

AUDIT & STANDARDS COMMITTEE

11th June 2020

Draft Accounts 2019/20

Purpose of Report

This report provides members with an update on the 2019/20 Annual Accounts for the MCA Group.

Freedom of Information & Section 12A of the Local Government Act 1972

Under the Freedom of Information Act this paper and any appendices will be made available under the Mayoral Combined Authority Publication Scheme. This scheme commits the Authority to make information about how decisions are made available to the public as part of its normal business activities.

Recommendations

Members are asked to review the Annual Accounts for 2019/20 and approve for publication ahead of external auditing in line with CIPFA Code of Practice.

1. Introduction

- 1.1** Audit and Standards Committee is responsible for overseeing and reviewing the statutory accounts of the MCA. This report presents the formal Statement of Accounts for 2019/20. The aim of this report is to highlight the key elements of the accounts to Members, identifying pertinent sections to aid information gathering and understanding. It will also provide a summarised view of the financial health of the MCA from the Interim Group Finance Director.
- 1.2** The Committee will receive a presentation at the formal meeting on this report and the accounts from the Interim Group Director of Finance and any issues will be addressed. This is to aid Members to approve the draft accounts for publication ahead of formal external auditing.
- 1.3** There have been some challenges in pulling together the consolidated accounts this year, due to the direct impact of Covid-19 on MCA finance staff. Thankfully all are now recovered but that has had an impact. At the time of writing there are some gaps in the Consolidated Statement that will be addressed before the meeting. A new version will be issued at the meeting and any changes explained.

2. Report

2.1 Draft Statement of Accounts 2019/20

The large document attached as an appendix to this report is the draft Statement of Accounts for 2019/20. It follows a formal prescribed format and follows prescribed accounting standards as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2019/20. 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 has already been reviewed by SYPTE's Audit & Risk Committee whose Independent Members also sit on this Committee.

2.2 A report on the financial outturn position for 2019/20 was received by MCA Board on 1st June 2020. Members noted both the revenue and capital outturn position and the financial performance against the original budget. That report also identified potential provisions and earmarked reserves to be adjusted and created to alleviate potential financial pressures that may arise in the current financial year and beyond. The recommendations were approved. The accounts before the Committee reflect these decisions.

2.3 Narrative Report

I draw members' attention 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 2019/20. It covers performance in terms of activity and finance, Covid-19 considerations and the financial health of the Group in some detail. I have summarised the key financial aspects in the bullets below.

- MCA net underspend is £675,000 in 2019/20. This has been allocated to the Mayoral Election Reserve as there is a looming cost of c£2m in 2022.
- An underspend of £505,000 on the South Yorkshire Transport revenue budget corresponding reduction in use of Earmarked Levy Reduction Reserve.
- The overall capital programme spend was £4.494m less than planned. MCA Board approved carrying forward all of the underspends to complete the programme in 2020/21.
- In section 4 Covid-19 implications are discussed. New Provisions and Earmarked reserves have been identified to ease potential pressures on current year budgets. These are:
 - SYPTE Covid-19 Income Loss £1.6m
 - MCA Covid-19 Income Loss £0.5m
 - Recovery Plan £0.4m
 - SYPTE Recovery Reserve £3.0m

2.4 The Statement of Accounts have four core financial statements. They are Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet and Cash Flow Statement. As stated earlier these are compiled in line with strict guidelines that ensure compliance across the local government sector. However, they are complex and sometimes difficult to understand. In the Narrative Statement, I have tried to give

Members an overall view of the activity in the year that is reflected in the accounts before the Committee.

2.5 Balance Sheet

Focussing on the Balance Sheet and associated 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 MCA are in the main fixed interest and are historic. They are scheduled to be repaid over the next few years. MCA has a large cash holding which will meet these future debt repayments. The Committee look at this element by overseeing the Treasury Management Strategy and performance against that.

In assessing the financial strength of the MCA, I would draw Members' attention to note 30 of MCA Balance Sheet and 60 for the Group Balance Sheet. The levels of usable reserves are stated here. One can see from note 60 that the Group has usable reserves of £90.944m. The value has increased from £75.548m in 2018/19. The major factor is the increase in usable capital receipts which was the repayment of an investment.

The balance sheet reflects a very strong financial position. The medium-term financial plan looks to utilise all of the Levy Reduction Reserve (£19.52m) over the next three years and, whilst that will present some challenges, the Group's overall financial position is not threatened by that.

2.6 Overall Conclusion of Interim Group Finance Director

The 2019/20 outturn position reflects the activities undertaken by the Group in the financial year. The accounts before Members have been drawn together in line with 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 and specific budgetary impacts examined. Potential further calls on SCR Group resources have also been reviewed and sensible provisions and changes to earmarked reserves have been proposed as part of the closedown process. In my opinion this is the appropriate course of action and the Group remains in strong financial health with the ability to continue to operate and deliver its services in 2020/21 and beyond.

3. Consideration of alternative approaches

- 3.1** The MCA is obliged legally to publish its unaudited accounts each year. Normally this is by 31st May but, in the light of the Covid-19 pandemic, the regulations have been relaxed for 2019/20 accounts. Approval at Committee will enable production and publication ahead of the revised deadline of 30th June 2020.

4. Implications

4.1 Financial

Financial implications of the actions undertaken by Group in 2019/20 are reflected in the papers before Members.

4.2 Legal

None.

4.3 Risk Management

The actions detailed in the Narrative Statement and changes to provisions and earmarked reserves undertaken by MCA Board have mitigated potential budgetary risks that may arise in the current year. An assessment of the overall financial position shows that the Group is financially resilient to any significant changes to its operating environment.

4.4 Equality, Diversity and Social Inclusion

There are no equality, diversity or social inclusion implications.

5. Communications

5.1 None.

6. Appendices/Annexes

6.1 Appendix 1 – Draft Statement of Accounts 2019/20

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Background papers used in the preparation of this report are available for inspection at: 11 Broad Street West, Sheffield S1 2BQ

Other sources and references: None