

Audit, Standards and Risk Committee

14 July 2022

Draft Accounts 2021/22

Is the paper exempt from the press and public?	No
<i>Reason why exempt:</i>	Not applicable
Purpose of this report:	Discussion
Funding Stream:	Not applicable
Is this a Key Decision?	No
Has it been included on the Forward Plan?	Not a Key Decision

Director Approving Submission of the Report:

Gareth Sutton, Chief Finance Officer/s73 Officer

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Executive Summary

This report provides members with an update on the 2021/22 Annual Accounts for the MCA Group and SYPTE.

What does this mean for businesses, people and places in South Yorkshire?

Strong public financial management is a key principle of good governance and enables the Combined Authority to pursue its ambitions and objectives in the most effective and efficient way, bringing about better outcomes for residents and businesses in South Yorkshire.

Recommendations

Members are asked to review the Annual Accounts for 2021/22, and to note that the external audit is currently underway at the planning stage.

Consideration by any other Board, Committee, Assurance or Advisory Panel

Not applicable

1. Background

- 1.1 Audit, Standards and Risk Committee is responsible for overseeing and reviewing the statutory accounts of the MCA. This report presents the formal Statement of Accounts for 2021/22. The aim of this report is to highlight the key elements of the accounts to Members, identifying relevant sections to aid understanding. It will also provide a summarised view of the financial health of the MCA from the Group Finance Director.

2. Key Issues

2.1 Draft Statement of Accounts 2021/22

The lengthy document attached as an appendix to this report is the draft Statement of Accounts for 2021/22. It follows a formal prescribed format and accounting standards as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22. This formal statement includes the Statement of Accounts for the MCA as a stand-alone entity at the start of the document. However, the MCA is also financially responsible as a Group that also includes SYPTE and the Financial Interventions Holding Company. The consolidated Group position is also reported in the Statement of Accounts. The stand-alone SYPTE Statement of Accounts is also attached as an appendix.

- 2.2 A report on the financial outturn position for 2021/22 will be presented to the MCA Board on 25th July 2022. The report includes both the revenue and capital outturn position and the financial performance against budget. The report also identifies potential provisions and earmarked reserves to be adjusted and created to mitigate key financial risks that may arise in the current financial year and beyond. The accounts before the Committee reflect these proposed adjustments to provisions and reserves, pending formal approval by the MCA Board.

2.3 Narrative Statement

Members' attention is drawn to the Narrative Report in section 1 on page 5 of the Statement of Accounts. This describes the issues and financial impact of the activity in 2021/22. It covers performance in terms of activity and finance, Covid-19 considerations and the financial health of the Group in some detail. The key financial aspects are summarised in the bullets below.

- An underspend of £0.53m on MCA / LEP operational activity for which approval will be sought to fund carry-forward requests
- A net revenue spend on South Yorkshire transport activity of £1.23m against a budgeted net revenue spend of £3.79m. This has reduced the planned use of earmarked reserves to support the budget by £2.56m.
- Expenditure of £51.6m on the South Yorkshire Business Support scheme to support businesses not entitled to funding under the national scheme in response to the Covid-19 pandemic.
- Total expenditure on the capital programme of £95.85m.

2.4 In Section 4 of the Narrative Statement, Covid-19 implications are discussed. Earmarked reserves have been identified to ease potential pressures on current year budgets. Notable examples are:

- Protection of Priority Services £7.0m
- Project Feasibility Fund £3.6m
- Income Resilience £3.6m
- Bus Franchise Assessment £3.0m
- Mass Transit Project Readiness £3.0m
- Bus Recovery Project £2.4m
- Asset Management £1.8m
- Pensions smoothing, redundancy and pay inflation risk £1.0m

2.5 The Statement of Accounts have four core financial statements, comprising: Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet and Cash Flow Statement. As stated earlier, these are compiled in line with prescribed guidelines that ensure compliance across the local government sector. However, they are complex and sometimes difficult to understand. To aid understanding, the Narrative Statement provides a simplified overview of the activity in the year that is reflected in the accounts.

2.6 **Balance Sheet**

The Balance Sheet and associated disclosure notes will give Members reassurance on the financial strength of the Group. One large element of the balance sheet is debt. The loans carried by the MCA are in the main historic and at fixed interest rates. They are scheduled to be repaid over the next few years, including a repayment of £8.0m in 2021/22. MCA holds substantial cash balances which will meet these future debt repayments. The Committee review this component of the Balance Sheet when scrutinising the Treasury Management Strategy and performance against that.

2.7 In assessing the financial strength of the MCA, Members' attention is drawn to note 30 of the MCA Balance Sheet and 61 for the Group Balance Sheet. The levels of usable reserves are stated here. One can see from note 61 that the Group has usable reserves of £155.9m. The value has increased from £128.6m in 2020/21. Whilst reserve levels may appear elevated, it should be noted that the majority are earmarked for planned activity and will fall in the coming years in line with the adopted reserves strategy.

2.8 **Overall Conclusion**

The 2021/22 outturn position reflects the activities undertaken by the Group in the financial year. The Accounts before Members have been drawn together in line with the CIPFA Code of Practice and all appropriate accounting standards.

Finance directors are required to consider the on-going financial strength of an organisation as they present the financial accounts. The emergence of the Covid-19 epidemic is a key consideration and a theme that has been covered by the specific section within the Narrative Statement. Risks to the on-going sustainability of each part of the Group have been assessed as part of the 2022/23 business planning process, and resources have been earmarked in the reserves strategy and 2022/23 budget approved by the MCA Board in March 2022.

In the opinion of the Section 73 Officer, these proposals are robust and provide a sound basis for the delivery of the MCA's activity. The Section 73 Officer further

believes that the overall quantum of reserves held are appropriate and have been earmarked to mitigate key risks.

3. Timetable & Next Steps

The MCA is obliged legally to publish its unaudited accounts each year and submit them for external audit. Normally this is by 31st May but, in the light of the Covid-19 pandemic, the regulations have been relaxed for the 2019/20 and 2020/21 accounts to a deadline of 31st July. The statutory deadline for publishing the audited accounts is 30th November. Scrutiny at Committee in July will pre-empt any last-minute questions which could potentially delay the publication of the audited accounts after the next Committee meeting.

4. Financial and Procurement Implications and Advice

There are no financial or procurement implications associated with this report.

5. Legal Implications and Advice

The unaudited Statement of Accounts were authorised for issue by the Responsible Finance Officer on 30th June and published on the Authority's website on 4th July, thereby meeting the requirement to provide an approved set of draft accounts to the external auditors at the start of the audit.

The Final Statement of Accounts will be presented to the MCA for formal adoption on 14th November.

6. Human Resources Implications and Advice

There are no human resource implications associated with this report.

7. Equality and Diversity Implications and Advice

There are no equality and diversity issues associated with this report.

8. Climate Change Implications and Advice

There are no climate change implications associated with this report.

9. Information and Communication Technology Implications and Advice

There are no information and communication technology implications associated with this report.

10. Communications and Marketing Implications and Advice.

There are no communications or marketing implications associated with this report, however, the Statement of Accounts is required to be published on the Authority's website.

List of Appendices Included

- A SYMCA Draft Statement of Accounts for 2021/22
- B SYPTE Draft Statement of Accounts for 2021/22

Background Papers

n/a