Governance in line with acknowledge the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives (SOLACE) Framework <i>Delivering Good Governance in Local Government.</i>	Clerk to the Authority	November 2015
Risk Management	Establishing a robust Risk Management process that is both proportionate and provides transparency in terms of how risk is managed, monitored and reported amongst all key stakeholders.	Clerk to the Authority	November 2015
Performance Management	Establish a Performance Management framework that provides scope for the necessary degree of challenge and scrutiny amongst all key stakeholders	Clerk to the Authority	November 2015
South Yorkshire ITA Properties Limited	Commission work to consider the appropriateness of the current operation of the Company and following consideration of all options, establish a code of corporate governance that is both proportionate and provides the necessary degree of assurance	Section 151/Monitoring Officer	November 2015
South Yorkshire Passenger Transport Pension Fund – Administration Software	Recovery of performance as a result of the introduction of the software.	Clerk to the Authority	March 2016

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 Director of Finance.
- 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 Director of Finance

The Director of Finance 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 Director of Finance 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 Director of Finance has also:

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

I hereby certify that the Statement of Accounts on pages 24 - 129 gives a true and fair view of the financial position of Barnsley, Doncaster, Rotherham, and Sheffield Combined Authority at 31 March 2015 and of its income and expenditure for the year ended 31 March 2015.

Eugene Walker
Director of Finance (Section 151 Officer)
14 September 2015

The Core Financial Statements

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the 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 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 Authority.

Movement in Reserves Statement 2014/15		General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Earmarked Revenue Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
	Note	19	19	19	19		20	
Balances transferred in at 1 April 2014		(7,580)	(5,343)	(9,648)	(11,028)	(33,599)	39,826	6,227
Movement in reserves during 2014/15: (Surplus) / deficit on provision of services	CI&ES	47,252	0	0	0	47,252	0	47,252
Total Comprehensive (Income) and Expenditure		47,252	0	0	0	47,252	0	47,252
Adjustments between accounting basis and funding basis under regulations	6	(80,555)	0	9,648	0	(70,907)	70,907	0
Net (increase) / decrease before transfers to earmarked reserves		(33,303)	0	9,648	0	(23,655)	70,907	47,252
Transfers (to) / from earmarked reserves	7	(4,960)	0	0	4,960	0	0	0
(Increase) / decrease in year		(38,263)	0	9,648	4,960	(23,655)	70,907	47,252
Balance at 31 March 2015		(45,843)	(5,343)	0	(6,068)	(57,254)	110,733	53,479

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.

		2014/15		
	Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Transport Planning Policy and Strategy		38,260	(23,677)	14,583
Public Transport Coordination		39,904	(79,842)	(39,938)
Material Item – Grant to the PTE	5	72,900	0	72,900
Highways and Transport Services		151,064	(103,519)	47,545
Corporate and Democratic Core		335	(6)	329
Planning Services Economic Development		1,436	(1,602)	(166)
(Surplus) / Deficit on Provision of Services		152,835	(105,127)	47,708
Interest Payable	8			1,387
Interest Receivable	8			(1,326)
Taxation and Non-Specific Grant Income	9			(517)
(Surplus) / Deficit on Financing and Investment Income and Expenditure				47,252
Total Comprehensive (Income) and Expenditure				47,252

Balance Sheet

The Balance Sheet shows the value, as at the Balance Sheet date, of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. The Authority is a new entity and came into existence on 1 April 2014 under a statutory instrument by transferring the assets and liabilities of the former SYITA. The opening balance sheet is reported at 1 April 2014, rather than the closing position of the previous entities at 31 March 2014.

As at 1 April 2014 £000		Notes	As at 31 March 2015 £000
6,051	Long Term Debtors	12	6,186
22,117	Long Term Investments	13	6,942
28,168	Long Term Assets		13,128
103,047	Short Term Investments	10	114,000
630	Short Term Debtors	14	2,747
87,497	Cash and Cash Equivalents	15	74,814
191,174	Current Assets		191,561
0	Short Term Borrowing	16	(684)
(60,353)	Short Term Creditors	17	(37,955)
0	Capital Grants RIA	28	(2,510)
(60,354)	Current Liabilities		(41,149)
(26,125)	Long Term Borrowing	10	(25,000)
(139,091)	Other Long Term Liabilities	18	(192,019)
(165,216)	Long Term Liabilities		(217,019)
(6,227)	Net Assets / (Liabilities)		(53,479)
(33,599)	Usable Reserves	19	(57,254)
39,826	Unusable Reserves	20	110,733
6,227	Total Reserves		53,479

The Statement of Accounts for the Barnsley, Doncaster, Rotherham and Sheffield Combined Authority (known as Sheffield City Region Combined Authority) was approved and authorised for issue by the Director of Finance and the Combined Authority Leaders, in accordance with the Accounts and Audit (England) Regulations 2011, on 14 September 2015.

These financial statements replace the unaudited financial statements authorised by the Director of Finance on the 29 June 2015.

Eugene Walker
Director of Finance (Section 151 Officer)
14 September 2015

Sir Stephen Houghton OBE
Combined Authority Chairman
14 September 2015

Cash Flow Statement

The Cash Flow statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the 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 Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the 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 Authority.

	Notes	2014/15 £000
Net surplus or (deficit) on the provision of services		(47,252)
- Adjustment to surplus or (deficit) on the provision of services for non-cash movements	21	(24,745)
- Adjustment for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities	21	(23,677)
Net cash flow from operating activities		(95,674)
Investing activities	22	30,064
Financing activities	23	52,927
Net increase / (decrease) in cash and cash equivalents		(12,683)
Cash and cash equivalents at 1 April		87,497
Cash and cash equivalents at 31 March		74,814

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 2014/15 financial year and its position at the year end of 31 March 2015. The Combined Authority is required to prepare an annual Statement of Accounts in accordance with the Accounts and Audit Regulations 2011. 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 2014/15 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 7 of the 2011 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 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 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 income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

- Materiality levels were set to determine the accruals to be taken at the end of the financial year for certain low value revenue transactions. In these instances, the change from year to year is recurring in nature and the sums involved have been deemed not to be material compared with total income and expenditure.

III. Acquisitions and Discontinued Operations

Acquired Operations

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

Discontinued Operations

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

IV. Cash and Cash Equivalents

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

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

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

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts. Where they are disclosed is dependent on how significant the items are to an understanding of the 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 Authority's financial position or financial performance. Where a change is made it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

VII. Events After the Reporting Period

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

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

Events taking place after the date of authorisation for issue are not reflected in the financial statements.

VIII. Financial Instruments

Financial assets

Financial assets are classified into two types:

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

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the 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.

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

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

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

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

Available for Sale Assets

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

Financial assets are classified at recognition as loans, deposits or debtors in accordance with IAS 39, and recognised at cost.

Financial liabilities

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

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

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

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

IX. Foreign Currency Translation

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

X. Government Grants and Other Contributions

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

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

Amounts recognised as due to the 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.

XI. Inventories and Long Term Contracts

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.

XII. Leases

Leases are classified as finance leases, where the terms of the lease substantially transfer all risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

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

Operating Leases

The 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 Authority as Lessor

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

XIII. Overheads and Support Services

All costs of management and administration have been fully allocated to services. The basis of allocation for the main costs of management and administration are outlined below:

Cost	Basis of Allocation
Combined Authority	Actual time spent by staff
Democratic Processes	Actual costs

XIV. Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the obligation is settled.

Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

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

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

XV. Redemption of Debt

The 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 pre-2007 will be provided for under the regulatory method at 4% of the outstanding balance of the CFR.

XVI. Reserves

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

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

XVII. Revenue Expenditure Funded from Capital under Statute

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

XVIII. Value Added Tax (VAT)

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

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) has introduced several changes in accounting policy as a result of amendments to the following Accounting Standards. These standards have been issued but have not yet been adopted by the Authority. If these had been adopted for the financial year 2014/15 there would be no material change, as detailed below:

IFRS 13 Fair Value Measurement (May 2011)

Under IFRS 13 the Authority will be required to measure its assets and liabilities and provide disclosures where another section of the Code requires or permits fair value measurement.

The adoption of this standard will not have a material impact on the accounts.

Annual Improvements to IFRSs (2011 – 2013 Cycle)

The issues included in the Annual Improvements to IFRSs 2011- 2013 cycle are as follows and it is anticipated that they will not have a material impact on the financial statements:

- IFRS 1 – Meaning of effective IFRSs
- IFRS 3 – Scope of exceptions for joint ventures
- IFRS 13 – Scope of portfolio exception
- IAS 40 – Clarification of investment property

IFRIC 21 Levies

- This standard provides guidance on levies imposed by Government in the financial statements of entities paying the levy. The IFRIC relates to when to recognise a liability to pay a levy that is accounted for in accordance with IAS 37.
- The Combined Authority does not currently pay out any levies to Government and as a result the above standard would not alter the figures currently reported in the financial statements.

3. Critical Judgements in Applying Accounting Policies

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

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

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

The opening balance sheet shows the position at 1 April 2014 on the creation of the new Authority, rather than the closing position of the previous entities for the preceding year.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Combined Authority about the future that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. The items in the Combined Authority's Balance Sheet at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

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

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

5. Material Items of Income and Expense

2014/2015

South Yorkshire Passenger Transport Executive (SYPTE)

During financial year 2014/15 the Combined Authority awarded a capital grant to its operating subsidiary - South Yorkshire Passenger Transport Executive (SYPTE) - to the value of £72.9m.

This grant resourced past capital expenditure incurred by SYPTE (principally in relation to the Sheffield Supertram development) that could otherwise have been funded directly, and at the time of defrayal, by the Combined Authority and its predecessor the Integrated Transport Authority.

The capital liability the award of this grant creates at the Combined Authority will be recovered through Minimum Revenue Provision (MRP) charges, made in line with the useful economic lives of the assets created by the initial expenditure. Reviews of these asset-lives have been commissioned from external surveyors.

In awarding the grant the Combined Authority and SYPTe better align provisions for repayment of capital liabilities to the period over which the assets provide economic benefit to the region.

6. 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.

	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	23,677	0	23,677	(23,677)	0
Application of grants and contributions to capital financing from the Capital Grants Unapplied Reserve	0	9,648	9,648	(9,648)	0
Revenue expenditure funded from capital under statute	(106,225)	0	(106,225)	106,225	0
Insertion of items not debited or credited to the CI&ES:					
Statutory provision for repayment of debt (MRP)	1,993	0	1,993	(1,993)	0
Total	(80,555)	9,648	(70,907)	70,907	0

7. 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 in 2014/15.

	Note	1 April 2014 £000	Transfer Out 2014/15 £000	Transfer In 2014/15 £000	Total Movements £000	31 March 2015 £000
General Fund:						
<i>Revenue Grants and Contributions:</i>						
- LSTF Revenue Reserve	19	(4,870)	4,870	0	4,870	0
<i>Other Earmarked Revenue Reserves:</i>						
- PFI Revenue Reserve	19	(6,158)	1,500	(1,410)	90	(6,068)
Total		(11,028)	6,370	(1,410)	4,960	(6,068)

8. Financing and Investment Income and Expenditure

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

	31 March 2015 £000
Interest Payable and similar charges	1,387
Pensions interest cost and expected return on pension's assets	0
Interest receivable and similar income	(1,326)
Total	61

9. Taxation and Non Specific Grant Income

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

	31 March 2015 £000
LEP Core Funding from DCLG	(517)
Total	(517)

This funding was awarded to the Combined Authority / LEP to assist with the development of the region's Strategic Economic Plan (SEP) and support core operations for economic development activity.

10. Financial Instruments

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

	Current 31 March 2015 £000	Long Term 31 March 2015 £000
Financial liabilities at amortised cost	0	25,000
Total other long term liabilities	0	25,000
Loans and receivables	114,000	0
Cash and Cash Equivalents	74,814	0
Total investments	188,814	0
Soft Loans Provided		6,186

Under accounting requirements the carrying value of the financial instrument value is shown in the Balance Sheet, which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including accrued interest. Accrued interest is shown separately in current assets / liabilities where the payments / receipts are due within one year. The effective interest rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

The Combined Authority is owed £6.7m in a dividend receivable from SYITA properties Limited a subsidiary company. The dividend was declared in 2008 and is outstanding at 31st March 2015. The outstanding Dividend is treated as a soft loan to a subsidiary.

The present value of the loan is calculated as the present value of all future cash receipts discounted using the prevailing market rate of interest at which the authority could borrow for a loan with similar terms. The appropriate PWLB Interest rate is 3.92% which has been used to calculate the present value of the loan. The detailed soft loan information is shown in the table below:

	31 March 2015 £000
Opening Balance	6,700
Less Discounted Amount	(514)
Balance Carried Forward	6,186
Nominal Value	6,186

Financial Instrument Gain / Losses

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

	2014/15 Financial Liabilities	2014/15 Financial Assets Loans and receivable	Total
	£000	£000	£000
Interest expense	(1,387)	0	(1,387)
Interest on PFI scheme liabilities	0	0	0
Interest payable and similar charges	(1,388)	0	(1,388)
Interest income	0	1,326	1,326
Interest and investment income	0	1,326	1,326
Net gain / (loss) for the year	(1,387)	1,326	(61)

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.
- 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.

- To calculate the PWLB fair value the new borrowing rate has been used, as opposed to the premature repayment rate, as the discount factor for all PWLB borrowing. 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.
- 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 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 2015 Carrying Amount £000	31 March 2015 Fair Value £000
PWLB debt	(25,000)	(32,628)
Non-PWLB debt	0	0
Total Financial Liabilities	(25,000)	(32,628)

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.

	31 March 2015 Carrying Amount £000	31 March 2015 Fair Value £000
Total Loans and Receivables	114,000	114,290
Total	114,000	114,290

The Combined Authority held three fixed term investments with Lloyds Bank of £5m each, £15m in total, as at 31 March 2015 with maturity dates of the 16th & 27th April and the 5th October 2015 respectively. The Combined Authority also has a number of fixed term investments with Local Authorities totalling £84m. There was also a £15m deposit with Santander on a 95 day call which has been classified as fixed. Other deposits were held in

instant access deposit accounts and Money Market Funds (MMFs) and are classed as Cash or Cash Equivalents.

11. 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.

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, Moodys and Standard and Poors) and also using the following information:

- Credit updates and credit outlooks from credit rating agencies.
- Credit Default Swap spreads to give early warning of likely changes in credit ratings (a CDS is the market perception of credit risk for financial institutions).
- Sovereign ratings to enable the Combined Authority to only select counterparties from the most creditworthy countries.

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

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

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

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

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

The following analysis summarises the Combined Authority's potential maximum exposure to credit risk as at 31 March 2015, 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 2015 £000	Historical Experience of Default	Adjustment for conditions at 31 March 2015	Estimated Maximum Exposure to Default £000
Deposits with				
AAA rated counterparties	68,829	0%	0.000%	0
AA+ rated counterparties	84,000	0%	0.003%	3
A rated counterparties	35,985	0%	0.020%	7
	188,814			10
<p>* 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 and the Combined Authority no longer has exposure to Iceland so the percentage used is 0%. As at 31 March 2015 the Combined Authority held £15m as fixed term deposits with Lloyds Bank who were rated A at this time and £15m in a 95 day call account with Santander who were rated A at this time. The adjustment for conditions at 31 March 2015 reflects the risk on this deposit at that date as determined by Credit Rating Agencies.</p>				

As at 31 March 2015 the Combined Authority held £15m in fixed term deposits with Lloyds Bank (a Part Nationalised Bank), with maturity dates of 16th & 27th April and the 5th October 2015 respectively. A small default risk was attached to this deposit of 0.026% at 31 March 2015. The Combined Authority also had £15m in a 95 day call account as at 1 April 2014 which had a default risk of 0.23% as at 31 March 2015. Other funds held at the year-end (£74.81m) were deposited with AAA Money Market Funds (MMFs) and an instant access account. As these funds offer instant access these deposits have been classified as Cash and Cash Equivalents in the accounts.

The table below shows that the Combined Authority's outstanding investment balance (excluding investments classified as cash and cash equivalents) as at 31 March 2015 was £114m, and there was £118m investment at 1 April 2014 (including £15m in Long Term investments).

31 March 2015			
Financial Institution	Rating of Counterparty	Country	Amount £000
Local Authorities		UK	84,000
Lloyds Bank plc	A	UK	15,000
Santander UK plc	A	UK	15,000

01 April 2014 – Comparative Information			
Financial Institution	Rating of Counterparty	Country	Amount £000
Local Authorities	A	UK	31,800
Royal Bank of Scotland plc	A	UK	15,000
Barclays Bank plc	A	UK	15,000
Ulster Bank		UK	10,000
Bank of Scotland plc		UK	6,157

As a result of the Combined Authority being established by Statutory Instrument at the end of 2013/14, there was a period when investments had to be transacted through Sheffield City Council (SCC). This caused an unavoidable and planned temporary breach of the Combined Authority's counterparty criteria during April 2014/15 as investment balances held with SCC were at a higher level than permitted by the Combined Authority's counterparty policy. This breach was reported to the Section 151 officer and the Combined Authority immediately.

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, it also acts as a lender of last resort to the 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 accounts is £74.8m as at 31 March 2015 offer instant repayment.

Refinancing and Maturity Risk

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

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

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt.
- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Combined Authority's day to day cash flow needs and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is:

	Principal	2014/15 Accrued Interest	Principal plus Interest
	£000	£000	£000
Between one and two years	0	0	0
Between two and five years	0	0	0
Between five and ten years	8,000	0	8,000
More than ten years	17,000	0	17,000
Total	25,000	0	25,000

The maturity analysis of financial assets is:

	Principal	2014/15 Accrued Interest	Principal plus Interest
	£000	£000	£000
Less than one year	114,000	237	114,237
Between 1 & 2 years	0	0	0
Total	114,000	237	114,237

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.

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 and Banking 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 2015, 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 **	2,011
Increase in government grant receivable for financing costs	0
Impact on Surplus or Deficit on the Provision of Services	2,011
Decrease in fair value of fixed rate investment assets****	76
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)	3,256
Notes:	
*All borrowing raised from the PWLB were at fixed rates in 2014/15 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 2014/15.	
**** There were a number of fixed term investments totalling £84m held with various Local Authorities at the year end. There was also £15m held in a Santander 95 day call account which was classified as fixed. Other investments held by the Combined Authority at the year-end were deposited with Money Market Funds (MMFs) and a Deposit Account which offer instant access to funds and therefore classified as Cash or Cash Equivalents on the Balance Sheet.	
***** All of the Combined Authority assets are classed as loans and receivables and therefore this figure is zero as there is no impact on the Comprehensive Income and Expenditure Statement.	

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

Foreign Exchange Risk

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

12. Long Term Debtors

The following is an analysis of Long Term Debtors:

01 April 2014 £000		31 March 2015 £000
0	Trade Debtors	0
6,051	Other Receivables and payables	6,186
6,051	Total	6,186

The long term debtor of £6.2m relates to a £6.7m dividend receivable from SYITA Properties Limited which is intended to be paid over the next 9 years. The balance of the dividend receivable of £0.5m is treated as an investment in the company.

13. Long Term Investments

The following is an analysis of Long Term Investments:

01 April 2014 £000		31 March 2015 £000
15,000	Bank Deposits due after one year	0
7,117	Investment in Subsidiary	6,942
22,117	Total	6,942

The Combined Authority owns the share capital of SYITA Properties Limited, a company set up in accordance with the provisions of the Transport Act 1985. The principal activity is the rental of property for business use. The cost of the shares has been impaired to reflect the net worth of the company.

14. Short Term Debtors

The following is an analysis of short term Debtors:

1 April 2014 £000		31 March 2015 £000
63	Central Government Bodies	1,264
557	Other Local Authorities	1,119
10	Other Entities and Individuals	364
630	Total	2,747

15. Cash and Cash Equivalents

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

01 April 2014 £000		31 March 2015 £000
455	Cash at Bank	0
87,042	Short Term Investments	74,814
87,497	Total	74,814

16. Short Term Borrowing

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

01 April 2014 £000		31 March 2015 £000
0	Other Local Authorities	(684)
0	Total	(684)

17. Short Term Creditors

The following is an analysis of Creditors:

01 April 2014 £000		31 March 2015 £000
(83)	Central Government Bodies	(69)
(60,232)	Other Local Authorities	(37,500)
(38)	Other Entities and Individuals	(386)
(60,353)	Total Creditors	(37,955)

Amounts due to other local authorities includes £25.8m cash held on behalf of SYPTE until required for liquidity purposes, and expected to be drawn down within 12 months. The remaining balance is due to other South Yorkshire local authorities for capital grants in respect of the LTP and LSTF capital programmes.

18. 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.

1 April 2014 Fair Value £000		31 March 2015 Fair Value £000
(139,091)	Other Local Authorities	(192,019)
(139,091)	Total	(192,019)

19. 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 2015 £000
General Balances Available	(45,843)
Total	(45,843)

This balance has risen materially on the prior year (£7.6m) due to the reduction (£39.7m) in the 2014/15 revenue grant payable by the Combined Authority to the SYPTE.

This reduction was achieved as a result of the award of a capital grant (£72.9m) by the CA to SYPTE during the year principally to resource past capital expenditure recognised in SYPTE's accounts as deferred charges.

Earmarked General Fund Reserves

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

	31 March 2015 £000
Revenue Grants and Contributions:	(0)
Other Earmarked Reserves:	
- PFI Revenue Reserve	(6,068)
Total	(6,068)

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

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

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

- **Revenue Grants and Contributions:** 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.
- **PFI Revenue Reserve:** The PFI reserve is for Doncaster Interchange and exists due to Government funding being received in advance to pay future years' liabilities. This income is set aside in a reserve until needed to ensure sufficient funds are available to cover the cost of the contract in future years.

Capital Receipts Reserve

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

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

	31 March 2015 £000
Capital Receipts Reserve	(5,343)
Total	(5,343)

No draw was made upon the capital receipts reserve during the year.

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 2015 the balance on the Capital Grants Unapplied Reserve was nil.

20. Unusable Reserves

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 Authority as finance for the costs of acquisition, construction and enhancement.

	2014/15
£000	£000
Balance at 1 April	39,826
<i>Reversal of items relating to capital expenditure debited or credited to the CI&ES:</i>	
Revenue expenditure funded from capital under statute	106,225
	106,225
Net written out amount of the cost of non-current assets consumed in the year	146,051
<i>Capital financing applied in the year:</i>	
Capital grants and contributions credited to the CI&ES	(23,677)
Application of grants and contributions from the Capital Grants	
Unapplied Reserve	(9,648)
Statutory provision for the repayment of debt	(1,993)
	(35,318)
Balance at 31 March	110,733

21. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2014/15
	£000
Interest Received	1,535
Interest Paid	(1,829)
Total	(294)

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

	2014/15
	£000
Increase / (decrease) in creditors	(22,398)
Increase / (decrease) in debtors	(1,906)
Other non-cash items charged to the net surplus or deficit on the provision of services	(441)
Total	(24,745)

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

	2014/15
	£000
Any other items for which the cash effects are investing or financing cash flows	(23,677)
Total	(23,677)

22. Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

	2014/15
	£000
Purchase of short-term and long-term investments	(297,400)
Proceeds from short-term and long term investments	301,277
Other receipts from investment activities	26,187
Total	30,064

23. Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

	2014/15
	£000
Repayments of short and long-term borrowing	52,927
Total	52,927

24. Amounts Reported for Resource Allocation Decisions

The Combined Authority is organised into two service areas, the services are:

- Transport Authority,
- Economic Regeneration.

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the CIPFA Service Reporting Code of Practice (SeRCOP). However, decisions about resource allocation are taken by the Authority's Board on the basis of budget reports analysed across the services. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- No charges are made in relation to capital expenditure
- Expenditure on some support services is budgeted for centrally and not charged to services.

The following tables show how the figures reported in the Authority's outturn report reconcile to the figures in the Comprehensive Income and Expenditure Statement. A simplified version of this disclosure can be found within the Foreword.

The income and expenditure of the Authority as recorded in the budget reports for the year ended 31 March 2015 is as follows:

2014/15 Service Income and Expenditure			
	Transport Authority	Economic Regeneration	Total
	£000	£000	£000
Grants	(8,729)	(665)	(9,394)
Other reimbursements and contributions	(75,982)	(768)	(76,750)
Other Income	(1,333)	(687)	(2,020)
Total Income	(86,044)	(2,120)	(88,164)
Employees	0	754	754
Premises	0	64	64
Transport	1	19	20
Supplies and services	48,205	566	48,771
Support Services	279	104	383
Total Expenditure	48,485	1,507	49,992
Net Expenditure (budget outturn)	(37,559)	(613)	(38,172)

Reconciliation to Service Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement:

This reconciliation shows how the figures in the analysis of service income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2014/15 £000
Net Expenditure in the Service Analysis (budget outturn)	(38,172)
Amounts not included in the analysis but included in the CI&ES	80,554
Amounts included in the analysis but not included in the CI&ES	5,326
Cost of Services in the CI&ES	47,708

Reconciliation to Subjective Analysis:

This reconciliation shows how the figures in the analysis of services income and expenditure relate to a subjective analysis of the (Surplus) or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2014/15	Net Expenditure in the Service Analysis (budget outturn)	Amounts not included in the analysis but included in the CI&ES	Amounts included in the analysis but not included in the CI&ES	Cost of Services in the CI&ES	Amounts reported below the net expenditure of Continuing Operation in the CI&ES	Total
	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(694)	0	0	(694)	0	(694)
Interest and investment income	(1,326)	0	1,326	0	(1,326)	(1,326)
Government grants and contributions	(86,144)	(23,677)	5,387	(104,434)	(517)	(104,951)
Total Income	(88,164)	(23,677)	6,713	(105,128)	(1,843)	(106,971)
Employee expenses	754	0	0	754	0	754
Other service expenses	47,851	104,231	0	152,082	0	152,082
Interest payments	1,387	0	(1,387)	0	1,387	1,387
Total Expenditure	49,992	104,231	(1,387)	152,836	1,387	154,223
(Surplus) or deficit on the provision of services	(38,172)	80,555	5,326	47,708	(456)	47,252

25. Members Allowances

The Authority paid the following amounts to Council Members who represent the local authorities that make up the Combined Authority during 2014/15:

	2014/ 15 £000
Basic Allowance	0
Expenses	14
TOTAL	14

26. Officer Remuneration

The Combined Authority has no employees and therefore a nil disclosure for pension provision under IAS19. The Authority shared the costs of its Executive Director (Head of Paid Services) during the year with SYPTE and receives a recharge from Barnsley MBC and Sheffield City Council for work completed on Authority matters by officers. The Authority also recompensed the SCR LEP Company for the cost of officers contracted to that company who worked on behalf of the Combined Authority / LEP during the year.

2014/15	Salary	Pension Contribution	Total
	£	£	£
Executive Director	84,693	10,332	95,025
Director of Inward Investment	80,000	0	80,000
Director of Skills	65,278	0	65,278
TOTAL	229,971	10,332	240,303

There are no other officers, working exclusively for the Combined Authority, earning over £50k per annum.

For the financial year 2014/15 Barnsley MBC have provided direct legal and HR support to the Combined Authority, whilst Sheffield City Council have provided the Section 151 officer and finance function.

27. External Audit Fees

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

	2014/15 £000
Fees payable with regard to external audit services carried out by the appointed auditor	35
Fees payable for the certification of grant claims and returns	0
Total	35

28. Grant Income

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

	2014/15 £000
Credited to Services:	
Department for Business Innovation and Skills	(145)
Department for Communities and Local Government	(0)
Department for Transport	(27,537)
European Regional Development Fund	(12)
English Local Government (Note 1)	(76,779)
Total	(104,473)
Credited to Taxation and Non Specific Grant Income:	
<i>Non-ring fenced Government Grants:</i>	
Department for Communities and Local Government	(517)
	(517)
<i>Capital Grants and Contributions</i>	0
	0
Total	(104,990)
1. £76m SY Transport Levy, £0.2m CA / LEP Subscriptions, £0.6m Enterprise Zone Retained Business Rates.	

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 2015 £000
Revenue Grants Receipts in Advance:	
	0
Total	0
Capital Grants Receipts in Advance:	
Department for Transport (LTP Grant)	(2,510)
Total	(2,510)

29. Related Party Disclosures

The 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 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 Authority.

For the Combined Authority, the main categories of related party are the 9 constituent Local Authorities, whose Leaders make up the membership of the Combined Authority and have direct control through voting rights. The Authorities material related party transactions in year amounted to net payments of £51m with £120m accrued.

Members

During 2014/15 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 S151 Officer or the Monitoring Officer to the Authority.

Significant Transactions:

2014/15	Notes	Receipts	Payments	Net Payments	Receivables	Payables	Net Assets
		£000	£000	£000	£000	£000	£000
Related Party							
Barnsley Metropolitan Borough Council	1	(12,902)	3,930	(8,972)	820	(1,881)	(1,061)
Doncaster Metropolitan Borough Council	2	(17,100)	4,789	(12,311)	0	(2,817)	(2,817)
Rotherham Borough Council	3	(14,518)	5,572	(8,946)	228	(1,871)	(1,643)
Sheffield City Council	4	(31,644)	2,734	(28,910)	16	(5,085)	(5,069)
Bolsover District Council	5	(27)	14	(13)	0	0	0
Bassetlaw District Council	6	(23)	0	(23)	4	0	4
North East Derbyshire District Council	7	(27)	0	(27)	0	0	0
Chesterfield Borough Council	8	(4)	10	6	23	0	23
Derbyshire Dales District Council	9	(4)	0	(4)	0	0	0
South Yorkshire Passenger Transport Executive	10	0	8,076	8,076	0	(115,456)	(115,456)
South Yorkshire ITA Properties LTD	11	0	0	0	6,186	0	6,186
<p>1 Income (split across receipts and receivables) - £13.1m Transport Levy, £0.03m LEP Subs, £0.5m Enterprise zone, £0.09m Loan w/off. Expenditure (split across payments and payables) - £3m highways capital maintenance grant and £2.5m payment for Local transport Plan and local Sustainable transport Fund.</p> <p>2 Income - £17m Transport Levy, £0.04m LEP Subs, £0.09m Loan w/off. Expenditure (split across payments and payables) - £3.4m payment of highways capital maintenance grant and £4.1m payment for Local Transport Plan and Local Sustainable Transport Fund.</p> <p>3 Income - (split across receipts and receivables) - £14.5m Transport Levy, £0.04m LEP Subs, £0.13m Enterprise zone, £0.09m Loan w/off. Expenditure (split across payments and payables) - £2.7m payment of highways capital maintenance grant and £4.3m payment for Local Transport Plan / Local Sustainable Transport Fund.</p> <p>4 Income - £31.4m Transport Levy, £0.08m LEP Subs, £0.02m Enterprise zone, £0.19m Loan w/of. Expenditure (split across payments and payables) - £7.5m payments for Local Transport Plan / Local Sustainable Transport Fund.</p> <p>5 £0.004m LEP Subs income, £0.023m Loan write off.</p> <p>6 £0.027m Loan write off.</p> <p>7 £0.004m LEP Subs income, £0.023m Loan write off.</p> <p>8 £0.004m LEP Subs income, £0.023m Loan write off.</p> <p>9 £0.004m LEP Subs income.</p> <p>10 £110.35m Revenue and Capital Grant payments, £2.45m PFI, £10.6m Local Transport Plan / Local Sustainable Transport Fund and £0.1m Expenses.</p> <p>11 £6.186m Soft Loan.</p>							

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:

	2014/15 £'000
Amount held by the CA to repay SYPTE loans	120,917
Grant monies owing to SYPTE	96,935
Total owed to SYPTE by the CA	217,852

South Yorkshire ITA Properties Ltd

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

The net worth of the company as at 31 March 1985 was £9.496m. The Authority owns 17,608,900 of the 17,608,902 shares issued by the company, the other two being held by an employee of Barnsley MBC as the nominee of the Authority. The nominal value of the ordinary share capital was reduced from £1 to 55p per share following a capital restructuring exercise undertaken in 1993/94. The issued share capital is therefore £9,684,896 with a called up value of £7,805,632.

Transactions with Other Public Bodies

The UK government exerts significant influence over the 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:-

2014/15							
	Notes	Receipts	Payments	Net Payments	Receivables	Payables	Net Assets
		£000	£000	£000	£000	£000	£000
Related Party							
South Yorkshire Pensions Authority	1	0	41	41	0	(21)	(21)
South Yorkshire Police and Crime Commissioner	2	0	56	56	0	0	0
Leeds City Council	3	0	0	0	0	(19)	(19)
1 Fees.							
2 Payment for Local Transport Plan.							
3 Mipim UK property trade show costs.							

30. Capital Expenditure and Capital Financing and Capital Commitments

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 Authority, the expenditure results in an increase in the Capital

Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.

	2014/15 £000
Capital Investment	
Revenue Expenditure Funded from Capital Under Statute	106,225
Sources of Finance	
Government Grants and Other Contributions	33,325
Borrowing	72,900
	106,225
Capital Financing Requirements	
Opening Balance	39,826
Borrowing in Year	72,900
Statutory / Voluntary Provision for repayment of debt (MRP / VMRP)	(1,993)
Closing Balance	110,733
PWLB Borrowing	(25,000)
Other Borrowing	(684)
	(25,684)
Under borrowed	85,049

Group Accounts

The Group accounts, as at 31 March 2015, comprise the accounts of the Combined Authority, together with those of the South Yorkshire Passenger Transport Executive and SYITA Properties Limited.

All intra-group trading, balances and unrealised gains and losses, at the end of the financial year 2014/15, 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 2011. These regulations require the accounts to be prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (The Code) and the CIPFA Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 7 of the 2011 Regulations.

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

SYPTe has one subsidiary, "Supertram Assets Limited", which is non-trading and interest in a joint venture with West Yorkshire Combined Authority, "Yorcard Limited". Neither are material in value and SYPTe has taken the decision not to consolidate in to SYPTe's accounts in 2014/15.

Further information about SYPTe's accounts is available from the following address:

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

SYITA Properties Limited

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

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

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

The Directors
SYITA Properties Limited
18 Regent Street
Barnsley
S70 2PQ

South Yorkshire Passenger Transport Pension Fund

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

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

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

Basis of Dominant Influence

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

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

Group Movement in Reserves Statement

Group Movement in Reserves: Usable Reserves

		General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000
	Note					
Balances transferred in at 1 April 2014		(5,957)	(15,231)	(7,091)	(18,494)	(46,773)
Movement in reserves during 2014/15:						
(Surplus) / deficit on provision of services	CI&ES	6,972	0	0	0	6,972
Other Comprehensive (Income) and Expenditure	CI&ES	0	0	0	0	0
Total Comprehensive (Income) and Expenditure		6,972	0	0	0	6,972
Adjustments between accounting basis and funding basis under regulations	32	(45,701)	0	0	13,603	(32,098)
Net (increase) / decrease before transfers to earmarked reserves		(38,729)	0	0	13,603	(25,126)
Transfers (to) / from earmarked reserves	33	(804)	1,955	88	(1,239)	0
(Increase) / decrease in year		(39,533)	1,955	88	12,364	(25,126)
Balance at 31 March 2015		(45,490)	(13,276)	(7,003)	(6,130)	(71,899)

Group Movement in Reserves: Unusable Reserves and Total Group Reserves

	Note	Capital Adjustment Account £000	Deferred Capital Grant Reserve (PTE) £000	Revaluation Reserve £000	Pension Reserve (PTE) £000	Accumulated Absences Reserve (PTE) £000	Unusable Reserves £000	Total Group Reserves £000
Balances transferred in at 1 April 2014		39,926	(35,053)	(14,966)	36,643	102	26,652	(20,121)
Movement in reserves during 2014/15:								
(Surplus) / deficit on provision of services	CI&ES	0	0	0	0	0	0	6,972
Other Comprehensive (Income) and Expenditure	CI&ES	0	0	(2,637)	7,936	0	5,299	5,299
Total Comprehensive (Income) and Expenditure		0	0	(2,637)	7,936	0	5,299	12,271
Adjustments between accounting basis and funding basis under regulations	32	70,807	(35,927)	41	(2,781)	(42)	32,098	0
Net (increase) / decrease before transfers to earmarked reserves		70,807	(35,927)	(2,596)	5,155	(42)	37,397	12,271
Transfers (to) / from earmarked reserves	33	0	0	0	0	0	0	0
(Increase) / decrease in year		70,807	(35,927)	(2,596)	5,155	(42)	37,397	12,271
Balance at 31 March 2015		110,733	(70,980)	(17,562)	41,798	60	64,049	(7,850)

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.

		2014/15		
	Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Transport Planning Policy and Strategy		27,646	(23,677)	3,969
Public Transport – Support to Operator		0	(79,841)	(79,841)
Transport Services – PTE		115,503	(31,928)	83,575
Income and Expenditure ITA Properties		978	(328)	650
Highways and Transport Services		144,127	(135,774)	8,353
Planning Services – Economic Development		1,437	(1,602)	(165)
Corporate and Democratic Core		452	(6)	446
(Surplus) / Deficit on Continuing Operations		146,016	(137,382)	8,634
Gains on disposal of non-current assets				(60)
Investment Property Change in Fair Value				(65)
Financing and Investment Income	34			16,526
Financing and Investment Income – Pensions	34			1,518
Taxation and Non-Specific Grant Income	35			(19,671)
Corporation Tax Payable	35			90
(Surplus) / Deficit on Provision of Service				6,972
(Surplus) / Deficit on revaluation of non-current assets				(2,637)
Actuarial gains / losses on pension assets / liabilities	57			7,936
Other Comprehensive (Income) and Expenditure				5,299
(Surplus) / deficit for the year				12,271
<i>Combined Authority</i>				47,252
<i>SYLTE</i>				(35,078)
<i>SYITA Properties Ltd</i>				97
				12,271

Group Consolidated Balance Sheet

As at 1 April 2014			As at 31 March 2015
£000		Notes	£000
5,517	Investment Property	38	5,608
367	Intangible Assets	36	306
104,860	Property, Plant and Equipment	37	107,151
110,744	Non-Current Assets		113,065
40	Long Term Debtors		0
15,000	Long Term Investments		0
15,040	Long Term Assets		0
125,784	Total Long Term Assets		113,065
103,124	Short Term Investments	39	114,001
171	Inventories		258
12,964	Short Term Debtors	40	19,218
97,815	Cash and Cash Equivalents	41	81,151
214,074	Current Assets		214,628
339,858	Total Assets		327,693
(15,555)	Short Term Borrowing	39	(23,629)
(25,911)	Short Term Creditors	42	(28,178)
(139)	Short Term Provisions	43	(284)
(149)	PFI / PPP Finance Lease Liability	56	(162)
0	Capital Grants RIA	53	(4,664)
(183)	Other Liabilities		0
(41,937)	Current Liabilities		(56,917)
297,921	Total Assets less Current Liabilities		(270,776)
(228,660)	Long Term Borrowing	39	(208,900)
(513)	Long Term Provisions	43	(406)
(11,984)	PFI / PPP Finance Lease Liability	56	(11,822)
(36,643)	Net Pension Liability	57	(41,798)
(277,800)	Long Term Liabilities		(262,926)
20,121	Net Assets / (Liabilities)		7,850
(33,598)	Combined Authority		(57,254)
(13,361)	SYLTE		(15,035)
186	SYITA Properties Ltd		390
(46,773)	Usable Reserves	44	(71,899)
39,926	Combined Authority		110,733
(13,126)	SYLTE		(46,530)
(148)	SYITA Properties Ltd		(154)
26,652	Unusable Reserves	45	64,049
(20,121)	Total Reserves		(7,850)

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.

	Notes	2014/15 £000
Net surplus or (deficit) on the provision of services		(6,971)
- Adjustment to surplus or (deficit) on the provision of services for non-cash movements	46	24,726
- Adjustment for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities	46	(21,624)
Net cash flow from operating activities		(3,869)
Investing activities	47	(1,521)
Financing activities	48	(11,274)
Net increase / (decrease) in cash and cash equivalents		(16,664)
Cash and cash equivalents at 1 April		97,815
Cash and cash equivalents at 31 March		81,151

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.

31. Group Accounting Policies

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

XIX. 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.

XX. Employee Benefits

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

Benefits Payable During Employment

Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees, and are recognised as an expense for services in the year in which employees render service to the Group.

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

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 57 (Group) 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 plain assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pension Reserve as Other Comprehensive Income and Expenditure.
- actuarial gains and losses – changes in the net 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.

XXI. Expenditure that does not result in the Creation of a Non-Current Asset

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

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

XXII. Investment Properties

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

Investment properties are initially recognised at cost, and subsequently at fair value based on the amount at which the asset could be exchanged between knowledgeable parties at arms-length. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Comprehensive Income and Expenditure account.

XXIII. Intangible Assets

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

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

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

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

XXIV. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Group).

In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Group.

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

- Property – depreciated replacement cost (following clarification of the CIPFA Code of Practice on Transport Infrastructure Assets, certain assets are now being reclassified from Infrastructure to Property).
- infrastructure, community assets and assets under construction – depreciated historical cost.
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

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

Impairment

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

Where impairment losses are identified, they are accounted for as follows:

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

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

Depreciation

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

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

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

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

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost.

XXV. Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the (Surplus) / Deficit on Provision of Services.

Depreciation is not charged on Assets Held for Sale.

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

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

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.

32. Group Adjustments Between Accounting Basis and Funding Under Regulation

	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	23,677	0	23,677	(23,677)	0
Application of grants and contributions to capital financing from the Capital Grants Unapplied Reserve	0	9,648	9,648	(9,648)	0
Revenue expenditure funded from capital under statute	(106,225)	0	(106,225)	106,225	0
Other movements (PTE)	(2,564)	0	(2,564)	2,564	0
Insertion of items not debited or credited to the CI&ES:					
Statutory provision for repayment of debt (MRP)	1,993	0	1,993	(1,993)	0
Employers contribution to Pension Scheme	5,345	0	5,345	(5,345)	0
Other:					
Transfer to Accumulating Absences Account	42	0	42	(42)	0
Grants received and receivable during the year	60,992	3,955	64,947	(64,947)	0
Grants released to Operational Revenue Reserve	(29,020)	0	(29,020)	29,020	0
Release to Revaluation Reserve	(41)	0	(41)	41	0
Other Movements	102	0	102	(102)	0
Total	(45,701)	13,603	(32,098)	32,098	0

33. 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 in 2014/15.

	1 April 2014 £000	Transfer Out 2014/15 £000	Transfer In 2014/15 £000	Total Movements £000	31 March 2015 £000
Combined Authority:					
<i>Revenue Grants and Contributions:</i>					
- LSTF Revenue Reserve (1)	(4,870)	4,870	0	4,870	0
<i>Other Earmarked Revenue Reserves:</i>					
- PFI Revenue Reserve (2)	(6,158)	1,500	(1,410)	90	(6,068)
SYLTE:					
Earmarked Revenue Reserve (3)	(4,203)	0	(3,005)	(3,005)	(7,208)
Total	(15,231)	6,370	(4,415)	1,955	(13,276)

- (1) Transfers out – Local Sustainable Transport Fund grant drawn down to fund expenditure in 2014/15.
- (2) Transfers in - PFI Credits from DCLG / Transfers out - paid to SYLTE for Doncaster Interchange PFI.
- (3) Transfers in from SYLTE operational reserve to set aside funds for agreed future commitments (e.g. Embedded Rail replacement, Rotherham car park).

34. Group Financing and Investment Income and Expenditure

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

	2014/15 £000
Interest payable and similar charges	18,617
Interest receivable and similar income	(1,746)
Reversal of impairment of short-term deposit	(345)
	16,526
Pensions – Interest payable	1,518
Total	18,044

35. Group Taxation and Non-Specific Grant Income

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

	2014/15
	£000
Non ring-fenced grants:	
LEP Core Grant (DCLG)	(517)
Department for Transport	(14,498)
Better Bus Area	(1,598)
European Regional Development Fund / Other	(3,058)
Total	(19,671)

The following table provides an analysis of Taxation Payable:

	2014/15
	£000
SYITA Properties Ltd:	
UK Corporation Tax	108
Deferred Tax	(18)
Total	90

36. Group Intangible Assets

The following is an analysis of Intangible Assets:

	2014/15
Cost or valuation:	£000
At 1 April 2014	367
Amortisation (remaining life is 6 years)	(61)
At 31 March 2015	306

Intangible assets represent £306k for software associated with the development of the Yorcard project which is being amortised over the remaining life of the licence agreement which is six years.

37. Group Property Plant and Equipment

Movements on Balances:

	Land and Buildings £000	Infrastructure (Light Railway System) £000	PPE Vehicles, Plant and Equipment £000	PPE Assets Under Construction £000	Total PPE £000	PFI Assets included in Land & Buildings £000
Cost or Valuation:						
At 1 April 2014	68,200	59,965	23,545	4,751	156,461	11,028
Additions - programmed investment	68	0	799	3,631	4,498	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	2,601	0	0	0	2,601	522
Revaluation increases / (decreases) to Surplus / Deficit on the Provision of Services	(680)	0	0	0	(680)	0
De-recognition – disposals	0	0	(3,018)	0	(3,018)	0
De-recognition - other	(1,933)				(1,933)	(350)
At 31 March 2015	68,256	59,965	21,326	8,382	157,929	11,200
Accumulated Depreciation and Impairment:						
At 1 April 2014	0	(30,534)	(21,067)	0	(51,601)	0
Depreciation Charge	(1,933)	(1,653)	(542)	0	(4,128)	(350)
De-recognition – Disposals	0	0	3,018	0	3,018	0
De-recognition - other	1,933	0	0	0	1,933	350
At 31 March 2015	0	(32,187)	(18,591)	0	(50,778)	0
Net Book Value						
As at 1 April 2014	68,200	29,431	2,478	4,751	104,860	11,028
As at 31 March 2015	68,256	27,778	2,735	8,382	107,151	11,200

38. Group Investment Properties

The following is an analysis of Investment Properties:

	2014/15
Cost or valuation:	£000
At 1 April 2014	5,517
Revaluation	101
Disposals	(10)
At 31 March 2015	5,608

39. Group Financial Instruments

Categories of Financial Instruments

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

	Long Term		Current	
	31 March 2015 £000	1 April 2014 £000	31 March 2015 £000	1 April 2014 £000
Investments				
Loans and receivables	0	15,000	114,001	103,124
Debtors				
Loans and receivables	0	40	19,219	1,235
Cash and cash equivalents				
Loans and receivables	0	0	81,151	97,814
Borrowings				
Financial liabilities at amortised cost	208,900	228,660	23,629	15,555
Other Liabilities				
Financial liabilities at amortised cost (PFI)	11,822	11,984	303	362
Creditors and provisions				
Financial liabilities at amortised cost	406	513	30,379	26,033

	Financial Liabilities	Financial Assets	Total
	Liabilities measured at amortised cost	Investments and debtors	
2014/15	£000	£000	£000
Income, Expense, Gains and Losses			
Interest expense – debt	(17,559)	0	(17,559)
Interest expense – PFI	(1,059)	0	(1,059)
Reductions in fair value	0	(3)	(3)
Impairment losses / (gains)	345	0	345
Total expense in Surplus or Deficit on the Provision of Services	(18,273)	(3)	(18,276)
Interest income	0	1,746	1,746
Total income in Surplus or Deficit on the Provision of Services	0	1,746	1,746
Net gain / (loss) for the year	(18,273)	1,743	(16,530)

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
- The interest value and date has not been adjusted where the 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	31 March 2015		1 April 2014	
	Carrying value	Fair value	Carrying value	Fair value
	£000	£000	£000	£000
PWLB	206,375	279,181	217,375	284,654
Non-PWLB	21,150	27,307	21,285	21,850
Doncaster Interchange PFI	11,984	11,984	12,133	12,133
Total Financial Liabilities	239,509	318,472	250,793	318,637

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 2015
	£000
Less than one year	18,625
Between one and two years	15,063
Between two and five years	75,475
More than five years	118,362
Total	227,525

40. Group Short Term Debtors

The following is an analysis of Debtors:

1 April 2014		31 March 2015
£000		£000
6,778	Central Government Bodies	6,443
2,869	Other Local Authorities	2,864
3,317	Other Entities and Individuals	9,911
12,964	Total	19,218

41. Group Cash & Cash Equivalents

	31 March 2015	1 April 2014
	£'000	£'000
Cash		
ITA - Company	-	454
PTE - Company	2,177	6,587
Property - Company	4,160	3,731
GROUP	6,337	10,772
Cash Equivalents		
ITA - Company	74,814	87,042
PTE - Company	-	-
Property - Company	-	-
GROUP	74,814	87,042
Cash & Cash Equivalents		
ITA - Company	74,814	87,496
PTE - Company	2,177	6,587
Property - Company	4,160	3,732
GROUP	81,151	97,815

42. Group Short Term Creditors

The following table shows an analysis of Short Term Creditors:

1 April 2014		31 March 2015
£000		£000
(4,238)	Central Government Bodies	(931)
(5,821)	Other Local Authorities	(19,028)
(15,852)	Other Entities and Individuals	(8,219)
(25,911)	Total	(28,178)

43. Group Provisions

The Combined Authority maintains the following Provisions:

	31 March 2015
	£000
Opening Balance 1 April 2014	(652)
Charge to Income and Expenditure Account during the year	(38)
Total	(690)
<u>Split by:</u>	
SYPT	(284)
Short Term	(284)
SYPT	(204)
SYTA Properties Ltd	(202)
Long Term	(406)

44. 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 2015	Combined Authority	SYPT	SYTA Properties Ltd	Total
	£000	£000	£000	£000
General Fund	(45,842)	0	0	(45,842)
Earmarked Reserves	(6,068)	(7,208)	0	(13,276)
Capital Receipts Reserve	(5,343)	(1,660)	0	(7,004)
Capital Grants Unapplied	0	(6,130)	0	(6,130)
Operational Revenue Reserve	0	(37)	0	(37)
Profit & Loss Account	0	0	390	390
Total	(57,254)	(15,035)	390	(71,899)

1 April 2014	Combined Authority	SYPT	SYTA Properties Ltd	Total
	£000	£000	£000	£000
General Fund	(7,579)	0	0	(7,579)
Earmarked Reserves	(11,028)	(4,203)	0	(15,231)
Capital Receipts Reserve	(5,343)	(1,748)	0	(7,091)
Capital Grants Unapplied	(9,648)	(8,846)	0	(18,494)
Operational Revenue Reserve	0	1,436	0	1,436
Profit & Loss Account	0	0	186	186
Total	(33,598)	(13,361)	186	(46,773)

45. 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 2015	Combined Authority	SYPTE	SYITA Properties Ltd	Total
	£000	£000	£000	£000
Capital Adjustment Account	110,733	0	0	110,733
Deferred Capital Grants and Contributions	0	(70,980)	0	(70,980)
Pension Reserve	0	41,798	0	41,798
Revaluation Reserve	0	(17,408)	(154)	(17,562)
Accumulated Absence Reserve	0	60	0	60
Total	110,733	(46,530)	(154)	64,049

1 April 2014	Combined Authority	SYPTE	SYITA Properties Ltd	Total
	£000	£000	£000	£000
Capital Adjustment Account	39,926	0	0	39,926
Deferred Capital Grants and Contributions	0	(35,053)	0	(35,053)
Pension Reserve	0	36,643	0	36,643
Revaluation Reserve	0	(14,818)	(148)	(14,966)
Accumulated Absence Reserve	0	102	0	102
Total	39,926	(13,126)	(148)	26,652

46. Group Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2014/15
	£000
Interest Received	1,955
Interest Paid	(18,396)
Total	(16,441)

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

	2014/15
	£000
Depreciation	4,359
Amortisation	27,326
Increase / (decrease) in creditors	2,122
Increase / (decrease) in debtors	(6,145)
Increase / (decrease) in inventories	(84)
Movement in pension liability	(2,781)
Other non-cash items charged to the net surplus or deficit on the provision of services	(71)
Total	24,726

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

	2014/15 £000
Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	(100)
Any other items for which the cash effects are investing or financing cash flows	(21,524)
Total	(21,624)

47. Group Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

	2014/15 £000
Purchase of property, plant and equipment, investments property and intangible assets	(31,761)
Purchase of short-term and long-term investments	(297,400)
Proceeds from short-term and long term investments	301,453
Other receipts from investment activities	26,187
Total	(1,521)

48. Group Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

	2014/15 £000
Cash payments for the reduction of outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(149)
Repayments of short and long-term borrowing	(11,125)
Total	(11,274)

49. Group Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the CIPFA Service Reporting Code of Practice (SeRCOP). However, decisions about resource allocation are taken by the Group members on the basis of budget reports analysed across the services. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement).
- the cost of retirement benefits is based on cash flows (payment of employer's pension's contributions) rather than current service cost of benefits accrued in the year.

- expenditure on some support services is budgeted for centrally and not charged to services.

The following tables show how the figures reported in the Group outturn reports reconcile to the figures in the Comprehensive Income and Expenditure Statement.

The income and expenditure of the Group recorded in the budget reports for the year ended 31 March 2015 is as follows:

2014/15 Service Income and Expenditure			
	Transport Authority	Economic Regeneration	Total
	£000	£000	£000
Grants	(8,729)	(665)	(9,394)
Other reimbursements and contributions	(75,982)	(768)	(76,750)
Other Income	(1,333)	(687)	(2,020)
Total Income	(86,044)	(2,120)	(88,164)
Employees	0	754	754
Premises	0	64	64
Transport	1	19	20
Supplies and services	48,205	566	48,771
Support Services	279	104	383
Total Expenditure	48,485	1,507	49,992
Net Expenditure (budget outturn)	(37,559)	(613)	(38,172)

Reconciliation to Service Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement:

This reconciliation shows how the figures in the analysis of service income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2014/15 £000
Net Expenditure in the Service Analysis (budget outturn)	(38,172)
Additional subsidiaries not included in the analysis	76,103
Amounts not reported to management	(24,010)
Amounts included in the analysis but not included in the CI&ES	(5,288)
Cost of Services in the CI&ES	8,633

Reconciliation to Portfolio Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement:

This reconciliation shows how the figures in the analysis of income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

2014/15	Net Expenditure in the Service Analysis (budget outturn)	Additional subsidiaries not included in the analysis	Amounts not reported to management	Amounts included in the analysis but not included in the CI&ES	Cost of Services in the CI&ES	Amounts reported below the net expenditure of Continuing Operations in the CI&ES	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(694)	(10,006)	0	0	(10,700)	0	(10,700)
Interest and investment income	(1,326)	0	0	1,326	0	(1,745)	(1,745)
Government grants and contributions	(86,144)	(1,884)	(23,677)	5,387	(106,318)	(19,671)	(125,990)
Total Income	(88,164)	(11,890)	(23,677)	6,713	(117,018)	(21,416)	(138,435)
Employee expenses	754	6,803	0	0	7,557	0	7,557
Other service expenses	47,850	81,190	(333)	(10,613)	118,093	(35)	118,058
Interest payments	1,388	0	0	(1,388)	0	19,791	19,791
Total Expenditure	49,992	87,993	(333)	(12,001)	125,650	19,756	145,406
(Surplus) or deficit on the provision of services	(38,172)	76,103	(24,010)	(5,288)	8,634	(1,661)	6,972

50. 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:

2014/15					
Post Holder Information	Salary - including Fees and Allowances	Expenses Allowances	Compensation for Loss of Office	Pension Contributions	Total Remuneration including Pension Contributions
	£	£	£	£	£
Interim Director General PTE / Executive Director CA (Note 1)	119,832	606	0	14,091	134,529
Interim Deputy General / Director of Customer Experience	104,250	23	0	12,719	116,992
Interim Director of Strategy	80,438	0	0	9,760	90,198
Head of Financial Services	12,059	0	0	1,471	13,530
Interim Head of Financial Services	15,698	0	0	1,806	17,504
Interim Head of Finance	23,434	0	11,810	2,865	38,109
Principal Solicitor and Secretary	75,636	387	0	8,775	84,798
Director of Inward Investment	80,000	0	0	0	80,000
Director of Skills	65,278	0	0	0	65,278
Total	576,625	1,016	11,810	51,487	640,938

Note 1: The post holder held two posts within the Combined Authority and PTE. The total cost was incurred by the PTE and the costs relating to the Executive Director CA were recharged to the Combined Authority during the year.

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

	2014/15
Remuneration Band	Total
£50,000 - 54,999	1
£55,000 - 59,999	3
£60,000 - 64,999	1
£65,000 - 69,999	1
£70,000 - 74,999	1
£75,000 - 79,999	1
£80,000 - 84,999	2
£100,000 - 104,999	1
£120,000 - 124,999	1
Total	12

51. Group Termination Benefits

SYPTTE terminated the contracts of 35 employees in 2014/15, incurring liabilities of £278k. The number of exit packages and total cost per band are set out in the table below:

	2014/15	
Exit Package cost band (including special payments)	Total number of exit packages by cost band	Total cost of exit packages in each band £000
£0 - £20,000	34	256
£20,001 - £40,000	1	22
Total	35	278

52. Group External Audit Fees

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

	2014/15 £000
Combined Authority	35
South Yorkshire Passenger Transport Executive	55
SYITA Properties Limited	9
Total	99

53. Group Grant Income

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

	2014/15 £000
Credited to Services:	
Department for Business Innovation and Skills	(145)
Department for Transport	(27,537)
European Regional Development Fund	(12)
English Local Government (Note 1)	(76,779)
Total	(104,473)
Credited to Taxation and Non Specific Grant Income:	
<i>Non-ring fenced Government Grants:</i>	
Department for Communities and Local Government	(517)
Department for Transport	(16,096)
European Regional Development Fund / Other	(3,058)
	(19,671)
<i>Capital Grants and Contributions</i>	0
	0
Total	(124,144)
1. £76m SY Transport Levy, £0.2m LEP Subscriptions, £0.6m Enterprise Zone Rates.	

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 2015 £000
Revenue Grants Receipts in Advance:	0
Total	(0)
Capital Grants Receipts in Advance:	
Department for Transport	(4,664)
Total	(4,664)

54. 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 whose 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 £51m with £126m accrued.

Members

During 2014/15 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 S151 Officer or the Monitoring Officer to the Authority.

Significant Transactions:

2014/15							
	Notes	Receipts	Payments	Net Payments	Receivables	Payables	Net Assets
		£000	£000	£000	£000	£000	£000
Related Party							
Barnsley Metropolitan Borough Council	1	(12,902)	3,930	(8,972)	820	(1,881)	(1,061)
Doncaster Metropolitan Borough Council	2	(17,100)	4,789	(12,311)	0	(2,817)	(2,817)
Rotherham Borough Council	3	(14,518)	5,572	(8,946)	228	(1,871)	(1,643)
Sheffield City Council	4	(31,644)	2,734	(28,910)	16	(5,085)	(5,069)
Bolsover District Council	5	(27)	14	(13)	0	0	0
Bassetlaw District Council	6	(23)	0	(23)	4	0	4
North East Derbyshire District Council	7	(27)	0	(27)	0	0	0
Chesterfield Borough Council	8	(4)	10	6	23	0	23
Derbyshire Dales District Council	9	(4)	0	(4)	0	0	0
<p>1 Income (split across receipts and receivables) - £13.1m Transport Levy, £0.03m LEP Subs, £0.5m Enterprise zone, £0.09m Loan w/off. Expenditure (split across payments and payables) - £3m highways capital maintenance grant and £2.5m payment for Local transport Plan and local Sustainable transport Fund.</p> <p>2 Income - £17m Transport Levy, £0.04m LEP Subs, £0.09m Loan w/off. Expenditure (split across payments and payables) - £3.4m payment of highways capital maintenance grant and £4.1m payment for Local Transport Plan and Local Sustainable Transport Fund.</p> <p>3 Income - (split across receipts and receivables) - £14.5m Transport Levy, £0.04m LEP Subs, £0.13m Enterprise zone, £0.09m Loan w/off. Expenditure (split across payments and payables) - £2.7m payment of highways capital maintenance grant and £4.3m payment for Local Transport Plan / Local Sustainable Transport Fund.</p> <p>4 Income - £31.4m Transport Levy, £0.08m LEP Subs, £0.02m Enterprise zone, £0.19m Loan w/of. Expenditure (split across payments and payables) - £7.5m payments for Local Transport Plan / Local Sustainable Transport Fund.</p> <p>5 £0.004m LEP Subs income, £0.023m Loan write off.</p> <p>6 £0.027m Loan write off.</p> <p>7 £0.004m LEP Subs income, £0.023m Loan write off.</p> <p>8 £0.004m LEP Subs income, £0.023m Loan write off.</p> <p>9 £0.004m LEP Subs income.</p>							

Transactions with Other Public Bodies

The UK government exerts significant influence over the 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:

2014/15							
	Notes	Receipts	Payments	Net Payments	Receivables	Payables	Net Assets
		£000	£000	£000	£000	£000	£000
Related Party							
South Yorkshire Pensions Authority	1	0	41	41	0	(21)	(21)
South Yorkshire Police and Crime Commissioner	2	0	56	56	0	0	0
Leeds City Council	3	0	0	0	0	(19)	(19)
1 Fees							
2 Payment for Local Transport Plan							
3 Mipim UK property trade show costs							

SYLTE

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

At 31 March 2015 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 SYLTE it has not consolidated Yorcard Ltd into its accounts.

SYITA Properties Ltd

SYITA did not disclose any related party transactions.

55. Group Leases

SYLTE and SYITA as Lessee

Finance Leases

The Group has not classified any leases as Finance Leases other than the Private Finance Initiative (note 56).

Operating Leases

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

	2014/15
	£000
Not later than one year	570
Later than one year and not later than five years	2,736
Later than five years	1,200
Total	4,506

SYPTE and SYITA Properties Ltd as Lessor**Finance Leases**

The Group has not classified any leases as Finance Leases.

Operating Leases

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

	2014/15 £000
Not later than one year	441
Later than one year and not later than five years	1,496
Later than five years	1,680
Total	3,617

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

56. 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 construction of a new bus station, which 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 at 31 March 2015 is £11.6m (£11.9m 1 April 2014). The project is a 32 year scheme and funds are provided by SYPTE to the PFI contractor by monthly unitary charge payments.

In 2014/15 unitary charge payments of £2.5m (£2.5m in 2013/14) were paid by SYPTE to the operator, Teesland Property Company. Unitary charge payments, over the life of the contract are expected to total £90.8m, 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 unitary charge can vary during the life of the contract, and is contractually subject to inflation rates and performance targets placed upon 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 7).

The Combined Authority received income of £3.9m in 2014/15. Total contributions towards the SYPTE unitary charge payments granted by the Combined Authority to SYPTE for 2014/15 were £2.5m. An additional £1.5m was drawn from the reserve to support general budget pressures.

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

	Repayment of Liability £000	Interest Charge £000	Contingent/ Rental £000	Service Charge £000	Lifecycle Costs £000	Total £000
Within 1 year	162	1,046	100	1,006	113	2,427
Within 2 -5 years	803	4,031	100	4,388	494	9,816
Within 6 - 10 years	1,466	4,576	-	6,406	721	13,169
Within 11 - 15 years	2,228	3,814	-	7,609	856	14,507
Within 16 - 20 years	3,387	2,656	-	9,037	1,016	16,096
Within 21 – 25 years	3,938	896	(983)	8,436	949	13,236
Total	11,984	17,019	(783)	36,882	4,149	69,251

	2015 Doncaster Interchange PFI Asset £000	2014 Doncaster Interchange PFI Asset £000
Net book value:		
As at 1 April	11,028	10,936
Revaluations	522	92
Depreciation	(350)	0
As at 31 March	11,200	11,028

	2015 Doncaster Interchange PFI Liability £'000	2014 Doncaster Interchange PFI Liability £'000
As at 1 April	12,133	12,270
Lease repayments	(1,309)	(1,309)
Interest Charge	1,059	1,071
Contingent rentals	101	101
As at 31 March	11,984	12,133

57. Group Post-Employment Benefits

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 & 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 services to 25 October 1986 for all staff employed by the SYPTE to that date, including all employees transferred to First South Yorkshire Limited (formerly Mainline Group Limited), under the provisions of the Transport Act 1985.

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

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

	2014/15 £000
Comprehensive Income and Expenditure Statement	
Current Service Cost	1,046
Financing Investment Income and Expenditure	1,518
Re-measurements in other Comprehensive Income and Expenditure	7,936
Total Post-Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	10,500

	2014/15 £000
Movement in Reserves Statement	
Reversal of net charges made to the (Surplus) / Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(2,564)
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>	
Employers contributions payable to scheme	5,345

Assets & Liabilities in Relation to Post-Employment Benefits

Reconciliation of present value of the scheme liabilities:

	2014/15 £000
Opening Balance at 1 April	(94,490)
Current Service Cost	(1,034)
Interest cost	(4,046)
Contributions by Scheme Participants	(397)
Re-measurements	(13,444)
Curtailments	(12)
Benefits paid	5,460
Closing Balance at 31 March	(107,963)

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

	2014/15 £000
Opening Balance at 1 April	57,847
Interest on Plan Assets	2,551
Re-measurements	5,508
Administration expenses	(23)
Contributions by Employer	5,345
Contributions by Scheme (plan) Participants	397
Benefits Paid	(5,460)
Closing Balance at 31 March	66,165

Pension Scheme Assets comprised:

	2014/15 £000
Equities	39,401
Bonds:	
Government Bonds	10,136
Other Bonds	3,830
Property	7,218
Other	5,577

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

Scheme History

	2014/15 £000
Present Values of Liabilities	(107,963)
Fair Value of Scheme Assets	66,165
Surplus / (Deficit) in the scheme	(41,798)

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:

	2014/15
Mortality assumptions:	
Longevity at age 65 for current pensioners:	
Men	23 years
Women	25.6 years
Longevity at age 65 for future pensioners:	
Men	25.3 years
Women	28.4 years
Financial assumptions:	
Rate of CPI inflation	2.0%
Rate of increase in salaries	3.75%
Rate of increase in pensions	2.0%
Discount rate	3.2%

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 + 0.1% p.a. discount	Sensitivity 2 +0.1% p.a. inflation	Sensitivity 3 +0.1% p.a. pay growth	Sensitivity 4 1 year increase in life expectancy
	£000	£000	£000	£000	£000
Disclosure item					
Liabilities	107,963	106,195	109,761	108,278	110,122
Assets	(66,165)	(66,165)	(66,165)	(66,165)	(66,165)
Deficit/(Surplus)	41,798	40,030	43,596	42,113	43,957
Projected Service Cost for next year	1,362	1,317	1,408	1,362	1,392
Projected Net Interest Cost for next year	1,311	1,294	1,384	1,336	1,395

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 2015 %
Differences between the expected and actual return on assets	12.2
Experience gains and losses on liabilities	0.0

58. 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 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 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 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 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 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 Scheme	A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

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 amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
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 receivable (debtors) and trade payables (creditors) and complex ones such as derivatives.
General Fund	The total services of the 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	<p>A reduction in the value of a non-current asset below its carrying amount on the Balance Sheet.</p> <p>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.</p>
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	Accounting standards developed by the International Accounting

Reporting Standards (IFRS)	Standards Board which determine the standards to be adopted in the preparation and presentation of the Authority's accounting records.
Inventories	<p>Inventories are assets:</p> <ul style="list-style-type: none"> • 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

	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 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	<p>The definition of a related party is dependent upon the situation, though key indicators of related parties are if:</p> <ul style="list-style-type: none"> • 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 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.

59. South Yorkshire Passenger Transport Pension Fund**SOUTH YORKSHIRE PASSENGER TRANSPORT PENSION FUND****FUND ACCOUNT**

2013/14 £'000		2014/15 £'000	£'000	Note
Dealings with members, employers and others directly involved in the Fund				
4,248	Contributions receivable	1,941		7
31	Transfers in from other pension funds	8		8
<u>4,279</u>			<u>1,949</u>	
(10,120)	Benefits payable	(11,692)		9
(254)	Payments to and on account of leavers	(176)		10
<u>(10,374)</u>			<u>(11,868)</u>	
(6,095)			(9,919)	
(817)	Management expenses		(807)	
Returns on investments				
5,472	Investment income	5,248		12
3,916	Profit and losses on disposal of investments and changes in value of investments	21,273		14
(34)	Taxes on income	(33)		12
<u>9,354</u>			<u>26,488</u>	
2,442	Net increase (decrease) in the net assets available for benefits during the year		15,762	
194,220	Net assets of the Fund at 1 April		196,662	
196,662	Net assets of the Fund at 31 March		212,424	

Fund account presentation changed due to administration expenses and investment management expenses being merged into Management expenses.

NET ASSETS STATEMENT

31 March 2014		31 March 2015		Note
£'000		£'000	£'000	
	Investment assets			
31,980	Fixed Interest Securities	33,951		
83,909	Equities	87,688		
68,036	Index-Linked Securities	79,231		
8,981	Pooled Investment Vehicles	8,872		
557	Cash - Foreign currency	745		
1,815	Cash - Sterling	614		
1,326	Other investment balances	1,264		
196,604			212,365	
	Investment liabilities			
(-)	Other investment liabilities	(-)		
(-)			(-)	
196,604	Net investment assets		212,365	16
348	Current assets	141		
-	Long Term Debtors	-		
348			141	21
(290)	Current liabilities		(82)	22
196,662	Net assets of the Fund available to fund benefits at 31 March		212,424	

NOTES TO THE PENSION FUND ACCOUNTS

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 16. 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 councilors (South Yorkshire Passenger Transport Pension Fund Committee). Committee meetings are held at least quarterly and Authority and SYPA officers and independent advisors usually attend.

The Fund has only one contributing employer, First South Yorkshire Limited, and 2,127 members (see note 1b).

The Fund’s Statement of Investment Principles (SIP) and Funding Strategy Statement (FSS) were reviewed during the year. Copies of both are posted on the Fund’s website (www.sypensions.org.uk).

b) Membership

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

	31 March 2015	31 March 2014
Active Contributors	203	251
Pensioners and Dependents	1,510	1,445
Deferred Pensions	414	443
Total	2,127	2,139

c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2015.

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 2013 and the Employer’s contribution rate required to cover the cost of accruing benefits and expenses is 23.1% of pensionable pay from 1 April 2014 for the duration of this valuation period. Deficit payments are also due in 2015/16 and 2016/17.

d) Benefits

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

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

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

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

2. Basis of preparation

The Statement of Accounts summarises the Fund's transactions for 2014/15 and its position at the year end of 31 March 2015. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2014/15*, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) which is recognised by statute as representing proper accounting practice.

The accounts summarise the transactions of the Fund and show the net assets at the disposal of the Fund. They 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 20 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 (see Note 8).

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 Costs.

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. This performance related fee was £0.346m in 2014/15 (£0.341 in 2013/14).

All costs incurred by SYPA (the Fund Manager) in respect of investment management expenses are 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 as follows:

- i. Market-quoted investments
Quoted securities are valued at closing bid prices on the relevant stock market.
- ii. Fixed interest stocks
Fixed interest stocks are included in the valuation on a “clean” basis (that is, excluding the value of interest accruing from the previous interest payment date to the valuation date).
The “clean” basis has been used for accounting for fixed interest stocks, including for purchase and sale activity on these stocks, as it enables the capital and income elements of total investment returns to be accounted for distinctly.
- iii. Unquoted investments
The fair value of investments for which market quotations are not readily available is determined as follows:

Valuations of delisted securities are based on the last sale price prior to delisting, or where subject to liquidation, the amount the Fund expects to receive on wind-up, less estimated realisation costs.

Securities subject to takeover offer – the value of the consideration offered under the offer, less estimated realisation costs.

Directly held investments include investments in limited partnerships, shares in unlisted companies, trust and bonds. Other unquoted securities typically include pooled investments in property, infrastructure, debt securities and private equity. The valuation of these pools or directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.

Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager.

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.

iv. Limited partnerships

Fair value is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.

v. Pooled investment vehicles

Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.

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 2013) allowing for the different financial assumptions required under IAS19. As permitted under IAS26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to these accounts (Note 20).

l) Additional Voluntary Contributions (AVCs)

In accordance with regulation 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009 No 3093) 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 23

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 19 and 20. This estimate is subject to significant variances based on changes to the underlying assumptions.

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

The Pension Fund Accounts contain estimated figures that are based upon assumptions made about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The one item in the Pension Fund Accounts at 31 March 2015 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 2013 actuarial valuation was 86% 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 reduces the funding level by 13% (£37.5m). A 1.5% increase in mortality long term rate of improvement would reduce the funding level by 2% (£5.3m).

6. Events after the Balance sheet date

There have been no events since 31 March 2015, and up to the date when these accounts were authorised that require any adjustments to these accounts.

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:-

	2014/15	2013/14
Normal Contributions	1,334	1,349
Deficit Funding lump sums	-	2,500
Additional Capital contributions	233	-
Additional cost of early retirement	-	-
	<u>1,567</u>	<u>3,849</u>
From Members	<u>374</u>	<u>399</u>
	<u>1,941</u>	<u>4,248</u>

8. Transfers In

	2014/15	2013/14
Individual transfers in	<u>8</u>	<u>31</u>
	<u>8</u>	<u>31</u>

9. Benefits Payable

Analysis of benefits payable:-

	2014/15	2013/14
Retirement Pensions	8,528	7,981
Commutation of benefits and lump sum retirement benefits	2,990	1,977
Lump sum death benefits	<u>174</u>	<u>162</u>
	<u>11,692</u>	<u>10,120</u>

10. Payments to and on account of leavers

	2014/15	2013/14
Individual transfers out	176	254
Refunds of Contributions	<u>-</u>	<u>-</u>
	<u>176</u>	<u>254</u>

11. Management Expenses

	2014/15	2013/14
Investment Management Expenses	613	598
Oversight and Governance	149	180
Administrative Costs	<u>45</u>	<u>39</u>
	<u>807</u>	<u>817</u>

The General Administration cost includes fees payable to the Fund's auditor KPMG of £21,000

(£21,000 in 2013/14)

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. These management expenses include a VAT liability of £65,696 (£55,308 in 2013/14)

12. Investment Income

	2014/15 £'000	2013/14 £'000
Interest from fixed interest securities	1,620	1,597
Dividends from equities	2,332	2,537
Income from index Linked Securities	979	1,001
Income from pooled investment vehicles (property)	311	343
Interest on cash deposits	5	5
Other	<u>1</u>	<u>(11)</u>
Irrecoverable withholding tax - equities	<u>(33)</u>	<u>(34)</u>
Total Investment Income	<u>5,215</u>	<u>5,438</u>

13. Investment Management Expenses

	2014/15 £'000	2013/14 £'000
South Yorkshire Pensions Authority	101	87
Old Mutual	374	369
Custody	27	44
Other Management Expenses	57	56
VAT Liability	54	42
	613	598

14. Change in Market Value of Investments

The change in market value of investments during the year comprises all the increases and decreases in the market value of investments held at any time during the year, including all realised and unrealised profits and losses.

	Mkt Value at 1/4/14 £'000	Purchases at Cost £'000	Sale Proceeds £'000	Change in Mkt Value £'000	Mkt Value at 31/3/15 £'000
Fixed Interest Securities	31,980	5,935	(5,769)	1,805	33,951
Equities	83,909	98,089	(104,336)	10,026	87,688
Index-Linked Securities	68,036	9,698	(6,779)	8,276	79,231
Pooled Investment Vehicles	8,981	-	(1,281)	1,172	8,872
	192,906	113,722	(118,165)	21,279	209,742
Cash – Foreign currency	557			(6)	745
Cash - Sterling	1,815				614
Other investment assets	1,326				1,264
Other investment liabilities	-				-
NET INVESTMENT ASSETS	196,604			21,273	212,365

Previous year comparative:

	Mkt Value at 1/4/13 £'000	Purchases at Cost £'000	Sale Proceeds £'000	Change in Mkt Value £'000	Mkt Value at 31/3/14 £'000
Fixed Interest Securities	29,807	8,214	(5,058)	(983)	31,980
Equities	82,509	97,345	(103,681)	7,736	83,909
Index-Linked Securities	70,176	12,525	(10,948)	(3,717)	68,036
Pooled Investment Vehicles	8,862	-	(811)	930	8,981
	191,354	118,084	(120,498)	3,966	192,906
Cash – Foreign currency	332			(50)	557
Cash - Sterling	873				1,815
Other investment assets	1,457				1,326
Other investment liabilities	-				-
NET INVESTMENT ASSETS	194,016			3,916	196,604

15. Investment Position

The Fund's market value (not including current net assets) rose during the year and closed at £212.3m (£196.6m in 2013/14) producing an overall return of 13.7% (4.9% in 2013/14). The Fund's benchmark return was 13.7% (1.8% in 2013/14).

From a global investor's standpoint the year was dominated by the persistently low level of interest rates and sovereign bond yields which in some cases actually turned into negative territory. Financial markets continued to be distorted by central bank intervention policies. Investors had gradually increasing concerns over the prospects for economic growth and, at the same time, the desire to secure both safety of capital and improving income.

For most of the period the Fund was overweight in international equities and relatively light in UK equities and corporate bonds. Given the continuing outperformance of the overseas equity portfolios and strong returns from the UK equity and property unit trust holdings this proved to be the correct route to follow. Bond performance was adversely affected by the decision to be short of duration. Overall, the Fund produced a return of 13.7% which was in-line with its benchmark.

Changes were made to the Fund's customised benchmark during the year but the implementation of these were not completed before the year end. With effect from 1 April 2015 the split will be 38% to growth assets and 62% to protection assets.

An analysis by investment manager is shown in Note 16.

The total value of purchases and sales made during the year is as follows:

	2014/15	2013/14
	£'000	£'000
Purchases	113,722	118,084
Sales	118,165	120,498

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the Fund such as fees, commissions, stamp duty and other fees. Transaction costs incurred during the year amounted to £143,062 (£153,618 in 2013/14). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the scheme.

16. Net Investment Assets

	31/03/15 £'000	31/03/14 £'000
Fixed Interest Securities		
UK corporate bonds	33,951	31,980
Equities		
UK quoted	33,169	32,125
Overseas quoted	<u>54,519</u>	<u>51,784</u>
	87,688	83,909
Index-Linked Securities		
UK public sector quoted	67,222	57,904
UK corporate bonds	<u>12,009</u>	<u>10,132</u>
	79,231	68,036
Pooled Investment Vehicles		
UK Property	8,872	8,981
Cash - Foreign currency	745	557
Cash - Sterling	614	1,815
Other investment assets (broker balances, outstanding dividend entitlement and recoverable withholding tax)	1,264	1,326
Other Investment liabilities (broker balances)	-	-
Total Investment Assets	<u>212,365</u>	<u>196,604</u>

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

2014/15 Security	Holding	Valuation £'000	% of total fund
Treasury Index Linked 2020	4,205,000	15,315	7.2
2013/14 Security	Holding	Valuation £'000	% of total fund
Treasury Index Linked 2020	5,395,000	19,627	10.0

Analysis of the market value of investments by investment manager at 31 March 2015.

<u>Manager</u>	£'000	%
South Yorkshire Pensions Authority	160,853	75.74
Old Mutual (overseas equities)	<u>51,512</u>	<u>24.26</u>
Investments at market value	<u>212,365</u>	<u>100.00</u>

17. Financial Instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised.

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.

a) Classification of Financial Instruments

The items in the Net Assets Statement are made up of the following categories of financial instrument:

	31 March 2015 £'000	31 March 2014 £'000
<u>Fair value through profit or loss</u>		
Financial Assets		
Fixed Interest Securities	33,951	31,980
Equities	87,688	83,909
Index-Linked Securities	79,231	68,036
Pooled Investment Vehicles	8,872	8,981
Other investment balances	1,264	1,326
Total	211,006	194,232
Financial Liabilities		
Other investment balances	(-)	(-)
Total	(-)	(-)
<u>Loans and receivables</u>		
Financial Assets		
Cash – Foreign currency	745	557
Cash - Sterling	614	1,815
Current assets	141	348
Total	1,500	2,720
<u>Financial Liabilities at amortised cost</u>		
Financial Liabilities		
Current liabilities	(82)	(290)
Total	(82)	(290)

See Note 3(h) re method of valuation of asset classes. Debtors and creditors are included at cost.

b) Net gains and losses on Financial Instruments

	31 March 2015 £'000	31 March 2014 £'000
Financial assets		
Fair value through profit and loss	21,279	3,966
Loans and receivables	(6)	(50)
Financial liabilities		
Fair value through profit and loss	-	-
Financial liabilities measured at amortised cost	-	-
Total	21,273	3,916

c) Fair value of Financial Instruments

The following table summarises the carrying values of the categories of financial assets and liabilities presented in the Net Assets Statement:

	Carrying amount 31 March 2014 £'000	Fair Value 31 March 2014 £'000	Carrying amount 31 March 2014 £'000	Fair Value 31 March 2014 £'000
Financial Assets				
Trading and other financial assets at fair value through profit or loss	211,006	211,006	194,232	194,232
Loans and receivables	1,500	1,500	2,720	2,720
Total financial assets	212,506	212,506	196,952	196,952
Financial Liabilities				
Trading and other financial liabilities at fair value through profit or loss	(-)	(-)	(-)	(-)
Financial liabilities at amortised cost	(82)	(82)	(290)	(290)
Total financial liabilities	(82)	(82)	(290)	(290)

See Note 3(h) for method of valuation for asset classes. Debtors and creditors are included at cost.

Gains/losses are reflected in the change in market value and in investment income in the Fund Account (See Note 14).

d) 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.

Level 1

Financial instruments at Level 1 are those where the fair value are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these

techniques use inputs that are based significantly on observable market data. This includes composite prices for fixed income instruments and fund net asset value prices.

Level 3

Financial instruments at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

Investments in private equity funds and unquoted listed partnerships are valued based on the Fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the guidelines set out by the British Venture Capital Association or other professional bodies.

The following table provides an analysis of the financial assets and liabilities of the Fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Value at 31 March 2015	Level 1	Level 2	Level 3	Total
	£'000s	£'000s	£'000s	£'000s
Financial assets				
Financial assets at fair value through profit or loss	88,952	122,054	-	211,006
Loans and receivables	1,500	-	-	1,500
Total financial assets	90,452	122,054	-	212,506
Financial liabilities				
Financial liabilities at fair value through profit or loss	(-)	(-)	(-)	(-)
Financial liabilities at amortised cost	(82)	(-)	(-)	(82)
Total financial liabilities	(82)	(-)	(-)	(82)
Net financial assets	90,370	122,054	-	212,424

	Quoted market price	Using observable inputs	With significant unobservable inputs	
Value at 31 March 2014	Level 1	Level 2	Level 3	Total
	£'000s	£'000s	£'000s	£'000s
Financial assets				
Financial assets at fair value through profit or loss	85,235	108,997	-	194,232
Loans and receivables	2,720	-	-	2,720
Total financial assets	87,955	108,997	-	196,952
Financial liabilities				

Financial liabilities at fair value through profit or loss	(-)	(-)	(-)	(-)
Financial liabilities at amortised cost	(290)	(-)	(-)	(290)
Total financial liabilities	(290)	(-)	(-)	(290)
Net financial assets	87,665	108,997	-	196,662

18. **Nature and Extent of risks arising from Financial Instruments**

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 SIP 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 2014.

As a pension fund the primary risks which affect it are market risk and credit risk.

a. Market Risk

Market Risk – Price Risk – The Fund publishes its SIP which details how the real risk of negative returns due to price fluctuations is managed.

Because different asset classes have different risk and return characteristics they will react differently to external events and will not necessarily do so in a pre-determined or correlated manner to each other. No single asset class or market acts in isolation from other assets or markets. It is, therefore, extremely difficult to meaningfully estimate the consequences of a particular event in a particular asset on other asset classes. It is important to recognise that returns, volatility and risks vary over time.

In order to minimise the risks associated with market movements the Fund is well diversified across asset classes and within individual portfolios and constantly monitored and reviewed.

Price risk – sensitivity analysis

Potential price changes are determined based on the observed historical volatility of

asset class returns. 'Riskier' assets such as equities will display greater potential volatility than bonds as an example, so the overall outcome depends largely on the Fund's' asset allocations. Based on this the following movements in market price risk are reasonably possible for the 2014/15 reporting period.

Asset type	Potential market movements (+/-)	
	31 March 2015	31 March 2014
Bonds	5.55%	6.00%
Uk Equities	10.4%	12.26%
Overseas Equities	10.1%	11.62%
Index Linked securities	7.39%	8.10%
Property (unit trusts)	3.05%	3.11%

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:

Asset type	Value as at 31 March 2015 £'000	Percentage change %	Value on increase £'000	Value on decrease £'000
Bonds	33,951	5.55	35,835	32,066
UK Equities	33,169	10.4	36,618	29,719
Overseas equities	54,519	10.1	60,026	49,013
Index linked securities	79,231	7.39	85,086	73,376
Property (unit trusts)	8,872	3.05	9,143	8,602
Cash - Foreign currency	745	0	745	745
Cash - Sterling	614	0	614	614
Other investment assets	1,264	0	1,264	1,264
Net investment assets	212,365		229,331	195,399

Asset type	Value as at 31 March 2014 £'000	Percentage change %	Value on increase £'000	Value on decrease £'000
Bonds	31,980	6.00	33,899	30,061
UK Equities	32,125	12.26	36,064	28,186
Overseas equities	51,784	11.62	57,801	45,767
Index linked securities	68,036	8.10	73,547	62,525
Property (unit trusts)	8,981	3.11	9,260	8,702
Cash - Foreign currency	557	0	557	557
Cash - Sterling	1,815	0	1,815	1,815
Other investment assets	1,326	0	1,326	1,326
Net investment assets	196,604		214,269	178,939

Market Risk – Interest Rate Risk – This primarily impacts upon the valuation of the Fund's bond holdings and, to a lesser degree, the return it receives on cash held. A rise in interest rates would lead to the income earned on variable rate investments increasing but would cause the value of fixed rate investments to fall. The Fund's correlation to interest rates will vary depending upon the profile of investments held.

The Fund manages its cash investments with a view to obtaining the best returns possible whilst ensuring the security of the deposits. The Fund also holds foreign currency balances which could be affected by interest rate movements but are more sensitive to exchange rate movements (see Market risk – Currency risk).

The Fund's direct exposure to interest rate movements as at 31 March 2015 and 31 March 2014 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Asset type	As at 31 March 2015	As at 31 March 2014
	£'000	£'000
Cash - Sterling	614	1,815
Total	614	1,815

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 just over 0.9%.

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 +/- 0.9% (previous year 0.9%) change in interest rates:

Asset type	Carrying amount as at 31 March 2015	Change in year in the net assets	
	£'000	+0.9% £'000	-0.9% £'000
Cash - Sterling	614	6	(6)
Total change in assets available	614	6	(6)

Asset type	Carrying amount as at 31 March 2014	Change in year in the net assets	
	£'000	+0.9% £'000	-0.9% £'000
Cash - Sterling	1,815	16	(16)
Total change in assets available	1,815	16	(16)

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.

The following table summarises the Fund's currency exposure as at 31 March 2015 and as at the previous year end:

Currency exposure – asset type	Asset value as at 31 March 2015 £'000	Asset value as at 31 March 2014 £'000
Overseas quoted securities	54,519	51,784
Overseas property funds	-	-
Cash - Foreign currency	745	557
Total overseas assets	55,264	52,341

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 8.63% (7.91% at 31 March 2014).

A 8.63% (7.91%) strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets as follows:

Currency exposure – asset type	Asset value as at 31 March 2015 £'000	Value on increase +8.63% £'000	Value on decrease -8.63% £'000
Overseas quoted securities	54,519	59,224	49,814
Overseas property funds	-	-	-
Cash - Foreign currency	745	809	681
Total change in assets available	55,264	60,033	50,495

Currency exposure – asset type	Asset value as at 31 March 2014 £'000	Value on increase +7.91% £'000	Value on decrease -7.91% £'000
Overseas quoted securities	51,784	55,880	47,688
Overseas property funds	-	-	-
Cash - Foreign currency	557	601	513
Total change in assets available	52,341	56,481	48,201

b. Credit Risk

Credit Risk - arises from deposits with banks and financial institutions, as well as credit

exposures to the Fund's customers. The risk is minimised through the SYPA Treasury Management Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum criteria set by SYPA. The Treasury Management Strategy also imposes a maximum sum to be invested with each institution. In practice the Fund holds minimal cash balances. Counterparties must have a short term debt credit rating of F1 or better.

The Fund's benchmark allows for cash at 31 March 2015 to a maximum of 5% of the Fund (actual cash holdings were 0.29%).

Interest received on advances during 2014/15 was £4,429 (£4,464 in 2013/14) at an average rate of 0.39% (0.35% in 2013/14) (as the Fund maintains short term deposits only, the rate of interest is closely aligned to the Bank of England base rate which has remained at 0.5% since March 2009). For illustration purposes an increase of 0.25% in interest rates achieved would have resulted in an increase of £2,839 (£3,188) in interest received provided that bank balances had remained the same.

c. Liquidity Risk

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 £67.2m (£57.9m at 31 March 2014) 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.

19. Actuarial Position

In accordance with Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008, Barnett Waddingham, the consulting actuary, carried out an examination of the financial position of the Fund as at 31 March 2013. The market value of the Fund's assets at the date of the valuation was £194.220m. The previous valuation had been completed as at 31 March 2010 (market value £158.374m).

The assumptions adopted are (2010 valuation assumptions shown in brackets):-

Financial assumptions:

	(non-pensioner/ pensioner)	
Price inflation RPI	3.6% / 3.4%	(3.6%)
Price inflation CPI	2.7% / 2.5%	(3.0%)
General earnings increases	3.6%	(3.85%)
Investment return - before retirement	6.6%	(6.5%)
- after retirement	3.6% / 2.8%	(5.5%)

Demographic assumptions

Mortality table	120% S1PA
Ill health mortality table	120% S1PA + 6 years

Mortality projections	CMI_2012	(CMI_2009
	long term rate of	long term rate of
	improvement	improvement
	1.0% pa	0.5% 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 £32.8m at 31 March 2013 (£26.5m at 31 March 2010). This represents a funding level of 86% (86% at 31 March 2010).

The contribution rate payable by First South Yorkshire Limited has been calculated at 23.1% (21.5% in 2010) per annum and will be effective throughout the three year period 1 April 2014 to 31 March 2017. Additional deficit payments are due in 2015/16 and 2016/17 (none were due in 2014/15).

20. **Actuarial Present Value of Promised Retirement Benefits**

IAS26 requires the present value of the Fund's promised retirement benefits to be disclosed. To assess the value of the liabilities as at 31 March 2015 the actuary has rolled forward the value calculated for the triennial valuation as at 31 March 2013 allowing for the different financial assumptions required under IAS19.

The financial assumptions used for the purposes of the calculations are shown in the table below:-

	31 March 2015	31 March 2014
CPI increases	2.1% p.a.	2.6% p.a.
Salary increases	3.0% p.a.	3.5% p.a.
Pension increases	2.1% p.a.	2.6% p.a.
Discount rate	3.0% p.a.	4.3% p.a.

It is not possible to assess the accuracy of the estimated liability as at 31 March 2015 without completing a full valuation. However the actuary is satisfied that the approach of rolling forward the previous valuation results to 31 March 2015 should not introduce any material distortions in the results provided that the actual experience of the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. There appears to be no evidence that this approach is not appropriate.

On this basis, the value, for IAS26 purposes, of the Fund's promised retirement benefits as at 31 March 2015 was £230.55m (£209.26m as at 31 March 2014) giving a net liability of £18.129m (£12.598m as at 31 March 2014).

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

21. Current Assets

Debtors:

	31 March 2015 £'000	31 March 2014 £'000
Contributions due - employers	-	227
Contributions due - employees	-	5
Additional cost of early retirement	-	-
Sundry debtors	<u>141</u>	<u>116</u>
	141	348

Analysis of debtors:

	31 March 2015 £'000	31 March 2014 £'000
Central government bodies	54	55
Other local authorities	-	232
Public corporations and trading funds	1	-
Other entities and individuals	<u>85</u>	<u>61</u>
	140	348
Cash at bank	1	-

There are no long term debtors.

22. Current Liabilities

Creditors:

	31 March 2015 £'000	31 March 2014 £'000
Benefits Payable	-	213
Sundry creditors	<u>82</u>	<u>77</u>
	82	290

The Authority is unable to accurately accrue for benefits payable at 31 March 2015 and so no accrual has been made. This would not be a material figure.

Analysis of creditors:

	31 March 2015 £'000	31 March 2014 £'000
Other local authorities	55	42
Public corporations and trading funds	12	9
Other entities and individuals	<u>15</u>	<u>239</u>
	82	290

23. 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 2015 £'000	31 March 2014 £'000	2014/15 £'000	2013/14 £'000
Equitable Life	11	10	-	-
Scottish Widows	210	203	-	3

24. 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 13).

25. 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 2014/15, the Fund made payments in respect of non-statutory pension benefits of £109,773 (£110,062 in 2013/14).

Independent Auditors Report

Independent auditor's report to the members of Barnsley, Doncaster, Rotherham & Sheffield Combined Authority (aka Sheffield City Region Combined Authority)

We have audited the financial statements of Barnsley, Doncaster, Rotherham & Sheffield Combined Authority for the year ended 31 March 2015 on pages 23 to 129. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of the Authority, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of the Director of Finance's Responsibilities, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority and the Group as at 31 March 2015 and of the Authority's and the Group's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Matters on which we are required to report by exception

The Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

- the annual governance statement set out on pages 14 to 22 does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- the information given in the explanatory foreword for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or
- any recommendations have been made under section 11 of the Audit Commission Act 1998; or
- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

We have nothing to report in respect of these matters

Other matters on which we are required to conclude

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are also required by the Audit Commission's Code of Audit Practice to report any matters that prevent us being satisfied that the audited body has put in place such arrangements.

We have undertaken our audit in accordance with the Code of Audit Practice and, having regard to the guidance issued by the Audit Commission in October 2014, we have considered the results of the following:

- our review of the annual governance statement; and
- the work of other relevant regulatory bodies or inspectorates, to the extent the results of the work have an impact on our responsibilities.

As a result, we have concluded that there are the following matters to report:

- This is the first year of the Authority's existence. As a consequence, the Authority did not have a fully functioning governance framework in place during the year. This position is adequately

disclosed in the Annual Governance Statement which sets out the key areas to be addressed in 2015/16, specifically:

- Establish a Code of Corporate Governance
 - Establish a robust risk management process
 - Establish a performance management framework
 - Review the operation of South Yorkshire ITA Properties Ltd
 - Recover the data processing performance of the pension fund following the implementation of new software.
- The Authority does not have a Medium Term Financial Plan, currently relying on a single year budget. A plan is starting to be developed now that the Authority has the necessary clarity about its structure, work streams, remit and resources going forward.

Certificate

We certify that we have completed the audit of the financial statements of Barnsley, Doncaster, Sheffield and Rotherham Combined Authority in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice 2010 for Local Government Bodies issued by the Audit Commission.

Sue Sunderland

for and on behalf of KPMG LLP, Appointed Auditor

Chartered Accountants

St Nicholas House
31 Park Row
Nottingham
NG1 6FQ

17 September 2015