

Audit and Standards Committee

15 July 2021

Draft Accounts 2020/21

**Is the paper exempt from the press
and public?** No

Reason why exempt: 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 2020/21 Annual Accounts for the MCA Group.

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 2020/21, and to note that the external audit is currently underway.

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

Not applicable

1. Background

- 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 2020/21. 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 2020/21

The lengthy document attached as an appendix to this report is the draft Statement of Accounts for 2020/21. 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 2020/21. 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 2020/21 was received by MCA Board on 7th June 2021. Members noted both the revenue and capital outturn position and the financial performance against budget. That report also identified 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 recommendations were approved. The accounts before the Committee reflect these decisions.

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 2020/21. 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 £0.65m on MCA / LEP operational activity. This has meant that instead of there being a planned use of reserves of £0.29m to balance the budget, there is a contribution to reserves of £0.36m
- A net revenue spend on South Yorkshire transport activity of £1.76m against a budgeted net revenue spend of £5.21m. This has reduced the planned use of earmarked reserves to support the budget by £3.45m.
- Expenditure of £32.5m 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.

- Routing £16m of government funding through the MCA to bus and tram operators to support the public transport network during the pandemic. Continuing to pay concessionary fares to operators at pre-Covid volume levels at an estimated cost over and above actual demand-led costs of c.£17m.
- The final year government target of £43.2m of Local Growth Fund expenditure was met.
- Total expenditure on the capital programme of £82.50m.

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
- Bus Project £3.0m
- Mass Transit Project Readiness £3.0m
- Income Resilience £3.0m

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 significant repayment of £53.0m in 2020/21. 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 £128.6m. The value has increased from £93.0m in 2019/20. 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 2020/21 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 as part of the 2021/22 business planning process, and resources have been earmarked in the reserves strategy and 2021/22 budget approved by the MCA Board in March 2021.

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

- 3.1 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. However, the statutory deadline for publishing the audited accounts is 30th September. 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

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

5. Legal Implications and Advice

- 5.1 The unaudited Statement of Accounts were authorised for issue by the Responsible Finance Officer on 18th June and published on the Authority's website on 21st June, 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 20th September.

6. Human Resources Implications and Advice

- 6.1 There are no human resource implications associated with this report.

7. Equality and Diversity Implications and Advice

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

8. Climate Change Implications and Advice

- 8.1 There are no climate change implications associated with this report.

9. Information and Communication Technology Implications and Advice

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

10. Communications and Marketing Implications and Advice.

- 10.1 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 Draft Statement of Accounts for 2020/21

Background Papers

Click or tap here to enter name of background paper(s)