

**SHEFFIELD CITY REGION MAYORAL**  
**COMBINED AUTHORITY**

**STATEMENT OF ACCOUNTS**  
**2020/21**

**AUDITED**

**For the period**  
**1 April 2020 to 31 March 2021**

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## **Narrative Report by the Chief Financial Officer**

### **1. INTRODUCTION**

#### **Purpose of the Narrative Report**

The Narrative Report provides key messages on the organisational structure of the Mayoral Combined Authority (MCA), its overall strategies and objectives and how it has performed over the year in terms of achieving those objectives.

The Narrative Report also provides a summary of the MCA's financial performance and how it has secured economy, efficiency and effectiveness (value for money) in the use of its resources over the course of the 2020/21 financial year in meeting its strategic aims as a Group. Inevitably the development of the Covid-19 pandemic has had an impact. Section 4 has been included in this report to consider the impact and how it has prepared for the economic recovery in light of Covid-19.

### **2. ORGANISATION & CORPORATE OBJECTIVES**

#### **The Sheffield City Region Mayoral Combined Authority and MCA Group**

The Sheffield City Region Mayoral Combined Authority (MCA) consists of the four 'constituent' Authorities from South Yorkshire, and five 'non-constituent' Districts from North Derbyshire and North Nottinghamshire:



The overall purpose of the Mayoral Combined Authority is to fulfil two distinct functions:

- To drive economic growth in the City Region through a public private partnership between the MCA and the private sector led Local Enterprise Partnership (LEP) through the SCR's ten-year Strategic Economic Plan (SEP); and
- To act as the Local Transport Body for South Yorkshire and be responsible for its statutory Local Transport Plan (SCR Transport Strategy).

The Mayoral Combined Authority is the legal and accountable body for all funding awarded to the LEP; primarily Local Growth Deal funding. From 1 April 2019, the MCA became the employing body for the Sheffield City Region Executive Team, a dedicated resource providing impartial advice and support to the MCA, SCR Mayor and LEP.

The SCR Mayor is a member, and chair, of the MCA and a member of the LEP. Following the conclusion of the public consultation on the proposed transfer of powers to the Mayor, and the agreement of the MCA Board in April 2020 to submit the proposal to the Secretary of State, the Devolution Deal was signed by Minister Simon Clarke on 27 July 2020. The deal provides £30m per annum over the next 30 years, plus control of the Adult Education Budget as well as powers over transport, skills, housing and regeneration.

## **Economic Development**

The City Region's current SEP sets out a 10-year plan for economic growth, creating new jobs and businesses covering the period 2015 to 2025. Good progress has been made towards the targets set in the 2015-25 plan, but there is more to do. A refresh of the SEP provides an opportunity to accomplish this.

The refreshed SEP was presented at the Annual General Meeting of the LEP Board on 5 March 2020, at which it was approved for public consultation. It will become the central economic strategy for the Sheffield City Region (SCR), setting out what needs to be done over the next 20 years to grow the economy and transform the lives and wellbeing of our people.

The 2040 Vision in the new SEP is that SCR will grow an economy that works for everyone. We will develop inclusive and sustainable approaches that build on our innovation strengths, embrace the UK's 4th Industrial Revolution, contribute more to UK prosperity, and enhance quality of life for all.

The overarching policy objectives are the golden thread which run through the document:

- **Growth** – Growing the economy for all.

- **Inclusion** – Ensuring that everyone has an opportunity to contribute to and benefit from economic growth.
- **Sustainability** – Driving low carbon opportunities within the economy and delivering net zero emissions.

We will focus on the following thematic priorities to deliver this SEP:

- Innovation, Enterprise and Growth;
- Skills and Employment;
- Vibrant and Resilient Places;
- Transport and Mobility;
- Digital Connectivity;
- Clean Energy; and
- Land, Housing & Built Environment.

### **Renewal Action Plan (RAP)**

In response to the pandemic and the economic shock that rippled across South Yorkshire the MCA agreed the RAP as the basis on how it should respond in support of the local economy and South Yorkshire's communities.

The RAP provided the basis of the MCA's submission into government ahead of the 2020 Comprehensive Spending Review, and was focussed on three thematic themes:

1. People
2. Employers
3. Places

The RAP is aligned to the SEP and provides the foundational strategies for the MCA's investment plans. Over the course of the year the MCA has committed new resource to these areas.

### **Transport**

The SCR Transport Strategy, which was approved by the MCA in January 2019, sets out the transport priorities for our City Region up to 2040. It builds on the Mayor's Vision for Transport and has three goals which will boost economic growth by connecting residents and businesses to economic opportunity, will ensure we create a cleaner and greener SCR and that we have a safe, reliable and accessible transport network.

The MCA's transport plans have also been informed by the findings of the Bus Review which was published in June 2020. The Bus Review undertook a comprehensive review of provision across South Yorkshire aimed at identifying the reasons behind the alarming fall in patronage.

The review identified a number of key issues, and concluded that:

1. Business as usual is not an option
2. More public and private investment is needed
3. We need to make buses a more attractive option for people
4. New funding sources are required
5. We need to set out what a good integrated bus network looks like
6. We need to change the way we make decisions

In response to this, in July 2020 the MCA determined to implement a seven point plan in response to the report. This plan included work on:

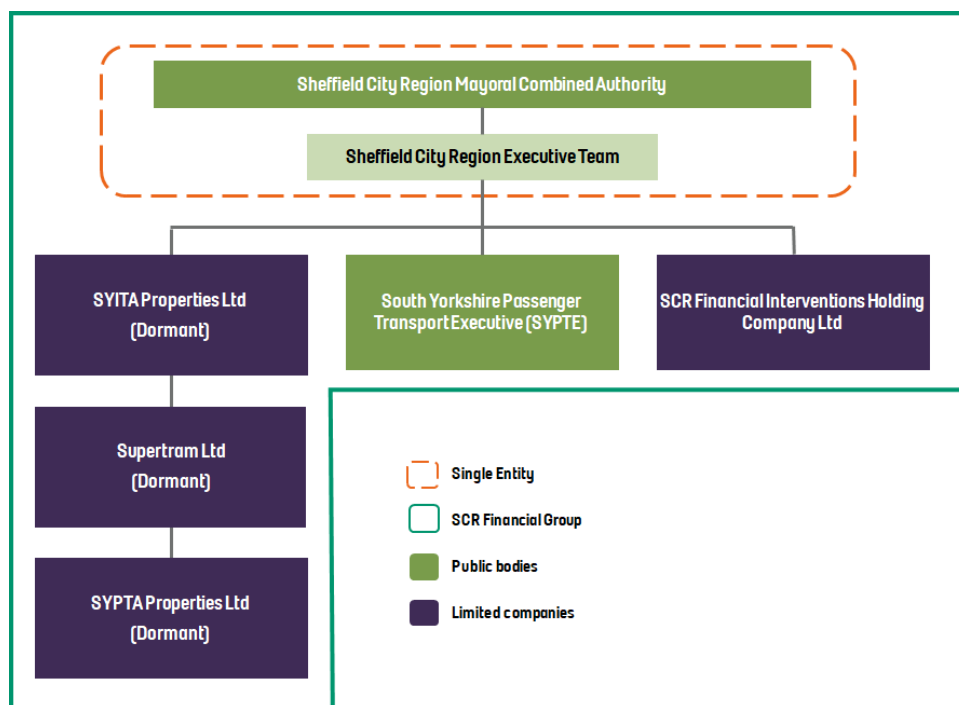
1. **Governance:** Begin the process for integrating the South Yorkshire Passenger Transport Executive (SYLTE) fully within the Sheffield City Region MCA.
2. **Route Analysis:** Analysis will identify the service needed by geographical area, before identifying the gap between we are now compared to where we would like to be and the cost of delivery.
3. **Quality Analysis:** Identify the investment and infrastructure required to improve the quality of service/experience for passengers.
4. **Pricing Analysis:** Consider the cost of using the regions bus services to develop a new pricing and ticketing framework to drive patronage and make it affordable, flexible and attractive. This will include a review of concessions to ensure they meet passenger needs.
5. **Environmental Analysis:** Identify the investment and infrastructure required to meet the MCA's net zero commitments.
6. **Model Evaluation:** Work through the legal and financial implications of changing our current bus service delivery model using the powers available in the Bus Services Act 2017. This will include consideration of Enhanced Partnerships, either across South Yorkshire or in specific local authorities. It will also consider the long term legal and financial options for other models such as franchising.
7. **Cost Model:** A financial planning exercise working with Local Authorities and bus operators to produce a new cost model to achieve the objectives set out in the above 7 point plan

The decision taken by the MCA to integrate SYLTE into the MCA represents a significant change to the MCA group's governance model. Over the course of the year the MCA began taking the necessary preparatory steps to begin this process. It should be noted that as SYLTE exists as a statutory entity under law, new legislation passed by Parliament will be required to enable the change. It is expected that this legislation may be passed in financial year 2021/22 at the earliest.



## MCA Group Structure

The MCA Group comprises the following organisations:



South Yorkshire Passenger Transport Executive (SYLTE) is responsible for the delivery of public transport services. The MCA is responsible for approving the income and expenditure estimates of the PTE and its capital programme.

The SCR Financial Interventions Holding Company is a wholly owned subsidiary of the MCA. Its purpose is to support capital investment in furtherance of Sheffield City Region's strategic objectives as set out in its Strategic Economic Plan and draft Inclusive Industrial Strategy.

SYITA Properties Ltd is going through the final stages of liquidation. All assets and liabilities of the company were transferred to the MCA in November 2017 so the company is dormant.

Whilst the MCA has undertaken to integrate SYLTE into the MCA, in 2020/21 there were no changes to the group structure.

### 3. KEY DEVELOPMENTS IN THE YEAR

This section highlights the key achievements and developments delivered by the MCA Group in 2020/21:

- In the last year our target of **investing £43.2m** in the region's economy has been achieved, **£48m of private sector investment** attracted,

**6,959 jobs** created or safeguarded, **1,185 businesses** supported, **3,228 new learners** have been assisted and **461 new homes** completed.

- Following the award of £166m of Transforming Cities Fund grant from DfT in 2019/20, project development is now well underway on a range of projects, with delivery planned to commence in 2021/22. These projects focus on improving infrastructure for the public transport, rail and active travel networks. Notable examples from SYPTE's portfolio include new tram-train stops with park and ride facilities at Parkgate and Magna in Rotherham, iPort Bridge in Doncaster and rail station improvements across the region.
- The **SCR Active Travel Implementation Plan** was formally approved by the MCA on 1st June 2020, having been prepared by the Active Travel team led by Sheffield City Region's **Active Travel Commissioner**, Dame Sarah Storey. This has secured funding within Transforming Cities Fund and, at the time of writing, additional emergency funding of **£7m** allocated by Government to accelerate active travel measures as a response to Covid-19.
- After **£2.2m** in 2019/20, a further **£1.4m** was invested in 2020/21 into our **Health Led Employment Support Trial** which is assisting over 6,000 people with mental and physical health issues and disabilities into sustainable employment.
- As part of a major programme of works led by SYPTE, the final third of three years of Supertram network re-railing was completed. This work was to replace sections of track which have experienced accelerated wear and required replacement to ensure continued safe operation of the network and to prepare its use beyond the current concession arrangement ending in 2024.

#### 4. IMPACT OF COVID-19

This section has been included in the Narrative Report as it has been and will continue to be an important factor across all aspects of service delivery and funding of MCA activity in 2020/21 and beyond. It is broken down into seven categories to aid understanding of the impact of the pandemic on the Group and its response.

## a) Provision of Services

The initial phase of Covid-19 and lockdown had an immediate effect on passenger numbers on public transport with passenger numbers falling by 90%. The dramatic reduction in fare box revenue threatened the continued operation of essential bus and tram services for key workers to get to their places of employment. Focus was on working with the Department for Transport and utilisation of existing budgets to maintain essential services and maintain the ability to ramp up for the recovery phase. New timetabling was introduced to meet the requirements of key workers and manage resources properly. It also had an immediate effect on most businesses across the City Region. Resources were focussed on providing support to businesses and helping with navigating new funding arrangements.

Whilst this work remained a focus and resource intensive, resources were also allocated to planning for the recovery phase in terms of business, economy and the necessary transport support. The Mayor led the **Covid-19 Economic Response Group** which was responsible for the recovery from this pandemic. A Recovery Plan was developed with these key stakeholders together with a resource plan. This 'Renewal Action Plan' (RAP) supports continued dialogue with all parts of Government on funding packages and focus of efforts. Extension of the Growth Hub Service was implemented to assist businesses directly with support and access to finance. Specific actions were also taken to assist tenants to continue in business. Grant funding continues to be reviewed and targeted at recovery and growth liaising closely with our key partners. As noted in Section 5, the main grant distributed via partners is the Additional Restrictions Grant worth around £42.5m. However, the challenge for revenue funding support remains.

Further details on the provision of frontline services by the MCA's operating subsidiary SYPTE is covered in the narrative statement of SYPTE's accounts. In summary, the key financial implications were as follows. For the operators, the primary concern was their commercial sustainability. With fare-box income collapsing in line with patronage, operators became reliant on public subsidy from SYPTE and national Government. Throughout the year there was ongoing uncertainty regarding central government funding, which was rolled out in short phases with no clear long-term plan at the time, and often with very little notice for operators to instigate their resource changes and incur costs without assurances that such costs would be covered.

SYPTE supported operators financially through an agreement to continue to pay concessionary fare payments at pre-pandemic levels whilst so ever government contributed funding directly to operators. Maintaining concessionary fares at this level meant that SYPTE paid significantly in excess of demand, but to budget, enabling a guaranteed stream of funding to operators.

In the main, MCA group services have continued to be delivered and focused on the emerging challenges. Funding around transport continues to be a challenge, but DfT have committed funding beyond 21 June. Focussed funding to support the wider economic recovery continues to be a priority for the Mayor and MCA.

#### **b) Workforce**

As soon as it became apparent that the lockdown would come into effect, MCA put its business continuity and contingency plans into effect, resulting in the majority of staff working from home. The Head Office at Broad Street West was closed, and access to this and other sites was restricted to those classified by the Senior Management Team as Key workers.

No staff were furloughed. However, redeployment was continuously explored to ensure that there were appropriate levels of resources to continue to deliver services. Sickness levels were monitored closely and specifically anyone reporting symptoms of Covid-19. They were reported to be slightly lower than pre-lockdown.

#### **c) Supply Chains**

The MCA has relatively low direct exposure to supply chain failure. When the first lockdown was initiated in March 2020, the highest priority supplies were ICT hardware, personal protective equipment (PPE) for frontline staff, hand sanitiser and temporary barriers for the interchanges and offices. The ICT and Business Operations teams were able to secure all of the requisite equipment to enable the entire workforce to shift to home-working within a matter of weeks.

#### **d) Reserves, Financial Performance and Financial Position**

The impact of Covid-19 was regularly reviewed throughout the year, in order to understand the implications for the MCA's 2020/21 revenue budget. The major threat was initially expected to be the income budget, hence £500,000 was set aside in an earmarked reserve to protect against loss of income.

A further review was undertaken as part of the newly introduced MCA group-wide business planning process to assess a number of other risks, particularly the impact on the bus tendered services budget in the event that operators cut or withdraw vital public transport services in response to central government support (e.g. CBSSG) ceasing. Consequently, the MCA agreed to set aside £7 million in reserves for the protection of

priority services. Around £1.1 million of this reserve is currently held by SYPTE, with the remainder held at group level.

The recommended reserve profiles are detailed in the appendices of the MCA group budget 2021/22 approved on 22 March 2021, but notable proposals – other than the aforementioned £7 million ‘Protection of Priority Services’ reserve – include:

1. The creation of a ‘Bus Project’ reserve (£3m) to efficiently resource the work that will be required in the coming years to support implementation of the Bus Review recommendations and manage the orderly transition to likely changes in the regulatory environment around the management of bus services in South Yorkshire;
2. The creation of a ‘Mass Transit Project Readiness’ reserve (£3m) to ensure that the MCA has sufficient earmarked resource to undertake the required change-management processes associated with the end of the current tram concessionary arrangement;
3. The creation of ‘Income Resilience’ reserves (aggregate c. £3m) to enable the Group to manage disruption to commercial income streams, mitigating some of the financial shock experienced in the current year; and,
4. The creation of a Project Feasibility Fund (£3.6m) to provide sustainable revenue funding for the early stage development of investment propositions.

## **e) Cash Flow Management**

Cashflow management is governed by the SCR MCA group’s Annual Treasury Management Strategy, the 2021/22 update of which was approved by the MCA Board on 22 March 2021. In common with most other public sector bodies, the MCA’s approach to its Investment Strategy is governed by a hierarchy of considerations centred on protecting public funding. This hierarchy places a greater emphasis on the security and the liquidity of the MCA’s investments than it does on the yield generated from them. This relatively conservative approach limits the MCA’s exposure to losses arising from counterparty default, but also limits the returns that can be generated from investing cash resource until it is required.

## **f) Major Risks to the Authority**

Many of the major risks to the MCA have already been discussed above. Perhaps the most significant ongoing risk is the collapse of the public transport network, primarily due to the uncertainty over continued government funding. This uncertainty has led the MCA to question how it should deploy its resources to support the immediate position whilst planning for a post-pandemic world. Government recognised the MCA and local partners as an effective instrument through which to channel its fiscal response. SYPTE used national funding and local resources raised from the transport levy to provide an effective cocktail of subsidy funding for commercial transport operators, enabling the public transport system to continue to operate despite the collapse of fare-paying patronage. These efforts ensured access to mobility for key workers and communities and provides a platform for economic recovery efforts.

## **g) Plans for Recovery**

In terms of public transport, recovery plans remain sensitive to the scale and longevity of government funding. Whilst Government have provided some detail on their plans for continued support to bus networks, linked to future regulatory change, there is still significant uncertainty around its plans for support to light-rail.

Activity required by Government around Bus Improvement Plans continues apace. This work should enable the MCA to continue to attract further government support.

Work began on an economic recovery plan as soon as the crisis hit. The Mayor set up and led a Covid-19 Economic Response Group which has overseen the work, culminating in the production of the Renewal Action Plan (RAP), further details of which are set out elsewhere in this narrative statement.

The draft plan, which is fully aligned with the draft Strategic Economic Plan, focuses on the key actions and interventions needed in the immediate term to bring relief to people, businesses and places, as well as the medium and longer term interventions to drive recovery and renewal and build resilience in our communities and economy.

Work continues engaging with key stakeholders and Government on all aspects of recovery and funding. Regular liaison with the Department for Transport is fundamental to maintaining essential public transport routes to enable economic activity to re-build. Work continues with Treasury to develop support packages and practical release of said

funding to ensure economic recovery is maintained and the social impacts minimised in South Yorkshire.

## **5. FINANCIAL PERFORMANCE**

### **Summary Highlights**

The key areas of financial performance for the year were as follows:

- 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.

### **Revenue Budget**

#### **MCA/LEP Budget**

The MCA/LEP's revenue budget comprises the operational expenditure and the income sources that fund that activity across a series of Directorates comprising:

- Business Growth, Skills & Employment
- Transport, Infrastructure & Housing
- Governance & Mayoral Office
- Chief Executive's Office

- Business Services
- Property Running Costs

The MCA/LEP budget for the year was £13.1m, comprising core operations (£6.6m) and revenue programmes (£6.5m).

The budgeted funding for core operations of £6.3m was a mix of grant from Central Government, subscriptions and Enterprise Zone business rates growth from the constituent authorities, investment income from Treasury activity, trading income and income from property management. The budget was balanced with the planned use of reserves of £0.3m.

At the end of the financial year the budget had underspent against the base budget by £0.65m as a result of a combination of activity slipping into the new financial year and savings accrued from budget challenge.

The resulting contribution to reserves of £0.36m has been used to fund activity that has slipped into 2021/22 (0.24m) with the balance being transferred to earmarked reserves (£0.12m)

The revenue programmes budget for the year has increased markedly from £6.5m at the start of the year to outturn at £42.8m at the end of the year.

The most significant change reflects the adoption of Additional Restrictions Grant (ARG) in support of the South Yorkshire Business Support Scheme. This resource includes £30m of revenue funding negotiated with government in the autumn of 2020 to reflect the region's move into Tier 3 Coronavirus Restrictions, and then a further £12.5m that was received in the new year to reflect the new national restrictions. The Business Support Scheme is a collaborative effort between the MCA and the local authorities, with the MCA distributing funding in support of the schemes administered by each authority to a jointly designed and agreed criteria. By the end of the financial year £32.5m had been spent comprising £30.09m awarded to businesses across the region and £2.43m of payments for local authority discretionary scheme headroom.

#### South Yorkshire Transport Budget

The Operational Transport revenue budget activity consists of that of the South Yorkshire Transport Executive (SYLTE), and those associated costs managed at the MCA level. Those latter costs largely relate to the costs of debt and receipts arising from cash management which are managed at the Group level.

To balance the budget, there was a planned use of earmarked reserves of £5.2m. This was in line with the long-term financial plan for the South Yorkshire Transport Budget, which involves using earmarked reserves to sustain levy reductions below the base budget until the two converge around 2024/25.



These budgets experienced significant disruption over the year as the public transport network was impacted by the Covid 19 pandemic and the resultant restrictions implemented to stem its proliferation.

Initial travel restrictions, the shift to home-working, and the impact of social distancing measures on the leisure, retail and hospitality sectors all impacted on patronage on the public transport network.

In addition to the funding government awarded directly to bus operators, a further £16m of government funding for bus and tram services has been routed through the MCA / SYPTE. Accordingly, around £33m of public funding has been directed through the MCA in support of maintenance of the network.

The effect of continuing to pay concessions at pre Covid rates and other savings achieved during the year, is that spend for the year is £3.45m lower than budget.

#### Reconciliation of the Revenue Budget Outturn to the Comprehensive Income & Expenditure Statement (CIES)

The Revenue Outturn reports financial performance on the statutory basis on which Local Government raises finance from local taxpayers to deliver services and invest in its capital assets.

This differs from the way in which financial performance is reported in the CIES in the Statement of Accounts which is on the basis of generally accepted accounting practice (International Financial Reporting Standards).

The following table shows how the MCA's surplus on the provision of services shown in the CIES of £39.726m reconciles to the Revenue Outturn against Revenue Budget reported to the MCA on 7 June 2021.

	2020/21
	£'000
<b>Surplus on Provision of Services in the CIES</b>	<b>-39,726</b>
<b>Less: technical Accounting adjustments recognised in Period 13 not in the Outturn</b>	
Release of Provisions	760
DSA loan interest accrued	451
Release of legacy accruals / grant received in advance	140
<b>Less: grant income recognised in Period 13 not in the Outturn</b>	
Unapplied Skills Bank 2 grant transferred to reserves	183
Skills Bank 2 investment pot transferred to Skills Bank reserve	1,460
Unapplied Mayoral Capacity Fund transferred to reserves	366
Unapplied Gainshare revenue transferred to reserves	10,240
<b>Reversal of items not chargeable against revenue budget:</b>	
IAS 19 pension costs - current service	-510
IAS 19 pension costs - net pension interest	-74
Capital grant income & contributions credited to Taxation & Non Specific Grant Income in the CIES	24,938
Capital grant expenditure (REFCUS) charged to net cost of services within the CIES	-79,895
Capital grant income relating to REFCUS credited to net cost of services within the CIES	80,631
Conversion of loan into grant charged to net cost of services within the CIES	-1,500
Depreciation charged to CIES	-515
Revaluation losses charged to the CIES	-1,420
Revaluation gain on investment properties credited to CIES	25
Write back of expected credit losses relating to capital loans awarded credited to CIES	543
Soft loan adjustments	336
<b>Items chargeable against revenue budget not included in CIES:</b>	
Statutory provision for repayment of debt (MRP)	3,648
<b>Transfers to/from reserves charged / credited to Outturn</b>	
Contribution to PFI reserve	1,288
Contribution to LGF Revenue Reserve	32
<b>Net deficit excluding Period 13 adjustments</b>	<b>1401</b>
Surplus on LEP activities	-359
Deficit on transport activities	1,760
<b>Deficit reported in Outturn report to the MCA</b>	<b>1401</b>

## **Capital Programme**

The MCA's capital programme for the year has grown in 2020/21 as new funding sources have come on stream as part of the government's fiscal stimulus package.

As in previous years, the bedrock of the capital programme has been the Local Growth Fund (LGF) capital programme and South Yorkshire transport capital programme.

However, this has been supplemented in 2020/21 by major new sources of capital funding in the form of:

- Transforming Cities Fund (TCF),
- Devolution funding (Gainshare),
- Getting Building Funding, and
- Brownfield Housing.

### Local Growth Fund Programme

Financial year 2020/21 represented the final funding year for the LGF programme, which has been the mainstay of the MCA's investment activity since 2015. Over £362m of funding has been received by the MCA under the Sheffield City Region's 6 year Growth Deal over the period 2015/16 to 2020/21.

The allocation for this year of £43.24m has been fully utilised. This means that over the course of the 6 year Growth Deal, the overall allocation has been fully deployed.

### South Yorkshire Transport Programme

The South Yorkshire Transport Capital Programme (excluding Transforming Cities Fund) spend in 2020/21 was £31.08m.

Key elements of the 2020/21 capital spend include:

- £17.45m on highways maintenance and pot-hole funding,
- £6.77m of transport capital improvements supporting delivery of the South Yorkshire Transport Local Transport Plan, and
- £6.39m on SYPTE's capital programme, including Tram-Train and Supertram phase 2 re-railing.

### Transforming Cities Fund (TCF)

The TCF programme is a £166m programme of government grant funded activity centred on Active Travel and transport schemes that will run to March 2023.

In 2020/21, expenditure of £5.08m has been incurred.

### Devolution (Gainshare) capital

Financial year 2020/21 represented the first year in which devolution funding was made available to the MCA. During the year the Authority undertook a number of exercises to allocate that funding to key South Yorkshire priorities, including flood defence scheme, bus improvements, and partner recovery efforts.

At outturn, £1.19m had been expended in support of recovery activity. Funding not deployed is held in earmarked reserves to support the forthcoming commitments in the new financial year.

### Getting Building Fund (GBF)

The Getting Building Fund is one of two financial stimulus packages the MCA has received during the course of the year as part of the Government's Strategy to rebuild Britain following Covid 19 and support the economic recovery across the UK (the other being Brownfield Housing).

£33.6m of GBF has been awarded for a prioritised programme of 'shovel ready' schemes to be delivered by the end of 2021/22. In 2020/21, the MCA received a first tranche of £16.8m.

### Brownfield Housing

£40.3m of capital funding has been allocated to the MCA for supporting the development of housing schemes on brownfield land over the next 5 years. In 2020/21, the MCA received a first tranche of £6m.

## **Reserves**

As part of the budget setting process for financial year 2021/22 a Group-wide reserve review was undertaken that resulted in the re-casting of reserves to better align them to the risk environment. This is of particular relevance this year given the scale of the challenges that the MCA and its partners have faced in 2020/21 and will continue to face as a consequence of the Covid 19 pandemic.

The MCA group held revenue reserves of £79.37m and capital reserves of £49.25m at the end of 2020/21.

Whilst this position appears very healthy, it is of note that £72.87m of revenue reserves are held for specific purposes as are £42.39m of capital reserves. The level of these earmarked reserves is planned to fall in future years as the activity they are intended to fund takes place. This is in line with the reserves strategy adopted by the MCA when the 2021/22 budget was set.

## **6. GOVERNANCE**

### **Mayoral Combined Authority**

The MCA is responsible for setting the policy direction for the City Region and maximising financial investment to achieve economic growth. It is also the Local Transport Authority for South Yorkshire.

The MCA makes large investment decisions on schemes and projects in line with the SCR's SEP and is the accountable body for all funding allocated to the City Region through its Growth Deal, and any devolution and transport funding. The SCR Mayor is accountable for the devolved transport powers through the Bus Services Act.

All five constituent members of the MCA (the four South Yorkshire Leaders and the SCR Mayor) have an equal vote and decisions are made by a majority vote. The SCR Constitution allows for voting rights to be extended to non-constituent members at the discretion of the constituent members.

### **Local Enterprise Partnership**

The LEP is a voluntary business-led partnership which brings together business leaders, local politicians and other partners to promote and drive economic growth across the Sheffield City Region LEP.

It comprises fourteen representatives from the private sector and academia, the nine Local Authority Leaders, the SCR Mayor, a Trades Union representative and two co-opted specialist advisers.

The LEP is responsible for setting strategy and acts as the custodian of the Strategic Economic Plan (SEP). It bids for funding and programmes from Government and is responsible for their delivery and contribution towards realising the outcomes identified in the SEP.

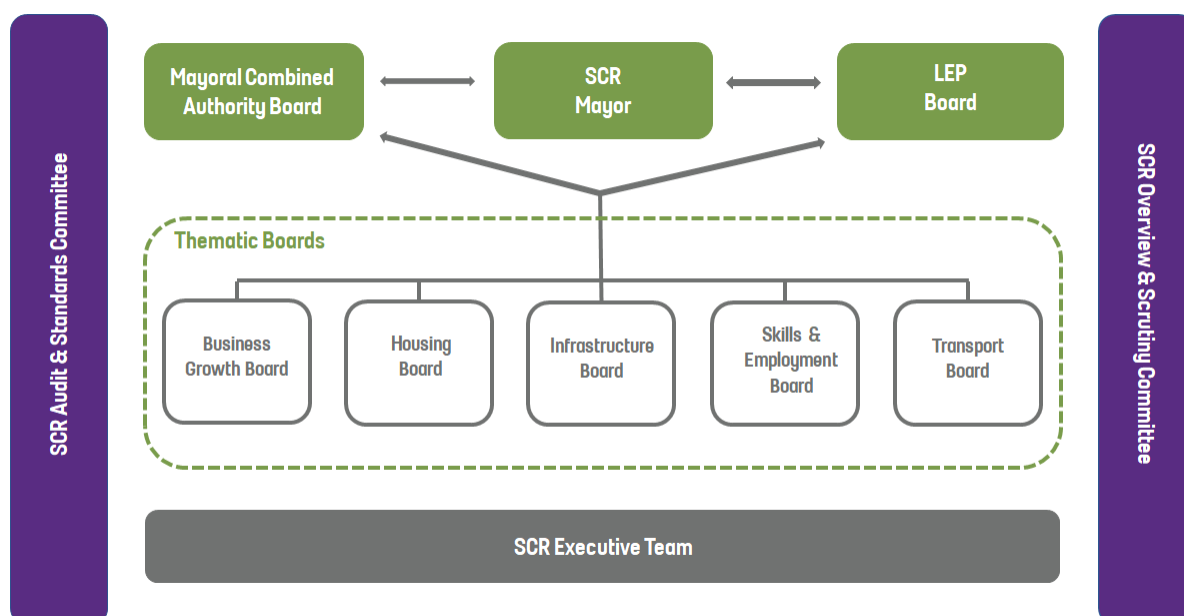
All LEP Board members (apart from co-opted members) have voting rights and decisions are taken on the basis of a simple majority.

## Thematic Boards

To support decision-making and delivery, the MCA and LEP are supported by five thematic Boards. The Thematic Boards are accountable to the MCA and LEP and a defined thematic portfolio: Business Growth and Recovery; Housing and Infrastructure; Skills and Employment and Transport and the Environment.

Within their respective themes, it is the role of Thematic Boards to shape future policy, priorities and programmes for the MCA and LEP to approve. They provide leadership review of programme performance and identify and recommend mitigations for any programme risks or poor performance. The Transport Board also provides direction for, and oversees the performance of the South Yorkshire Passenger Transport Executive (SYPT) in delivering public transport services.

The governance arrangements are depicted in the diagram below:



## Audit & Standards Committee

The MCA's Audit & Standards Committee provides a high-level focus on assurance and the SCR's arrangements for governance. The Audit & Standards Committee ensures that the organisation is fulfilling its legal obligations, has robust control measures in place and is managing risk effectively. The Committee reports on both financial and non-financial performance.

Membership of the Audit & Standards Committee is politically balanced and consists of 8 elected Councillors (or their nominated substitute) from the Four Local Authorities in the City Region and two independent members.

In addition, the MCA has an established process for internal and external audit. Internal Audit is a contracted service (Grant Thornton effective from 1 April 2020), and Ernst and Young (EY) were the appointed External Auditors (from 2018/19).

### **Overview and Scrutiny Committee**

The Overview and Scrutiny Committee holds the MCA, SCR Mayor and LEP to account and ensures that all aspects of decision-making are transparent, inclusive and fair. The Committee is responsible for checking that the MCA and LEP are delivering their objectives and that SCR policies, strategies and plans are made in the best interests of residents and workers in the City Region.

Membership of the Overview and Scrutiny Committee is politically balanced and consists of 10 elected Councillors (or their nominated substitute) from the four Local Authorities in the City Region. The Overview and Scrutiny Committee has the authority to review and scrutinise a decision made or action taken by the MCA, LEP, Thematic Boards and Sub-Boards. The Committee can, at their discretion, make recommendations for change or improvements.

### **Independent Assessment of Governance Arrangements**

The MCA's overall governance arrangements have been subject to independent assessment on an annual basis by External Audit, Internal Audit and, in relation to the Local Growth Deal, by the Ministry of Housing, Communities and Local Government (MHCLG) & Department for Business, Energy and Industrial Strategy (BEIS).

The overall conclusion reached in their most recent assessments is set out below:

- External Audit – In 2019/20 they concluded that the MCA had made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.
- Internal Audit 2020/21 – The Head of Internal Audit is expected to provide his Assurance opinion to the MCA Audit & Standards Committee at its next meeting on 15th July 2021.
- MHCLG/BEIS Annual Performance Review 2020/21 – concluded that SCR MCA/LEP had met all the requirements required of it.

## 7. OUTLOOK

The financial outlook for the MCA group is characterised by challenge and change.

As the pandemic and resultant restrictions continue to affect every-day life across South Yorkshire, the MCA will continue to play an integral role in supporting the region's immediate response and its recovery efforts.

Immediate pressures remain around the commercial sustainability of the public transport network. The network will play a prominent role in supporting economic recovery efforts through ensuring access to mobility for the region's communities, but its continuing operations at pre-pandemic levels remains highly sensitive to the return of fare-paying patronage, and where that falls short the level and longevity of public sector financial subsidy.

Equally, the region will continue to have an important role to play in supporting the economic health of the wider economy. Significant amounts of the UK government's fiscal stimulus package will continue to flow through the MCA, including capital funding that will prime economic activity, and funding linked to restrictions that can be targeted at supporting in-need sectors of the region's business community.

Whilst meeting these challenges the MCA is committed to acting upon the recommendations of the South Yorkshire Bus Review and creating one new organisation from the integration of the South Yorkshire Passenger Transport Executive and the MCA.

Whilst this process will create a number of technical, capacity, and resource pressures, it offers significant opportunities for the MCA to design and develop a more effective organisation that is better able to deliver on its aspirations and support stronger oversight of its performance.

Furthermore, the pandemic and its impact upon the public transport network has precipitated a review by government into the regulatory environment that governs how bus operators work with local public bodies across the nation. This review is likely to lead to a generational change in the regulatory environment that will re-shape the design and provision of bus and light rail services across South Yorkshire.

This change provides a significant opportunity for the MCA to build upon the aspirations borne from the Bus Review, but does come with significant risk, and will require the MCA to carefully consider its options and understand the implications of the change.

The MCA is meeting this change and these challenges from a position of comparative financial strength.



For the first time, the MCA undertook an integrated group wide business planning and budgeting process and complemented this with a group wide review of reserves and provisions. These exercises have formed the foundations from which the organisation has ordered its financial affairs to meet the challenge and change.

An aspirational, record spending-level budget has been set that allows the MCA to meet these challenges with an appropriate level of resource whilst reserves have been re-cast to better align to the risk environment. This latter issue is particularly important in providing the MCA with a level of comfort that it can tackle both change and challenges with a degree of confidence.

The MCA's transport budgets have been set in such a manner that the MCA can continue to play its part in supporting the transport network whilst so ever government matches the local commitment. Should government support fall short of that required, an earmarked reserve has been created to provide a bridge from the current levels of provision to a more commercially sustainable model.

Financial resource has also been made available to support the integration exercise. This resource is available to provide additional capacity, and also external support to ensure the MCA is well placed to exploit the opportunity. An earmarked reserve has also been approved to allow for the MCA to manage the latent risk of such an exercise.

Resource is also provided in the budget to continue the success of the locally designed and administered South Yorkshire Business Support Scheme that has targeted national resource at local priorities. The continuation of this scheme will continue to provide a lifeline for business across South Yorkshire, and the springboard from which businesses can thrive in post-pandemic trading conditions.

The scale of the budget set for the new financial year reflects the position of the MCA as a trusted partner through which the government can channel fiscal stimulus. The MCA has been successful in attracting significant amounts of capital and revenue funding to resource aspirational infrastructure, transport, and housing schemes, and will continue to invest in South Yorkshire in an efficient and effective manner that both primes local economic activity and enhances local productivity.

The MCA's position as a going-concern remains undiminished despite the pressures of the pandemic.

The MCA has agreed, for the first time in over a decade, to continue to hold the South Yorkshire transport levy at its existing levels and has committed to retaining other local contributions. This decision reflects, in part, the aspirations of the Bus Review and the desire of the South Yorkshire

authorities to see more investment in the transport services overseen by the MCA.

The MCA also continues to take important steps in securing its own financial autonomy. In the last financial year the MCA received its first allocation of devolution monies, and has set about developing an investment strategy that will form the foundations of a new South Yorkshire Renewals Fund.

Devolution monies have been targeted at supporting the MCA's Renewal Action Plan, with investment into skills and training and support to the business community. The MCA has further targeted devolution monies at supporting local places as they adjust to changes to consumer and retail behaviours, and in supporting our communities in managing the local implications of global climate change through investment into flood defences and mitigations.

Complementary to the long-term funding commitments the devolution resource provides, the MCA has also begun negotiations with government around the draw down of borrowing powers for its non-transport activity. The receipt of these borrowing powers will represent the potential for a step-change in the maturity of the MCA's investment planning, allowing it to begin to move away from an umbilical relationship with government funding cycles to a more autonomous locally designed approach for investment into South Yorkshire.

## **Annual Governance Statement**

### **1. Annual Governance Statement Executive Summary**

#### **Scope of Responsibility**

The South Yorkshire Mayoral Combined Authority (“the Authority”) is responsible for ensuring that its business is conducted in accordance with law and that 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 proper arrangements for the governance of its affairs and to secure continuous improvement in how its functions are exercised.

This statement explains how we have complied with our Local Code of Corporate Governance and also meets the requirements of Regulation 6 (1a and 1b) of the Accounts and Audit (England) Regulations 2015 in relation to conducting a review at least once per year of the effectiveness of systems of internal control. These regulations also require a statement reporting on the findings of the review to be published with the Statement of Accounts in the form of an Annual Governance Statement.

#### **What do we mean by Governance?**

By governance, we mean the arrangements that are put in place to ensure that our intended outcomes are defined and achieved. The term ‘Governance Framework’ is used to describe the systems and processes, cultures and values, by which the activities we are accountable for, are directed and controlled. We recognise that to be truly effective, these arrangements must be robust but also adaptable to changing circumstances including the expectations of the public and of other stakeholders. We are committed to addressing governance issues as they arise and to keeping our arrangements under review.

#### **What is ‘good governance’?**

Fundamentally, good governance is about making sure we do the right things, in the right way, for the right people. Our commitment to good governance is set out in its our Code of Corporate Governance. This Code, aligned the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016, has been in place for the year ended 31<sup>st</sup> March 2021, and describes how we will carry out our functions in a way that shows accountability, transparency, effectiveness, integrity, and inclusivity.

Working in this way will allow the us deliver our objectives in the most effective and efficient manner, bringing about better, sustainable outcomes for the residents, communities and businesses of South Yorkshire.

## **Summary of governance issues during 2020/21**

The Covid-19 pandemic has placed significant demands on the Authority during 2020/21, and has resulted in significant strategic and operational risks. Most notably those around the funding of public transport, organisational capacity to deliver programmes of work in ambitious Government timescales and capacity to deliver an investment programme that responds to post-pandemic economic circumstances.

These risks have been somewhat mitigated through detailed analysis of income and patronage of public transport services, sustained lobbying of Government for future funding, regular budget revisions and a comprehensive reserves strategy.

The Authority has limited influence regarding the frequency of changes, lack of clarity and tight delivery timescales of Government funding, therefore in order to develop capacity and resources to maximise effective delivery, a piece of work has been commissioned to review all aspects of the process.

In addition to these challenges, during the year, the Order, formally transferring the additional powers and functions agreed through the 2015 Devolution Deal, was made meaning additional functions relating to transport, adult education and housing were transferred to the Authority. In addition, the formal integration of the Authority with South Yorkshire Passenger Transport was agreed, and work has begun to consolidate and evolve governance arrangements.

The pandemic has also required the majority of employees to work from home, despite this, the organisation has been able to undertake its day to day activities and the systems and processes in place have provided a robust level of control.

Our evaluation of the effectiveness of our governance arrangements in the context of these issues has concluded that arrangements were fit for purpose and robust yet flexible enough to respond to the challenges presented.

## **Statement by the Chair of the South Yorkshire Mayoral Combined Authority and the Chief Executive**

On the basis of the sources of assurance set out in this statement, we are satisfied that, throughout the year 2020/21 and up to the date of the approval of the accounts, a satisfactory system of internal control has facilitated good governance of the Authority's affairs and the effective exercise of its functions.

We are satisfied that the comprehensive evaluation process undertaken has identified the relevant areas for attention over the forthcoming year. The action plan, monitored by the Audit and Standards Committee, will (when implemented) further enhance the Authority's governance, risk and internal control framework.

.....

On behalf of the South Yorkshire Region Mayoral Combined Authority

## 1. Identification of key governance arrangements

The organisational governance structure that was in place during the year is shown below:

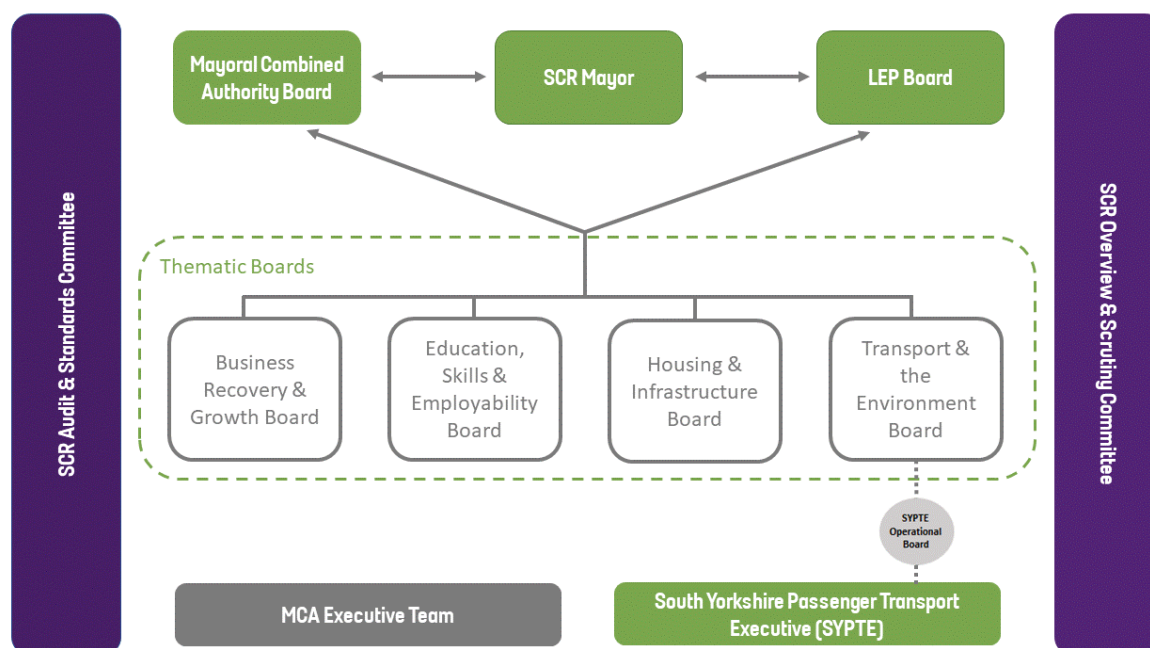


Fig 1: 2020/21 Governance Structure

The Combined Authority Constitution sets out the governance arrangements of the organisation including terms of reference for the four thematic boards and two statutory committees shown above. The Constitution defines the operating principles of the Authority and embraces a suite of policies including, but not limited to, Codes of Conduct, Whistleblowing, Anti-fraud and Bribery, Contract Procedure Rules, Finance Regulations and the Code of Corporate Governance.

The Constitution also sets out the functions and delegated responsibilities of the statutory officers, namely the Head of Paid Service (Chief Executive), the Section 73 Officer (Chief Finance Officer) and the Monitoring Officer.

The Chief Finance Officer (CFO) operates in line with the CIPFA Statement on the Role of the CFO in Local Government (2016) and is actively involved in, and able to bring influence to bear on all material decisions to ensure that immediate and longer-term implications, opportunities and risks are fully considered. The CFO leads on the promotion and delivery of good financial management, which aims to ensure that public money is safeguarded and used in an appropriate, economic and effective manner.

All Statutory Officers have direct access to the Chair of the Combined Authority with reference to their core statutory and professional roles.

The Authority also has in place an Assurance Framework which sets out how public money will be used responsibly and outlines the processes for ensuring openness and accountability for public funds.

The Audit and Standards Committee provides a high-level focus on assurance and governance arrangements. Their role is to ensure that the Authority fulfils its legal obligations, complies with statutory requirements, is managing risk effectively and has robust control measures in place for all devolved powers and funding.

The Overview and Scrutiny Committee holds the Authority to account for all decisions taken, including those relating to devolved powers and funding. They have the authority to review and scrutinise any decision made, or action taken and are responsible for checking that the Authority is delivering objectives, and that policies, strategies and plans are made in the best interests of residents and workers in the region.

Our Strategic Economic Plan sets out our vision and policy objectives growing the economy of the region at pace; ensuring that all people and places have a fair opportunity to contribute to and benefit from prosperity and protecting and enhancing our environment. Our Renewal Action Plan, which is aligned to our Strategic Economic Plan, was agreed during the year to mitigate the worst effects of the Covid-19 crisis on the Region and sets out the immediate terms actions required to ensure a strong and timely recovery from the economic shock caused by the pandemic. Our priorities are also set out in a number of other plans and strategies that support the Strategic Economic Plan including the Transport Strategy, the Energy Strategy and the Active Travel Implementation Plan.

## **2. Evaluation of the Effectiveness of Governance**

Through a series of interviews and workshops we have assessed and evaluated our compliance with our Code of Corporate Governance and the effectiveness of our governance framework. We are satisfied that our system of internal control is satisfactory and has facilitated compliance with the principles of good governance during the year.

### **2.1 Head of Internal Audit Opinion**

The role of the Internal Auditor is to provide an independent assessment of the system of internal control. They undertake a cyclical review of the main financial and operational systems on a rolling three-year Audit Plan which is based on an analysis of where there is most risk. Core financial systems are reviewed on an annual basis. Internal Audit works closely with External Audit and complies with the Public Sector Internal Audit Standards (PSIAS).

The Head of Internal Audit's Annual Report for 2020/21 has included the following opinion:

“Our overall opinion for the period 1 April 2020 to 31 March 2021 is that based on the scope of reviews undertaken and the sample tests completed during the period, **Significant assurance with some improvement required** can be given on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The level of non-compliance in certain areas puts some system objectives at risk. We identified weaknesses which put system objectives at risk in relation to the AMP Technology Centre. Otherwise, there are only minor weaknesses

in the risk management activities and controls designed to achieve the risk management objectives required by management. Those activities and controls that we examined were operating with sufficient effectiveness to provide reasonable assurance that the related risk management objectives were achieved during the period under review.”

The weaknesses identified relating to the AMP Technology Centre are being addressed and the learning from this is already being used to strengthen the system. Addressing the minor weaknesses in risk management activities forms part of our Governance Improvement Plan below.

## **2.2 CIPFA Code of Financial Management**

We have also evaluated our compliance with the new CIPFA Code of Financial Management. The Code includes six principles of good financial management:

1. Leadership
2. Accountability
3. Transparency
4. Standards
5. Assurance
6. Sustainability

The Code then translates these principles into an explicit set of standards (17 in total) with which we are expected to comply. We have undertaken a preliminary assessment of our compliance with the Code and concluded that the requirements of each standard are being met. Nonetheless, there are a number of areas for improvement, and an action plan to implement these improvements is being developed. This is identified in our Governance Improvement Plan for 2021/22.

More detail on the findings of our evaluation of the effectiveness of our governance arrangements and how we have fulfilled each of the principles of good governance can be found in annex A.

In February, out the outset of our Annual Governance Review, in line with CIPFA guidance, we undertook an assessment to specifically identify the impact of the pandemic on our governance arrangements and changes to existing arrangements that had resulted from the pandemic. The findings from this assessment were reported to the Audit and Standards Committee and are also highlighted where relevant in the annex.

## **3. Accountability and Action Plans**

### **3.1 Progress against our Governance Improvement Plan for 2020/21**

Although no significant issues were identified in the previous financial year, we did identify some areas for improvement and put in place a Governance Improvement Plan. The plan, and our progress against, has been monitored by the Audit and Standards Committee. Progress to date is detailed in the table below:

Table 1: Progress against our Governance Improvement Plan for 2020/21

Focus for 2020/21	Progress to date
<b>Strategic</b>	
Adoption of the SEP and RAP and the development of agreed implementation plans for the SEP and the RAP	<p>Following extensive consultation, the Strategic Economic Plan was approved by the Local Enterprise Partnership on 14<sup>th</sup> January and the Authority on 25<sup>th</sup> January. These documents have informed the Corporate and Business Plan priorities for 21/22.</p> <p>The Renewal Action Plan was adopted by the Combined Authority in July 2020. Thematic Boards are continuing to monitor the implementation plans.</p>
Implementation Bus Review recommendations including progressing the full integration of South Yorkshire Passenger Transport Executive and the Combined Authority	<p>September 2020 - Approval to integrate the South Yorkshire Passenger Transport Executive and the Combined Authority with was agreed in September 2020 and has now underway.</p> <p>This includes aligning all policy, leadership and decision making for public transport with the established arrangements of the MCA and the Transport and Environment Board. This includes:</p> <ul style="list-style-type: none"> <li>• setting up a Transport Officers Steering Group, made up of senior transport officers, and Chaired by the nominated lead CEX, to provide an Officer group to support engagement with Local Authorities on transport policy and issues.</li> <li>• approval for a single Group Audit and Standards Committee for the Authority and seeking approval for the creation of a sub-committee to focus on issues of integration and operational public transport, to ensure no loss of risk assurance and oversight.</li> <li>• approval to amend the internal executive arrangements of the PTE to align with those of the MCA Executive.</li> </ul>
Continuation of negotiation and implementation of Devolution agreement	<p>Following stakeholder consultation, which concluded in March 2020 the Devolution deal was agreed and signed into law on 27 July 2020.</p>



Implementation of new Thematic Board arrangements	Following the Parliamentary Order, and the transfer of additional powers, functions and funding agreed as part of the devolution the Constitution was updated and the role and remit of the Thematic Boards. Changes were approved in October 2020 to ensure that the boards provide leadership in the development of policy, the delivery of activity aligned to the priorities of the Strategic Economic Plan, the Recovery Action Plan and other approved strategies.
<b>Operational</b>	
Embedding risk management processes	A revised Risk Management Policy and Process was endorsed by the Audit and Standards Committee in October 2020 and approved by the Combined Authority in November. Risk Management was embedded into the 2021/22 Business Planning process and into the Programme Management System.
Introduction of new CPRs and a Social Value Policy	<p>New Contract Procurement Rules were approved by the Authority in November, which include the requirement to undertake equalities and climate change impact assessments.</p> <p>Work commenced to develop a Social Value model as part of the Authority's procurement process.</p>
Review and implementation of new corporate induction	Content for the corporate induction was reviewed and largely finalised in December. Management Board reviewed the content in January and an implementation plan for adopting the new induction process has been developed. Full roll out is scheduled for 21/22.
Refresh Assurance Framework to take account of devolution	A thorough review of the Assurance Framework was undertaken to reflect the wider range of funding streams now being utilised to deliver programmes of work and was considered by the Local Enterprise Partnership on 11 <sup>th</sup> March, the Audit and Standards Committee 18 <sup>th</sup> March and the Combined Authority on 22 <sup>nd</sup> March ahead of submitting the document to Government.
Refresh Evaluation Strategy to take account of devolution and implement	The Monitoring and Evaluation Framework was considered by the Local Enterprise Partnership Board on 11 <sup>th</sup> March and the Combined Authority

programme level evaluations for LGF and TCF	on 22 <sup>nd</sup> March. It was approved by the Department for Transport and, at time of writing, is awaiting approval by other Government departments.
<b>Delivery</b>	
Embed cross organisational Collaboration Teams to improve the effectiveness of major programme delivery	Initial work to progress formalised cross team working was paused due to multiple lockdowns. This way of working has been considered as part of the Corporate and Business Planning work with a view to reintroducing this in 21/22.
Full review of the lifecycle of programme development and delivery to inform continual improvements	Work has commenced on a full review of the lifecycle of programme development and delivery to consider systems and process improvements.  Following a procurement process a partner was appointed to undertake an independent Business Process Re-engineering (BPR) process. The review is due to conclude and report early in Q2 21/22.

### Audit Recommendations

There were no recommendations made as a result of our 2019/20 external audit, therefore no outstanding recommendations. There are no outstanding recommendations from any years prior. Whilst there was slippage on the implementation of some internal audit recommendations during the year all have been completed prior to the conclusion of the external audit.

### 3.2 Governance Improvement Plan for 2021/22

Although no significant issues have been identified as a result of this year's evaluation, we are committed to continually strengthening and improving our governance arrangements and, during 2021/22, will particularly focus on the following key activities.

Table 2: Governance Improvement Plan for 2021/22

Focus for 2021/22	Milestones/ Deadline
<b>Strategic</b>	
Continued implementation of operational improvements to public transport as a consequence of the Bus Review and subsequent national policy statements	TBC
Implementation of the assured plan for full integration of	March 22

the PTE into the MCA	
Implementation of new decision-making arrangements e.g. broadening the scope of the Transport Thematic Board	December 21
Development, agreement to and Implementation of the Strategic Investment Framework	March 22
<b>Operational</b>	
Implementation of new corporate structure and clearly defined responsibilities for the single integrated organisation	September 21
Development of a target operating model for governance to be developed and implemented within the year	September 21
Development of a target operating model for risk management to be developed and implemented within the year	September 21
Development of a target operating model for financial management to be developed and implemented within the year	September 21
Development of a target operating model for procurement to be developed and implemented within the year	September 21
Development of a target operating model for programme management to be developed and implemented within the year	September 21
Review, agree and implement a new officer scheme of delegation	December 21
Embedding of new Contract Procurement Rules and a Social Value Policy and officer briefing and training	December 21
Roll out of new corporate induction	June - July 21
Roll out and evaluation of single process for performance development reviews across the integrated organisation	May 21 (roll out)
Implementation of new job evaluation system for the integrated organisation, including renewal of all MCA Executive job profiles to update these to reflect new values etc	December 21
Implement arrangements for the monitoring of the Corporate and business plans. Including the introduction of new reporting arrangements	June 21
Introduce a new corporate assurance management board to review all aspects of corporate assurance oversight	September 21
Monitor and manage the impact of the integration on BAU strategic and operational risks	September onwards
Refresh core policy documents inc Assurance Framework, Monitoring and Evaluation Framework etc	March 22
Review learning from 2018 and implement a plan to run the 2022 Mayoral Election	December 21
Develop an action plan to implement improvements to compliance with the Financial Management Code	December 21
<b>Delivery</b>	
Embed cross organisational Collaboration Teams to	March 22

improve the effectiveness of major programme delivery	
Implementation of any agreed improvements made following the BPR review. Action plan and implementation milestones to be developed following the report in July 21	TBC

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## **Statement of Accounts**

## **Statement of Responsibilities**

### **The Mayoral Combined Authority's Responsibilities**

The Mayoral 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 Group Chief Financial Officer.
- 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 Group Chief Financial Officer**

The Group Chief Financial Officer is responsible for the preparation of the Mayoral 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 Group Chief Financial Officer 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 Group Chief Financial Officer has also:

- kept proper accounting records, which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- assessed the Mayoral Combined Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;

- used the going concern basis of accounting on the assumption that the functions of the Mayoral Combined Authority will continue in operational existence for the foreseeable future, and
- maintained such internal control as determined is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

I hereby certify that the Statement of Accounts on pages 40 -165 gives a true and fair view of the financial position of Sheffield City Region Mayoral Combined Authority at 31 March 2021 and of its income and expenditure for the year ended 31 March 2021.

Gareth Sutton  
Group Chief Financial Officer  
Section 73 Officer  
30 September 2021

## **The Core Financial Statements**

### **Movement in Reserves Statement**

This Statement shows the movement in the year on the different reserves held by the Mayoral Combined 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 Mayoral Combined 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 Mayoral Combined Authority.



Sheffield City Region Mayoral Combined Authority – Statement of Accounts 2020/21

Movement in Reserves Statement 2020/2021		General Fund Balance £000	Earmarked Revenue Reserves £000	Capital Grants Unapplied £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
	Note	30	30	30	30		31	
<b>Balances at 1 April 2020</b>		<b>(7,657)</b>	<b>(41,955)</b>	<b>0</b>	<b>(19,181)</b>	<b>(68,793)</b>	<b>73,939</b>	<b>5,146</b>
<b>Adjustment to opening balance</b>	14	6,774	(6,774)					
<b>Movement in reserves during 2020/21:</b>								
(Surplus)/deficit on provision of services	CIES	(39,726)				(39,726)		(39,726)
Revaluation Gains		0	0	0	0	0	(3,591)	(3,591)
Movement in Pensions Reserve		0	0	0	0	0	821	821
<b>Total Comprehensive (Income) and Expenditure</b>		<b>(39,726)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(39,726)</b>	<b>(2,770)</b>	<b>(42,496)</b>
Adjustments between accounting basis and funding basis under regulations	13	26,208	0	(22,939)	492	3,761	(3,761)	0
<b>Net (increase)/decrease before transfers to earmarked reserves</b>		<b>(13,518)</b>	<b>0</b>	<b>(22,939)</b>	<b>492</b>	<b>(35,965)</b>	<b>(6,531)</b>	<b>(42,496)</b>
Transfers (to)/from earmarked reserves	14	12,659	(12,659)					
<b>(Increase)/decrease in year</b>		<b>(859)</b>	<b>(12,659)</b>	<b>(22,939)</b>	<b>492</b>	<b>(35,965)</b>	<b>(6,531)</b>	<b>(42,496)</b>
<b>Balance at 31 March 2021</b>		<b>(1,742)</b>	<b>(61,388)</b>	<b>(22,939)</b>	<b>(18,689)</b>	<b>(104,758)</b>	<b>67,408</b>	<b>(37,350)</b>

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Movement in Reserves Statement 2019/2020		General Fund Balance £000	Earmarked Revenue Reserves £000	Capital Grants Unapplied £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
	Note	30	30	30	30		31	
<b>Balances at 1 April 2019</b>		<b>(7,657)</b>	<b>(40,558)</b>	<b>0</b>	<b>(4,304)</b>	<b>(52,519)</b>	<b>57,592</b>	<b>5,073</b>
<b>Prior Period Adjustment</b>		0	0	0	0	0	1,943	1,943
<b>Movement in reserves during 2019/20:</b>								
(Surplus)/deficit on provision of services	CIES	3,176	0	0	0	3,176	0	3176
Revaluation Gains		0	0	0	0	0	(5,417)	(5,417)
Movement in Pensions Reserve		0	0	0	0	0	370	370
<b>Total Comprehensive (Income) and Expenditure</b>		<b>3,176</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,176</b>	<b>(5,047)</b>	<b>(1,871)</b>
Adjustments between accounting basis and funding basis under regulations	13	(4,573)	0	0	(14,877)	(19,450)	19,450	0
<b>Net (increase)/decrease before transfers to earmarked reserves</b>		<b>(1,397)</b>	<b>0</b>	<b>0</b>	<b>(14,877)</b>	<b>(16,274)</b>	<b>14,403</b>	<b>(1,871)</b>
Transfers (to)/from earmarked reserves	14	1,397	(1,397)	0	0	0	0	0
<b>(Increase)/decrease in year</b>		<b>0</b>	<b>(1,397)</b>	<b>0</b>	<b>(14,877)</b>	<b>(16,274)</b>	<b>14,403</b>	<b>(1,871)</b>
<b>Balance at 31 March 2020</b>		<b>(7,657)</b>	<b>(41,955)</b>	<b>0</b>	<b>(19,181)</b>	<b>(68,793)</b>	<b>73,939</b>	<b>5,146</b>

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### 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.

2019/20				2020/21			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
94,125	(84,326)	9,799	<b>Continuing Operations:</b>				
47,938	(47,071)	867	Transport Authority		91,670	(94,635)	(2,965)
			Local Enterprise Partnership		90,545	(91,424)	(879)
<b>142,063</b>	<b>(131,397)</b>	<b>10,666</b>	<b>(Surplus) / Deficit on Continuing Operations</b>		<b>182,215</b>	<b>(186,059)</b>	<b>(3,844)</b>
			Other Operating Income and Expenditure				
		(2,469)	Financing and Investment Income and Expenditure	15			(704)
		(5,021)	Taxation and Non-Specific Grant Income	16			(35,178)
		<b>3,176</b>	<b>(Surplus) / Deficit on Provision of Services</b>	3			<b>(39,726)</b>
		(5,417)	(Surplus) / deficit on revaluation of non-current assets				(3,591)
		370	Actuarial (gains) / losses on pension assets / liabilities				821
		<b>(5,047)</b>	<b>Other Comprehensive Income &amp; Expenditure</b>				<b>(2,770)</b>
		<b>(1,871)</b>	<b>Total Comprehensive (Income) and Expenditure</b>				<b>(42,496)</b>

## Balance Sheet

The Balance Sheet shows the value, as at the Balance Sheet date, of the assets and liabilities recognised by the Mayoral Combined Authority. The net assets of the Mayoral Combined Authority (assets less liabilities) are matched by the reserves held by the Mayoral Combined Authority.

Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves, and any statutory limitations on their use. The second category of reserves is unusable reserves, i.e. those that the Authority is not able to use to provide services. This category includes reserves that hold unrealised gains and losses where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations.

<b>As at 31 March 2020 £000</b>		<b>Notes</b>	<b>As at 31 March 2021 £000</b>
1,482	Intangible Assets	19	1,531
20,129	Property, Plant and Equipment	17	23,089
2,854	Other Fixed Assets – Investment Properties	18	1,779
20,616	Long-Term Debtors	22	19,332
45,000	Long-Term Investments	23	78,000
<b>90,081</b>	<b>Long-Term Assets</b>		<b>123,731</b>
91,294	Short-Term Investments	20	117,408
9,541	Short-Term Debtors	24	9,522
71,670	Cash and Cash Equivalents	25	92,963
<b>172,505</b>	<b>Current Assets</b>		<b>219,893</b>
(660)	Short-Term Borrowing	26	0
(93,439)	Short-Term Creditors	27	(54,747)
(1,644)	Short-Term Provisions	28	(589)
(13,920)	Capital Grants Receipts In Advance	38	(103,661)
<b>(109,663)</b>	<b>Current Liabilities</b>		<b>(158,997)</b>
(25,000)	Long-Term Borrowing	20	(25,000)
(2,855)	Pension Liability		(4,260)
(130,214)	Other Long-Term Liabilities	29	(118,017)
<b>(158,069)</b>	<b>Long-Term Liabilities</b>		<b>(147,277)</b>
<b>(5,146)</b>	<b>Net Assets / (Liabilities)</b>		<b>37,350</b>
(68,793)	Usable Reserves	30	(104,758)
73,939	Unusable Reserves	31	67,408
<b>5,146</b>	<b>Total Reserves</b>		<b>(37,350)</b>

The audited Statement of Accounts for the Sheffield City Region Mayoral Combined Authority was approved and authorised for issue by the Group Chief Financial Officer, in accordance with the Accounts and Audit (England) Regulations 2015 on 30 September 2021.

These financial statements replace the unaudited financial statements authorised by the Chief Financial Officer on the 18 June 2021.

Gareth Sutton  
Chief Financial Officer  
Section 73 Officer  
30 September 2021

Mayor Dan Jarvis  
Chair of the Sheffield City Region  
Mayoral Combined Authority  
30 September 2021

## Cash Flow Statement

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

2019/20			2020/21
£000		Notes	£000
(3,176)	Net surplus or (deficit) on the provision of services		39,726
(1,210)	Adjustment to surplus or (deficit) on the provision of services for non-cash movements	32	41,547
(9,304)	Adjustment for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities	32	0
<b>(13,690)</b>	<b>Net cash outflow from operating activities</b>		<b>81,273</b>
17,719	Investing activities	33	(59,320)
0	Financing activities	34	(660)
<b>4,029</b>	<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>21,293</b>
67,641	Cash and cash equivalents at 1 April	25	71,670
<b>71,670</b>	<b>Cash and cash equivalents at 31 March</b>	25	<b>92,963</b>

## 1. Expenditure and Funding Analysis Note (EFA)

2019/20				2020/21			
Net Expenditure Chargeable to the General Fund Balance £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the CIES £000		Notes	Net Expenditure Chargeable to the General Fund Balance £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the CIES £000
4,295	5,504	9,799	Transport Authority		472	(3,437)	(2,965)
(5,692)	6,559	867	Local Enterprise Partnership		(3,751)	2,872	(879)
<b>(1,397)</b>	<b>12,063</b>	<b>10,666</b>	<b>Net Cost of Services</b>		<b>(3,279)</b>	<b>(565)</b>	<b>(3,844)</b>
0	(7,490)	(7,490)	Other Income & Expenditure		(10,240)	(25,642)	(35,882)
<b>(1,397)</b>	<b>4,573</b>	<b>3,176</b>	<b>(Surplus) / Deficit</b>	3	<b>(13,518)</b>	<b>(26,208)</b>	<b>(39,726)</b>
(48,215)			Opening General Fund Balance		(49,612)		
(1,397)			(Surplus) / Deficit on General Fund Balance in year		(13,518)		
0			Other Movement		0		
<b>(49,612)</b>			<b>Closing General Fund Balance at 31 March</b>		<b>(63,130)</b>		



**2. Note to the Expenditure and Funding Analysis**

Adjustments between Funding and Accounting Basis:

<b>2020/21</b>				
<b>Adjustments from General Fund to arrive at the CIES Amounts</b>	<b>Adjustments for Capital Purposes £000</b>	<b>Net change for the Pensions Adjustment £000</b>	<b>Other Differences £000</b>	<b>Total Adjustments £000</b>
Transport Authority	(3,569)	0	133	(3,437)
Local Enterprise Partnership	685	584	1,202	2,472
<b>Net Cost of Services</b>	<b>(2,884)</b>	<b>584</b>	<b>1,335</b>	<b>(965)</b>
Other income & expenditure from the Expenditure & Funding Analysis	0	0	(25,242)	(25,242)
<b>Difference between General Fund Surplus / Deficit and CIES Surplus / Deficit on Provision of Services</b>	<b>(2,884)</b>	<b>584</b>	<b>(23,907)</b>	<b>(26,208)</b>

<b>2019/20</b>				
<b>Adjustments from General Fund to arrive at the CIES Amounts</b>	<b>Adjustments for Capital Purposes £000</b>	<b>Net change for the Pensions Adjustment £000</b>	<b>Other Differences £000</b>	<b>Total Adjustments £000</b>
Transport Authority	4,473	0	1,031	5,504
Local Enterprise Partnership	4,073	542	1,944	6,559
<b>Net Cost of Services</b>	<b>8,546</b>	<b>542</b>	<b>2,975</b>	<b>12,063</b>
Other income & expenditure from the Expenditure & Funding Analysis	(5,021)	0	(2,469)	(7,490)
<b>Difference between General Fund Surplus / Deficit and CIES Surplus / Deficit on Provision of Services</b>	<b>3,525</b>	<b>542</b>	<b>506</b>	<b>4,573</b>

**Adjustments for Capital Purposes** - The statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from income and expenditure as these are not chargeable under generally accepted accounting practices.

**Net Change for the Pensions Adjustments** - The Mayoral Combined Authority has become employable body since 1 April 2019, so the pension adjustment is shown first time relating to IAS 19 Employee Benefits pension related expenditure and income.

**Other Differences** - Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For services - adjusted for interest payable/receivable which is added to the Financing and Investment income and expenditure line under other income & expenditure.
- For Financing and investment income and expenditure the other differences column included soft loans to Rotherham and Barnsley.

- Taxation and non-specific grant income and expenditure – Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year.

### 3. Expenditure and Income Analysed by Nature

The Authority's expenditure and income is analysed as follows:

2019/20		2020/21
£000		£000
	<b>Expenditure:</b>	
5,138	Employee Benefits Expenditure	5,363
138,536	Other Service Expenses	180,488
(127)	Support Service Recharges	(1,959)
1,448	Interest Payments	1,461
<b>144,995</b>	<b>Total Expenditure</b>	<b>185,353</b>
	<b>Income:</b>	
(118)	Fees, charges & other service income	(336)
(5,401)	Interest & Investment Income	(3,842)
(136,300)	Government Grants & Contributions	(220,901)
<b>(141,819)</b>	<b>Total Income</b>	<b>(225,079)</b>
<b>3,176</b>	<b>(Surplus) / Deficit on the Provision of Services</b>	<b>(39,726)</b>

Reconciliation of Income analysed by nature to Comprehensive Income and Expenditure Statement

	£000
<b>Income as analysed by nature</b>	<b>(225,079)</b>
Interest and Investment Income	3,842
<b>Income as part of (Surplus) / Deficit on Continuing Operations in the CIES</b>	<b>(221,237)</b>

#### 4. Segmental Income

Income received on a segmental basis is analysed below:

<b>2020/21</b>				
<b>Services:</b>	<b>£000 Fees, Charges &amp; Service</b>	<b>£000 Interest &amp; Investment</b>	<b>£000 Grants &amp; Contributions</b>	<b>£000 Total Income</b>
Transport Authority	0	0	(94,635)	(94,635)
Local Enterprise Partnership	(336)	0	(91,088)	(91,424)
Corporate	0	(3,842)	(35,178)	(39,020)
<b>Total Income</b>	<b>(336)</b>	<b>(3,842)</b>	<b>(220,901)</b>	<b>(225,079)</b>

<b>2019/20-Restated</b>				
<b>Services:</b>	<b>£000 Fees, Charges &amp; Service</b>	<b>£000 Interest &amp; Investment</b>	<b>£000 Grants &amp; Contributions</b>	<b>£000 Total Income</b>
Transport Authority	0	0	(84,326)	(84,326)
Local Enterprise Partnership	(118)	0	(46,953)	(47,071)
Corporate	(538)	(4,862)	(5,021)	(10,421)
<b>Total Income</b>	<b>(656)</b>	<b>(4,862)</b>	<b>(136,300)</b>	<b>(141,818)</b>

The MCA does not internally report on the assets and liabilities of individual segments. Therefore, segmental analysis is not required to be disclosed.

## 5. Accounting Policies

### I. General Policies

The Statements summarise the transactions of the Authority, for the 2020/21 financial year and its position at the year end of 31 March 2021. The Authority is required to prepare an annual Statement of Accounts in accordance with the Accounts and Audit Regulations 2015. 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 2020/21 (the Code), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 7 of the 2015 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.

#### Going Concern

In accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code), the accounts have been prepared on the going concern basis.

The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.

Notwithstanding this, management have carried out an assessment that the going concern basis is appropriate by reference to the period to the end of the 2022/23 financial year having regard to forecasting of both income and expenditure, the expected impact on reserves, and cashflow forecasting.

The reserves strategy agreed at the time that the 2021/22 budget was set was to hold a minimum of £1m as unearmarked General balances for MCA / LEP activity and £5m for transport activity. As at 31 March 2021, the balances held were £1.5m and £4.762m respectively.

In addition, the MCA Group has set aside a number of specific earmarked reserves and other amounts in the balance sheet to provide financial resilience against income loss and to protect priority services.

The assessment is that the amounts set aside are sufficient to mitigate the potential risks to income and expenditure over the period 2021/22 and 2022/23 without impacting on the level of unearmarked General balances.

In making an assessment of the potential risks to income and expenditure, a prudent approach has been adopted, taking account of the latest projections for 2021/22 and worst-case assumptions for 2022/23.

Our cash flow forecasting and assessment of the adequacy of our liquidity position demonstrates positive cash balances throughout the going concern period, and no expectation of external borrowing [other than to support the capital programme which is consistent to our plans and normal practice]

On this basis, the Authority have a reasonable expectation that it will have adequate resources to continue in operational existence throughout the going concern period maintaining the provision of its services. For this reason, alongside the statutory guidance, we continue to adopt the going concern basis in preparing these financial statements.

## **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 exchange transactions is recognised when goods or services are transferred to the recipient in accordance with the performance obligations in the contract. It is recognised at an amount that reflects the consideration that the Authority expects to receive in a way that reflects the pattern in which goods or services are transferred/performance obligations are discharged.
- 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 expenditure and income 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, an impairment loss allowance is made to write down the debtor balance and charge revenue for the income that might not be collected.

## **III. Acquisitions and Discontinued Operations**

The Authority has not acquired or had any operations transferred to it from another public sector body during the year.

Similarly, the Authority has not discontinued any operations or transferred any to another public sector body during the year.

## **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.

Cash equivalents are highly liquid investments which offer instant access and are readily convertible to known amounts of cash with insignificant risk of change in value.

Cash and cash equivalents are shown net of bank overdrafts.

## **V. 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.

There have been no changes to accounting policy or material errors requiring restatement by Prior Period Adjustment.

## **VI. 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 the Statement of Accounts is authorised for issue.

There are three types of event:

- 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 where material.
- 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.

## **VII. Financial Instruments**

Financial assets and liabilities are recognised when the Authority becomes a party to a contractual relationship. This may be the date that a contract is entered into but maybe later if there are conditions that need to be satisfied.

Financial instruments are measured on the basis of fair value adjusted for transaction costs that are directly attributable to the acquisition or issue of a financial asset or liability.

The exception to this is financial assets and liabilities measured at fair value through profit or loss. These are measured on recognition at fair value but no adjustment is made for transaction costs. Any costs incurred are debited directly to the Surplus or Deficit on the Provision of Services.

Interest is debited and credited to the Surplus or Deficit on the Provision of Services according to an instrument's outstanding amortised cost and effective interest rate, rather than the actual interest rate payable for the year.

For instruments carried at fair value, valuation gains and losses are posted either to the Surplus or Deficit on the Provision of Services or to the Financial Instruments Revaluation Reserve.

## **Financial Assets**

Financial assets are classified into the following categories:

- Amortised cost
- Fair Value through other comprehensive income
- Fair Value through profit & loss

Financial investments in subsidiaries, associates and joint ventures that are not held for sale are carried at cost less any allowance for impairment losses.

Financial asset classification is assessed by reference to the contractual cash flow characteristics of the financial asset and by the overarching investment strategy for managing financial assets under which the instrument has been acquired or originated.

The value of financial assets at amortised cost are determined using the effective interest rate. This is the rate of interest that will discount all the cash flows that will take place throughout the expected life of a financial instrument down to the fair value of the liability calculated at initial measurement.

Financial assets are impaired where there is a risk that there will be credit losses over an instrument's lifetime (i.e. there is a risk that principal or interest amounts will not be paid when they fall due). Allowance for losses is determined using the expected credit loss model. As prescribed by the Code no allowance for expected credit losses is made where the counterparty is Central Government or a Local Authority.

Where soft loans are made at less than market rates, the value of the loan is discounted using the market interest rate on initial recognition and the reduction in value debited to the Surplus or Deficit on the Provision of Services. Interest is credited to Surplus or Deficit on the Provision of Services at the higher effective rate of interest rather than the actual rate. Amounts debited or credited as a result of soft loan accounting adjustments are reversed out through Movement in Reserves to the Financial Instruments Adjustment Account as required by statutory provision.

## **Financial Liabilities**

Financial liabilities are carried at amortised cost except for where exceptionally they are carried at fair value through profit and loss.

Financial liabilities at amortised cost are determined using the effective interest rate. This is the rate of interest that discounts all the cash flows that will take place throughout the expected life of a financial instrument down to the fair value of the liability calculated at initial measurement. The effective interest rate takes account of any premium paid for the right to enter into a loan at less than market rates or where a period of lower than market interest rates is granted and compensated for by a period of higher than market rates.

Where premiums and discounts are charged/credited to the Comprehensive Income and Expenditure Statement in year as a result of the early repayment of a loan, regulations allow the impact on the General Fund Balance to be spread 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 through the Movement in Reserves Statement.

However, where a 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.

## **VIII. 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 (grant received in advance). 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.



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 Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account through the Movement in Reserves once they have been applied to fund capital expenditure.

Where the Authority awards a grant to a third party, the grant expenditure is recognised as payable when the Authority has reasonable assurance that:

- the grant recipient will comply with the conditions attached to the payments, and
- the grants or contributions will be paid.

The treatment of capital grants awarded to third parties is explained further in Accounting Policy XIV.

## **IX. 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 to 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.

## **X. Overheads and Support Services**

Costs of overheads and support services are charged to service segments in accordance with the Authority's arrangements for accountability and financial performance.

## **XI. 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 obligation arises, and is measured at the best estimate of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. Payments are charged against the provision.

Best estimates are kept under review and adjusted where fresh evidence comes to light.

Increases or decreases to provisions are charged/credited as above to the relevant service line.

Provisions are reversed out where it becomes less than probable that a transfer of economic benefits will take place 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 may give rise to a possible 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 Authority.

Exceptionally, Contingent Liabilities may also arise in circumstances where a provision would otherwise be made but 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 possible asset due to an inflow of economic benefits or service potential, whose existence will only be confirmed by the occurrence or otherwise of uncertain events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the Accounts.

## **XII. Charges to Revenue for the Repayment of Debt**

The Authority is required to set aside from revenue each year a minimum amount to reduce its overall borrowing requirement. This sum is referred to as the Minimum Revenue Provision (MRP).

The Authority's MRP policy (as set out in its Annual Treasury Management Strategy) adopts the principles of statutory MRP Guidance and provides for MRP on capital expenditure incurred after 1 April 2008 using the asset-life approach, so that the profile of charges to revenue is commensurate with the period over which economic benefit is provided by the assets created/improved.

All expenditure incurred before 1 April 2008 is provided for on a flat line basis spread over 50 years representing an approximation of asset life and the funding profile which supports those provisions.

## **XIII. Reserves**

Specific amounts are set aside as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts from the General Fund. When the expenditure to be financed from a reserve is incurred, it is charged to the relevant service line in the Comprehensive Income and Expenditure Statement and financed by an appropriation from reserves.

Reserves are categorised as either usable or unusable. Further detail on the nature of these reserves is contained in Notes 30 and 31.

## **XIV. Revenue Expenditure Funded from Capital under Statute (REFCUS)**

Expenditure incurred during the year that may be capitalised under statutory provisions that does not result in the creation of a non-current asset is charged as expenditure in the year to the relevant service in the Comprehensive Income and Expenditure Statement.

The charge is reversed out through the Movement in Reserves so that there is no impact on the revenue finances of the Authority.

Grant income used to finance such expenditure is credited to the relevant service in the Comprehensive Income and Expenditure Statement.

It too is reversed out through the Movement in Reserves so that there is no impact on the revenue finances of the Authority.

## **XV. Value Added Tax (VAT)**

VAT is excluded from both income and expenditure to the extent it can be recovered.

Irrecoverable input VAT is charged as an expense.

## **XVI. Fair Value Measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The Authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the assets in its highest and best use.

The Authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets that the Mayoral Combined Authority can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 – unobservable inputs for the asset.

The categories of asset and liability carried in the Authority's balance sheet at Fair Value include:

- Operational Property, Plant & Equipment
- Surplus assets and Assets Held for Resale
- Investment Properties
- Financial Assets and Liabilities

Further detail on the bases used to determine Fair Value is contained in the relevant Accounting Policy Note.

## **XVII. 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 Authority, 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.

Borrowing costs are capitalised where significant for capital projects that take a substantial period of time to get ready for intended use, until the construction is complete.

The cost of assets acquired, other than by purchase, is deemed to be its fair value, unless the acquisition does not have commercial substance. 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 Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. When gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- Infrastructure, community assets and assets under construction – depreciated historical cost.

- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective.
- All other assets – current 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 current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current 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 current value.

Assets included on the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current 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. Gains are 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.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

## **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 certain Community Assets) 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 as follows:

- Buildings are based upon individual asset lives, which are reassessed as part of the rolling programme of revaluations.
- Fixtures and Fittings are depreciated over a maximum period of 10 years.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately where they have significantly different useful lives. Components are also recognised where capital investment for replacement or enhancement of the asset establishes a material component.

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 being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

## **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 re-valued 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). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Capital receipts are credited to the Capital Receipts Reserve, and can then only be used to finance new capital investment or set aside to reduce the underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written off value of disposals is not a charge against revenue, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

## **XVIII. Employee Benefits**

With effect from 1 April 2019, the Authority became an employing body and is now responsible for its own payroll. As a consequence, IAS 19 “Employee Benefits” has been fully adopted, including, the requirements relating to Post Employment Benefits

### **Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year end. They include such benefits 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 Authority.

### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer’s employment before the normal retirement date or an officer’s decision to accept voluntary redundancy in exchange for those benefits. They are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement at the earlier of when the authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring.



Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are made to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination 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.

### **Post-Employment Benefits**

On 1 April 2019, the Authority became an employing authority within the South Yorkshire Local Government Pension Scheme administered by South Yorkshire Pensions Authority.

The Local Government Pension Scheme provides defined benefits (retirement lump sums and pensions) to scheme members, earned as employees whilst working for the Authority.

As a defined benefit scheme:

- The liabilities of the South Yorkshire Pension Scheme attributable to the Authority are included in the balance sheet on an actuarial basis using the projected unit method.
- Liabilities are discounted to their current value using a discount rate determined by the Actuary (Mercers).
- The assets of the South Yorkshire Pension Scheme attributable to the Authority are included in the Balance Sheet at their fair value.

The change in the net pension liability is analysed into the following components:

- Current Service Cost – the increase in liabilities as a result of benefits earned in the year.
- Past Service Cost – increase in liabilities as a consequence of amendment or curtailment of the Pension Scheme whose affect relates to benefits earned in previous years.
- Net pension interest cost.

Statutory provisions require the General Fund to be charged with the amount payable to the South Yorkshire Pension Scheme not the IAS 19 costs. Accordingly, the difference between the two is reversed out through the Movement in Reserves Statement and taken to a pensions reserve.

Actuarial gains and losses that arise because events have not coincided with the assumptions made by the actuary do not affect the Surplus or Deficit on provision of Services in the CIES but are taken to the pensions reserve through Other Comprehensive Income & Expenditure.

Pension Fund Accounts are available from the South Yorkshire Pensions Authority, PO Box 18, Regent Street, Barnsley, S70 2HG.

## **XIX. Investment Property**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation.

Investment properties are measured initially at cost and subsequently at fair value based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Investment Properties are not depreciated but their value is reviewed annually and revalued where necessary according to market conditions at the year end.

Returns earned on investment properties net of operating expenditure are credited to Financing and Investment Income in the CIES.

Gains and losses on revaluation are similarly posted to the Financing and Investment Income and Expenditure, as are gains and losses on disposal.

Revaluations gains and losses and gains and losses on the disposal of investment properties are credited/charged to Financing and Investment Income and Expenditure in the CIES. Such gains and losses are therefore reversed out of the General Fund Balance through the Movement in Reserves Statement to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## **XX. Business (Non-domestic) Rates**

The Authority receives the growth in business rates income from businesses within Enterprise Zones. All such Business Rates are collected by the billing authority who retain 100% of such income which is then paid over to the Authority to fund its economic development activities.

The income is recognised by the Authority in accordance with Collection Fund accounting rules. Namely, income is recognised in year based on the business rates estimates submitted by the billing authorities to MHCLG before the start of the financial year in their NNDR 1. The surplus or deficit arising against the estimate is recognised in the following year once the NNDR 3 outturn has been submitted by billing authorities to MHCLG.

## **XXI. Interests in Companies and Other Entities**

The Authority has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In 2020/21 the MCA group comprised the following active entities:

- The Authority as the ultimate controlling entity.
- SYPTE which is controlled by the Authority by virtue of its statutory relationship.
- SCR Financial Interventions Holding Company Limited – a non- trading company involved in financial management to further the Authority's strategic objectives.

In addition, the Authority has interests in several dormant companies, which are not

consolidated into the group accounts due to being immaterial in nature. These comprise:

- SYITA Properties Limited
- SYPTA Properties Limited
- Supertram Limited
- Sheffield City Region Local Enterprise Partnership Limited

## **6. Accounting Standards that have been issued but have not yet been adopted**

### Lease Accounting IFRS 16

IFRS 16 introduces major changes for Lessees. Hitherto, Lessees have only recognised a leased asset on the balance sheet where substantially all the risks and rewards of ownership are transferred to the Lessee. However, the new lease accounting rules under IFRS 16, will require a Lessee to recognise a right of use of an underlying asset for the period of the lease term for all leases other than those which are short- term or of low value. The original timetable for introducing this change was from 1 April 2020. However, the implementation date has now been deferred to 1 April 2022 to bring adoption in Local Government into line with Central Government departments.

### Other Accounting Standards

The following Accounting Standards have been issued but not yet adopted by the 2020/21 Code;

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

None of the new Accounting Standards are considered likely to impact significantly on the Authority's Statement of Accounts in 2021/22.

## **7. Critical Judgements in Applying Accounting Policies**

The Code requires that an authority considers whether it is acting as principal or agent in determining how a material transaction should be presented in the accounts. The Code stipulates that an authority is acting as an agent in situations or circumstances "where the authority is acting as an intermediary." It is acting as a principal in situations or circumstances "where the authority is acting on its own behalf.

Over the course of the year, Central Government has provided support to public transport operations during the Covid 19 pandemic, in the form of:

- Light Rail Restart Revenue Grant
- Covid 19 Bus Service Support Grant

- Additional Dedicated Home to School and College Transport Grant

Grants totalling £16.2m have been awarded to the authority in respect of the above. However, as responsibility for administering these grants and paying them over to operators rests with another Group entity, South Yorkshire PTE, the view reached is that, under these circumstances, the authority is merely acting as an intermediary.

Accordingly, the receipt of grant from DfT and payment of the grant to South Yorkshire PTE is not included within income and expenditure in the authority's accounts but is instead disclosed as income and expenditure within the accounts of South Yorkshire PTE.

## **8. 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 Authority about the future that are otherwise uncertain. This is particularly pertinent in the current COVID 19 emergency.

However, it is important to note that the value of assets and liabilities at the balance sheet date reflect the conditions pertaining at the reporting date of 31 March. Subsequent events, which impact on the value of assets and liabilities after this date give rise to non adjusting Post Balance Sheet Events as explained in Note 10 below.

As illustrated in the table below, the main sources of estimation uncertainty are considered to be the value at which Property, Plant & Equipment and Investment Properties are carried in the balance sheet and the Authority's share of the assets and liabilities of the South Yorkshire Pension scheme.

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if Actual Results Differ from Assumptions</b>
Plant Property and Equipment  Investment Property	<p>Assets at Market Value are valued by a professionally qualified valuer at the prevailing market rate at the date of valuation.</p> <p>Property, Plant and Equipment is depreciated over useful economic lives that are dependent on assumptions made by the Authority and its Valuers.</p> <p>The valuer has advised that due to the lack of transactional activity in the market it is more difficult to quantify the impact of COVID 19 on the commercial property market with the usual evidence and therefore accuracy. However, the economic fallout from COVID-19 will likely have a negative impact upon</p>	<p>A change in either the Market Value or assumed asset lives will impact on their carrying value in the balance sheet.</p> <p>It will not, however, have an impact on the Authority's finances due to the way in which Local Government is financed.</p>

	<p>commercial property values across some sectors and the extent of any such fall realistically will only become evident once liquidity returns to the market.</p> <p>Notwithstanding this the valuer has been able to provide valuations as at 31 March 2021 which are not subject to 'material valuation uncertainty'</p>	
Pensions Liability	<p>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 Actuaries (Mercer Ltd) is engaged to provide the Authority with expert advice about the assumptions applied.</p> <p>There has been substantial volatility in equity markets around the world in 2020/21, in relation to the COVID-19 pandemic which has consequences for pension asset values. This volatility has also applied to corporate bond yields from which the discount rate used to calculate the current value of pension liabilities is determined.</p>	<p>The sensitivity analysis shown in the Pensions Note (Note 41) shows that small changes to key actuarial assumptions can have a significant impact on the net pensions liability.</p> <p>However, as explained in Accounting Policy XVIII, the amount chargeable to the General Fund is determined by Local Government Pension Regulations not IAS 19 pension costs which provides certainty on the amount chargeable following each triennial valuation.</p>

As with all public sector bodies, the Authority faces significant uncertainty about the future levels of Government and stakeholder funding in respect of both its transport and economic development functions. However, these challenges are being managed through robust financial planning and management processes and by building in sufficient financial resilience to ensure the Group's sustainability in the medium to longer term.

## 9. Prior Period Adjustments

None.

## 10. Events After the Reporting Date

The unaudited Statement of Accounts was authorised for issue by the Group Chief Financial Officer (Section 73 Officer) on 18 June 2021. Events taking place after this date are not reflected in the Financial Statements or Notes. Where events taking place

before this date provided information about conditions existing at 31 March 2021, the figures in the Financial Statements and notes have been adjusted in all material respects to reflect the impact of this information.

## **11. Material Items of Income and Expense**

### Devolution funding (Gainshare)

As a consequence, of the MCA implementing the Sheffield City Region Devolution Deal, the authority received its first annual allocation of £30m of devolution funding (Gainshare) in 2020/21. This is split £12m revenue and £18m capital.

In 2020/21, £1.760m of revenue funding has been spent on emergency recovery funding to support the 4 South Yorkshire authorities in their local recovery efforts and to address financial pressures faced by the MCA from the loss of income as a result of the pandemic. The balance of £10.240m has transferred to earmarked reserves to support the delivery of immediate priorities for economic recovery and renewal as set out in the MCA's renewal action plan.

A further £1.194m of emergency recovery funding has been provided in the form of capital in 2020/21. The balance of capital grant of £16.806m is included within capital Grants Unapplied. This will be deployed to fund capital investment in schemes that will support recovery and renewal through the South Yorkshire Renewal Fund.

### Covid 19 related business support

During the course of the year, the authority received £42.5m of funding from Central Government in the form of Additional Restrictions Grant to help support business in South Yorkshire whose trade had been affected by the restrictions imposed in response to the Covid 19 pandemic but who were not entitled to received funding under the national assistance scheme. The authority received £30m as a consequence of being placed in Tier 3 in Autumn 2020 and a further £12.5m at the start of 2021 when the national lockdown was imposed.

As at the end of 2020/21, £32.5m of expenditure had been incurred representing grants distributed to the MCA's delivery partners (the 4 South Yorkshire authorities) funded from Additional Restrictions Grant in support of the South Yorkshire Business Support Scheme.

Income and expenditure of £32.5m is included within net cost of services in the CIES. Unapplied grant of £10m is carried forward in the balance sheet as revenue grant received in advance.

### Financial stimulus

In addition to Additional Restrictions Grant, the MCA has also received two other material funding streams during the course of the year as part of the Government's Strategy to rebuild Britain following Covid 19 and support the economic recovery across the UK.

£40.3m of capital funding and £841k revenue funding has been allocated to the MCA for supporting the development of housing schemes on brownfield land over the next 5 years. In 2020/21, the MCA received a first allocation of £6m capital together with the £841k of revenue funding.

A further £33.6m has been awarded for a prioritised programme of Major Capital Infrastructure Schemes from the Government's 'Getting Building Fund'. These represent 'shovel ready' schemes to be delivered by the end of 2021/22. In 2020/21, the MCA received a first tranche of £16.8m

#### Capital grants (Revenue Expenditure Funded by Capital Under Statute)

The authority awarded capital grants of £79.895m during the course of the year (£36.359m transport and £43.546m LEP) in furtherance of its strategic objectives.

In accordance with the Code of Practice, and, as explained in Accounting Policy XIV on Revenue Expenditure Funded by Capital Under statute, this grant expenditure has been charged to continuing services in the CIES as transport or LEP depending on its nature.

Government Grant funding relating to the capital grant expenditure incurred has been credited to continuing services in the CIES according to which line the expenditure has been charged to, ie transport or LEP. The capital grant expenditure has been fully funded by Government Grant in 2020/21.

In addition a further £24.938m of Government Grant Income and other capital income has been recognised within Taxation & Non Specific Grant Income in the CIES. £2m of this has been set aside to repay debt with the balance of £22.938m being transferred to Capital Grants Unapplied for use in future years (see Note 30 for further detail).

#### Revenue grants

The Authority received £54.365m of Transport Levy in 2020/21 from its constituent Local Authority members. This has been used to provide Revenue Grant of £52.278m to SYPTE to fund its operational budget for the year and to meet the Authority's costs incurred in delivering its transport functions.

The Authority also received £1.131m of Enterprise Zone business rates income (net of provisions for refunds) and LEP Subscriptions of £1.184m from partner Local Authorities in order to fund the Authority's core operations.

Further detail on the amount of income provided by each Partner Authority is disclosed in the Related Party disclosure (Note 39).

### **12.Acquired and Discontinued Operations**

There were no acquired or discontinued operations during 2020-21.

### 13. 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 Mayoral 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 Mayoral Combined Authority to meet future capital and revenue expenditure.

2020/21	General Fund Balance £000	Capital Receipt Reserves £000	Capital grants unapplied Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Reversal of items debited or credited to the CIES:</b>						
Capital grants and contributions credited to the CIES – taxation and non- specific grants	23,439	0	(22,939)	500	(500)	0
Capital grants & contributions credited to CIES -REFCUS	80,631	0	0	80,631	(80,631)	0
Use of Capital Receipt Reserves to fund Capital expenditure		492	0	492	(492)	0
Revenue expenditure funded from capital under statute	(79,894)	0	0	(79,894)	79,894	0
Depreciation	(515)	0		(515)	515	0
Impairment/Expected Credit Losses	(853)	0		(853)	853	0
Employers contribution to Pension Schemes	(584)	0	0	(584)	584	0
Direct Revenue Financing Amount by which finance costs calculated in accordance with the code are different from the amount of finance costs calculated in accordance with statutory requirements						
<b>Insertion of items not debited or credited to the CIES:</b>	336	0	0	336	(336)	0
Statutory provision for repayment of debt (MRP)	3,648	0	0	3,648	(3,648)	0
<b>Total</b>	<b>26,208</b>	<b>492</b>	<b>(22,939)</b>	<b>3,761</b>	<b>(3,761)</b>	<b>0</b>



2019/20					
<b>Reversal of items debited or credited to the CIES:</b>					
Capital grants and contributions credited to the CIES – taxation and non-specific grants	5,021	0	5,021	(5,021)	0
Capital grants & contributions credited to CIES -REFCUS	56,539	0	56,539	(56,539)	0
Use of Capital Receipt Reserves to fund Capital expenditure	0	(14,877)	(14,877)	14,877	0
Revenue expenditure funded from capital under statute	(68,246)	0	(68,246)	68,246	0
Depreciation	(628)	0	(628)	628	0
Impairment/Expected Credit Losses	(14)	0	(14)	14	0
Direct Revenue Financing	(542)		(542)	542	
Amount by which finance costs calculated in accordance with the code are different from the amount of finance costs calculated in accordance with statutory requirements	0	0	0	0	0
<b>Insertion of items not debited or credited to the CIES:</b>	136	0	136	(136)	0
Statutory provision for repayment of debt (MRP)	3,161	0	3,161	(3,161)	0
<b>Total</b>	<b>(4,573)</b>	<b>(14,877)</b>	<b>(19,450)</b>	<b>19,450</b>	<b>0</b>

# 14. 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 during the year.

	Note	31 March 2019 £000	Transfers Out 2019/20 £000	Transfer in 2019/20 £000	Total Movements £000	31 March 2020 £000	Transfers Out 2020/21 £000	Transfer in 2020/21 £000	Total Movements £000	31 March 2021 £000
<b>General Fund:</b>										
<i>Revenue Grants and Contributions:</i>										
- Apprenticeship Grant for Employers	30	(107)	0	0	0	(107)	0	0	0	(107)
<i>Other Earmarked Revenue Reserves:</i>										
- PFI Revenue Reserve	30	(9,810)	0	(1,348)	(1,348)	(11,158)	0	(1,288)	(1,288)	(12,446)
- Local Growth Fund	30	(1,655)	13	0	13	(1,642)	0	(479)	(479)	(2,121)
- Mayoral Election Other Reserves	30	(233)	0	(675)	(675)	(908)	0	(1,279)	(1,279)	(2,187)
	30	(28)	0	0	0	(28)	0	0	0	(28)
Covid19 Reserves	30	0	0	(500)	(500)	(500)	500	0	500	0
Mayoral Capacity Fund Reserves	30	0	0	(908)	(908)	(908)	0	(366)	(366)	(1,274)
Income Resilience Reserves	30	(844)	0	(153)	(153)	(997)	0	(500)	(500)	(1,497)
Skills Bank Reserves	30	(1,680)	0	(3,397)	(3,397)	(5,077)	0	(1,467)	(1,467)	(6,544)
Skills Bank2	30	(1,110)	0	0	0	(1,110)	0	(183)	(183)	(1,293)
Levy Reduction Reserve	30	(25,091)	5,571	0	5,571	(19,520)	5,357	0	5,357	(14,163)
Gainshare Emergency Recovery Fund	30	0	0	0	0	0	0	(1,172)	(1,172)	(1,172)
Gainshare Contingency	30	0	0	0	0	0	0	(710)	(710)	(710)
Gainshare Employer Priorities	30	0	0	0	0	0	0	(2,972)	(2,972)	(2,972)
Gainshare Employee Priorities	30	0	0	0	0	0	0	(3,101)	(3,101)	(3,101)
MCA Development	30	0	0	0	0	0	0	(474)	(474)	(474)
18-21 concessions	30	0	0	0	0	0	0	(1,811)	(1,811)	(1,811)

-Project Feasibility Reserve	30	0	0	0	0	0	0	(3,600)	(3,600)	(3,600)
-Priority Services Reserve	30	0	0	0	0	0	0	(5,888)	(5,888)	(5,888)
<b>Total</b>		<b>(40,558)</b>	<b>5,584</b>	<b>(6,981)</b>	<b>(1,397)</b>	<b>(41,954)</b>	<b>5,857</b>	<b>(25,290)</b>	<b>(19,433)</b>	<b>(61,388)</b>

Information on the purpose of the more significant Reserves is disclosed in Note 30.

## 15. Financing and Investment Income and Expenditure

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

Interest payable relates to the £25m of loans held by the Mayoral Combined Authority at an average 5.5% interest rate.

31 March 2020 £000		Note	31 March 2021 £000
1,388	Interest Payable and similar charges		1,387
(3,612)	Interest receivable and similar income		(2,298)
60	Pension interest cost and expected return on pensions assets		74
(380)	(Surplus) or deficit of trading undertakings	35	53
75	Property Management – Investment income	18	80
<b>(2,469)</b>	<b>Total</b>		<b>(704)</b>

## 16. Taxation and Non- Specific Grant Income

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

31 March 2020 £000		31 March 2021 £000
	<b>Non-ring-fenced government grants:</b>	
0	Non-Specific Revenue grants	(10,240)
(5,021)	Capital Grants and Contributions	(24,938)
<b>(5,021)</b>	<b>Total</b>	<b>(35,178)</b>

**17. Property, Plant and Equipment (PPE)**

Movements on Balances:

<b>Movements in 2020/21</b>									
	<b>Council Dwellings £000</b>	<b>Other Land and Buildings £000</b>	<b>Vehicles, Plant, Furniture and Equipment (VPFE) £000</b>	<b>Infrastructure Assets £000</b>	<b>Community Assets £000</b>	<b>Surplus Assets £000</b>	<b>Assets Under Construction £000</b>	<b>Total PPE £000</b>	<b>Total PFI Assets included in PPE £000</b>
<b>Cost or Valuation:</b>									
At 1 April 2020	0	19,400	890	0	0	0	0	20,290	0
Other movements	0	0	0	0	0	0	0	0	0
Additions - programmed investment	0	0	177	0	0	0	29	206	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	2,690	0	0	0	900	0	3,590	0
Revaluation increases / (decreases) to Surplus / Deficit on the Provision of Services	0	(1,100)	0	0	0	(320)	0	(1,420)	0
De-recognition – disposals	0	0	0	0	0	0	0	0	0
De-recognition – other	0	0	0	0	0	0	0	0	0
Reclassification and transfers	0	0	0	0	0	1,100	0	1,100	0
<b>At 31 March 2021</b>	<b>0</b>	<b>20,990</b>	<b>1,067</b>	<b>0</b>	<b>0</b>	<b>1,680</b>	<b>29</b>	<b>23,766</b>	<b>0</b>

<b>Movements in 2020/21 (Continued)</b>									
	<b>Council Dwellings £000</b>	<b>Other Land and Buildings £000</b>	<b>Vehicles, Plant, Furniture and Equipment £000</b>	<b>Infrastructure Assets £000</b>	<b>Community Assets £000</b>	<b>Surplus Assets £000</b>	<b>Assets Under Construction £000</b>	<b>Total PPE £000</b>	<b>Total PFI Assets included in PPE £000</b>
<b>Accumulated Depreciation and Impairment:</b>									
At 1 April 2020	0	0	(161)	0	0	0	0	(161)	0
Depreciation charge	0	(300)	(135)	0	0	(80)	0	(515)	0
Other movements	0	0	0	0	0	0	0	0	0
Impairment (losses) / reversals recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Impairment (losses) / reversals recognised in the Surplus / Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
De-recognition - disposals	0	0	0	0	0	0	0	0	0
De-recognition - other	0	0	0	0	0	0	0	0	0
Reclassification and Transfers	0	0	0	0	0	0	0	0	0
<b>At 31 March 2021</b>	0	(300)	(296)	0	0	(80)	0	(676)	0
<b>Net Book Value:</b>									
At 31 March 2021	0	20,690	770	0	0	1,600	29	23,089	0
At 31 March 2020	0	19,401	729	0	0	0	0	20,130	0

<b>Movements in 2019/20</b>									
	<b>Council Dwellings £000</b>	<b>Other Land and Buildings £000</b>	<b>Vehicles, Plant, Furniture and Equipment (VPFE) £000</b>	<b>Infrastructure Assets £000</b>	<b>Community Assets £000</b>	<b>Surplus Assets £000</b>	<b>Assets Under Construction £000</b>	<b>Total PPE £000</b>	<b>Total PFI Assets included in PPE £000</b>
<b>Cost or Valuation:</b>									
At 1 April 2019	<b>0</b>	<b>14,847</b>	<b>890</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15,737</b>	<b>0</b>
Additions – transferred in from subsidiary	0	(789)	0	0	0	0	0	(789)	0
Additions - programmed investment	0	0	0	0	0	0	0	0	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	5,417	0	0	0	0	0	5,417	0
Revaluation increases / (decreases) to Surplus / Deficit on the Provision of Services	0	(74)	0	0	0	0	0	(74)	0
De-recognition – disposals	0	0	0	0	0	0	0	0	0
De-recognition – other	0	0	0	0	0	0	0	0	0
Reclassification and transfers	0	0	0	0	0	0	0	0	0
<b>At 31 March 2020</b>	<b>0</b>	<b>19,401</b>	<b>890</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>20,291</b>	<b>0</b>

<b>Movements in 2019/20 (Continued)</b>									
	<b>Council Dwellings £000</b>	<b>Other Land and Buildings £000</b>	<b>Vehicles, Plant, Furniture and Equipment £000</b>	<b>Infrastructure Assets £000</b>	<b>Community Assets £000</b>	<b>Surplus Assets £000</b>	<b>Assets Under Construction £000</b>	<b>Total PPE £000</b>	<b>Total PFI Assets included in PPE £000</b>
<b>Accumulated Depreciation and Impairment:</b>									
At 1 April 2019									
Depreciation charge	0	(287)	(35)	0	0	0	0	(322)	0
Depreciation written out to the Revaluation Reserve	0	(502)	(126)	0	0	0	0	(628)	0
Depreciation written out to the Surplus / Deficit on the Provision of Services	0	789	0	0	0	0	0	789	0
Impairment (losses) / reversals recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0	0
Impairment (losses) / reversals recognised in the Surplus / Deficit on the Provision of Services	0	0	0	0	0	0	0	0	0
De-recognition - disposals	0	0	0	0	0	0	0	0	0
De-recognition - other	0	0	0	0	0	0	0	0	0
Reclassification and Transfers	0	0	0	0	0	0	0	0	0
<b>At 31 March 2020</b>	0	0	(161)	0	0	0	0	(161)	0
At 31 March 2020	0	19,401	729	0	0	0	0	20,130	0
At 31 March 2019	0	14,559	855	0	0	0	0	15,414	0

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## Depreciation

Depreciation is charged on a straight line basis over the useful life of the asset.

## Capital Commitments

There are no significant capital commitments as at 31 March 2021.

## Revaluations

Revaluations of Land and Buildings have been carried out by a professionally qualified Valuer in 2020/21.

The following statement splits the value of those asset categories, into the years the assets were most recently valued:

	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Surplus Assets	Assets Under Construction	Total
	£000	£000	£000	£000	£000
<b>Carried at Historical Cost</b>	0	770	0	29	799
Valued at Fair Value as at:					
31 March 2021	20,690	0	1,600	0	22,290
31 March 2020	19,400	0	0	0	19,400
31 March 2019	0	0	0	0	0
31 March 2018	0	0	0	0	0
31 March 2017	0	0	0	0	0
31 March 2016	0	0	0	0	0
31 March 2015	0	0	0	0	0
<b>Total Cost or Valuation</b>	<b>20,690</b>	<b>770</b>	<b>1,600</b>	<b>29</b>	<b>23,089</b>

## 18. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure Statement:

2019/20 £000		2020/21 £000
(75)	Net Rental income from investment property	(104)
(75)	Net gain/(loss)	(104)

The following table summarises the movement in the fair value of investment properties over the year:

2019/20 £000	Cost or Valuation	2020/21 £000
3,332	Balance At 1 April	2,854
(478)	Revaluations	25
0	Reclassifications	(1,100)
2,854	Balance at 31 March	1,779

### Fair Value Hierarchy

To conform to the requirements of IFRS 13, Fair Value measurement, details of the Authority's investment properties and information about the fair value hierarchy as at 31 March 2021 are as follows:

2020/21				
Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2021
	£000	£000	£000	£000
Investment Properties	0	1,779	0	1,779
<b>Total</b>	<b>0</b>	<b>1,779</b>	<b>0</b>	<b>1,779</b>

2019/20 Comparative				
Recurring fair value measurements using:	Quoted prices in active markets for identical assets (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value as at 31 March 2020
	£000	£000	£000	£000
Investment Properties	0	2,854	0	2,854
<b>Total</b>	<b>0</b>	<b>2,854</b>	<b>0</b>	<b>2,854</b>

## Valuation Process for Investment Properties

Revaluations of the Authority's two most significant investment properties have been carried out by a professionally qualified Valuer in 2020/21.

### 19. Intangible Assets

The carrying amount of intangible assets is amortised on a straight-line basis.

The movement on intangible asset balances during the year is as follows:

	2019/20			2020/21		
	Internally Generated Assets	Other Assets	Total	Internally Generated Assets	Other Assets	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 1 April	0	1,482	1,482	0	1,482	1,482
Amortisation for the period	0	0	0	0	0	0
Additions	0	0	0	0	49	49
Net Carrying Amount at End of Year	0	1,482	1,482	0	1,531	1,531
Comprising:						
Gross carrying amounts	0	1,482	1,482	0	1,531	1,531
Accumulated amortisation	0	0	0	0	0	0
	0	1,482	1,482	0	0	1,531

### 20. Financial Instruments

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

Current 31 March 2020 Restated	Long Term 31 March 2021		Current 31 March 2021	Long Term 31 March 2021
£000	£000		£000	£000
(660)	(25,000)	Financial liabilities at amortised cost	0	(25,000)
0	0	Accrued interest	0	0
<b>(660)</b>	<b>(25,000)</b>	<b>Total financial liabilities</b>	<b>0</b>	<b>(25,000)</b>
91,000	45,000	Investments at amortised cost	117,000	78,000
294	0	Accrued interest	408	0

<b>91,294</b>	<b>45,000</b>	<b>Total Investments at amortised cost</b>	<b>117,408</b>	<b>78,000</b>
81,471	0	Cash and cash equivalents	109,558	0
0	0	Accrued Interest	0	0
<b>81,471</b>	<b>0</b>	<b>Total cash and cash equivalents</b>	<b>109,558</b>	<b>0</b>
<b>172,765</b>	<b>45,000</b>	<b>Total investments</b>	<b>226,966</b>	<b>78,000</b>

### Soft Loans

The Authority had three soft loans at the start of the financial year:

- £1.5m to Rotherham MBC to help support development work on Forge Island,
- £4.8m to Sheffield City Council to support the redevelopment of Parkwood Springs, and
- £1.39m to Doncaster Metropolitan Borough Council to support the DN7 scheme

The £1.5m loan to Rotherham MBC was converted to capital grant in year.

The movements in the soft loan balance arising from these transactions is summarised in the table below:

	<b>31 March 2020 £000</b>	<b>31 March 2021 £000</b>
Opening Balance	6,856	6,992
New Loans Granted	0	0
Less Fair Value Adjustment on Initial Recognition	0	0
Less Discounted Amount	0	0
Less Other Adjustments	0	(1,500)
Less Dividend Payment	0	0
Unwinding of discount	136	336
<b>Balance Carried Forward</b>	<b>6,992</b>	<b>5,828</b>
<b>Nominal Value</b>	<b>7,690</b>	<b>6,190</b>

### **Expected Credit Loss Model**

The Authority has with effect from 1 April 2018, determined impairment loss allowances on all of its financial assets held at amortised cost using the expected credit loss model.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Expected credit losses will be calculated on individual assets where reasonable to do so. Where the Authority cannot gather reasonable and supporting information without

undue cost or effort to support expected credit losses on an individual basis, it will assess losses on a collective basis.

The impairment loss allowances made in 2020/21 are summarised in Note 21.

### Financial Instrument Gain/Losses

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

<b>2019/20</b>					<b>2020/21</b>				
<b>Financial</b>	<b>Financial</b>	<b>Total</b>			<b>Financial</b>	<b>Financial</b>	<b>Total</b>		
<b>Liabilities</b>	<b>Assets</b>				<b>Liabilities</b>	<b>Assets</b>			
<b>£000</b>	<b>£000</b>	<b>£000</b>			<b>£000</b>	<b>£000</b>	<b>£000</b>		
(1,388)	0	(1,388)	Interest expense		(1,388)	0	(1,388)		
<b>(1,388)</b>	<b>0</b>	<b>(1,388)</b>	<b>Interest payable and similar charges</b>		<b>(1,388)</b>	<b>0</b>	<b>(1,388)</b>		
0	2,859	2,859	Interest income		0	1,845	1,845		
<b>0</b>	<b>2,859</b>	<b>2,859</b>	<b>Interest and investment income</b>		<b>0</b>	<b>1,845</b>	<b>1,845</b>		
<b>(1,388)</b>	<b>2,859</b>	<b>1,471</b>	<b>Net gain / (loss) for the year</b>		<b>(1,388)</b>	<b>1,845</b>	<b>457</b>		

### 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:

- PWLB Loans – There are two options for determining the fair value of PWLB borrowing. One is to use the prevailing rate for new borrowing (the certainty rate) at the balance sheet date. The second is to use the prevailing premature repayment rate at the balance sheet date. These rates are then applied to determine the net present value of the cashflows that are expected to take place over the remaining life of the PWLB loans within the Authority's debt portfolio. Both are disclosed
- 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.
- Investments – fair value is determined by comparison of the fixed term investment held by the Authority with a comparable investment with a similar lender for the remaining period of the deposit.

- Short -term financial liabilities and financial assets - Where an instrument has a maturity of less than 12 months, the fair value the carrying amount is deemed a reasonable approximation of fair value.

Fair Value of Financial Liabilities Carried at Amortised Cost-New Borrowing (Certainty) Rate

<b>31 March 2020</b>	<b>31 March 2020</b>		<b>31 March 2021</b>	<b>31 March 2021</b>
<b>Carrying Amount</b>	<b>Fair Value</b>		<b>Carrying Amount</b>	<b>Fair Value</b>
<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>
(25,000)	(31,515)	PWLB debt	(25,000)	(31,832)
<b>(25,000)</b>	<b>(31,515)</b>	<b>Total Financial Liabilities</b>	<b>(25,000)</b>	<b>(31,832)</b>

Fair Value of Financial Liabilities Carried at Amortised Cost-Premature Repayment Rate

<b>31 March 2020</b>	<b>31 March 2020</b>		<b>31 March 2021</b>	<b>31 March 2021</b>
<b>Carrying Amount</b>	<b>Fair Value</b>		<b>Carrying Amount</b>	<b>Fair Value</b>
<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>
(25,000)	(37,226)	PWLB debt	(25,000)	(34,439)
<b>(25,000)</b>	<b>(37,226)</b>	<b>Total Financial Liabilities</b>	<b>(25,000)</b>	<b>(34,439)</b>

The fair value is greater than the carrying amount because the Authority's portfolio comprises fixed rate loans with interest rates in excess of current PWLB new borrowing rates.

If the Authority were to seek to repay its PWLB debt early as at the balance sheet, the PWLB apply the premature repayment rates. The difference between the carrying value of £25m and fair value of £34.4m is a measure of the premium the Authority might have to pay to terminate loans early as at the balance sheet date.

Fair Value of Financial Assets Carried at Amortised Cost

The analysis below relates to fixed term deposits held with Local Authorities and call accounts held with UK banks. Money Market Funds are disclosed within cash and cash equivalents – see Note 25.

<b>31 March 2020</b>	<b>31 March 2020</b>	<b>31 March 2021</b>	<b>31 March 2021</b>
<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>

£000	£000		£000	£000
45,000	47,212	Investments at Amortised Cost- Long Term	78,000	80,088
91,294	91,294	Investments at Amortised Cost- Short-Term	117,408	117,608
<b>136,294</b>	<b>138,506</b>	<b>Total</b>	<b>195,408</b>	<b>197,696</b>

## 21. Nature and Extent of Risks Arising from Financial Instruments

### Key Risks

The Mayoral 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 Authority.
- **Liquidity Risk**        The possibility that the Authority might not have funds available to meet its commitments to make payments.
- **Re-financing Risk**     The possibility that the 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 Authority as a result of changes in such measures as interest rates and stock market movements.

### Overall Procedures for Managing Risk

The Authority's overall risk management procedures are designed to comply with regulatory guidance applicable to Local Authorities, namely, the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and Statutory Investment Guidance.

Overall these procedures require the Authority to manage risk in the following ways:

- By formally adopting the requirements of the CIPFA Code of Practice on Treasury Management.
- By approving annually in advance prudential indicators over:
  - The Authority's overall borrowing
  - Its exposure to fixed and variable rate interest on borrowing and investments
  - The maturity structure of debt.

- Investments of 365 days or more.
- By approving an investment strategy for the forthcoming year setting out the criteria for both investing and selecting investment counterparties in compliance with the statutory Guidance.

The prudential indicators are set annually as part of the Treasury Management Strategy and monitored and reported on to Members at least twice yearly through a mid-year report and end of year annual report on treasury performance.

The 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 team.

### **Credit Risk**

Credit risk relating to treasury activity is minimised through the Annual Investment Strategy which forms part of the Authority's Annual Treasury Management Strategy. The Investment Strategy restricts placing investments with counterparties to those with high credit ratings to minimise the risk of default.

The Authority adopts a counterparty list based on a model provided by its treasury advisors using credit ratings from the three national rating agencies (Fitch, Moody's and Standard and Poors) supplemented by 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 Mayoral Combined Authority to only select counterparties from the most creditworthy countries.

As at 31 March 2021 the Authority held short and long term investments carried at amortised cost of £195m comprising £60m of call accounts with banks and £135m of fixed term investments with other Local Authorities. The default risk associated with these investments at the balance sheet date was 0.012% and 0% respectively.

No impairment loss allowances have been made during the year in respect of these investments as the very low or zero default risk would only require an impairment loss allowance of c.£7k.

The table below shows the credit rating of the counterparties making up the £195m held at 31 March 2021:



<b>31 March 2021</b>				
	<b>Financial Institution</b>	<b>Rating of Counterparty</b>	<b>Country</b>	<b>Amount £000</b>
	Local Authorities		UK	135,000
	Barclays Bank plc	A	UK	20,000
	Lloyds Bank plc	A+	UK	20,000
	Santander UK plc	A	UK	20,000

<b>31 March 2020-Comparative</b>				
	<b>Financial Institution</b>	<b>Rating of Counterparty</b>	<b>Country</b>	<b>Amount £000</b>
	Local Authorities		UK	76,000
	Barclays Bank plc	A	UK	20,000
	Lloyds Bank plc	A+	UK	20,000
	Santander UK plc	A	UK	20,000

Other financial assets held at the year-end comprised:

- £109.558m deposited with AAA Money Market Funds (MMFs) classified as Cash and Cash Equivalents – see note 25.
- £19.332m of long- term capital loans advanced to third parties outside of the Group in furtherance of the Authority’s economic development objectives - see Note 22.
- £9.522m of short- term debtors – see Note 24.

An impairment allowance of £0.649m (2019/20 £1.171m) has been made for expected credit losses on capital loans advanced to third parties.

A further impairment allowance of £0.321m (2019/20 £0.321m) has been made in respect of short -term debtors.

## **Liquidity Risk**

The Authority has substantial investments which are managed in such a way as to ensure that there is sufficient liquidity on a day to day basis to meet expenditure when needed.

On an annual basis, the Authority is required to produce a balanced budget under the Local Government Finance Act 1992. This ensures that overall over the course of the financial year there is sufficient monies raised to cover annual expenditure.

Longer term, the Authority has access to PWLB should it require funds to meet its capital investment plans, subject to it being affordable under the Prudential Code.

## **Refinancing and Maturity Risk**

The investment portfolio is managed in such a way as to provide sufficient short-term liquidity and to ensure that there are sufficient funds to repay Group borrowing as it falls due.



- Investments at Fixed Rates      The fair value of the assets will fall (no impact on revenue balances).

The Authority's strategy for managing interest rate risk is set out below.

### Borrowing

The Authority's debt portfolio is fixed rate PWLB debt. The amount of interest payable is not therefore exposed to risk from interest rate fluctuations.

### Investments

The investment portfolio comprises fixed term deposits with Local Authorities and other low risk counterparties, call accounts and Money Market Funds "MMFs".

### Sensitivity analysis

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	0
Increase in government grant receivable for financing costs	0
Impact on Surplus or Deficit on the Provision of Services	0
Decrease in fair value of fixed rate investment assets*	2,244
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)	2,748
<b>Notes:</b>	
* The change in Fair Value of fixed rate investments and fixed rate borrowing is based on a 1% increase in interest rates above the market rates prevailing at the balance sheet date. The approximate impact of a 1% fall in interest rates would be the same but with the movements being reversed.	

### **Foreign Exchange Risk**

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

## 22. Long Term Debtors

The following is an analysis of Long-Term Debtors:

<b>31 March 2020 £000</b>		<b>31 March 2021 £000</b>
6,992	Other Local Authorities	5,828
13,624	Others	13,504
<b>20,616</b>	<b>Total</b>	<b>19,332</b>

The long term debtors represents Capital Loans advanced to 3<sup>rd</sup> parties to support the MCA's strategic economic development objectives.

The carrying value of £19.332m comprises the nominal value of loans £20.336m less soft loan adjustment of £0.362m and expected credit losses of £0.642m.

## 23. Long-Term Investments

The following is an analysis of Long-Term Investments:

<b>31 March 2020 £000</b>		<b>31 March 2021 £000</b>
45,000	Investments with Local Authorities	78,000
<b>45,000</b>	<b>Total</b>	<b>78,000</b>

A maturity analysis of long-term investments is set out in Note 21.

## 24. Short-Term Debtors

The following is an analysis of Short-Term Debtors:

<b>31 March 2020 Restated £000</b>		<b>31 March 2021 £000</b>
271	Trade Customers	125
8,152	Receivables from Related Parties	6,363
0	Prepayments	44
1,118	Other Amounts	2,990
<b>9,541</b>	<b>Total</b>	<b>9,522</b>

Included within the receivables from related parties is an amount of £6.214m due from the SCR Financial Interventions Holding company.

The debtors balance comprises gross debtors of £9.843m less an allowance for impairment losses of £0.321m.

## 25. Cash and Cash Equivalents

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

<b>31 March 2020 £000</b>		<b>31 March 2021 £000</b>
(9,801)	Cash at Bank-Bank overdrawn	(16,595)
0	Cash at Bank	0
81,471	Short -Term Investments	109,558
<b>71,670</b>	<b>Total</b>	<b>92,963</b>

## 26. Short-Term Borrowing

The balance of Short-term Borrowing relates to a number of loans from other Local Authorities for the Mayoral Combined Authority/LEP:

<b>31 March 2020 £000</b>		<b>31 March 2021 £000</b>
0	Accrued interest on borrowing	0
(660)	Other Local Authorities	0
<b>(660)</b>	<b>Total</b>	<b>0</b>

## 27. Short-Term Creditors

The following is an analysis of Short-Term Creditors:

<b>31 March 2020 Restated £000</b>		<b>31 March 2021 £000</b>
(3,560)	Trade Creditors	(11,681)
(79,725)	Related Parties Creditors	(28,743)
(2,087)	Deferred Incomes	(14,323)
(8,067)	Other Creditors	0
<b>(93,439)</b>	<b>Total</b>	<b>(54,747)</b>

**28. Provisions**

The Mayoral Combined Authority has the following Provisions:

<b>31 March 2020 £000</b>		<b>31 March 2021 £000</b>
(1,460)	Balance at 1 April	(1,644)
726	Released / utilised in year	1,151
(910)	Created in year	(96)
<b>(1,644)</b>	<b>Total</b>	<b>(589)</b>
	<u>Split by:</u>	(589)
(1,644)	Short-term	
0	Long-term	0
<b>(1,644)</b>	<b>Total</b>	<b>(589)</b>

The most significant provisions are:

A provision of £250,000 held in the year to assist McLaren.

A provision for £180,000 for CRM system.

**29. Other Long -Term Liabilities**

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 and is primarily to repay SYPTE's borrowing as it falls due. The amount expected to be drawn down within one year of £53m is shown within Related Party Creditors in Note 27

The balance has arisen because the Authority manages cash set aside by SYPTE in the past for the repayment of debt on behalf of the Group and invests it in line with the Annual Treasury Management Strategy.

<b>31 March 2020 Fair Value £000</b>		<b>31 March 2021 Fair Value £000</b>
(130,214)	South Yorkshire Passenger Transport Executive	(118,017)
<b>(130,214)</b>	<b>Total</b>	<b>(118,017)</b>

**30. Usable Reserves**

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement.

**General Fund Balance**

The General Fund is an unearmarked reserve to cover unexpected fluctuations in income and expenditure and unforeseen contingencies.

The table below shows the balance of the General Fund available balance:

<b>31 March 2020 £000</b>		<b>31 March 2021 £000</b>
(5,888)	Transport Authority	0
(1,769)	Local Enterprise Partnership	(1,742)
<b>(7,657)</b>	<b>Total</b>	<b>(1,742)</b>

## Earmarked General Fund Reserves

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

<b>31 March 2020 Restated £000</b>		<b>31 March 2021 £'000</b>
0	Gainshare - Contingency	(710)
0	Gainshare - Employer Priorities	(2,972)
0	Gainshare - Employee Priorities	(3,101)
0	Gainshare Emergency Recovery Fund	(1,172)
0	Gainshare - 18-21 concessions	(1,811)
0	Gainshare - MCA development	(474)
0	Project Feasibility Fund	(3,600)
0	Protection of Priority Services	(5,888)
(908)	Mayoral Capacity Fund	(1,274)
(908)	Mayoral Election Reserve	(2,187)
(11,158)	PFI	(12,446)
(1,642)	Local Growth Fund Revenue Reserve	(2,121)
(500)	Covid19 Reserve	0
(997)	Income Resilience	(1,497)
(5,077)	Skills Bank	(6,544)
(1,110)	Skills Bank 2	(1,293)
(19,520)	Levy Reduction Reserve	(14,163)
(107)	Apprenticeship Grant for Employers	(107)
(28)	Strategic Asset Management	(28)
<b>(41,955)</b>	<b>Total</b>	<b>(61,388)</b>

Earmarked reserves are set aside to meet future liabilities and provide financing for future revenue or capital spending plans. Information on the use of Reserves in the year is disclosed in Note 14.

The purpose of the more significant of these reserves is as follows:

- Gainshare revenue - The MCA has identified a number of immediate priorities to support renewal post Covid 19 from Gainshare revenue funding. Priority interventions include supporting business recovery (Employer Priorities), and schemes that mitigate the adverse impacts of COVID-19 on young people, those employed in lower paid jobs or vulnerable sectors and SCR residents who have lost employment (Employee Priorities). The MCA has also approved further sums be set aside from Gainshare to support local Covid economic recovery efforts by the 4

South Yorkshire authorities, to support the extension of concessionary fares for young people to those aged 18 to 21 over the course of the next year, and, to alleviate financial pressures faced by the MCA related to Covid. The reserves set aside will be used to support the delivery of these renewal priorities in the short-term.

- Project Feasibility Fund - the reserve has been created to provide sustainable revenue funding for the early stage development of capital projects
- Protection of Priority Services - the reserve has been created to enable an orderly transition from the current heavily subsidised public transport system model to a sustainable post-pandemic model
- Mayoral Capacity Fund - the Fund's primary purpose is to build capacity and expertise to support the Elected Mayor in discharging his responsibilities and developing specific policy areas aligned to the Mayor's commitments set out in his manifesto.
- Mayoral Election Reserve - The reserve is being built up to provide funding towards the cost of staging the next Mayoral election which is scheduled to take place in May 2022.
- Private Finance Initiative Reserve - The PFI reserve is to meet future liabilities relating to Doncaster Interchange up until the end of the PFI scheme and to meet residual liabilities beyond the end of the scheme. It has been established by virtue of the fact that fixed annual amount of Government funding is higher than the unitary payment to the PFI provider in the early years of the scheme. The reserve will then be drawn down in later years to meet the rising costs of the PFI scheme as the unitary payment is indexed for inflation.
- LGF Revenue Reserve - The Local Growth Fund revenue reserve is being used to support Business Growth related revenue activity.
- Income Resilience Reserve - The reserve provides the MCA with financial resilience to cope with events outside of the control of the MCA resulting in a loss of major sources of income, for example, as a consequence of Covid 19 or the impact of appeals, business closures or revaluation on EZ business rates.
- Skills Bank Reserve : The reserve is ring-fenced to support future Skills Bank delivery and sustainability beyond the current Skills Bank 2 programme.
- Skills Bank 2 Reserve: This represents unapplied grant funding available to support delivery of Skills Bank 2 programme beyond its current three year programme which ended in 2020/21.
- Levy Reduction Reserve: The reserve was created as a result of a major restructure of capital financing across the Group in 2013/14 and 2014/15. It is being used to bridge the funding shortfall between the baseline transport revenue budget and transport levy to sustain levy reductions until convergence of the two can be achieved.



## 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 repay debt. 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:

<b>31 March 2020 £000</b>		<b>31 March 2021 £000</b>
(4,304)	Balance at 1 April	(19,181)
(18,915)	Capital loan repaid	(625)
5,537	Capital receipt applied during the year	(483)
(1,499)	Investment in subsidiary realised	0
0	Amount set aside for the repayment of debt	1,600
<b>(19,181)</b>	<b>Total</b>	<b>(18,689)</b>

£16.779m of the balance at 31 March 2021 is earmarked to support capital investment in Local Growth schemes beyond the end of the Growth Deal which finished at the end of 2020/21.

The remaining £2.009m has been placed in a Corporate Asset Management Fund the purpose of which is to maintain Group assets through ongoing capital investment.

## Capital Grants Unapplied Account

The Capital Grants Unapplied Account holds the grants and contributions received towards capital projects for which there are no conditions or conditions have been met and have therefore been recognised as income but have not yet been applied for financing.

As at 31 March 2021, the balance on the Capital Grants Unapplied Account is shown below.

<b>31-Mar 2020 £000</b>		<b>31-Mar 2021 £000</b>
0	Balance at 1 April	0
0	Capital Grant credited in year	(22,939)
0	Capital grant applied in year	0
<b>0</b>	<b>Total</b>	<b>(22,939)</b>

£16.806m of the balance at 31 March 2021 represents unapplied Gainshare capital. This has been earmarked to meet forthcoming commitments under the South Yorkshire Renewal Fund to support South Yorkshire's recovery post Covid 19. The South Yorkshire Renewal Fund will support immediate economic recovery through investment in key infrastructure and flood defences, and, further ahead, development of a much wider programme of investment in places including transport and infrastructure.

The remainder of the balance on Capital Grants Unapplied is unearmarked at present.

### 31. Unusable Reserves

The following table summarises the Unusable Reserves balances:

1 April 2020 £000		31 March 2021 £000
	<b>Capital Reserves:</b>	
75,802	Capital Adjustment Account	71,731
(5,417)	Revaluation reserve	(8,945)
70,385		62,786
	<b>Revenue Reserves:</b>	
699	Financial instruments Adjustment Account	362
2,855	Pensions Reserve – Note 41	4,260
3,554		4,622
<b>73,939</b>	<b>Total</b>	<b>67,408</b>

### Capital Reserves

Capital Reserves are not available for revenue purposes and certain ones can only be used for specific statutory purposes.

### Capital Adjustment Account

The Capital Adjustment Account comprises differences between how charges for the use of Property, Plant & Equipment and their financing are accounted for under proper accounting practice and the amounts that are statutorily required to be charged under Local Government financing regulations in determining the amount to be met by local taxpayers. Note 13 provides details on the entries that have been made in this regard in 2020/21.

2019/20 £000		2020/21 £000
<b>56,758</b>	<b>Balance at 1 April</b>	<b>75,802</b>
	<b>Reversal of items relating to capital expenditure debited or credited to the CIES:</b>	
628	Depreciation of Non-current assets	515
0	Impairment of Non-current assets	0
74	Revaluation losses	1,101
478	Movements in fair value of Investment Properties	295
0	Movements in fair value of Donated Asset Account	0
0	Amortisation of Intangible assets	0
68,246	Revenue expenditure funded from capital under statute	79,894
0	Non-Current assets written off on disposal	0
(538)	Other	(543)
	<b>Adjusting amounts written out of the Revaluation Reserve:</b>	
0	Difference between fair value depreciation and historical cost depreciation	(62)
0	Accumulated gains on assets sold or scrapped	0

0	Other	0
<b>125,646</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>157,002</b>
	<b><i>Capital financing applied in the year:</i></b>	
(5,537)	Use of the Capital Receipts Reserve to finance new capital expenditure	(492)
20,414	Capital loan repaid	0
(61,560)	Capital grants and contributions credited to the CIES including REFCUS Income	(81,131)
0	Application of grants and contributions from the Capital	0
0	Grants Unapplied Account	0
(3,161)	Statutory provision for the repayment of debt	(3,648)
0	Direct Revenue Financing	0
<b>(49,844)</b>		<b>(85,271)</b>
<b>75,802</b>	<b>Balance at 31 March</b>	<b>71,731</b>

## Financial Instruments Adjustment Account

<b>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
<b>834</b>	<b>Balance at 1 April</b>	<b>699</b>
(135)	Soft Loan Amortisation	(337)
(135)	Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	362
<b>699</b>	<b>Balance at 31 March</b>	<b>362</b>

## 32. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

<b>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
3,073	Interest Received	1,847
(1,388)	Interest Paid	(1,388)
<b>1,685</b>	<b>Total</b>	<b>459</b>

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

<b>2019/20- Restated £000</b>		<b>2020/21 £000</b>
628	Depreciation	515
4,164	Increase / (decrease) in creditors	(38,692)
(981)	(Increase) / decrease in debtors	1,302
(4,521)	Other non-cash items charged to the net surplus or deficit on the provision of services	78,422
<b>(710)</b>	<b>Total</b>	<b>41,547</b>

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

<b>2019/20</b>		<b>2020/21</b>
(9,304)	Any other items for which the cash effects are investing or financing cash flows	0
<b>(9,304)</b>	<b>Total</b>	<b>0</b>

### 33. Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

<b>2019/20 £000</b>		<b>2020/21 £000</b>
(25,500)	Purchase of short- term and long-term investments	(59,114)
(5,021)	Other payments for investing activities	0
0	Purchase of PPE, Investment property and Intangible assets	(254)
24,304	Proceeds from short-term and long-term investments	0
23,936	Other receipts from investment activities	48
<b>17,719</b>	<b>Total</b>	<b>(59,320)</b>

### 34. Cash Flow Statement – Financing Activities

The cash flows for financing activities include the following items:

<b>2019/20 £000</b>		<b>2020/21 £000</b>
0	Repayments of other long-term liabilities	(660)
<b>0</b>	<b>Total</b>	<b>(660)</b>

The repayment of other long-term liabilities relates to the investment loans MCA had from other Local Authorities which are now repaid in full.

### 35. Trading Operations

#### AMP Technology Centre Operation

The financial performance of the AMP from 1 April 2020 until the end of the financial year was as follows:

<b>2020/21</b>					
	<b>Income</b>	<b>Expenditure</b>	<b>Operating (Surplus)/ Deficit</b>	<b>Accounting Adjustments</b>	<b>Accounting (Surplus)/ Deficit</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
AMP Technology Centre Operation	(1,387)	1,440	53	0	53
	<b>(1,387)</b>	<b>1,440</b>	<b>53</b>	<b>0</b>	<b>53</b>

<b>2019/20-Comparative</b>					
	<b>Income</b>	<b>Expenditure</b>	<b>Operating (Surplus)/ Deficit</b>	<b>Accounting Adjustments</b>	<b>Accounting (Surplus)/ Deficit</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
AMP Technology Centre Operation	(1,636)	1,256	(380)	0	(380)
	<b>(1,636)</b>	<b>1,256</b>	<b>(380)</b>	<b>0</b>	<b>(380)</b>

Trading operations overall reported surpluses on controllable income and expenditure.

### 36. Officers' Remuneration and Members Allowances

The remuneration paid to the Mayoral Combined Authority's senior employees is shown in the table below: -

2020/21	Salary	Expenses	Pension Contribution	Total
	£	£	£	£
Dr Dave Smith – Chief Executive (Head of Paid Service)*	176,730	0	0	176,730
Deputy Chief Executive	111,836	0	15,769	127,605
Director of Transport, Infrastructure & Housing	104,336	27	14,712	119,075
Director of Mayor's Office	93,460	0	13,178	106,638
Interim Group Chief Financial Officer	32,500	0	4,583	37,083
Group Finance Director	75,650	0	10,667	86,317
Total	594,512	27	58,909	653,448

Interim Group Chief Financial Officer to 30 June 2020  
Group Finance Director from 22 June 2020

The Group Principal Solicitor and Monitoring Officer is employed by South Yorkshire Passenger Transport Executive. Their salary costs have been charged to and are disclosed within SYPTE's 2020/21 Accounts and in Note 66 to the Group Accounts

2019/20	Salary	Expenses	Pension Contribution	Total
	£	£	£	£
Dr Dave Smith – Chief Executive (Head of Paid Service)	186,170	250	0	186,420
Deputy Chief Executive	107,128	175	15,748	123,051
Director of Transport, Infrastructure & Housing	99,628	75	14,645	114,348
Director of Mayor's Office	68,219	0	10,028	78,247
Interim Group Chief Financial Officer	57,333	0	8,869	66,202
Total	518,478	500	49,290	568,268

Director of Mayor's Office joined the organisation on 1 July 2019  
Interim Group Chief Financial Officer joined the organisation on 30 September 2019

Prior to the appointment of the Interim Group Chief Financial Officer, the role of Section 73 officer for the MCA was provided by Sheffield City Council at nil cost.

The Mayoral Combined Authority's other employees receiving more than £50,000 remuneration for the year were paid the following amounts:-

Remuneration Band	2019/20 Total	2020/21 Total
£50,000 - £54,999	3	1
£55,000 - £59,999	1	1
£60,000 - £64,999	8	10
£65,000 - £69,999	-	-
£75,000 - £79,999	-	-

£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 and above	-	-
	12	12
There were no redundancies during the year		

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below. Strain costs are £0k, (2019/20 £0k) and are included in the total cost:

Exit Package Cost Band (including special payments)	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total Number of Exit Packages by Cost Band		Total Cost of Exit Packages in Each Band (including strain costs)	
	2021	2020	2021	2020	2021	2020	2021	2020
							£'000	£'000
£0 - £20,000	-	-	-	2	-	2	-	5
£20,001 - £40,000	-	-	-	-	-	-	-	-
£40,001 - £60,000	-	-	-	-	-	-	-	-
£60,001 - £80,000	-	-	-	-	-	-	-	-
£80,001 - £100,000	-	-	-	-	-	-	-	-
£100,000 - £150,000	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	<b>2</b>	-	<b>2</b>	-	<b>5</b>

### **Elected Members Allowance:**

LEP Board members are not remunerated but are entitled to claim back travel and subsistence costs incurred whilst undertaking their duties on behalf of the LEP. In 2020/21, the total amount of expenses paid to members of the LEP Board, MCA and its Committees amounted to £4,892 (2019/20 £21,925).

As part of Constitutional changes agreed following the implementation of Devolution, new allowances became payable to the Mayor and Deputy Mayor from 28 July 2020 on the basis of recommendations made by an independent remuneration panel. In 2020/21, the amount of mayoral allowance paid was £53,516 (2019/20 Nil)

## **37. External Audit Fees**

The Mayoral Combined Authority has incurred the following costs in relation to the audit of the Statement of Accounts, provided by the External Auditors:

2019/20 £000		2020/21 £000
29	Fees payable with regard to external audit services carried out by the appointed auditor	29
4	Fee variation agreed	4
<b>33</b>	<b>Total</b>	<b>33</b>

### 38. Grant Income

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

2019/20 £000		2020/21 £000
	<b>Credited to Services:</b>	
(36,489)	Ministry of Housing, Communities and Local Government	(101,086)
(28,741)	Department for Transport	(22,334)
(3,754)	Department for Education and Skills Funding Agency	(711)
(354)	Department for Business, Energy & Industrial Strategy	(849)
(76)	Careers Enterprise Company	(177)
(2,698)	Department of Health and Social Care	(1,569)
(58,864)	English Local Government	(56,682)
(94)	Cabinet Office	(125)
(209)	Other	(2,190)
<b>(131,279)</b>		<b>(185,723)</b>
	<b>Credited to Taxation and Non-Specific Grant Income:</b>	
	<i>Non-ring- fenced Government Grants:</i>	
(5,021)	Ministry of Housing, Communities and Local Government	(27,046)
0	Others	(8,132)
<b>(5,021)</b>		<b>(35,178)</b>
<b>(136,300)</b>	<b>Total</b>	<b>(220,901)</b>

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 2020 £000		31 March 2021 £000
	<b>Revenue Grants Receipts in Advance:</b>	
(32)	Department for Business, Energy & Industrial Strategy	(14)
(263)	Department for Transport	(1,753)
(403)	Department of Housing, Communities and Local Government	(11,435)
(357)	Department for Education and Skills Funding Agency	(200)
(43)	Local Government Association (LGA)	0
(441)	Non-Departmental Government Bodies	(604)
0	Department for Environment, Food & Rural Affairs	(86)
(548)	Department of Health and Social Care	(231)
<b>(2,087)</b>	<b>Total</b>	<b>(14,323)</b>
	<b>Capital Grants Receipts in Advance:</b>	
(13,920)	Department for Transport	(97,661)
0	Ministry of Housing, Communities and Local Government	(6,000)
<b>(13,920)</b>	<b>Total</b>	<b>(103,661)</b>



### 39. 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 Authority or to be controlled or influenced by the 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 Authority, the main categories of related party are the 4 constituent and 5 non-constituent Local Authorities, whose Leaders make up the membership of the Mayoral Combined Authority and have direct control through voting rights.

#### LEP Board and MCA Members

During 2020/21 no disclosure required in respect of works or services commissioned from companies in which members had an interest or with the members themselves (£nil 2019/20).

#### Senior Officers

During 2020/21, Senior Officers had no pecuniary interests requiring disclosure (£nil 2019/20).

#### Material Transactions with Related Parties

##### Income

2020/21				
	Transport Levy	EZ business rates	LEP subscriptions	Total
	£000	£000	£000	£000
Sheffield City Council	22,573	7	488	23,068
Barnsley Metropolitan Borough Council	9,502	603	206	10,311
Doncaster Metropolitan Borough Council	12,034	0	264	12,298
Rotherham Borough Council	10,256	521	226	11,003

##### Expenditure

<b>2020/21</b>				
	<b>Capital grants-transport £000</b>	<b>Capital grants-LGF £000</b>	<b>Business Assistance Grants £000</b>	<b>Total £000</b>
Sheffield City Council	5,559	2,300	15,695	23,554
Barnsley Metropolitan Borough Council	9,814	19,824	5,473	35,111
Doncaster Metropolitan Borough Council	7,322	3,077	6,016	16,415
Rotherham Borough Council	8,737	3,614	5,334	17,685

## 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:

<b>2019/20 £000</b>		<b>2020/21 £000</b>
(53,000)	Amounts due within one year	(14,451)
(130,214)	Amounts due after more than one year	(118,017)
<b>(183,214)</b>	<b>Total owed to SYPTE by the CA</b>	<b>(132,468)</b>

The following table shows the significant intercompany items of expenditure and income between the Authority and SYPTE

<b>2019/20 £000</b>		<b>2020/21 £000</b>
<b><u>Expenditure</u></b>		
57,347	Revenue grant payable to support SYPTE operational expenditure	52,278
3,301	Government funding to support SYPTE revenue activities	2,571
8,704	Capital grant to support SYPTE capital programme	6,463
<b>69,352</b>		<b>61,312</b>

### Financial Interventions Holding Company

The balance owed by the Financial Interventions Holding Company as at 31 March 2021 was £6.214m (2019/20 £6.214m).

#### 40. Capital Expenditure and Capital Financing

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.

2019/20		2020/21
£000		£000
	<b>Capital Investment</b>	
0	Assets under Construction	29
0	Property, Plant and Equipment	177
0	Intangible Assets	48
68,246	Revenue Expenditure Funded from Capital Under Statute	79,894
5,020	Capital loans	0
<b>73,266</b>	<b>Total</b>	<b>80,148</b>
	<b>Sources of Finance</b>	
61,559	Government Grants and Other Contributions	80,631
5,537	Capital Receipts	(483)
0	Direct Revenue Financing	0
6,170	Borrowing Requirement	0
<b>73,266</b>		<b>80,148</b>
	<b>Capital Financing Requirements</b>	
113,045	Opening Balance	116,054
6,170	Borrowing Requirement in Year	0
(3,161)	Statutory / Voluntary Provision for repayment of debt (MRP)	(3,648)
0	Capital Receipts set aside for repayment of debt	(3,600)
<b>116,054</b>	<b>Closing Balance</b>	<b>108,806</b>
(25,000)	PWLB Borrowing	(25,000)
(660)	Other Borrowing	0
<b>(25,660)</b>		<b>(25,000)</b>
<b>90,394</b>	<b>CFR in excess of debt</b>	<b>83,806</b>

The CFR is in excess of debt in the Authority's accounts, because a restructuring of Group financing in 2013/14 and 2014/15 effectively led to the Group's underlying need to borrow being transferred from SYPTE to the Authority whereas £108.375m of related debt still remains on SYPTE's balance sheet at the end of 2020/21.

## 41. Post- Employment Benefits

On 1 April 2019, the Authority became an employing authority within the South Yorkshire Local Government Pension Scheme administered by South Yorkshire Pensions Authority.

As part of the Terms and Conditions of Employment of its employees, the Authority 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 and 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

Comprehensive Income and Expenditure Statement					
				2019/20	2020/21
				£'000	£'000
Current Service Cost				938	931
Financing Investment Income and Expenditure				60	74
Remeasurement in other Comprehensive Income and Expenditure				370	821
<b>Total Post-Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>				<b>1,368</b>	<b>1,826</b>

Transactions Relating to Post-Employment Benefits:

Movement in Reserves Statement					
				2019/20	2020/21
				£'000	£'000
Reversal of Net Charges Made to the (Surplus)/Deficit for the					
Provision of Services for Post-Employment Benefits in Accordance with the Code				(998)	(1,005)
Actual Amount Charged Against the Operational Revenue Reserve					
Balance for Pensions in the Year:					

Employer's Contributions Payable to Scheme			456	421
--	--	--	-----	-----

Assets & Liabilities in Relation to Post-Employment Benefits				
<b>Reconciliation of Present Value of the Scheme Liabilities:</b>				
			<b>2019/20</b>	<b>2020/21</b>
			<b>£'000</b>	<b>£'000</b>
Opening Balance at 1 April			-	(6,900)
Business combination			(5,015)	0
Current Service Cost			(938)	(931)
Interest Cost			(134)	(161)
Contributions by Scheme Participants			(229)	(227)
Re-measurements - Experience gain / (loss)			(174)	161
Re-measurements - changes to financial assumptions				(1,734)
Benefits Paid			(410)	(105)
<b>Closing Balance at 31 March</b>			<b>(6,900)</b>	<b>(9,897)</b>

<b>Reconciliation of Fair Value of the Scheme (Plan) Assets:</b>				
			<b>2019/20</b>	<b>2020/21</b>
			<b>£'000</b>	<b>£'000</b>
Opening Balance at 1 April			-	4,045
Business Combination			3,072	0
Interest on Plan Assets			90	102
Re-measurements			(196)	752
Administration Expenses			(16)	(15)
Contributions by Employer			456	421
Contributions by Scheme (plan) Participants			229	227
Benefits Paid			410	105
<b>Closing Balance at 31 March</b>			<b>4,045</b>	<b>5,637</b>

<b>Pension Scheme Assets Comprised:</b>				
			<b>2019/20</b>	<b>2020/21</b>
			<b>£'000</b>	<b>£'000</b>
<b>Equities</b>			2,093	2,773
<b>Bonds</b>				
Government Bonds			544	760
Other Bonds			296	461
<b>Property</b>			363	511
<b>Other</b>			749	1,132

Actuarial gains and losses on scheme liabilities arising from differences between what has actually occurred in the year and the assumptions made, or as a consequence of changes to financial assumptions are disclosed in the table above as remeasurements.

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.

<b>Scheme History</b>					
				<b>2019/20</b>	<b>2020/21</b>
				<b>£'000</b>	<b>£'000</b>
Present Values of Liabilities				(6,900)	(9,897)
Fair Value of Scheme Assets				4,045	5,637
<b>Surplus/(Deficit) in the Scheme</b>				<b>(2,855)</b>	<b>(4,260)</b>

<b>Basis for Estimating Assets and Liabilities</b>					
The pension fund liabilities have been assessed by the actuaries, Mercer Ltd and the main assumptions used in their calculations are as follows:					
<b>Mortality Assumptions</b>				<b>2019/20</b>	<b>2020/21</b>
Longevity at Age 65 for Current Pensioners:					
Men				22.4 years	22.5 years
Women				25.2 years	25.3 years
<b>Longevity at Age 65 for Future Pensioners:</b>					
Men				23.9 years	24 years
Women				27.1 years	27.2 years

<b>Financial Assumptions</b>					
Rate of CPI Inflation				2.1%	2.7%
Rate of increase in Salaries				3.35%	3.95%
Rate of increase in Pensions				2.2%	2.8%
Discount Rate				2.3%	2.2%

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. A sensitivity analysis is shown in the table below:

	Central	Sensitivity 1	Sensitivity 2	Sensitivity 3	Sensitivity 4	Sensitivity 5	
		+ 0.1% pa discount	+ 0.1% pa inflation	+ 0.1% pa pay growth	1 year increase in life expectancy	1 year increase in 2020/21 investment returns	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Disclosure item						+1%	-1%
Liabilities	9,897	9,629	10,173	9,946	10,173	9,897	9,897
Assets	(5,637)	(5,637)	(5,637)	(5,637)	(5,637)	(5,697)	(5,577)
Deficit/(Surplus)	4,260	3,992	4,536	4,309	4,536	4,200	4,320
Projected Service Cost for next year	1,173	1,136	1,212	1,173	1,212	1,173	1,173
Projected Net interest Cost for next year	89	87	95	90	95	88	90

## Impact on Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Funding levels are monitored on an annual basis. The most recent triennial valuation was completed on 31 March 2019 and sets the contribution rates in respect of the three-year period 2020/21 to 2022/23.

The Authority expects to pay contributions of £420k to the scheme in 2021/22. The weighted average duration of the defined benefit obligation for scheme members was 28 years during 2020/21.

## 42. Contingent Liabilities/Contingent Assets

### Contingent Liability

The MCA was awarded £1.1m of ERDF funded grant towards a business assistance scheme for businesses in the visitor economy and the recovery of small businesses in the wider economy. The scheme was administered by Barnsley MBC on the authority's behalf and is fully underwritten by the MCA. The risk attached to the scheme is considered small but any liability should it arise will fall to be met by the MCA.

### Contingent Asset

The Superfast South Yorkshire Programme has been successful in helping BT Openreach to deliver Fibre to the Cabinet (FTTC) and Fibre to the Premise (FTTP) solutions to enhance broadband services to homes and businesses across South Yorkshire. The programme was supported with £19.5m of public subsidy, £10.4m of which was from the LEP and £9.1m from Government.

The contract with BT Openreach provides for public subsidy to be returned in a phased way as customer take up exceeds the target of 20% set in the contract.

The LEP's share will be refunded in due course but the exact terms have yet to be agreed. As a consequence, there remains uncertainty over the timing and amount which will be credited.

Skills Bank 2 - under the terms of the contract with the delivery partner, surpluses earned on delivering Skills Bank activity are credited to an investment pot to support future skills activity. An amount of £1.460m has been credited to the investment pot relating to activity for the period to February 2020 which has been validated by the ESFA. This has been accrued in the authority's 2020/21 accounts. It remains uncertain as to what surplus will be earned and credited to the investment pot over the remainder of the Skills Bank 2 programme from March 2020 to March 2021 but it could be of a similar order of magnitude.



## **Group Accounts**

The Group Accounts, as at 31 March 2021, comprise the accounts of the Authority, together with its subsidiary, the South Yorkshire Passenger Transport Executive, and the SCR Financial Interventions Holding company.

All intra-group trading, balances and unrealised gains and losses, at the end of the financial year 2020/21, 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 (SYLTE) are prepared in accordance with the Accounts and Audit (England) Regulations 2015. These regulations require the Accounts to be prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

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

SYLTE has one subsidiary, Supertram Assets Limited, which is non-trading and an interest in a joint venture with West Yorkshire Combined Authority, "Yorcard Limited". As neither are material in value, SYLTE has taken the decision not to consolidate either entity into SYLTE's Accounts in 2020/21.

Further information about SYLTE's Accounts is available from the following address:

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

### **SCR Financial Interventions Holding Company Ltd**

Further information about SCR Financial Interventions Holding Company is available from the following address:

The Directors  
SCR Financial Interventions Holding Company Ltd  
c/o SCR Mayoral Combined Authority Finance  
11 Broad Street West  
Sheffield S1 2BQ

The company is exempt from the requirements of the Companies Act 2006 relating to the audit of subsidiary companies individual accounts by virtue of the fact that the Authority, as parent undertaking, has given a guarantee in favour of the company for the year ended 31 March 2021.

The company's registration number is 1964447

## **Group Core Financial Statements**

### **Group Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the Group, 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 Group'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 Group.

## Group Movement in Reserves: Usable Reserves

2020/21						
		General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000
	Note	61	61	61	61	61
Balances at 1 April 2020		(12,608)	(53,020)	(20,094)	(7,320)	(93,042)
Adjustment to opening balances		6,775	(6,775)			0
Movement in reserves during 2020/21:						
(Surplus)/deficit on provision of services	CIES	(35,238)	0	0	0	(35,238)
Other Comprehensive (Income) and Expenditure	CIES	5	0	0	0	5
Total Comprehensive (Income) and Expenditure		(35,233)	0	0	0	(35,233)
Adjustments between accounting basis and funding basis under regulations	48	21,523	0	492	(22,363)	(348)
Net (increase)/decrease before transfers to earmarked reserves		(13,710)	0	492	(22,363)	(35,381)
Transfers (to)/from earmarked reserves	49	13,041	(13,071)	81	(51)	0
(Increase)/decrease in year		(669)	(13,071)	573	(22,414)	(35,581)
Balance at 31 March 2021		(6,504)	(72,866)	(19,521)	(29,734)	(128,625)

2019/20						
		General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied Reserve £000	Total Usable Reserves £000
	Note	61	61	61	61	61
Balances at 1 April 2019		(17,428)	(45,550)	(5,325)	(7,245)	(75,548)
Prior Period Adjustment		1,499	0	0	0	1,499
Movement in reserves during 2019/20:						
(Surplus)/deficit on provision of services	CIES	2,586	0	0	0	2,586
Other Comprehensive (Income) and Expenditure	CIES	0	0	0	0	0
Total Comprehensive (Income) and Expenditure		2,586	0	0	0	2,586
Adjustments between accounting basis and funding basis under regulations	48	(7,062)	0	(14,876)	360	(21,579)
Net (increase)/decrease before transfers to earmarked reserves		(4,477)	0	(14,876)	360	(18,993)
Transfers (to)/from earmarked reserves	49	7,798	(7,470)	107	(435)	0
(Increase)/decrease in year		3,321	(7,470)	(14,769)	(75)	(18,993)
Balance at 31 March 2020		(12,608)	(53,020)	(20,094)	(7,320)	(93,042)

# Group Movement in Reserves: Unusable Reserves and Total Group Reserves

2020/21		Capital Adjustment Account £000	Financial Instruments Adjustment Account £000	Deferred Capital Grant Reserve (PTE) £000	Revaluation Reserve £000	Pension Reserve £000	Accumulated Absences Reserve (PTE) £000	Unusable Reserves £000	Total Group Reserves £000
	Note	62	62	62	62	62	62	62	
<b>Balances transferred in at 1 April 2020</b>		<b>75,802</b>	<b>698</b>	<b>(100,030)</b>	<b>(35,530)</b>	<b>39,262</b>	<b>66</b>	<b>(19,732)</b>	<b>(112,774)</b>
Pension deficit b/f									
Investment in subsidiary realised									
<b>Movement in reserves during 2020/21:</b>									
(Surplus)/deficit on provision of services	CIES								(35,238)
Other Comprehensive (Income) and Expenditure	CIES	0	0	0	(3,733)	(2,884)	0	(6,617)	(6,617)
<b>Total Comprehensive (Income) and Expenditure</b>									<b>(41,850)</b>
Adjustments between accounting basis and funding basis under regulations	48	(4,071)	(336)	2,113	756	1,853	33	348	0
<b>Net (increase)/decrease before transfers to earmarked reserves</b>		<b>(4,071)</b>	<b>(336)</b>	<b>2,113</b>	<b>756</b>	<b>1,853</b>	<b>33</b>	<b>348</b>	<b>(39,971)</b>
Transfers (to)/from earmarked reserves		0	0	0	0	0	0	0	0
<b>(Increase)/decrease in year</b>		<b>(4,071)</b>	<b>(336)</b>	<b>2,113</b>	<b>(2,977)</b>	<b>(1,031)</b>	<b>33</b>	<b>(6,269)</b>	<b>(39,971)</b>
<b>Balance at 31 March 2021</b>		<b>71,731</b>	<b>362</b>	<b>(97,917)</b>	<b>(38,506)</b>	<b>38,231</b>	<b>99</b>	<b>(25,999)</b>	<b>(154,624)</b>

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2019/20									
	Note	Capital Adjustment Account £000	Financial Instruments Adjustment Account £000	Deferred Capital Grant Reserve (PTE) £000	Revaluation Reserve £000	Pension Reserve £000	Accumulated Absences Reserve (PTE) £000	Unusable Reserves £000	Total Group Reserves £000
<b>Balances transferred in at 1 April 2019</b>		<b>56,759</b>	<b>834</b>	<b>(100,724)</b>	<b>(25,407)</b>	<b>42,454</b>	<b>66</b>	<b>(26,018)</b>	<b>(101,566)</b>
Prior Period Adjustment		0	0	0	0	1,943	0	1,943	1,943 1,499
<b>Movement in reserves during 2019/20:</b>									
(Surplus)/deficit on provision of services		0	0	0	0	0	0	0	2,585
Other Comprehensive (Income) and Expenditure	CIES	0	0	0	(10,682)	(6,553)	0	(17,235)	(17,235)
<b>Total Comprehensive (Income) and Expenditure</b>	CIES	<b>0</b>	<b>0</b>	<b>0</b>	<b>(10,682)</b>	<b>(6,553)</b>	<b>0</b>	<b>(17,235)</b>	<b>(14,650)</b>
Adjustments between accounting basis and funding basis under regulations		19,044	(136)	694	559	1,418	0	21,579	0
<b>Net (increase)/decrease before transfers to earmarked reserves</b>	48	<b>19,044</b>	<b>(136)</b>	<b>694</b>	<b>559</b>	<b>1,418</b>	<b>0</b>	<b>21,579</b>	<b>0</b>
Transfers (to)/from earmarked reserves		0	0	0	0	0	0	0	0
<b>(Increase)/decrease in year</b>		<b>19,044</b>	<b>(136)</b>	<b>694</b>	<b>(10,123)</b>	<b>(5,135)</b>	<b>0</b>	<b>4,344</b>	<b>(14,650)</b>
<b>Balance at 31 March 2020</b>		<b>75,802</b>	<b>698</b>	<b>(100,030)</b>	<b>(35,530)</b>	<b>39,262</b>	<b>66</b>	<b>(19,732)</b>	<b>(112,774)</b>

**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.

2019/20- Restated			2020/21			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Notes	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
25,563	(84,326)	(58,763)	Transport Authority	30,231	(94,635)	(64,404)
47,107	(47,071)	36	Local Enterprise Partnership	88,511	(91,313)	(2,803)
69,062	(8,533)	60,529	SYLTE	85,057	(25,141)	59,916
<b>141,732</b>	<b>(139,930)</b>	<b>1,802</b>	<b>(Surplus) / Deficit on Continuing Operations</b>	<b>203,799</b>	<b>(211,089)</b>	<b>(7,291)</b>
		(41)	Other Operating Income and Expenditure			(14)
		0	Gains on disposal of non-current assets			0
		11,429	Financing and Investment Income	51		8,324
		(10,604)	Taxation and Non-Specific Grant Income	52		(36,257)
		<b>2,586</b>	<b>(Surplus) / Deficit on Provision of Services</b>			<b>(35,238)</b>
		(10,682)	(Surplus) / Deficit on revaluation of non-current assets			(3,733)
		0	Surplus / deficit on revaluation of available for sale financial assets			0
		(6,553)	Actuarial (gains) / losses on pensions assets / liabilities	73		(2,884)
		<b>(17,235)</b>	Other comprehensive income and expenditure			<b>(6,617)</b>
		<b>(14,649)</b>	<b>(Surplus) / deficit for the year</b>			<b>(41,854)</b>
		(1,871)	Combined Authority			(42,496)
		(12,778)	SYLTE			641
		<b>(14,649)</b>				<b>(41,854)</b>

## **Group Consolidated Balance Sheet**

The Balance Sheet shows the value, as at the Balance Sheet date, of the assets and liabilities recognised by the Group. The net assets of the Group (assets less liabilities) are matched by the reserves held by the Group.

Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Group may use to provide services, subject to the need to maintain a prudent level of reserves, and any statutory limitations on their use. The second category of reserves is unusable reserves, i.e. those that the Group is not able to use to provide services. This category includes reserves that hold unrealised gains and losses where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.



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<b>As at 31 March 2020</b>			<b>As at 31 March 2021</b>
<b>£000</b>		<b>Notes</b>	<b>£000</b>
4,129	Investment Property	55	3,079
1,482	Intangible Assets	53	1,531
168,707	Property, Plant and Equipment	54	168,819
45,000	Long-Term Investments	56	78,000
22,169	Long-Term Debtors		19,332
<b>241,487</b>	<b>Total Long-Term Assets</b>		<b>270,761</b>
91,295	Short-Term Investments	56	117,408
5,332	Short-Term Debtors	57	7,585
78,442	Cash and Cash Equivalents	58	104,866
66	Assets Held for Sale		66
<b>175,135</b>	<b>Current Assets</b>		<b>229,925</b>
<b>416,622</b>	<b>Total Assets</b>		<b>500,686</b>
(56,928)	Short-Term Borrowing	56	(9,299)
(44,718)	Short-Term Creditors	59	(55,534)
(3,115)	Short-Term Provisions	60	(1,490)
(246)	PFI / PPP Finance Lease Liability	72	(268)
(14,525)	Capital Grants Receipts In Advance	69	(104,442)
<b>(119,532)</b>	<b>Current Liabilities</b>		<b>(171,033)</b>
<b>297,090</b>	<b>Total Assets less Current Liabilities</b>		<b>329,653</b>
(134,281)	Long-Term Borrowing	56	(126,293)
(10,773)	PFI / PPP Finance Lease Liability	69	(10,505)
(39,262)	Net Pension Liability	73	(38,231)
<b>(184,316)</b>	<b>Long Term Liabilities</b>		<b>(175,029)</b>
<b>112,774</b>	<b>Net Assets / (Liabilities)</b>		<b>154,624</b>
(68,793)	Combined Authority		(104,758)
(24,249)	SYPTe		(23,867)
<b>(93,042)</b>	<b>Usable Reserves</b>	61	<b>(128,625)</b>
73,939	Combined Authority		67,408
(93,671)	SYPTe		(93,407)
<b>(19,732)</b>	<b>Unusable Reserves</b>	62	<b>(25,999)</b>
<b>(112,774)</b>	<b>Total Reserves</b>		<b>(154,624)</b>

<b>Group Consolidated Cash Flow Statement</b>
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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.

<b>2019/20</b>			<b>2020/21</b>
<b>£000</b>		<b>Notes</b>	<b>£000</b>
(2,586)	Net surplus or (deficit) on the provision of services		35,238
14,602	- Adjustment to surplus or (deficit) on the provision of services for non-cash movements	63	112,988
(20,875)	- Adjustment for items included in the net surplus or (deficit) on the provision of services that are investing and financing activities	63	(1,484)
<b>(8,858)</b>	<b>Net cash flow from operating activities</b>		<b>146,742</b>
5,710	Investing activities	64	(66,412)
(227)	Financing activities	65	(53,906)
<b>(3,375)</b>	<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>26,424</b>
81,817	Cash and cash equivalents at 1 April	58	78,442
<b>78,442</b>	<b>Cash and cash equivalents at 31 March</b>	58	<b>104,866</b>

## **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.

### **43. Group Expenditure and Funding Analysis Statement (EFA)**

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by Local Authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2019/20-Restated						2020/21					
Single Entity £000	Intercompany Adjustments £000	Net Expenditure Chargeable to the General Fund Balance £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the CIES £000		Notes	Single Entity £000	Intercompany Adjustments £000	Net Expenditure Chargeable to the General Fund Balance £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the CIES £000
4,295	(68,562)	(64,267)	5,504	(58,763)	Transport Authority		472	(61,439)	(60,967)	(3,437)	(64,404)
(5,692)	(830)	(6,522)	6,559	37	Local Enterprise Partnership		(3,751)	(1,924)	(5,674)	2,872	(2,803)
(4,908)	62,947	58,039	2,489	60,528	SYPTTE		(823)	56,054	55,231	4,685	59,916
<b>(6,305)</b>	<b>(6,445)</b>	<b>(12,750)</b>	<b>14,552</b>	<b>1,802</b>	<b>Net Cost of Services</b>	44	<b>(4,102)</b>	<b>(7,308)</b>	<b>(11,410)</b>	<b>4,120</b>	<b>(7,291)</b>
		8,273	(7,490)	783	Other Income & Expenditure				(2,305)	(25,642)	(27,947)
		<b>(4,477)</b>	<b>7,062</b>	<b>2,586</b>	<b>(Surplus) / Deficit</b>	45			<b>(13,715)</b>	<b>(21,523)</b>	<b>(35,238)</b>
		(62,979)			Opening General Fund Balance				(65,629)		
		1,499			Transferred out from subsidiary				0		
		(4,477)			Surplus / Deficit on General Fund in year				(13,715)		
		328			Other Movements				(25)		
		<b>(65,629)</b>			<b>Closing General Fund Balance at 31 March</b>				<b>(79,369)</b>		

**44. Group Note to the Expenditure and Funding Analysis**

Adjustments between Funding and Accounting Basis:

<b>2020/21</b>				
<b>Adjustments from General Fund to arrive at the CIES Amounts</b>	<b>Adjustments for Capital Purposes £000</b>	<b>Net change for the Pensions Adjustment £000</b>	<b>Other Differences £000</b>	<b>Total Adjustments £000</b>
Transport Authority	(3,569)	0	133	(3,437)
Local Enterprise Partnership	685	584	1,202	2,472
Transport Services - PTE	2,689	1,269	727	4,685
<b>Net Cost of Services</b>	<b>(195)</b>	<b>1,853</b>	<b>2,062</b>	<b>3,720</b>
Other income & expenditure from the Expenditure & Funding Analysis	0	0	(25,242)	(25,242)
<b>Difference between General Fund Surplus / Deficit and CIES Surplus / Deficit on Provision of Services</b>	<b>(195)</b>	<b>1,853</b>	<b>(23,180)</b>	<b>(21,523)</b>

<b>2019/20</b>				
<b>Adjustments from General Fund to arrive at the CIES Amounts</b>	<b>Adjustments for Capital Purposes £000</b>	<b>Net change for the Pensions Adjustment £000</b>	<b>Other Differences £000</b>	<b>Total Adjustments £000</b>
Transport Authority	4,473	0	1,031	5,504
Local Enterprise Partnership	4,073	0	2,486	6,559
Transport Services - PTE	1,613	876	0	2,489
<b>Net Cost of Services</b>	<b>10,159</b>	<b>876</b>	<b>3,517</b>	<b>14,552</b>
Other income & expenditure from the Expenditure & Funding Analysis	(5,021)	(542)	(1,927)	(7,490)
<b>Difference between General Fund Surplus / Deficit and CIES Surplus / Deficit on Provision of Services</b>	<b>5,138</b>	<b>334</b>	<b>1,590</b>	<b>7,062</b>

**Adjustments for Capital Purposes** - The statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from income and expenditure as these are not chargeable under generally accepted accounting practices.

**Net Change for the Pensions Adjustments** - IAS 19 Employee Benefits pension related expenditure and income for SYPTE.

**Other Differences** - Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For Services - adjusted for interest payable/receivable, which is added to the Financing and Investment income and expenditure line under other income & expenditure.
- For Financing and investment income and expenditure the other differences column included soft loans to Rotherham and Barnsley.
- Taxation and non-specific grant income and expenditure – Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year.

#### 45. Group Expenditure and Income Analysed by Nature

The Authority's expenditure and income is analysed as follows:

2019/20 Restated £000		2020/21 £000
	<b>Expenditure:</b>	
14,153	Employee Benefits Expenditure	13,004
189,023	Other Service Expenses	244,849
(829)	Support Service Recharges	(1,959)
14,247	Depreciation, Amortisation, Impairment	14,051
13,214	Interest Payments	9,604
<b>229,808</b>	<b>Total Expenditure</b>	<b>279,549</b>
	<b>Income:</b>	
(13,293)	Fees, charges & other service income	(10,716)
(5,403)	Interest Investment Income	(4,126)
(203,722)	Government Grants & Contributions	(299,940)
(4,805)	Other Income	(5)
<b>(227,223)</b>	<b>Total Income</b>	<b>(314,787)</b>
<b>2,586</b>	<b>(Surplus) / Deficit on the Provision of Services</b>	<b>(35,238)</b>

Reconciliation of Income analysed by nature to Comprehensive Income and Expenditure Statement

2020/21	£000
<b>Income as analysed by nature</b>	<b>(314,786)</b>
Interest Investment Income	3,844
Taxation and Specific Grant Income and Other Operating Income	36,271
Elimination of Group Transactions	63,583
<b>Income as part of (Surplus) / Deficit on Continuing Operations in the CIES</b>	<b>(211,089)</b>

2019/20-Restated	£000
<b>Income as analysed by nature</b>	<b>(227,223)</b>
Interest Investment Income	5,403
Taxation and Specific Grant Income and Other Operating Income	17,090
Elimination of Group Transactions	62,948
<b>Income as part of (Surplus) / Deficit on Continuing Operations in the CIES</b>	<b>(141,782)</b>

**46. Group Segmental Income**

Income received on a segmental basis is analysed below:

<b>2020/21</b>				
<b>Services:</b>	<b>£000 Fees, Charges &amp; Service</b>	<b>£000 Interest &amp; Investment</b>	<b>£000 Grants &amp; Contributions</b>	<b>£000 Total Income</b>
Transport Authority	0	0	(94,635)	(94,635)
Local Enterprise Partnership	(336)	0	(91,087)	(91,423)
Corporate SYPTE	0 (10,667)	(3,843) (1)	(35,178) (79,040)	(39,021) (89,707)
<b>Total Income</b>	<b>(11,003)</b>	<b>(3,844)</b>	<b>(299,940)</b>	<b>(314,786)</b>

<b>2019/20 Restated</b>				
<b>Services:</b>	<b>£000 Fees, Charges &amp; Service</b>	<b>£000 Interest &amp; Investment</b>	<b>£000 Grants &amp; Contributions</b>	<b>£000 Total Income</b>
Transport Authority	0	0	(84,326)	(84,326)
Local Enterprise Partnership	(118)	0	(46,953)	(47,071)
Transport for the North		0	0	0
Corporate SYPTE	(538) (12,959)	(4,862) (3)	(5,021) (72,443)	(10,421) (85,405)
<b>Total Income</b>	<b>(13,615)</b>	<b>(4,865)</b>	<b>(208,743)</b>	<b>(227,223)</b>

The Authority does not internally report on the assets and liabilities of individual segments. Therefore, segmental analysis for these is not required to be disclosed.

**47. Group Accounting Policies**

The Accounting Policies of the Authority disclosed in Note 5 to the single entity accounts apply to the Group. These have been adapted or added to where necessary, where the transactions of Group entities are not present in the Authority's accounts or where a different treatment is required due to an entity being subject to a different financial framework. This principally applies to SYPTE.

The significant group accounting policies that are additional to or adapted are summarised below.

## **XXII. Government Grants and Other Contributions**

The principles for recognising and accounting for revenue and capital grants are the same as in the single entity accounts.

However, in the case of SYPTE, following initial recognition, capital grants are transferred out of the Operational Revenue Reserve and credited to the Deferred Grants Reserve, if applied for financing, or to the Capital Grants Unapplied Reserves if unapplied.

Transfers are made from the Deferred Capital Grants reserve back to the Operational Revenue Reserve in line with the rate at which economic benefits from the use of the related asset are consumed and charged to revenue.

## **XXIII. Revenue Expenditure Funded from Capital under Statute (REFCUS)**

SYPTE incurs expenditure on third party assets not in its ownership, for example, rail and highway infrastructure, and makes capital grants to community transport operators to support their operations. Such expenditure is charged to the CIES in full in the year it is incurred.

In the Authority's single entity accounts this expenditure is reversed out through Movement in Reserves to the Capital Adjustment Account.

However, SYPTE is not a local authority under local authority capital finance and accounting regulations and cannot therefore reverse such charges out from the Operational Revenue Reserve.

They therefore represent a proper charge to be met by the transport levy and other sources of revenue.

Where financed by capital grants, a transfer is made from the Deferred Capital Grants reserve back to the Operational Revenue Reserve to offset the charge made in the year as explained in Accounting Policy VIII above.

## **XXIV. Property, Plant and Equipment**

### **Charges to Revenue for Non-Current Assets – Depreciation, Amortisation, Impairment and Revaluation Losses and Gains**

The amounts charged to revenue for depreciation, amortisation, impairment revaluation gains and losses, are determined in accordance with proper accounting practice as for the single entity accounts.

However, SYPTE is not a local authority under local authority capital finance and accounting regulations and cannot therefore reverse such charges from the Operational Revenue Reserve to a Capital Adjustment Account as the Authority does.

They therefore represent a proper charge to be met by the transport levy and other sources of revenue.



Where financed by capital grants, a transfer is made from the Deferred Capital Grants reserve back to the Operational Revenue Reserve to offset the charge made in the year as explained in Accounting Policy VIII above.

### **Disposals and Non-Current Assets Held for Sale**

SYPTE has voluntarily adopted a policy of transferring sales proceeds from the disposal of non-current assets to a Capital Receipts Reserve to mirror the treatment in the Authority's accounts.

The Capital Receipts Reserve is used by SYPTE in a similar way to the Deferred Capital Grants Reserve, ie transfers are made from the Capital Receipts Reserve back to the Operational Revenue Reserve in line with the rate at which economic benefits from the use of the related asset are consumed and charged to revenue. This applies to capital investment which it has been determined will be funded from capital receipts.

## **XXV. Employee Benefits**

The principles for accounting for benefits payable in employment and termination benefits are the same as in the single entity accounts.

### **Post-Employment Benefits**

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.

### **Discretionary Benefits**

SYPTE also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

### **Short-Term Accumulated Absences**

SYPTE accrues for the cost of holiday entitlements and other forms of short-term accumulated absences earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following financial year, being the period in which the employee takes the benefit.

The accrual is charged to the CIES, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

## **Private Finance Initiative (PFI) transactions**

SYPTE's PFI scheme for the provision and operation of Doncaster Interchange meets the definition of a service concession under IFRIC 12 (Service Concession Arrangements).

Accordingly, SYPTE recognises the underlying value the asset within non-current assets on the Balance Sheet.

On initial recognition, a corresponding PFI liability for the amounts due to the PFI 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 charged to the relevant service in the Comprehensive Income and Expenditure Statement.
- Finance Cost – an interest charge on the outstanding PFI liability is charged 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 charged to the Comprehensive Income and Expenditure Statement.
- Payment Towards Liability – applied to write down the PFI 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.

The PFI asset is revalued and depreciated in the same way as property, plant and equipment owned by SYPTE.

The Government Grant which helps to finance the PFI scheme is held and managed by the Authority and paid to SYPTE as liabilities arise.

## **XXVI. Financial Instruments**

SYPTE account for Financial liabilities at amortised cost in the same way as in the single entity accounts as described in Accounting Policy VII using the effective rate of interest.

In the Authority's accounts the difference between interest determined at the effective rate and actual interest rate is adjusted for through Movement in Reserves to the Financial Instrument Adjustment Account.

As SYPTE is not a local authority, no such adjustment is made in SYPTE's accounts.

## **Corporation Tax**

SYPTE is a body corporate and subject to Corporation Tax on its taxable profits.

<b>48. Assumptions Made About The Future and Other Major Sources of Estimation Uncertainty</b>
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The main sources of uncertainty affecting the MCA's single entity accounts are disclosed in Note 8.

These equally apply to the Group.

With regard to public transport assets and liabilities included in the Group Balance Sheet, the Group supports SYPTE's determination that the high degree of uncertainty about future levels of funding from Local Government to support transport operations is not yet sufficient to provide an indication that transport related assets held by SYPTE might need to be impaired.

SYPTE also consider it appropriate for their accounts to be prepared on a going concern basis and they have been consolidated into the Group Accounts accordingly. The Group considers this appropriate on the basis that financial planning for transport is undertaken at Group level and, as set out in Note 8, whilst there are significant challenges, these are being managed through robust financial planning and management processes and by building in sufficient financial resilience to ensure the Group's sustainability in the medium to longer term.

**49. Group Adjustments between Accounting Basis and Funding Under Regulation**

2020/21						
	General Fund Balance £000	Capital Receipt Reserves £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Reversal of items debited or credited to the CIES:</b>						
Capital grants and contributions credited to the CIES	104,069	0	(22,939)	81,131	(81,131)	0
Application of grants and contributions to capital financing from the Capital Grants Unapplied Reserve	0	0	0	0	0	0
Application of grants and contributions to capital financing transferred to Capital Adjustment Account	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	(79,894)	0	0	(79,894)	79,894	0
Finance costs	336	0	0	336	(336)	0
Other movements	(4,783)	0	576	(4,207)	4,207	0
<b>Insertion of items not debited or credited to the CIES:</b>						
Statutory provision for repayment of debt (MRP)	3,648	0	0	3,648	(3,648)	0
Employers contribution to Pension Scheme Direct Revenue Financing	(1,853)	0	0	(1,853)	1,853	0
Transfer year one pension prepayment						
<b>Capital Financing:</b>						
Use of Capital Receipts Reserve to finance new capital expenditure	0	492	0	492	(492)	0
<b>Other:</b>						
Adjustment for the difference between fair value depreciation and historical cost						
Transfer to Accumulating Absences Account	0	0	0	0	0	0
Grants received and receivable during the year	0	0	0	0	0	0
Grants released to Operational Revenue Reserve	0	0	0	0	0	0
Release to Revaluation Reserve	0	0	0	0	0	0
Other Movements	0	0	0	0	0	0
<b>Total</b>	<b>21,523</b>	<b>492</b>	<b>(22,363)</b>	<b>(348)</b>	<b>348</b>	<b>0</b>

2019/20						
	General Fund Balance £000	Capital Receipt Reserves £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Reversal of items debited or credited to the CIES:</b>						
Capital grants and contributions credited to the CIES	61,560	0	0	61,560	(61,560)	0
Application of grants and contributions to capital financing from the Capital Grants Unapplied Reserve	0	0	0	0	0	0
Application of grants and contributions to capital financing transferred to Capital Adjustment Account	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	(68,246)	0	0	(68,246)	68,246	0
Finance costs	136	0	0	136	(136)	0
Other movements	(6,065)	0	359	(5,706)	5,706	0
<b>Insertion of items not debited or credited to the CIES:</b>						
Statutory provision for repayment of debt (MRP)	3,161	0	0	3,161	(3,161)	0
Employers contribution to Pension Scheme	1,034	0	0	1,034	(1,034)	0
Direct Revenue Financing	0	0	0	0	0	0
Transfer year one pension prepayment	1,358	0	0	1,358	(1,358)	0
<b>Capital Financing:</b>						
Use of Capital Receipts Reserve to finance new capital expenditure	0	(14,876)	0	(14,876)	14,876	0
<b>Other:</b>						
Adjustment for the difference between fair value depreciation and historical cost	0	0	0	0	0	0
Transfer to Accumulating Absences Account	0		0	0	0	0
Grants received and receivable during the year	0	0	0	0	0	0
Grants released to Operational Revenue Reserve						
Release to Revaluation Reserve	0	0	0	0	0	0
Other Movements	0	0	0	0	0	0
<b>Total</b>	<b>(7,062)</b>	<b>(14,876)</b>	<b>359</b>	<b>(21,579)</b>	<b>21,579</b>	<b>0</b>

**50. 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 during the year.

	Note	31 March 2019 £000	Transfers Out 2019/20 £000	Transfer in 2019/20 £000	Total Movements £000	31 March 2020 £000	Transfers Out 2020/21 £000	Transfer in 2020/21 £000	Total Movements £000	31 March 2021 £000
<b>General Fund:</b>										
<i>Revenue Grants and Contributions:</i>										
- Apprenticeship Grant for Employers	61	(107)	0	0	0	(107)	0	0	0	(107)
<i>Other Earmarked Revenue Reserves:</i>										
- PFI Revenue Reserve	61	(9,810)	0	(1,348)	(1,348)	(11,158)	0	(1,288)	(1,288)	(12,446)
- Local Growth Fund	61	(1,655)	13	0	13	(1,642)	0	(479)	(479)	(2,121)
-Mayoral Election Other Reserves	61	(233)	0	(675)	(675)	(908)	(28)	(1,279)	(1,279)	(2,187)
	61	(28)	0	0	0		0	0	0	(28)
Covid19 Reserves	61	0	0	(500)	(500)	(500)	500	0	500	0
Mayoral Capacity Fund Reserves		0	0	(908)	(908)	(908)	0	(366)	(366)	(1,274)
Income Resilience Reserves		(844)	0	(153)	(153)	(997)	0	(500)	(500)	(1,497)
Skills Bank Reserves		(1,680)	0	(3,397)	(3,397)	(5,077)	0	(1,467)	(1,467)	(6,544)
Skills Bank2		(1,110)	0	0	0	(1,110)	0	(183)	(183)	(1,293)
Levy Reduction Reserve	61	(25,091)	5,571	0	5,571	(19,520)	5,357	0	5,357	(14,163)
Gainshare Emergency Recovery Fund		0	0	0	0	0	0	(1,172)	(1,172)	(1,172)
Gainshare Contingency		0	0	0	0	0	0	(710)	(710)	(710)
Gainshare Employer Priorities		0	0	0	0	0	0	(2,972)	(2,972)	(2,972)
Gainshare Employee Priorities		0	0	0	0	0	0	(3,101)	(3,101)	(3,101)
MCA Development		0	0	0	0	0	0	(474)	(474)	(474)
18-21 concessions		0	0	0	0	0	0	(1,811)	(1,811)	(1,811)
-Project Feasibility Reserve		0	0	0	0	0	0	(3,600)	(3,600)	(3,600)

-Priority Services Reserve	0	0	0	0	0	0	(5,888)	(5,888)	(5,888)
<b>SYLTE</b>	<b>(4,991)</b>	26	(6,100)	<b>(6,074)</b>	<b>(11,065)</b>	0	(412)	<b>(412)</b>	<b>(11,477)</b>
Earmarked Revenue Reserves									
<b>Total</b>	<b>(45,549)</b>	<b>5,610</b>	<b>(13,081)</b>	<b>(7,471)</b>	<b>(53,019)</b>	<b>5,857</b>	<b>(25,702)</b>	<b>(19,845)</b>	<b>(72,865)</b>

## 51. Group Financing and Investment Income and Expenditure

The following table provides a breakdown of Financing and investment income and Expenditure:-

2019/20- Restated £'000		2020/21 £'000
13,214	Interest payable and similar charges	9,530
(3,615)	Interest receivable and similar income	(2,299)
(380)	(Surplus) or deficit of trading undertakings	53
75	Property Management – Investment income	80
0	Revaluation gains	0
<b>9,294</b>		<b>7,364</b>
2,135	Pensions – Interest cost	960
<b>11,429</b>	<b>Total</b>	<b>8,324</b>

## 52. Group Taxation and Non-Specific Grant Income

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

2019/20 £000		2020/21 £000
	<b>Non ring-fenced grants:</b>	
(5,021)	MHCLG-Capital grants	(35,178)
(3,209)	MHCLG-PFI grant	0
0	Department for Transport	(1,079)
(2,374)	Other	0
<b>(10,604)</b>	<b>Total</b>	<b>(36,257)</b>

### 53. Group Intangible Assets

The following is an analysis of Intangible Assets:

2019/20 £000		2020/21 £000
	<b>Cost or valuation:</b>	
61	At 1 April - PTE	550
(61)	Amortisation - PTE	(550)
1,482	Combined Authority	1,531
0	Amortisation - CA	0
<b>1,482</b>	<b>At 31 March</b>	<b>1,531</b>



# 54. Group Property Plant and Equipment

Movements on Balances:

2020/21							
	Land and Buildings £000	Infrastructure (Light Railway System) £000	Vehicles, Plant and Equipment £000	Surplus Assets £000	Assets Under Construction £000	Total PPE £000	PFI Assets included in Land & Buildings £000
<b>Cost or Valuation:</b>							
At 1 April 2020	110,248	102,213	23,674	0	0	236,135	11,740
Adjustment to opening balance	0	0	0	0	0	0	0
Additions - programmed investment	6	3,970	473	0	29	4,478	0
Reclassify Fixed Assets	0	0	0	1,100	0	1,100	0
Revaluation increases / (decreases)	(48)	0	0	580	0	532	540
De-recognition – disposals	0	0	0	0	0	0	0
Other movements	142	0	0	0	0	142	0
<b>At 31 March 2021</b>	<b>110,348</b>	<b>106,183</b>	<b>24,147</b>	<b>1,680</b>	<b>29</b>	<b>242,387</b>	<b>12,280</b>
<b>Accumulated Depreciation and Impairment:</b>							
At 1 April 2020	(774)	(45,925)	(20,730)	0	0	(67,429)	0
Adjustment to opening balance	0	0	0	0	0	0	0
Depreciation Charge	(2,775)	(4,716)	(463)	(80)	0	(8,034)	(366)
De-recognition – Disposals	0	0	0	0	0	0	0
De-recognition - other	0	0	0	0	0	0	0
Revaluation adjustments	0	0	0	0	0	0	0
Other movements	1,896	0	0	0	0	1,896	366
<b>At 31 March 2021</b>	<b>(1,653)</b>	<b>(50,641)</b>	<b>(21,193)</b>	<b>(80)</b>	<b>0</b>	<b>(73,567)</b>	<b>0</b>

<b>Net Book Value</b>							
<b>As at 1 April 2020</b>	<b>109,475</b>	<b>56,285</b>	<b>2,945</b>	<b>0</b>	<b>0</b>	<b>168,707</b>	<b>11,740</b>
<b>As at 31 March 2021</b>	<b>108,695</b>	<b>55,542</b>	<b>2,954</b>	<b>1,600</b>	<b>29</b>	<b>168,819</b>	<b>11,200</b>

<b>2019/20</b>							
	<b>Land and Buildings £000</b>	<b>Infrastructure (Light Railway System) £000</b>	<b>Vehicles, Plant and Equipment £000</b>	<b>Surplus Assets £000</b>	<b>Assets Under Construction £000</b>	<b>Total PPE £000</b>	<b>PFI Assets included in Land &amp; Buildings £000</b>
<b>Cost or Valuation:</b>							
At 1 April 2019	<b>87,423</b>	<b>97,186</b>	<b>23,440</b>	<b>0</b>	<b>14,186</b>	<b>222,236</b>	<b>12,080</b>
Adjustment to opening balance	(942)	0	0	0	0	(942)	0
Additions - programmed investment	356	5,027	234	0	0	5,617	0
Reclassify Fixed Assets	14,186	0	0	0	(14,186)	0	0
Revaluation increases / (decreases)	10,014	0	0	0	0	10,014	(340)
De-recognition – disposals	0	0	0	0	0	0	0
Other movements	(789)	0	0	0	0	(789)	0
<b>At 31 March 2020</b>	<b>110,248</b>	<b>102,213</b>	<b>23,674</b>	<b>0</b>	<b>0</b>	<b>236,135</b>	<b>11,740</b>
<b>Accumulated Depreciation and Impairment:</b>							
At 1 April 2019	(2,114)	(41,411)	(20,275)	0	0	(63,800)	0
Adjustment to opening balance	1,005	0	0	0	0	1,005	0
Depreciation Charge	(2,807)	(4,517)	(454)	0	0	(7,778)	(366)
De-recognition – Disposals	0	0	0	0	0	0	0
De-recognition - other	0	0	0	0	0	0	0
Revaluation adjustments	2,190	0	0	0	0	2,190	366
Other movements	953	0	0	0	0	953	0

<b>At 31 March 2020</b>	<b>(773)</b>	<b>(45,928)</b>	<b>(20,729)</b>	<b>0</b>	<b>0</b>	<b>(67,430)</b>	<b>0</b>
<b>Net Book Value</b>							
<b>As at 1 April 2019</b>	<b>85,309</b>	<b>55,775</b>	<b>3,165</b>	<b>0</b>	<b>14,186</b>	<b>158,435</b>	<b>12,080</b>
<b>As at 31 March 2020</b>	<b>109,475</b>	<b>56,285</b>	<b>2,945</b>	<b>0</b>	<b>0</b>	<b>168,707</b>	<b>11,740</b>

## 55. Group Investment Properties

The following is an analysis of Investment Properties:

<b>2019/20</b>		<b>2020/21</b>
<b>£000</b>	<b>Cost or valuation:</b>	<b>£000</b>
<b>4,582</b>	<b>At 1 April</b>	<b>4,129</b>
(453)	Revaluation	(1,050)
0	Disposals	0
<b>4,129</b>	<b>At 31 March</b>	<b>3,079</b>

The assets held as Investment Properties are held to earn rentals or capital appreciation or both, rather than for use in the production or supply of goods or services for administrative purposes or for sale in the ordinary course of business.

## Fair Value Hierarchy

Details of the Group's investment properties and information about the fair value hierarchy as at 31 March 2021 are as follows:

<b>Recurring fair value measurements using:</b>	<b>Quoted prices in active markets for identical assets (Level 1)</b>	<b>Other significant observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>	<b>Fair value as at 31 March 2020</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
SYLTE	-	1,300	-	1,300
Combined Authority	-	1,779	-	1,779
<b>Total</b>	<b>-</b>	<b>3,079</b>	<b>-</b>	<b>3,079</b>

There were no transfers between Levels during the year.

All assets classified as Investment Properties have been done so under the Fair Value Model as defined under IAS 40 Investment Properties.

## Valuation Techniques Used to Determine Level 2 Fair Values for Investment Properties

## Significant Observable Inputs – Level 2

The fair value for the Investment Properties have been categorised at Level 2 in the fair value hierarchy as both are subject to estimation based on comparable properties at market value.

## Highest and Best Use of Investment Properties

In estimating the fair value of the Mayoral Combined Authority's Investment Properties, the highest and best use of the properties is their current use.

## Valuation Techniques

There has been no change in the valuation techniques used during the year for Investment Properties.

## **Valuation Process for Investment Properties**

Valuations have been carried out by a professional valuer in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

# **56. Group Financial Instruments**

## **Categories of Financial Instruments**

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

	<b>Long Term</b>		<b>Current</b>	
	<b>31 March 2020 £'000</b>	<b>31 March 2021 £'000</b>	<b>31 March 2020 £'000</b>	<b>31 March 2021 £'000</b>
Investments at amortised cost	45,000	78,000	91,295	117,408
Cash and cash equivalents	0	0	81,471	109,558
Borrowings at amortised cost	(134,281)	(126,293)	(56,928)	(9,299)
Other Liabilities - PFI	(10,773)	(10,505)	(246)	(268)

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

	Financial Liabilities	Financial Assets	Total
<b>2020/21</b>			
<b>Income, Expense, Gains and Losses</b>	<b>At amortised cost £'000</b>	<b>At amortised cost £'000</b>	<b>£'000</b>
Interest expense – debt	8,568		8,568
Interest expense - PFI	962		962
Changes in fair value	0		0
Impairment losses/(gains)	0		0
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>9,530</b>		<b>9,530</b>
Interest income		(1,846)	(1,846)
<b>Total income in Surplus or Deficit on the Provision of Services</b>		<b>(1,846)</b>	<b>(1,846)</b>
<b>Net charge/(credit) for the year</b>			<b>7,684</b>

	Financial Liabilities	Financial Assets	Total
<b>2019/20</b>			
<b>Income, Expense, Gains and Losses</b>	<b>At amortised cost £'000</b>	<b>At amortised cost £'000</b>	<b>£'000</b>
Interest expense – debt	12,172	0	12,172
Interest expense - PFI	982	0	982
Reductions in fair value	(11)	0	(11)
Impairment losses/(gains)	0	0	0
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>13,143</b>	<b>0</b>	<b>13,143</b>
Interest income	0	(2,862)	(2,862)
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>(2,862)</b>	<b>(2,862)</b>
<b>Net charge/(credit) for the year</b>	<b>13,143</b>	<b>(2,862)</b>	<b>10,281</b>

### Fair Value of Assets and Liabilities

The Financial liabilities and financial assets reported in the Group Balance Sheet are all shown at amortised cost.

Their fair value has been assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the assumptions set out in Note 20 to the single entity accounts.

**Fair Value of Financial Liabilities****Fair Value of Financial Liabilities Carried at Amortised Cost-New Borrowing (Certainty) Rate**

	<b>2019/20</b>		<b>2020/21</b>	
	<b>Carrying value</b>	<b>Fair value</b>	<b>Carrying value</b>	<b>Fair value</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
PWLB	(166,375)	(190,681)	(113,375)	(133,986)
Market loans	(20,000)	(29,786)	(20,000)	(32,027)
Doncaster Interchange PFI	(11,019)	(11,019)	(10,773)	(10,773)
Short-term borrowing / accrued interest	(4,833)	(4,833)	(1,324)	(1,324)
Market Loans interest adjustment			(893)	(893)
<b>Total Financial Liabilities</b>	<b>(202,227)</b>	<b>(236,319)</b>	<b>(146,365)</b>	<b>(179,003)</b>

**Fair Value of Financial Liabilities Carried at Amortised Cost- Premature Repayment Rate**

	<b>2019/20</b>		<b>2020/21</b>	
	<b>Carrying value</b>	<b>Fair value</b>	<b>Carrying value</b>	<b>Fair value</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
PWLB	(166,375)	(204,876)	(113,375)	(139,902)
Market loans	(20,000)	(44,549)	(20,000)	(38,580)
Doncaster Interchange PFI	(11,019)	(11,019)	(10,773)	(10,773)
Short-term borrowing / accrued interest	(4,833)	(4,833)	(1,324)	(1,324)
Market Loans interest adjustment			(893)	(893)
<b>Total Financial Liabilities</b>	<b>(202,227)</b>	<b>(265,277)</b>	<b>(146,365)</b>	<b>(191,472)</b>

The fair value of the liabilities is higher than the carrying amount because the Group'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.

The maturity analysis of financial liabilities excluding PFI liabilities is as follows:

	<b>31 March 2020</b>	<b>31 March 2021</b>
	<b>£'000</b>	<b>£'000</b>
<b>Less than one year</b>	(57,833)	(9,299)
<b>Between one and two years</b>	(7,975)	(8,000)
<b>Between two and five years</b>	(62,400)	(58,400)
<b>More than five years</b>	(63,000)	(59,893)
	<b>(191,208)</b>	<b>(135,592)</b>

**57. Group Short-Term Debtors**

The following is an analysis of Debtors:

<b>31 March 2020 £000</b>		<b>31 March 2021 £000</b>
2,961	Trade Customers	3,837
802	Receivables from Related Parties	239
0	Prepayments	44
1,569	Other Entities and Individuals	3,465
<b>5,332</b>	<b>Total</b>	<b>7,585</b>

**58. Group Cash & Cash Equivalents**

<b>31 March 2020 £'000</b>		<b>31 March 2021 £'000</b>
	<b>Cash:</b>	
(9,801)	Combined Authority	(16,595)
558	PTE	1,003
6,214	FIHC	6,214
<b>(3,029)</b>		<b>(9,378)</b>
	<b>Cash Equivalents:</b>	
81,471	Combined Authority	109,558
0	PTE	4,685
0	FIHC	0
<b>81,471</b>		<b>114,243</b>
	<b>Cash &amp; Cash Equivalents:</b>	
71,670	Combined Authority	92,963
558	PTE	5,689
6,214	FIHC	6,214
<b>78,442</b>	<b>Total</b>	<b>104,866</b>

**59. Group Short-Term Creditors**

The following table shows an analysis of Short-Term Creditors:

<b>31 March 2020 £000</b>		<b>31 March 2021 £000</b>
(3,687)	Trade Creditors	(12,467)
(25,514)	Related Parties Creditors	(19,554)
(2,087)	Deferred Incomes	(14,323)
(13,430)	Other Creditors	(9,190)
<b>(44,718)</b>	<b>Total</b>	<b>(55,534)</b>

## 60. Group Provisions

The following table shows an analysis of Provisions:

<b>31 March 2020 £000</b>		<b>31 March 2021 £000</b>
(3,418)	Opening Balance	(3,115)
303	Charge to Income and Expenditure Account during the year	1,727
0	Created in the year	(102)
<b>(3,115)</b>	<b>Total</b>	<b>(1,490)</b>
	<u>Split by:</u>	
(1,644)	Combined Authority	(589)
(1,471)	SYPTE	(901)
<b>(3,115)</b>	<b>Short-Term</b>	<b>(1,490)</b>
0	Combined Authority	0
0	SYPTE	0
<b>0</b>	<b>Long-Term</b>	<b>0</b>

Information on the Authority's provisions is contained in Note 28.

## 61. Group Usable Reserves

The following table summarises the Usable Reserves balances. Movements in the Group's usable reserves are shown in the Movement in Reserves Statement.

<b>31 March 2021</b>			
	<b>Combined Authority</b>	<b>SYPTE</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
General Fund	(1,742)	(4,762)	(6,504)
Earmarked Reserves	(61,388)	(11,477)	(72,865)
Capital Receipts Reserve	(18,689)	(832)	(19,521)
Capital Grants Unapplied	(22,939)	(6,796)	(29,735)
<b>Total</b>	<b>(104,758)</b>	<b>(23,867)</b>	<b>(128,625)</b>

<b>31 March 2020</b>			
	<b>Combined Authority</b>	<b>SYPTE</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
General Fund	(7,657)	(4,950)	(12,607)
Earmarked Reserves	(41,955)	(11,065)	(53,020)
Capital Receipts Reserve	(19,181)	(914)	(20,095)
Capital Grants Unapplied	0	(7,320)	(7,320)
<b>Total</b>	<b>(68,793)</b>	<b>(24,249)</b>	<b>(93,042)</b>

The table below provides a breakdown of Group earmarked reserves:



<b>31 March 2020 Restated</b>		<b>31 March 2021</b>
<b>£000</b>		<b>£'000</b>
0	Gainshare - Contingency	(710)
0	Gainshare - Employer Priorities	(2,972)
0	Gainshare - Employee Priorities	(3,101)
0	Gainshare Emergency Recovery Fund	(1,172)
	Gainshare - 18-21 concessions	(1,811)
0	Gainshare - MCA development	(474)
0	Project Feasibility Fund	(3,600)
0	Protection of Priority Services	(6,998)
(908)	Mayoral Capacity Fund	(1,274)
(908)	Mayoral Election Reserve	(2,187)
(11,158)	PFI	(12,446)
(1,642)	Local Growth Fund Revenue Reserve	(2,121)
(5,100)	Covid19 Reserve	0
(997)	Income Resilience	(2,997)
(5,077)	Skills Bank	(6,544)
(1,110)	Skills Bank 2	(1,293)
(19,520)	Levy Reduction Reserve	(14,163)
(107)	Apprenticeship Grant for Employers	(107)
(28)	Strategic Asset Management	(28)
(0)	Mass Transit Project Readiness	(3,000)
(0)	Bus Recovery Project	(3,000)
(1,500)	Asset Management	(1,812)
(4,965)	SYLTE earmarked reserves - other	(1,055)
<b>(53,020)</b>	<b>Total</b>	<b>(72,865)</b>

Information on the purpose of the Authority's earmarked reserves is provided in Note 30.

The purpose of the principal earmarked reserves held by SYLTE are as follows:

- The Mass Transit Project Readiness reserve is to ensure that there is sufficient earmarked resource to undertake the required change-management processes associated with the end of the current tram concessionary arrangement
- The Bus Recovery Project Reserve is to support implementation of the Bus Review recommendations and manage the orderly transition to likely changes in the regulatory environment around the management of bus services in South Yorkshire

£18.689m of Group capital receipts are committed as explained in Note 30. £0.832m is unearmarked.

£23.602m of Group capital grants unapplied are committed. £6.133m is unearmarked

## 62. Group Unusable Reserves

The following table summarises the Unusable Reserves balances. Movements in the Group's unusable reserves are shown in the Movement in Reserves Statement:

<b>31 March 2021</b>			
	<b>Combined Authority</b>	<b>SYPTE</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Capital Adjustment Account	71,731	0	71,731
Financial Instruments Account	362	0	362
Deferred Capital Grants and Contributions	0	(97,917)	(97,917)
Pension Reserve	4,260	33,971	38,231
Revaluation Reserve	(8,945)	(29,561)	(38,506)
Accumulated Absence Reserve	0	99	99
<b>Total</b>	<b>67,408</b>	<b>(93,407)</b>	<b>(25,999)</b>

<b>31 March 2020 – Comparative Information</b>			
	<b>Combined Authority</b>	<b>SYPTE</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Capital Adjustment Account	75,802	0	75,802
Financial Instruments Account	699	0	699
Deferred Capital Grants and Contributions	0	(100,031)	(100,031)
Pension Reserve	2,855	36,407	39,262
Revaluation Reserve	(5,417)	(30,113)	(35,529)
Accumulated Absence Reserve	0	67	67
<b>Total</b>	<b>73,939</b>	<b>(93,670)</b>	<b>(19,732)</b>

## 63. Group Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

<b>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
3,076	Interest Received	1,848
(13,154)	Interest Paid	(9,530)
<b>(10,078)</b>	<b>Total</b>	<b>(7,682)</b>

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

<b>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
7,840	Depreciation	8,035
552	Impairment and downward valuations	1,929

6,333	Amortisation	4,619
0	Increase / (decrease) in capital grant received in advance	89,741
1,502	Increase / (decrease) in creditors	8,859
(290)	(Increase) / decrease in debtors	583
1,418	Movement in pension liability	685
0	Increase / (decrease) in provisions	(1,055)
(2,753)	Other non-cash items charged to the net surplus or deficit on the provision of services	(408)
<b>14,602</b>	<b>Total</b>	<b>112,988</b>

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

<b>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
(9,304)	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	0
0	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	0
(11,571)	Any other items for which the cash effects are investing or financing cash flows	(1,484)
<b>(20,875)</b>	<b>Total</b>	<b>(1,484)</b>

#### 64. Group Cash Flow Statement – Investing Activities

The cash flows for investing activities include the following items:

<b>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
(11,950)	Purchase of property, plant and equipment, investments property and intangible assets	(9,145)
(25,500)	Purchase of short-term and long-term investments	(59,114)
(5,021)	Other payments for investing activities	0
24,304	Proceeds from short-term and long-term investments	0
23,877	Other receipts from investment activities	1,847
<b>5,710</b>	<b>Total</b>	<b>(66,412)</b>

**65. Group Cash Flow Statement – Financing Activities**

The cash flows for financing activities include the following items:

<b>2019/20</b>		<b>2020/21</b>
<b>£000</b>		<b>£000</b>
(227)	Cash payments for the reduction of outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(246)
0	Repayments of short and long-term borrowing	(53,660)
<b>(227)</b>	<b>Total</b>	<b>(53,906)</b>

**66. Group Officers' Remuneration**

Under the Accounts and Audit Regulations 2015, Local Authorities are required to disclose information on their employees' remuneration in two sections.

The first section provides 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 discloses the numbers of other staff whose total remuneration (i.e. salary plus overtime and allowances, etc. but excluding employers' pension contributions) is above £50,000.

Group senior officers

<b>2020/21</b>					
<b>Post Holder Information</b>	<b>Salary - including Fees and Allowances</b>	<b>Expenses Allowances</b>	<b>Compensation for Loss of Office</b>	<b>Pension Contributions</b>	<b>Total Remuneration including Pension Contributions</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Dr Dave Smith- Chief Executive (Head of paid service (CA))	176,730	0	0	0	176,730
Deputy Chief Executive (CA)	111,836	0	0	15,769	127,605
Director of Transport, Infrastructure & Housing (CA)	104,336	27	0	14,712	119,075
	93,460	0	0	13,178	106,638

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Director of Governance and Mayor's Office (CA)	32,500	0	0	4,583	37,083
Interim Group Chief Financial Officer (CA)					
Group Finance Director (CA)	75,650	0	0	10,667	86,317
Executive Director (PTE)	109,050	0	0	17,884	126,934
Director of Customer Services (PTE)	92,475	0	0	15,166	107,641
Director of Transport Operations (PTE)	84,023	0	0	13,780	97,803
Principal Solicitor & Secretary (PTE)	92,475	0	0	15,166	107,641
<b>Total</b>	<b>972,535</b>	<b>27</b>	<b>0</b>	<b>120,905</b>	<b>1,093,467</b>

<b>2019/20</b>					
<b>Post Holder Information</b>	<b>Salary - including Fees and Allowances</b>	<b>Expenses Allowances</b>	<b>Compensation for Loss of Office</b>	<b>Pension Contributions</b>	<b>Total Remuneration including Pension Contributions</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Dr Dave Smith- Chief Executive (Head of paid service (CA))	186,170	250	0	0	186,420
Deputy Chief Executive (CA)	107,128	175	0	15,748	123,051
Director of Transport, Infrastructure	99,628	75	0	14,645	114,348

& Housing (CA)					
Director of Governance and Mayor's Office	68,219	0	0	10,028	78,247
Interim Group Chief Financial Officer	57,333	0	0	8,869	66,202
Executive Director (PTE)	106,131	0	0	14,858	120,989
Director of Customer Services (PTE)	90,000	0	0	12,600	102,600
Interim Head of Financial Services (PTE)	26,596	16	0	3,723	30,335
Group Principal Solicitor & Monitoring officer (PTE)	86,650	0	0	12,131	98,781
<b>Total</b>	<b>827,855</b>	<b>516</b>	<b>0</b>	<b>92,602</b>	<b>920,973</b>

Further detail of Authority senior officer's remuneration and members' allowances is provided in Note 36.

#### Higher paid Employees

2019/20		2020/21
Total	Remuneration Band	Total
7	£50,000 - 54,999	7
3	£55,000 - 59,999	3
11	£60,000 - 64,999	11
0	£65,000 - 69,999	2
0	£70,000 - 74,999	0
0	£75,000 - 79,999	0
0	£80,000 - 84,999	1
1	£85,000 – 89,999	0
1	£90,000 – 94,999	2
0	£95,000 – 99,999	0
0	£100,000 - 104,999	0
1	£105,000 – 105,999	1
<b>24</b>	<b>Total</b>	<b>27</b>

## 67. Group Termination Benefits

The number of exit packages and total cost per band are set out in the table below:

2019/20					2020/21				
Number of Compulsory Redundancies	Number of Other Departures	Total number of exit packages by cost band	Total cost of exit packages in each band £000	Exit Package cost band (including special payments)	Number of Compulsory Redundancies	Number of Other Departures	Total number of exit packages by cost band	Total cost of exit packages in each band £000	
0	2	0	5	£0 - £20,000	0	0	0	0	
0	0	0	0	£20,001 - £40,000	0	0	0	0	
0	0	0	0	£40,001 - £60,000	0	0	0	0	
0	0	0	0	£60,001 - £80,000	0	0	0	0	
0	0	0	0	£80,001 - £100,000	0	0	0	0	
0	0	0	0	£100,001 - £150,000	0	0	0	0	
<b>0</b>	<b>2</b>	<b>0</b>	<b>5</b>	<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	

## 68. Group External Audit Fees

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

2019/20 £000		2020/21 £000
29	Combined Authority	29
28	South Yorkshire Passenger Transport Executive	28
5	Fee variation agreed	4
<b>62</b>	<b>Total</b>	<b>61</b>

The fees all relate to external audit services carried out by the appointed auditor.

**69. Group Grant Income**

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

<b>2019/20</b> <b>£000</b>		<b>2020/21</b> <b>£000</b>
	<b>Credited to Services:</b>	
(36,489)	Ministry of Housing, Communities and Local Government	(101,086)
(28,741)	Department for Transport	(22,334)
(3,754)	Department for Education and Skills Funding Agency	(711)
(354)	Department for Business, Energy & Industrial Strategy	(849)
(76)	Careers Enterprise Company	(177)
(2,698)	Department for Health and Social Care	(1,569)
(58,864)	English Local Government	(56,682)
(94)	Cabinet Office	(125)
(209)	Other	(2,190)
<b>(131,279)</b>		<b>(185,723)</b>
	<b>Credited to Taxation and Non- Specific Grant Income:</b>	
	<i>Non-ring- fenced Government Grants:</i>	
(5,021)	Ministry of Housing, Communities and Local Government	(35,178)
(3,209)	Department for Transport	(1,079)
(2,375)	European Regional Development Fund / Other	0
<b>(10,604)</b>		<b>(36,257)</b>
<b>(141,883)</b>	<b>Total</b>	<b>(221,980)</b>

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:

<b>31 March</b> <b>2020</b> <b>£000</b>		<b>31 March</b> <b>2021</b> <b>£000</b>
	<b>Revenue Grants Receipts in Advance:</b>	
(32)	Department for Business, Energy & Industrial Strategy	(14)
(263)	Department for Transport	(1,753)
(403)	Department of Housing, Communities and Local Government	(22,041)
(357)	Department for Education and Skills Funding Agency	(383)
(43)	Local Government Association (LGA)	0
(441)	Non Departmental Government Bodies	(604)
0	Department for Environment, Food and Rural Affairs	(86)
(548)	Department of Health and Social Care	(231)
<b>(2,087)</b>	<b>Total</b>	<b>25,112</b>
	<b>Capital Grants Receipts in Advance:</b>	
(14,525)	Department for Transport	(98,442)
0	Ministry of Housing, Communities and Local Government	(6,000)
<b>(14,525)</b>	<b>Total</b>	<b>(104,442)</b>



## 70. 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.

SYLTE has no material related party transactions other than those with the Authority.

Nor does the Financial Interventions Holding Company.

Accordingly, as far the Group is concerned, transactions with related parties outside of the Group are already fully disclosed in Note 39.

## 71. Group Leases

### Group as Lessee

#### 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:

2019/20 £000		2020/21 £000
17	Not later than one year	17
0	Later than one year and not later than five years	0
0	Later than five years	0
<b>17</b>	<b>Total</b>	<b>17</b>

### Group 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:

2019/20		2020/21
£000		£000
572	Not later than one year	535
1,293	Later than one year and not later than five years	1,127
1,398	Later than five years	1,161
<b>3,263</b>	<b>Total</b>	<b>2,823</b>

SYLTE has 29 property leases for the provision of transport infrastructure to support customer experience such as shops and bus depots.

### Contingent Rents

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

There are no contingent rents payable where SYLTE is the lessee.

## 72. Group Private Finance Initiative (PFI)

The Group has one PFI scheme.

This is SYLTE's PFI contract for the construction of a new bus station at Doncaster Interchange signed on 3 December 2003 with Teesland Property Company (Northern) Limited. The new bus station 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 as at 31 March 2021 is £11.2m (£11.7m at 31 March 2020).

Under the PFI agreement, SYLTE is contracted to pay an annual sum to the operator, known as a unitary charge. In 2020/21 unitary charge payments of £2.6m (£2.5m in 2019/20) were paid to the PFI provider by SYLTE. Unitary charge payments over the whole life of the contract will total £94.5m of which SYLTE will contribute £24.2m and the remainder will be recovered in the form of PFI credits. The actual level of payments will depend on inflation rates and the satisfactory contract performance by the operator.

The Authority receives fixed PFI grant of £3.9m p.a to meet the cost of the unitary charge over the lifetime of the PFI scheme. Timing differences between the amount of PFI grant received and unitary charge payment is held in a PFI Earmarked Reserve in the Authority's balance sheet to meet future liabilities as explained in Note 30.

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

<b>2020/21</b>						
	<b>Repayment of Liability</b>	<b>Interest Charge</b>	<b>Contingent / Rental</b>	<b>Service Charge</b>	<b>Lifecycle Costs</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Within 1 year	268	941	142	1,141	128	2,620
Within 2 -5 years	1,326	3,508	845	4,796	539	11,014
Within 6 - 10 years	2,423	3,620	1,719	6,555	737	15,054
Within 11 - 15 years	3,682	2,360	2,527	7,237	814	16,620
Within 16 - 20 years	3,074	552	1,939	4,699	529	10,793
<b>Total</b>	<b>10,773</b>	<b>10,981</b>	<b>7,172</b>	<b>24,428</b>	<b>2,747</b>	<b>56,101</b>

<b>2019/20 – Comparative Information</b>						
	<b>Repayment of Liability</b>	<b>Interest Charge</b>	<b>Contingent/ Rental</b>	<b>Service Charge</b>	<b>Lifecycle Costs</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Within 1 year	246	962	117	1,120	126	2,571
Within 2 -5 years	1,220	3,614	739	4,707	529	10,809
Within 6 - 10 years	2,228	3,814	1,575	6,433	724	14,774
Within 11 - 15 years	3,387	2,656	2,367	7,102	799	16,311
Within 16 - 20 years	3,938	896	2,520	6,211	699	14,264
<b>Total</b>	<b>11,019</b>	<b>11,942</b>	<b>7,318</b>	<b>25,573</b>	<b>2,877</b>	<b>58,729</b>

<b>2020 PFI Assets £'000</b>		<b>2021 PFI Assets £'000</b>
12,080	Net book value: As at 1 April	11,740
(340)	Revaluations	(540)
0	Depreciation	
<b>11,740</b>	<b>As at 31 March</b>	<b>11,200</b>

<b>2020 PFI Liability £'000</b>		<b>2021 PFI Liability £'000</b>
11,245	As at 1 April	11,019
(1,295)	Lease repayments	(1,326)
982	Interest Charge	963
87	Contingent rentals	117
<b>11,019</b>	<b>As at 31 March</b>	<b>10,773</b>

### 73. Group Post-Employment Benefits

#### Local Government Pension Scheme

As part of the Terms and Conditions of Employment of its employees, both the Authority and SYPTE offer 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 and 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.

SYPTE also continues to be responsible for payments to the Fund in respect of service for all staff employed by SYPTE, including all employees transferred to South Yorkshire Transport Limited and those 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 makes employer contributions to the Fund in respect only of its own employees who are also members of the Scheme.

Comprehensive Income and Expenditure Statement					
				2019/20	2020/21
				£'000	£'000
Current Service Cost				2,613	2,572
Financing Investment Income and Expenditure				2,195	960
Remeasurement in other Comprehensive Income and Expenditure				(6,553)	(2,884)
<b>Total Post-Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>				<b>(1,745)</b>	<b>648</b>

Movement in Reserves Statement					
				2019/20	2020/21
				£'000	£'000
Reversal of Net Charges Made to the (Surplus)/Deficit for the Provision of Services for Post-Employment Benefits in Accordance with the Code				(4,808)	(3,532)
Actual Amount Charged Against the Operational Revenue Reserve					
Balance for Pensions in the Year:					
Employer's Contributions Payable to Scheme				2,032	1,679
Transfer of Year Pension Deficit Contribution				1,358	0

Assets & Liabilities in Relation to Post-Employment Benefits					
Reconciliation of Present Value of the Scheme Liabilities:					
				2019/20	2020/21

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				£'000	£'000
Opening Balance at 1 April				(159,536)	(151,088)
Business Combinations				(5,015)	0
Current Service Cost				(2,613)	(2,572)
Interest Cost				(3,892)	(3,548)
Contributions by Scheme Participants				(583)	(597)
Re-measurements				15,772	(15,832)
Past Service cost (gain)				(1,141)	(1,734)
Benefits Paid				5,920	6,418
<b>Closing Balance at 31 March</b>				<b>(151,088)</b>	<b>(168,953)</b>

<b>Reconciliation of Fair Value of the Scheme (Plan) Assets:</b>					
				2019/20	2020/21
				£'000	£'000
Opening Balance at 1 April				118,440	111,826
Business Combinations				3,072	0
Interest on Plan Assets				2,880	2,630
Re-measurements				(9,219)	20,450
Administration Expenses				(42)	(42)
Contributions by Employer				2,032	1,679
Contributions by Scheme (plan) Participants				583	597
Benefits Paid				(5,920)	(6,418)
<b>Closing Balance at 31 March</b>				<b>111,826</b>	<b>130,722</b>

<b>Pension Scheme Assets Comprised:</b>				2019/20	2020/21
				£'000	£'000
<b>Equities</b>				57,892	63,815
<b>Bonds</b>					
Government Bonds				15,040	17,146
Other Bonds				8,164	10,342
<b>Property</b>				10,020	11,519
<b>Other</b>				20,710	27,900

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.

<b>Scheme History</b>					
				2019/20	2020/21
				£'000	£'000
Present Values of Liabilities				(151,088)	(168,953)
Fair Value of Scheme Assets				111,826	130,722
<b>Surplus/(Deficit) in the Scheme</b>				<b>(39,262)</b>	<b>(38,231)</b>

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:				
Mortality Assumptions			2019/20	2020/21
Longevity at Age 65 for Current Pensioners:				
Men			22.4 years	22.5 years
Women			25.2 years	25.3 years
Longevity at Age 65 for Future Pensioners:				
Men			23.9 years	24.0 years
Women			27.0 years	27.2 years

Financial Assumptions				
Rate of CPI Inflation			2.2%	2.7%
Rate of increase in Salaries			3.5%	3.95%
Rate of increase in Pensions			2.3%	2.8%
Discount Rate			2.4%	2.2%

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table above. A sensitivity analysis is shown in the table below:

	Central	Sensitivity 1	Sensitivity 2	Sensitivity 3	Sensitivity 4	Sensitivity 5	
		+ 0.1% pa discount	+ 0.1% pa inflation	+ 0.1% pa pay growth	1 year increase in life expectancy	1 year increase in 2020/21 investment returns	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Disclosure item						+1%	-1%
Liabilities	169,403	166,456	171,489	169,162	174,147	168,953	168,953
Assets	(128,843)	(128,843)	(128,843)	(128,843)	(128,843)	(130,111)	(127,575)
Deficit/(Surplus)	40,110	37,613	42,646	40,319	45,304	38,842	41,378
Projected Service Cost for next year	3,272	3,179	3,370	3,272	3,380	3,272	3,272
Projected Net interest Cost for next year	829	813	890	841	946	802	855

### Impact on Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Funding levels are monitored on an annual basis. The most recent triennial valuation was completed on 31 March 2019 and sets the contribution rates in respect of the three-year period 2020/21 to 2022/23.

The Group expects to pay contributions of £1.307m to the scheme in 2021/22.  
The weighted average duration of the defined benefit obligation for scheme members during 2020/21 was 28 years for the Authority and 14 years for SYPTE

#### **74. Prior Period Adjustments-Group**

The prior year comparator has been adjusted to reclassify reversal of impairments from previous valuations from Financing and Investment Income and Expenditure to Transport Services in order to maintain consistency with the classification of the original impairment. The adjustment has no impact on Surplus/deficit on the Provision of Services.

<b>Transport services</b>	<b>Original balance</b>	<b>Adjusted balance</b>
Gross expenditure	70,912	69,061
Net expenditure	(569)	(2,420)
<b>Financing and Investment Income and Expenditure</b>		
Gross income	1,854	3
Net expenditure	12,047	13,898

## Glossary

Term	Definition
<b>Abbreviations</b>	The symbol 'k' following a figure represents £thousand. The symbol 'm' following a figure represents £million. The symbol 'bn' following a figure represents £billion.
<b>Accounting Period</b>	The period of time covered by the Mayoral Combined Authority's accounts. Normally 12 months, beginning on 1 April. Also known as the Financial Year.
<b>Accounting Policies</b>	These are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.
<b>Accruals Concept</b>	Income and Expenditure are recognised as they are earned or incurred, not as money is received or paid.
<b>Added Years</b>	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.
<b>Amortisation</b>	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.
<b>Capital Expenditure</b>	Expenditure that is incurred to acquire, create or add value to a non-current asset.
<b>Capital Financing Requirement</b>	It measures the Mayoral Combined 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.



<b>Capital Receipts</b>	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.
<b>Cash</b>	Comprises cash on hand and demand deposits.
<b>Cash Equivalents</b>	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.
<b>Consistency Concept</b>	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.
<b>Contingency</b>	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 Mayoral Combined Authority's control.
<b>Credit Risk</b>	The possibility that one party to a financial instrument will fail to meet their contractual obligations, causing a loss to the other party.
<b>Creditors</b>	Amounts owed by the Mayoral Combined Authority for work done, goods received or services rendered, for which no payment has been made at the date of the Balance Sheet.
<b>Debtors</b>	Amounts owed to the Mayoral Combined Authority for work done, goods received or services rendered, for which no payment has been received at the date of the Balance Sheet.
<b>Defined Benefit Scheme</b>	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).

<b>Defined Contribution Scheme</b>	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.
<b>Depreciation</b>	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.
<b>Fair Value</b>	Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
<b>Finance Lease</b>	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.
<b>Financial Instrument</b>	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 receivables (debtors) and trade payables (creditors) and complex ones such as derivatives.
<b>General Fund</b>	The total services of the Mayoral Combined Authority.
<b>Goodwill</b>	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.
<b>Impairment</b>	<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>

<b>Intangible Assets</b>	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.
<b>International Financial Reporting Standards (IFRS)</b>	Accounting standards developed by the International Accounting Standards Board which determine the standards to be adopted in the preparation and presentation of the Mayoral Combined Authority's accounting records.
<b>Inventories</b>	<p>Inventories are assets:</p> <ul style="list-style-type: none"> <li>• in the form of materials or supplies to be consumed in the production process or consumed or distributed in the rendering of services</li> <li>• held for sale or distribution in the ordinary course of operations</li> <li>• in the process of production for sale or distribution</li> </ul>
<b>Investment Property</b>	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.
<b>Materiality</b>	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.
<b>Minimum Revenue Provision (MRP)</b>	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.
<b>Net Book Value</b>	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.
<b>Net Current Replacement Cost</b>	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.
<b>Net Realisable Value</b>	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.
<b>Operating Lease</b>	A lease other than a Finance Lease. An agreement in which the Mayoral Combined 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 Mayoral Combined Authority.
<b>Private Finance Initiative (PFI)</b>	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.
<b>Property, Plant and Equipment</b>	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.
<b>Provisions</b>	Amounts charged to revenue during the year for costs with uncertain timing, though a reliable estimate of the cost involved can be made.
<b>Prudence Concept</b>	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.
<b>Public Works Loan Board (PWLb)</b>	A government agency, which provides loans to authorities at favourable rates.
<b>Related Party</b>	<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"> <li>• One party has direct or indirect control of the other party</li> <li>• One party has influence over the financial and operating policies of the other party to an extent that the</li> </ul>

	other party might be inhibited from pursuing at all times its own separate interests.
<b>Remuneration</b>	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.
<b>Reserves</b>	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.
<b>Revenue Expenditure</b>	Expenditure incurred on the day-to-day running of the Mayoral Combined Authority, for example, staffing costs, supplies and transport.
<b>Specific Government Grants</b>	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.
<b>Termination Benefits</b>	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.
<b>Unsupported (Prudential) Borrowing</b>	Borrowing for which no financial support is provided by Central Government. The borrowing costs are to be met from current revenue budgets.

## Independent Auditor's Report

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHEFFIELD CITY REGION MAYORAL COMBINED AUTHORITY

#### Opinion

We have audited the financial statements of Sheffield City Region Mayoral Combined Authority [*“the Authority”*] for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement,
- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement and the related notes 1 to 74.

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 2020/21.

In our opinion the financial statements:

- give a true and fair view of the financial position of Sheffield City Region Mayoral Combined Authority as at 31 March 2021 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Group Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Group Chief Financial Officer with respect to going concern are described in the relevant sections of this report.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

### **Other information**

The other information comprises the information included in the annual report set out on pages 5 to 37, other than the financial statements and our auditor's report thereon. The Group Chief Financial Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### **Matters on which we report by exception**

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014;
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014;
- we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in these respects

### **Responsibility of the Group *Chief Financial Officer***

As explained more fully in the Statement of the Group *Chief Financial Officer* Responsibilities set out on pages 38 and 39, the Group *Chief Financial Officer* 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 2020/21, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Group Chief Finance Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

#### ***Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud***

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- *We obtained an understanding of the legal and regulatory frameworks that are applicable to the authority and determined that the most significant are the Local Government Act 1972, The Local Audit and Accountability Act 2014, and The Accounts and Audit Regulations 2015. In addition, the authority has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment Legislation, tax Legislation, general power of competence, procurement and health & safety.*
- *We understood how Sheffield City Region Mayoral Combined Authority is complying with those frameworks by understanding the incentive, opportunities and motives for noncompliance, including inquiring of management, head of internal audit and those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our review of the authority's committee and board minutes, through enquiry of employees to verify authority policies, and through the inspection of employee handbooks and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.*
- *We assessed the susceptibility of the authority's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our*



*risk assessment procedures, we identified manipulation of reported financial performance (through improper recognition of revenue), inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.*

- *To address our fraud risk around the manipulation of reported financial performance through improper recognition of revenue, we reviewed the authority's manual year end income accruals, challenging assumptions and corroborating the income to appropriate evidence.*
- *To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the authority's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.*
- *To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately.*

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General (C&AG) in April 2021, as to whether the Authority had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Certificate**

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

### **Use of our report**

This report is made solely to the members of Sheffield City Region Mayoral Combined Authority, as a body, in accordance with Part 5 of the Local Audit and

Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Hassan Rohimun (Key Audit Partner)*  
*Ernst & Young LLP (Local Auditor)*  
*Manchester*  
30 September 2021