

Audit and Standards Committee

09 September 2021

Final Accounts and Annual Governance Statement 2020/21

Is the paper exempt from the press and public?	No
<i>Reason why exempt:</i>	Not applicable
Purpose of this report:	Governance
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, including the final version of the Annual Governance Statement for the Committee to consider and the draft External Audit Results.

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 and Annual Governance Statement for 2020/21 in conjunction with the external auditor's report, and to endorse the accounts for approval by the MCA Board on 20 September 2021.

Members are asked to delegate the decision on the endorsement of the accounts to the Chair and Vice Chair should the audit opinion not be available by the Committee date.

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

MCA Board on 20 September 2021

1. Background

1.1 Audit and Standards Committee is responsible for overseeing and reviewing the statutory accounts of the MCA. This report presents the final audited Statement of Accounts for 2020/21 and the final version of the Annual Governance Statement along with the draft External Audit Results. The aim of this report is to highlight the key elements of the accounts to Members, identifying any adjustments made since the draft accounts were published.

2. Key Issues

2.1 Statement of Accounts 2020/21

The lengthy document attached as an appendix to this report is the final audited 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 Advisory Panel whose Independent Members also sit on this Committee.

2.2 A report on the draft statement of accounts for 2020/21 was received by the Committee on 15th July 2021. Since then, the external auditor has conducted its review of the accounts and undertaken detailed testing of balance sheet figures and items of income and expenditure. In the process of doing so, Finance officers have agreed with the external auditor to make several adjustments to the accounts. These adjustments are explained in more detail in the sections below.

2.3 MCA single entity accounts

The audit identified two misstatements relating to the single entity accounts, neither of which have been adjusted for on the grounds that they are either insignificant in value or are only presentational in nature:

- A potential understatement of c.£100k in the value of South Yorkshire Local Government Pension scheme assets attributable to the MCA due to actual fund performance in March 2021 being significantly better than the estimate made by the actuary, and;
- A misclassification of £650k of capital income which should have been recognised and transferred to capital grant unapplied in the bottom half of the balance sheet rather than being carried forward in the top half of the

balance sheet as capital grant received in advance.

2.4 MCA Group accounts

Two adjustments were made to SYPTE's accounts which had the consequential effect of giving rise to adjustments in the MCA's Group accounts:

- Firstly, the value of South Yorkshire Local Government Pension scheme assets attributable to SYPTE increased by £1.879m. This came about as a result of actual fund performance in March 2021 being significantly better than the estimate made by the actuary on which the unaudited accounts were based (c. 5% actual return achieved in March 2021 compared to the actuary's estimated return of 3.17%);
- Secondly, the presentation of a reversal of a previous revaluation loss in the prior year comparative was changed so that its treatment was on a like for like basis with 2020/21. This resulted in £1.851m being credited to cost of services in the Comprehensive Income and Expenditure Statement (CIES) instead of financing and investment income and expenditure.

The overall effect of the first adjustment was to reduce the Group pension liability in the balance sheet by £1.879m and increase unusable reserves (Pensions reserve) by £1.879m. It has no bearing on the amount of contributions payable to South Yorkshire Pension Authority under Local Government Pension Scheme Regulations and therefore has no impact on revenue.

The second adjustment is only presentational in nature. It provides for figures in the Comprehensive Income and Expenditure Statement (CIES) to be on a like for like basis with the figures reported in 2020/21 but again has no impact on revenue.

The first adjustment had a knock on effect on the 2020/21 figures reported in the CIES and Movement in Reserves Statement and on several of the disclosure notes more particularly, Group Pensions (Note 73) and Group Unusable reserves (Note 62).

The second adjustment led to prior year comparatives being restated in Notes 43,45 and 46 relating to Expenditure and Funding Analysis and Group Financing and Investment income and expenditure (Note 51).

2.5 Overall Conclusion on the Accounts

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.

2.6 Annual Governance Statement

A draft Annual Governance Statement was considered by the Audit and Standards Committee in July. Following feedback from the Committee the Statement has been amended to ensure the key risks that the Authority had faced during the year, and the measures in place to mitigate these, have been included along with confirmation that, whilst there had been slippage, internal audit recommendations made in year had been actioned. In addition, an action to monitor and manage the impact of the integration on business as usual strategic and operational risks has been added to the Governance Improvement Plan. The revised Annual Governance Statement can be found at page 27 in appendix A.

3. Timetable & Next Steps

- 3.1 The statutory deadline for publishing the audited accounts is 30th September. Scrutiny at this Committee in September will pre-empt any last-minute questions at the MCA Board on 20th September 2021 which could potentially delay the publication of the audited accounts.

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 Final Audited Statement of Accounts for 2020/21
- B Draft External Audit Results

Background Papers

None