



# Auditor's Annual Report for South Yorkshire Mayoral Combined Authority

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Year-ended 31 March 2025

20 November 2025

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Our audit report will be made solely to the members of South Yorkshire Mayoral Combined Authority (the Authority), as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, those matters we are required to state to them in an auditor’s report and for no other purpose.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the members of Authority, as a body, for our audit work, for our auditor’s report, for this Auditor’s Annual Report, or for the opinions we have formed.

External auditors do not act as a substitute for the Authority’s own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.



**01**

# **Executive Summary**

# Executive Summary

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## Purpose of the Auditor's Annual Report

This Auditor's Annual Report provides a summary of the findings and key issues arising from our 2024-25 audit of South Yorkshire Mayoral Combined Authority (the 'Authority'). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office (the 'Code of Audit Practice') and is required to be published by the Authority alongside the annual report and accounts.

## Our responsibilities

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014 (the Act). Our responsibilities under the Act, the Code of Audit Practice and International Standards on Auditing (UK) ('ISAs (UK)') include the following:



**Financial Statements** - To provide an opinion as to whether the financial statements give a true and fair view of the financial position of the Group and the Authority and of their income and expenditure during the year and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2024/25 ('the CIPFA Code').



**Other information (such as the Narrative report and Annual Governance Statement)** - To consider, whether based on our audit work, the other information in the Statement of Accounts is materially misstated or inconsistent with the financial statements or our audit knowledge of the Authority.



**Value for money** - To report if we have identified any significant weaknesses in the arrangements that have been made by the Authority to secure economy, efficiency and effectiveness in its use of resources. We are also required to provide a summary of our findings in the commentary in this report.



**Other powers** - We may exercise other powers we have under the Act. These include issuing a Public Interest Report, issuing statutory recommendations, issuing an Advisory Notice, applying for a judicial review, or applying to the courts to have an item of expenditure declared unlawful.

In addition to the above, we respond to any valid objections received from electors.

## Findings

We have set out below a summary of the conclusions that we provided in respect of our responsibilities.

<b>Financial statements and other information</b>	The Code of Audit Practice requires us to issue an Auditor's Annual Report no later than 30 November of each year. In order for us to comply with this requirement, we have issued this Auditor's Annual Report prior to the completion of our work in relation to the financial statements and other information. Consequently, we have not reached our conclusions in respect of these areas and will provide a final Auditor's Annual Report ahead of the Back Stop date.
<b>Value for money</b>	We identified one risk of significant weaknesses in respect of the arrangements the Authority has put in place to secure economy, efficiency, and effectiveness in the use of its resources. This has not led to the identification of a significant weakness. Further details are set out on page 7.
<b>Whole of Government Accounts</b>	<p>We are required to perform procedures and report to the National Audit Office in respect of the Authority's consolidation return to HM Treasury in order to prepare the Whole of Government Accounts.</p> <p>As the National Audit Office has not yet informed us that we are not required to perform any further procedures, we are unable to confirm that we have concluded our work in this area.</p>
<b>Other powers</b>	See overleaf. Note that, as we are still performing our procedures in relation to the financial statements, we may choose to exercise our other powers in relation to the 2024-25 audit in the future.

# Executive Summary

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There are several actions we can take as part of our wider powers under the Act:

## Public interest reports

We may issue a Public Interest Report if we believe there are matters that should be brought to the attention of the public.

If we issue a Public Interest Report, the Authority is required to consider it and to bring it to the attention of the public.

**As at the date of this report, we have not issued a Public Interest Report this year.**

## Judicial review/Declaration by the courts

We may apply to the courts for a judicial review in relation to an action the Authority is taking. We may also apply to the courts for a declaration that an item of expenditure the Authority has incurred is unlawful.

**As at the date of this report, we have not applied to the courts.**

## Recommendations

We can make recommendations to the Authority. These fall into two categories:

1. We can make a statutory recommendation under Schedule 7 of the Act. If we do this, the Authority must consider the matter at a general meeting and notify us of the action it intends to take (if any). We also send a copy of this recommendation to the relevant Secretary of State.
2. We can also make other recommendations. If we do this, the Authority does not need to take any action, however, should the Authority provide us with a response, we will include it within this report.

**As at the date of this report, we made no recommendations under Schedule 7 of the Act.**

**As at the date of this report, we have not raised any other recommendations.**

## Advisory notice

We may issue an advisory notice if we believe that the Authority has, or is about to, incur an unlawful item of expenditure or has, or is about to, take a course of action which may result in a significant loss or deficiency.

If we issue an advisory notice, the Authority is required to stop the course of action for 21 days, consider the notice at a general meeting, and then notify us of the action it intends to take and why.

**As at the date of this report, we have not issued an advisory notice this year.**

In addition to these powers, we can make performance improvement observations to make helpful suggestions to the Authority. Where we raise observations, we report these to management and the Audit, Standards and Risk Committee. The Authority is not required to take any action to these however it is good practice to do so, and we have included any responses that the Authority has given us.

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# Value for Money

# Value for Money

## Introduction

We are required to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources or ‘value for money’. We consider whether there are sufficient arrangements in place for the Authority for the following criteria, as defined by the Code of Audit Practice:



**Financial sustainability:** How the Authority plans and manages its resources to ensure it can continue to deliver its services.



**Governance:** How the Authority ensures that it makes informed decisions and properly manages its risks.



**Improving economy, efficiency and effectiveness:** How the Authority uses information about its costs and performance to improve the way it manages and delivers its services

We do not act as a substitute for the Authority’s own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. We are also not required to consider whether all aspects of the Authority’s arrangements are operating effectively, or whether the Authority has achieved value for money during the year.

## Approach

We undertake risk assessment procedures in order to assess whether there are any risks that value for money is not being achieved. This is prepared by considering the findings from other regulators and auditors, records from the organisation and performing procedures to assess the design of key systems at the organisation that give assurance over value for money.

Where a significant risk is identified we perform further procedures in order to consider whether there are significant weaknesses in the processes in place to achieve value for money.



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We are required to report a summary of the work undertaken and the conclusions reached against each of the aforementioned reporting criteria in this Auditor’s Annual Report. We do this as part of our commentary on VFM arrangements over the following pages.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Authority.

## Summary of findings

Our work in relation to value for money is complete.

	Financial sustainability	Governance	Improving economy, efficiency and effectiveness
Commentary page reference	9	14	26
Identified risks of significant weakness?	✗ No	✓ Yes	✗ No
Actual significant weakness identified?	✗ No	✗ No	✗ No
2023-24 Findings	No significant risks identified	No significant risks identified	No significant risks identified
Direction of travel	↔	↘	↔

# Value for Money

## National context

We use issues affecting Combined Authorities nationally to set the scene for our work. We assess if the issues below apply to this Combined Authority.

## Financial performance

Combined Authorities are generally funded through government grants, as well as transport levies and mayoral precepts where appropriate. Economic pressures, particularly high inflation rates and rising energy costs, have resulted in increased financial demands on local authorities, including Combined Authorities. This has led to budgetary constraints, especially when delivering services that are sensitive to inflationary trends, such as transport. Despite national financial pressures, many Combined Authorities face cuts or freezes in funding, exacerbating financial strain. This has prompted calls for more sustainable and flexible funding models across the sector. However, the Government has indicated an intention to restore multi-year funding settlements, giving Councils greater certainty and ability to make longer-term investment decisions.

## Governance

Combined Authorities' activities concern the growth and development of and therefore investment in the wider community. It is therefore imperative that appropriate governance arrangements are in place around the decision making on those investments, ensuring they are free from conflicts of interest, are entered into with the best interests of the wider region in mind and are in line with an Authority's strategic and national priorities.

## Local Government Reorganisation

The Government has announced proposals to restructure local government throughout England. County and District councils (and, in some cases, existing Unitary authorities) will be abolished and replaced with new, larger Unitary authorities, which will (in many cases) work together with peers in a regional or sub-regional Combined Authority.

As new Combined Authorities are set up, they will need to work collaboratively with the Councils in their local area to successfully deliver on priorities of residents and business, balancing where those priorities may differ between different parts of the regions they represent. Similarly, as directly elected Mayors are introduced into regions, introducing new political leadership and priorities into areas which previously worked under different models, all authorities in a region will need to work collaboratively with their Combined Authority to ensure the best possible outcomes for their regions.

## Local context

South Yorkshire Mayoral Combined Authority (MCA) is a formal partnership of Barnsley Metropolitan Borough Council, City of Doncaster Council, Rotherham Borough Council, Sheffield City Council and the directly elected Mayor of South Yorkshire. The Authority is responsible for setting the policy direction for South Yorkshire and maximising financial investment to achieve economic growth. It is also the Local Transport Authority for South Yorkshire since 1 April 2023 following the full integration of its wholly owned subsidiary, South Yorkshire Passenger Transport Executive, who had previously been responsible for these activities into the Authority.

There have been several key transport related developments and decisions which have occurred under the period of audit. For instance, on 22nd March 2024, tram operations were brought back under public control with its operations being conducted through a wholly owned subsidiary of the MCA, South Yorkshire Future Trams Limited (SYFTL). The financial results of SYFTL have been consolidated into the MCA's position for the first time during 24/25. Furthermore, in March 2025, the Mayor also confirmed the decision to introduce bus franchising, with planning underway for the first franchised services to start in 2027. Finally, on 9 September 2025, the Mayor and Council leaders approved the business case to re-open Doncaster Sheffield Airport. The total cost of re-opening Doncaster Sheffield Airport is currently estimated to be £193m.

From a 'Police and Crime' perspective, on 7 May 2024, the Police and Crime Commissioner (PCC) for South Yorkshire was integrated into the Authority by way of a Statutory Order. The South Yorkshire Mayoral Combined Authority (Election of Mayor and Transfer of Police and Crime Commissioner Functions) Order 2024, provided for the PCC to be dissolved and all of its functions, property, rights and liabilities to be transferred to the MCA. Upon transfer, the Mayor became responsible for the maintenance of the Police Fund and compliance with all applicable legal obligations in respect of the same. The accounts for the PCC, including the Police Fund, now form part of the consolidated accounts of the MCA.

Upon integration, due diligence performed on the PCC's Treasury Management Strategy identified a significant omission in complying with proper accounting practice with regard to charging the revenue budget with amounts set aside for the repayment of debt (known as the Minimum Revenue Provision or MRP). This led to a Section 114 Notice being issued jointly by the MCA's section 73 Officer and Monitoring Officer to the Mayor on 27 September 2024 regarding the failure to comply with statutory MRP guidance, giving rise to a deficiency to the Police Fund revenue budget in the region of £65m. During 24/25, the MCA has engaged with the Police, the Home Office, KPMG and external parties to resolve this accounting omission.

In 24/25, the Authority single entity accounts recorded a surplus on the provision of services for the year of £11.7m. The majority of this variance to the balanced budget is a result of an increase in treasury management income due interest-rates remaining higher for longer than expected. Coupled with higher-than-expected cash balances, this led to the generation of significant surpluses via treasury management activity. The Authority ended the financial year with a cash balance of £120.0m, usable reserves of £273.3m and unusable reserves of £83.0m. The Authority had a revised planned capital spend of £187.8m for 2024/25 and delivered a total capital spend of £154.4m for the year.

For 25/26, the Authority single entity has budgeted a breakeven position for 2025/26. Planned net revenue expenditure for 2025/26 was originally budgeted at £632.2m and has subsequently been revised to £636.5m following Quarter 2 reporting. Furthermore, planned capital expenditure for 2025/26 has been revised from an original budget of £222.8m to £162.6m.

# Financial Sustainability

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## How the Authority plans and manages its resources to ensure it can continue to deliver its services.

We have considered the following in our work:

- How the Authority ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the Authority plans to bridge its funding gaps and identifies achievable savings;
- How the Authority plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the Authority ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- How the Authority identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

## Financial Planning

- In common with other public bodies and local partners, the MCA is required to set a balanced budget every financial year. In support of this, the MCA has undertaken a Group-wide integrated budgeting process. This process seeks to derive resource requirements to deliver upon the aspirations set by Member priorities whilst discharging statutory obligations and delivering funded programmes of activity.
- The first key stakeholders to be involved in the annual budget-setting process are the South Yorkshire Directors of Finance Group, with whom the Section 73 Officer and his Deputy meet on a regular basis throughout the year. The primary focus of these engagement sessions is to take a strategic view as to how key pressures and risks could be mitigated over the medium term.
- The budget is shaped by a Business Planning process led by the Executive Director Resources and Investment and the Executive Director Strategy and Mayoral Office. The budget for the forthcoming year is developed through internal teams and is largely contingent on the flow of programme funding from central government. A budget awareness session is held early in the financial year for the Executive Leadership Board (ELB) to understand the planning environment.
- The 2024-25 annual budget, approved by the Board in March 2024, reported a planned breakeven position and incorporated all transport functions following the integration with South Yorkshire Passenger Transport Executive (SYLTE) during 2023-24. Additionally, on 22 March 2024, tram operations were brought back under public control with its operations being conducted through a wholly owned subsidiary of the Authority, South Yorkshire Future Trams Limited (SYFTL). The purpose of SYFTL is to undertake the operation and maintenance of the tram network following the end of the 27-year long tram concession agreement. The budget also reflected the resources required to support the franchise assessment activity to prepare for the potential decision to move to a bus franchising model in 2024-25. However, the initial budget did not incorporate activity of the Office for Police and Crime Commissioner (OPCC) given the decision to transfer OPCC powers to the MCA with effect from 7 May 2024.

# Financial Sustainability

DRAFT

## How the Authority plans and manages its resources to ensure it can continue to deliver its services.

We have considered the following in our work:

- How the Authority ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the Authority plans to bridge its funding gaps and identifies achievable savings;
- How the Authority plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the Authority ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- How the Authority identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

- Additionally, under the National Framework and CIPFA Code of Practice, the Authority must produce an annual Medium Term Financial Strategy (MTFS) covering at least 3 years in relation to the transport functions it operates. It is therefore required to set a Transport Levy for the financial year, as well as consider the requirement for a Mayoral Precept to support Mayoral activity. For 2024-25 and 2025-26, a 2% increase in Transport Levy and no Mayoral Precepts were proposed each year. We have evidenced that the MTFSs for 2024-25 and 2025-26 were presented to Board for review and approval in January 2024 and January 2025, respectively, with appropriate challenge and scrutiny being applied.
- The annual budgets and transport MTFSs are refreshed annually to ensure forecasts reflect national developments and local circumstances, as well as the effects of the MCA's ongoing and rolling budget and investment planning processes. This process helps to ensure that the financial plan is aligned to the expectations set out in the Authority's 2021-2041 Strategic Economic Plan and the 2020-2040 Transport Strategy, which outline the Authority's relevant strategic and operational objectives.
- We have also confirmed that the Capital Strategy and Treasury Management Strategy are heavily referenced throughout the annual budgets and MTFSs, assuring that the approved strategies are considered and applied throughout financial planning.
- Key assumptions used to produce the annual budgets are clearly included within the respective papers which are presented and discussed at the Board meetings in March, allowing for challenge of these key budget assumptions, such as assumed pay awards, inflation and government funding. The annual budgets also clearly outline the risks identified in achieving the budget and ensure stakeholders are made aware of these risks within the various reports presented throughout the year.

## Productivity and efficiency plans

- In terms of value, efficiency schemes do not play a material part in balancing the MCA's budget, however it is important to demonstrate to the key stakeholders which ways in which the MCA could reduce the burden on the revenue budget. An example is when the Authority is negotiating an increase in the Transport Levy. Any adjustments relating to efficiency schemes would be made in the annual budget report prior to its approval by the Board.

# Financial Sustainability

**DRAFT**

## How the Authority plans and manages its resources to ensure it can continue to deliver its services.

We have considered the following in our work:

- How the Authority ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the Authority plans to bridge its funding gaps and identifies achievable savings;
- How the Authority plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the Authority ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- How the Authority identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

- Given the nature of the operations of the MCA and the significant element of investment support that makes up most the Authority's expenditure, inflation is the main cost pressure identified within the annual budgets. Inflationary pressures remain an issue for the MCA given the unavoidable lack of indexed linked funding. To-date, these pressures have been managed through efficiencies and the commitment of commercial income flows, whilst the Transport Levy is now on a more sustainable trajectory. Expanding the ongoing operations of the MCA through the integration of SYPT and the establishment of SYFTL for tram operations, potential bus franchising and the merger with the Police and Crime Commissioner (PCC) also increases the cost pressures impacting the MCA, as well as other risk associated with diversifying these activities.
- The Authority's Transport Authority and Economic Development divisions do not have a formal efficiency programme in place for 2024-25 given the nature of its activities, funding streams and capital investment operations. We deem this to be appropriate based on our understanding of the MCA's current operations and the timing of the PCC integration in May 2024. There is a formal efficiency programme in the Police and Reform division of the Authority. The Police and Reform has embarked on their 3rd tranche of Priority Based Budgeting, which ensures cost reductions are delivered in a planned and considered way following a clear methodology. Timelines are agreed in advance as is the date of implementation to ensure part-year or full-year effect of savings are appropriately captured.

## Assessing Risks to Financial Sustainability

- The Authority undertook an exercise during the year to refresh the Reserves Strategy for 2024-25 as part of the budget setting process. This identified an opportunity to reallocate funds from the General Fund Reserve to a Bus Resilience Reserve to meet any loss of income risk as the Authority progress with bus franchising. The General Fund and Bus Resilience Reserves are forecast to be held at a balance of £5m and £10m, respectively, for 2024-25 and the following 4 financial years. This is deemed adequate by the Authority to maintain an appropriate minimum working reserves balance.
- Through our review of the 2024-25 South Yorkshire Transport MTFS, we noted that the Authority is forecasting a breakeven position for 2024-25 and the following 2 financial years. The South Yorkshire Transport revenue budget is partially funded by the Transport Levy Reduction Reserve. It is forecast that this reserve will be fully depleted by the end of 2026-27, however, the Authority is confident that this budget is sustainable given the anticipated reductions in capital financing costs due to fixed interest costs and the planned repayment of debt.

# Financial Sustainability

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## How the Authority plans and manages its resources to ensure it can continue to deliver its services.

We have considered the following in our work:

- How the Authority ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the Authority plans to bridge its funding gaps and identifies achievable savings;
- How the Authority plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the Authority ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- How the Authority identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

- Upon integration, due diligence performed on the PCC's Treasury Management Strategy identified a significant omission in complying with proper accounting practice with regard to charging the revenue budget with amounts set aside for the repayment of debt (known as the Minimum Revenue Provision or MRP). This has led to a Section 114 Notice being issued jointly by the MCA's section 73 Officer and Monitoring Officer to the Mayor on 27 September 2024 regarding the failure to comply with statutory MRP guidance giving rise to a deficiency to the Police Fund revenue budget in the region of £65m. During 24/25, the MCA has engaged with the Police, the Home Office, KPMG and external parties to resolve this accounting omission. This issue is explored further in the Governance section below.
- The 2025/26 Treasury Management Strategy, sets out the anticipated cash resources available to the MCA over the 4-year period to 2028/29. A prudent estimate is that there will be cash surpluses of £375m, £282m, £185m and £151m at the end of 2025/26 and each successive year thereafter. Liquidity is maintained by holding a balance of approximately £10m in the MCA's general bank account and the ability to call upon highly liquid Money Market Funds which can be accessed at a day's notice.

## Managing Risks to Financial Sustainability

- We note that the MCA does not have a distinct Finance Committee. Instead, all relevant finance reports are presented to and approved directly by the Board. Minutes and accompanying papers demonstrate sufficient detail is provided to Board members around financial planning to enable informed decision making. Agenda items are accompanied by front sheets offering a summary of the paper and recommended actions for members. The summaries provided are appropriate and provide a concise high-level overview of the paper, so members can identify the key messages and manage the financial risks being discussed in the report.
- From our review of the quarterly Risk Management Monitoring Reports, we have confirmed that the Audit, Standards and Risk Committee discuss strategic, financial and operational risks through their review and challenge of the Risk Registers.

# Financial Sustainability

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## Single Entity Performance in 24/25 against the financial plan

- For 24/25, the Authority single entity accounts recorded a surplus on the provision of services for the year of £11.7m. The majority of this variance to the balanced budget is a result of an increase in treasury management income due to interest-rates remaining higher for longer than expected. Coupled with higher-than-expected cash balances, this led to the generation of significant surpluses via treasury management activity. The Authority ended the financial year with a cash balance of £120m, usable reserves of £273.3m and unusable reserves of £83.0m. The Authority had a revised planned capital spend of £187.8m for 2024/25 and delivered a total capital spend of £154.4m for the year.
- Through review of the 2024-25 Financial Outturn Report presented to Board in June 2025, it is evident that this update includes sufficient information to summarise the Authority's position, the main factors causing the variance to budget and the impact this has to budget variations for 2025-26.

## Single Entity Performance in 25/26 against the financial plan

- For 25/26, the Authority single entity has budgeted a breakeven position for 2025/26. Planned net revenue expenditure for 2025/26 was originally budgeted at £632.2m and has subsequently been revised to £636.5m following Quarter 2 reporting. Furthermore, planned capital expenditure for 2025/26 has been revised from an original budget of £222.8m to £162.6m.
- At Quarter 2, gross revenue expenditure before appropriations to reserves is expected to reduce by £9.2m across the MCA's budgets. This reflects a net decrease in expenditure in the Growth space largely due to re-profiled expenditure for Investment Fund activity, reductions in CRSTS Revenue and Franchising costs in Transport and a re-presentation of gross expenditure in the Police and Reform area. Additionally, the latest forecasting suggests that additional income will accrue to the MCA General Fund of £8.1m. This funding is uncommitted and available to invest or support known future year pressures and investment requirements.

## Conclusion

Based on our procedures performed we have not identified a significant risk associated with financial sustainability.

Key financial and performance metrics*:	2024-25	2023-24
Planned surplus/(deficit)	£0.0m	£0.0m
Actual surplus/(deficit)	£11.7m	£30.6m
Usable reserves	£273.3m	£181.8m
Gross debt compared to the capital financing requirement	0.66 : 1	0.43 : 1
Year-end borrowings	£69.9m	£47.4m
Year-end cash position	£120.0m	£136.0m

*Gross debt compared to the capital financing requirement: Authorities are expected to have less debt than the capital financing requirement (i.e. a ratio of under 1 : 1) except in the short term, else borrowing levels may not be considered prudent.*

*\* The key financial and performance metrics related to South Yorkshire Mayoral Combined Authority Single Entity which consists of the metrics for Transport Authority, Economic Development and Police and Reform divisions of the Authority. Note that the 2023-24 metrics are pre-transfer of the Police and Reform and so are in respect of the Transport Authority and Economic Development divisions only.*

# Governance

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## How the Authority ensures that it makes informed decisions and properly manages its risks.

We have considered the following in our work:

- How the Authority monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- How the Authority approaches and carries out its annual budget setting process;
- How the Authority ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- How the Authority ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- How the Authority monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of management or Board members' behaviour.

## Risk Management

- The Authority's approach to risk management is outlined in its Management of Risk Framework which was updated in March 2024 and is used to help identify, assess and manage risks to ensure a consistent methodology is used. As part of the Authority's process, risks are identified through risk discussions and are considered across a number of strategic risk groups (policy, financial, organisational, commissioned operations and delivery, legal compliance and regulation, and transport), with risks being recorded within the 4Risk system.
- Once a risk has been identified, the risk owner is defined and captured within the risk register. The role of a risk owner is defined in the Framework as 'the person that takes responsibility for the management of the risk'. To ensure that a consistent scoring mechanism is in place across the MCA, risks are assessed using agreed criteria for probability and impact (ranging from 1-5), resulting in an overall risk score being calculated using a prescribed risk matrix.
- The residual risk scores helps to draw the MCA's focus to those that are red or amber in the matrix and are related to the appetite the organisation has established, setting out how much risk the organisation is willing to accept. This residual risk score will be the deciding factor as to whether further action is required in order to reduce the risk to within the MCA's risk appetite.
- The Authority adopted a Corporate Risk Management Framework in January 2023. This Framework details the risk management approach and sets out the approach to managing risk, the risk management process, monitoring and review, and risk responsibilities. Management of risk in the MCA is set against the delivery of the Strategic Economic Plan (SEP) and other key corporate strategies and the operations and activities the organisation takes to deliver that. This means that risks are defined against the delivery of objectives which are set out within MCA plans aimed at leading to the achievement of the SEP and other key corporate strategies priorities. Risks may be either internal to MCA or externally facing as work is undertaken with partners and stakeholders to transform the economy of South Yorkshire for its people, business and places.

# Governance

**DRAFT**

## How the Authority ensures that it makes informed decisions and properly manages its risks.

We have considered the following in our work:

- How the Authority monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- How the Authority approaches and carries out its annual budget setting process;
- How the Authority ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- How the Authority ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- How the Authority monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of management or Board members' behaviour.

- A Corporate Risk Register is maintained for cross cutting, ongoing or longer-term risks that impact on the MCA and its strategic objectives. These risks are owned and updated by Executive Directors as part of their role within the Executive Leadership Board (ELB) and reported into the ELB and Audit, Standards and Risk Committee (ASRC) quarterly. All corporate risks to ASRC regardless of the current / residual score. There are also Directorate and Team Risk Registers which contain risks specific to the MCA teams and can be reflective of objectives, business plans, processes and operating environments. These risks are identified, owned and managed by directors, managers and operational employees. Such risks are escalated and reported in line with the Recording and Reporting section of the Framework. This means high and medium / high level risks will be reported through the management hierarchy into ELB, ASRC quarterly and the MCA Board annually.
- Actions to reduce the risk exposure to an acceptable level in line with risk appetite are recorded within the risk management system and activity monitored and reported on by risk owners, directors, ELB and ASRC. The frequency of monitoring and who is reported to is dependent on the risk score of the items concerned. High risk items are reviewed monthly by the risk owner and reported on a quarterly basis to Directorate Leadership teams, ELB and ASRC, whereas low risk items are reviewed half-yearly by the risk owner and reported on quarterly to the Directorate Leadership team.

## Decision-making

- The Authority's organisational structure is outlined within the Authority's Assurance Framework. The Framework provides a clear and detailed overview of the roles and responsibilities of each decision-making body within the organisational structure.
- The Constitution details the governance structure at the Authority and relevant terms of reference for each of the Committees and Boards in place. We deem the Authority to have an appropriate structure to enable informed decisions to be made and performance to be scrutinised at the correct setting.

# Governance

**DRAFT**

## How the Authority ensures that it makes informed decisions and properly manages its risks.

We have considered the following in our work:

- How the Authority monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- How the Authority approaches and carries out its annual budget setting process;
- How the Authority ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- How the Authority ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- How the Authority monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of management or Board members' behaviour.

- In 24/25, RSM UK Risk Assurance Services LLP (internal audit) conducted an audit to assess the governance framework and associated controls around the integration between the MCA and the Office of the Police and Crime Commissioner. The primary objective was to ensure that the Joint Corporate Governance Framework (JCGF), which governs the relationships and delegated authorities between the SYMCA and the Chief Constable of South Yorkshire Police, is being adhered to effectively. The audit reviewed the policies and processes around key decision making, delegation of authorities, financial management, contract approval and alignment to established governance structures. The audit concluded that there was substantial assurance that the controls relied upon to manage this risk are suitably designed, consistently applied and effective. We note that another internal audit review is ongoing over the Police and Reform governance arrangements and decision making.
- All relevant policies and procedures are communicated and made available to staff via the intranet. The MCA has a Code of Conduct for both members and employees, as well as the Authority Constitution which includes the Scheme of Delegation, Contract Procedure Rules and Financial Regulations. The Contract Procedure Rules and Scheme of Delegation outline both financial limits in place for various processes within the Authority, as well as operational delegations to ensure both financial and non-financial authorisations and reviews are escalated appropriately.
- In June 2023, a New Governance Model was approved by the MCA Board to reflect the significant period of change the MCA has experienced, particularly in relation to the integration of South Yorkshire Passenger Transport Executive (SYPTE). The MCA also has oversight of a greater range and scale of programmes and budgets such as Adult Education Budgets (AEB), an expanded City Region Sustainable Transport Settlements (CRSTS) and the 'Gainshare' devolution settlement. This has resulted in a revised governance framework whereby a 'cabinet' style leadership model was implemented and the 4 Thematic Boards previously in place were replaced by 8 Cabinets and a Business Advisory Board and Mayor's Economic Advisory Council. Details of the roles of these Boards are outlined in the updated Assurance Framework for 2025.

# Governance

**DRAFT**

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  - How the Authority ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
  - How the Authority monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of management or Board members' behaviour.
- On 7 May 2024, the functions of the Police and Crime Commissioner for South Yorkshire (PCC) transferred to the Mayor of South Yorkshire pursuant to the South Yorkshire Mayoral Combined Authority (Election of Mayor and Transfer of Police and Crime Commissioner Functions) Order 2024 ("the 2024 Order") and all property rights and liabilities of the PCC were transferred to the MCA. Upon transfer, the Mayor became responsible for the maintenance of the Police Fund and compliance with all applicable legal obligations in respect of the same. The accounts for the PCC, including the Police Fund, now form part of the consolidated accounts of the MCA.
  - We have reviewed relevant Committee and MCA Board minutes as well as the supporting papers throughout the financial year. We are satisfied that there is sufficient ability for Committee and Authority members to take informed decisions based upon the detail provided in the papers presented. These papers also demonstrate that with regard to financial risks reported and recommendations made, there are detailed discussions occurring to challenge and analyse the information being presented.
  - The Authority has a comprehensive business case process to make informed decisions. All schemes funded by the MCA are subject to investment appraisal, as outlined within the Assurance Framework. All schemes seeking investment undergo a proportionate process to assess the merits of the application, its strategic fit and value for money, ensuring that the MCA considers economic, social, and environmental impacts of its investment from the outset.
  - The Authority publishes all key decisions and a Forward Plan of Key Decisions that will be taken by the Board or Programme Board at least 28 days before the decision is made to enable members of the public to view and comment on them. In addition, the Constitution also has a publication scheme which sets out how and when agendas, minutes, papers, and other documents produced by the Authority and Executive Team will be made available to the public. All board papers clearly state whether the paper will be published under the Publication Scheme and whether any exemptions apply. The Publication Scheme is published on the Authority's website. At the beginning of a project, development funding applicants are required to hold a workshop with key staff, senior officers, and stakeholders where necessary, to discuss the options and possible delivery models for the project or scheme to identify the long-list and short-list of viable options for delivering the scheme in line with guidance from the HM Treasury Green Book. A Mandate Form is used to capture the essence of prospects to allow for suitable consideration before an investment idea or concept enters the MCA programme investment pipeline.

# Governance

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- The applicant is then required to complete a Strategic Business Case (SBC). The purpose of the SBC is to establish the case for change, to provide a first detailed overview of the project and to demonstrate its alignment with the SEP and other strategies.
  - If the SBC is deemed to be a strategic fit for the proposed objectives, the application then moves on to the Outline Business Case (OBC), or Business Justification Case (BJC) stage. The aim of an OBC or BJC is to identify the investment option which optimises value for money, prepare a scheme for procurement, ensure that statutory processes are undertaken and put in place the necessary finance and management arrangements for the successful delivery of the scheme. A BJC is used for projects seeking £1m or less. The business case process is supported by templates and guidance. An assessment is undertaken of all OBCs and BJCs to quality assure and scrutinise the project as well as undertaking all necessary due diligence checks.
  - All grant funded investment schemes are presented to the MCA Board for approval. The MCA Board can choose to approve a scheme in-principle at OBC stage, with delegated authority given to the statutory officers to approve the scheme after the conclusion of the Full Business Case (FBC). Where schemes are of sufficient complexity, value or sensitivity the MCA Board may choose to require the FBC to be presented to it for approval.
  - Through our review of Board minutes throughout the year, we confirmed that Programme Approvals is a standing agenda item for each meeting. Given the nature of the Authority's activities, there have been a significant number of business cases submitted to the Board for approval during the year. These include the approval for funding of South Yorkshire Airport City (Doncaster Sheffield Airport) and Bus Franchising. We have reviewed a number of business cases submitted for approval during the year and have confirmed that these were completed in line with the business case guidance and included sufficient detail to provide the relevant Boards with the background of the business case and the options available to the Authority in which they require approval for, each with their merits and drawbacks included for consideration.

# Governance

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- In our prior year Auditor's Annual Report, we noted that we identified that a number of loans to local entities had been written off during the year, notably a £2m loan to Lontra and £3.2m loan to the Ultimate Battery Company (UBC). However, due to issues encountered by these projects, both companies have since ceased trading without the repayment of loans to the Authority. As a result of the subsequent unrecoverable nature of the loans provided to these projects, the Authority engaged an independent consultant to inform the national evaluator's Gateway Review of these investments. We note that the external consultant noted that the business case process followed for these investments was deemed to be fit for purpose and the issues and difficulties experienced by these companies could not have been foreseen. Nonetheless, following receipt of the report, the Authority has developed an action plan to prevent similar issues reoccurring. We have assessed the action plan and concluded that appropriate concessions and arrangements have been implemented by the Authority to greatly reduce the likelihood of a similar issue reoccurring.

## Budget setting and monitoring

- We found that the budget monitoring and control processes were able to identify and incorporate significant pressures into the financial plan to ensure it was achievable and realistic. The budgets for 2024-25 and 2025-26 were constructed based on appropriate local and national developments and we obtained evidence of appropriate review and sign-off.
- Finance Business Partners review each budget monthly, and any variances are discussed with the budget holder. The budget statement viewable by budget holders includes details of the annual budget allocated, committed expenditure to-date and year-to-date actuals for each account code and business unit to identify specific areas where cost improvement needs to be reviewed. Significant variances are escalated to Directorate Management and Executive Leadership Board, as necessary, to ensure that appropriate action is being taken.

# Governance

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- In the absence of a formal Finance Committee, financial performance is reported directly to the Board on a quarterly basis in the form of a Budget Update Report. The quarterly Budget Update Reports set out the position in relation to revenue and capital and also more specifically the Local Transport Authority and Police, which are ring-fenced from the rest of the MCA's activity. The budget is normally revised at Q1 for outturn slippage, Q2 for a formal mid-year reset, and Q3 to prepare carry-forwards for the new financial year. The quarterly finance updates include an executive summary and background to provide an overview of financial performance from a revenue, capital and reserves perspective. Supporting appendices provide a clear overview of the narrative noted within the body of the report and include an overview of performance in tabular formats.
- The Board has been kept informed of the funding arrangements in place for 2024-25. We have also confirmed through our review of the annual budget, MTFS and quarterly Budget Update Reports that risks to the achievement of the financial targets are regularly monitored and reviewed throughout the year. The quarterly Budget Update Reports provides an update to members on where progress is up to year-to-date and any significant risks that may impact the achievement of both the budget for the year in question, and the MTFS from a revenue, capital and reserves perspective.

## Compliance with laws and regulations

- Through our review of the Scheme and Delegation, Financial Regulations and Contract Procedure Rules, we are satisfied that these detail the roles, responsibilities and delegation of key officers and Committees and Groups, thus detailing appropriate processes to ensure officer compliance. The Scheme of Delegation and the Contract Procedure Rules outline both financial limits in place for various processes within the MCA, as well as operational delegations to ensure both financial and non-financial authorisations and reviews are escalated appropriately.
- As part of the governments' commitment to greater transparency, Local Government Transparency Code 2015, the Authority is required to regularly publish procurement information. This means the Authority publishes details on their website of all contracts over £5,000. The Contracts Register can be seen on the Authority's website.
- Codes of Conduct are in place for Authority members, as well as all officers and staff, that set out the behaviours expected of all employees and reinforce its values and standards. A range of policies, procedures and strategies, which staff are made aware of and adhere to through awareness and training, are available to be viewed on the Authority's website. The Codes of Conduct are reviewed at the Authority's Annual Meeting.

# Governance

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  - How the Authority ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
  - How the Authority monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of management or Board members' behaviour.
- The Codes of Conduct provide guidance on dealing with conflicts of interests including receiving gifts and hospitality. All offers of gifts or hospitality must be notified in writing to the Monitoring Officer and recorded in the Gifts and Hospitality Register. Any gifts and hospitality received with a value of more than £50 are published on the individual's profile on the Authority's website.
  - The Anti-Fraud and Corruption Strategy sets out the Authority's arrangements to prevent and detect fraud and irregularities. The Fraud Response Plan appended to the Anti-Fraud and Corruption Policy provides direction and guidance to employees in dealing with suspected cases of theft, fraud and corruption. Employees are required to raise concerns about possible theft, fraud, corruption or irregularities to line managers for further investigation, which are escalated to the Monitoring Officer and Head of Internal Audit where necessary. These are complemented by the Whistle Blowing Policy where employees are encouraged to raise concerns in confidence. The policies are prepared in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption and are included within the Constitution.
  - Since August 2021, the Adult Skills Fund (ASF) has been devolved to Authority to deliver training and learning support to residents in South Yorkshire aged 19+ across the academic year August to July. The Sheffield College is South Yorkshire's largest grant provider. In July 2025, the MCA launched an investigation into the Sheffield College's English for Speakers of Other Languages (ESOL) provision. The investigation was into claims of maladministration and fraud in relation to the Sheffield College's adult ESOL delivery. We have reviewed the Authority's response to the alleged maladministration and fraud and confirmed that the actions being taken were in accordance with the MCA's Fraud Response Plan. Since the fraud was perpetrated on the Authority rather than by the Authority and because of the amount of the funding under scrutiny, we have not identified a significant risk associated with governance in relation to this matter.
  - Through inquiries of management, we have confirmed that there have been no reported significant or repeated departures from key regulatory or statutory requirements, as well as no departures from professional standards such as CIPFA Financial Management Code, Prudential Code or Treasury Management Code. This has also been confirmed through our review of the 2024-25 Treasury Management Outturn Report in which compliance is reported to the Board on a quarterly basis.

# Governance

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- How the Authority ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- How the Authority monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of management or Board members' behaviour.

- On 7 May 2024, the functions of the Police and Crime Commissioner for South Yorkshire (PCC) transferred to the Mayor of South Yorkshire pursuant to the South Yorkshire Mayoral Combined Authority (Election of Mayor and Transfer of Police and Crime Commissioner Functions) Order 2024 (“the 2024 Order”) and all property rights and liabilities of the PCC were transferred to the MCA. Upon transfer, the Mayor became responsible for the maintenance of the Police Fund and compliance with all applicable legal obligations in respect of the same. The accounts for the PCC, including the Police Fund, now form part of the consolidated accounts of the MCA.
- Upon integration of the OPCC into the Authority, due diligence performed on the PCC’s Treasury Management Strategy identified a significant omission in complying with proper accounting practice with regard to charging the revenue budget with amounts set aside for the repayment of debt (known as the Minimum Revenue Provision or MRP). This has led to a Section 114 Notice being issued jointly by the MCA’s section 73 Officer and Monitoring Officer to the Mayor on 27 September 2024 regarding the failure to comply with statutory MRP guidance giving rise to a deficiency to the Police Fund revenue budget in the region of £65m. During 24/25, the MCA has engaged with the Police, the Home Office, KPMG and external parties to resolve this accounting omission. There is a mandatory requirement that a significant VFM risk is identified if a Section 114 notice has been issued.

Conclusion

As a Section 114 notice was issued in relation to the failure to comply with statutory MRP guidance, we have identified a significant risk associated with the Authority’s governance arrangements in relation to this area. See page 23 for further detail.

	2024-25	2023-24
Control deficiencies reported in the Annual Governance Statement	None	None
Head of Internal Audit Opinion	Adequate and effective but further enhancements identified	Adequate and effective but further enhancements identified
Local Government Ombudsman findings	None	None

# Significant Value for Money Risk - Governance

DRAFT



## Response to the identification of historical non-compliance with Minimum Revenue Provision Requirements

Risk that value for money arrangements may contain a significant weakness linked to Governance

### Significant Value for Money Risk

Following the integration of the former Office of the Police and Crime Commissioner (OPCC) and SYMCA on 7 May 2024, there was a period of consolidation including a review of the OPCC's Treasury Management Strategy.

During this review, it was identified that there was a gap between the planned Minimum Revenue Provision payments and the total Capital Financing Requirements (past and future capital expenditure assumed by the schedule), largely related to capital expenditure between 2019/20 and 2023/24. This highlighted that no (MRP) charges relating to £65m of capital investment financed through borrowing principally over this period had been recorded within the audited accounts.

Therefore, in order ensure MRP for the former OPCC complies with statutory requirements to make a provision to repay debt, a significant increase in MRP payments would have been required or alternative arrangements sought going forward.

The outcome of this review, resulted in a Section 114 Notice being issued jointly by the MCA's section 73 Officer and Monitoring Officer to the Mayor on 27 September 2024.

As a result, there is a significant risk that the Authority was unable to implement appropriate governance arrangements to be able manage this financial pressure sustainably without compromising on protecting front-line policing.

### Our response

To assess whether the Authority had appropriate and sufficient governance arrangements in place in response to this issue:

- We have obtained an understanding of the accounting omissions which resulted in the non-compliance with the statutory requirement to charge a minimum revenue provision to a revenue account.
- We have reviewed the calculation of the omitted MRP for the years 2019/20 to 2023/24 and any third party, independent corroboratory support for this value to assess the judgement surrounding the non-compliance with statutory guidance.
- We have reviewed the actions taken by the Authority in response to the omission of MRP payments between 2019/20 to 2023/24 and the outcome of these actions.
- We have assessed the impact of this omission on the 2024/25 financial statements and its impact on the 2025/26 budget setting and beyond.
- We have assessed the Authority's approach to return to a compliant approach on MRP.

# Significant Value for Money Risk - Governance

## Our findings

### Findings

- The Local Authorities (Capital Finance and Accounting) England Regulations 2003 were made under section 21(1) of the 2003 Act. Regulation 27(1) places a duty on local authorities to charge a minimum revenue provision for the financial year to a revenue account. Regulation 28(1) requires local authorities to determine an amount of minimum review provision which it considered to be prudent.
- Statutory Guidance on Minimum Revenue Provision made under section 21(1A) of the 2003 Act requires a local authority to prepare a statement of its policy on for making MRP for approval before the start of every financial year and states that statement should describe how it is proposed to discharge the duty to make MRP during that year. The statutory guidance further provides for methods of making prudent provision and allows local authorities to depart from those recognised methods should it decide that it is more appropriate to do, subject to conditions.
- On review of the published 2024/25 OPCC Treasury Management Strategy, it was identified by the MCA that although historical capital expenditure had been identified, the OPCC loans capital financing requirement did not get repaid between 2019/20 to 2023/24. This resulted in a difference of £65.2m between the total planned MRP of £146m and the required prudent MRP to match the future Capital Financing Requirements of £211.2m.
- In response to this omission, the Authority held briefings between the Chief Constable and Mayor and made briefings to Audit Committee Chairs, Audit Committee Members, Government Departments and External Auditors. A Section 114 Notice was jointly issued by the Authority's Section 73 Officer and Monitoring Officer to the Mayor. The Mayor commissioned an independent review of the issue (being undertaken by CIPFA) and commissioned an independent assessment of the MRP policy and calculated (completed by Link (MUFG) Group). The Authority initiated discussions with the Home Office around funding and a capitalisation direction to help alleviate the pressure caused by this omission.
- We have reviewed the Link (MUFG) Group report and agree with the conclusions presented in the report which supports the initial findings and identified that the remaining gap related to unfunded capital expenditure from 2019/20. The report from CIPFA is still outstanding at the time of this Auditor's Annual Report.
- Work has been ongoing with Police and Reform colleagues and the Home Office to manage the budget impact since the issuance of the Section 114 notice. This culminated in a report to the Home Office on 14 November 2024 presenting several scenarios to set out the impact of mitigations requested by the Authority. Weekly meetings continued with the Home Office Finance Team leading to a formal response indicating support for the majority of asks on 7 March 2025 which included commitment of new funding, release of annual Police Grant in full each April and the agreement for the Authority to repay the pension abatement liabilities over an extended period. However, a finalised capitalisation direction letter for legacy payments has not been issued by the Home Office yet, although it is expected by 1 December 2025.
- Alongside seeking government support, the MCA's Police and Reform has initiated a budget recovery plan to review existing capital programme commitments and deliver revenue savings to meet the increased budget gap. As part of this, the Authority has engaged with South Yorkshire Pension Fund to explore options to reduce employer pension contributions in light of an improved fund position. This is likely to generate significant ongoing savings from 2026/27.

# Significant Value for Money Risk - Governance

## Our findings

- Due to the extended 23/24 year end the £65m was increased to £66m to account for capital expenditure between 1st April and 6th May. One of the mitigations identified was to spread the impact of the MRP omissions over 25 years from the 25/26 financial year. This is the working assumption for all assets with an asset life below 25 years (those with longer asset lives are being profiled over the relevant period on an asset-by-asset basis). The MRP repayment has been delayed until 2025/26 to support the overall reserves position of the Police Fund. Legacy costs and pension abatement costs have been capitalised with MRP repayments over 20 years from 2025/26. This included capitalising £5.4m of abatement costs associated with 2023/24. The 2025/26 budget and Medium-Term Reserves Statement (MTRS) factored these assumptions in with a fully compliant approach for new capital expenditure from 2024/25.
- It is the Authority's intention to move to a compliant approach on MRP. However, to fully provide for the omission of MRP and increased charges for 2024/25 (onwards) capital expenditure in line with the guidance would not be sustainable without a significant impact on the front-line policing service. The Authority has presented proposals to mitigate the impact of the £65m MRP omissions. This further proposal looks to address 2024/25 (onwards) capital expenditure and associated MRP which presents a further significant challenge to the MTRS. The Authority is aiming to move towards full compliance with the MRP guidance over the next 5 years.
- This "glidepath" to compliance would increase the asset lives used for short-life assets to calculate MRP for capital expenditure in years 2024/25, 2025/26, 2026/27, 2027/28 and 2028/29. The Authority would expect that by the time they calculate the MRP for 2029/30 capital expenditure, it would be using actual asset lives and be fully compliant with the MRP guidance.
- To forecast the impact, the Authority increased the asset lives of short life assets (those with a 10-year life and under) by 5 years (2024/25), 4 years (2025/26), 3 years (2026/27) and so on until 2029/30 (no adjustments to actual asset lives). This approach would reduce the cost in the immediate term and allow for sufficient time to move to a sustainable MTRS. It would also be a significant step towards closer compliance with the MRP guidance that MRP should be charged over a period based on an asset's useful life rather than the 50 years used by the OPCC in prior years.

## Conclusion

There is a mandatory requirement that a significant VFM risk is identified if a Section 114 notice has been issued. We have therefore, identified a significant risk in relation to this issue.

However, we note that the Authority issued a Section 114 notice as a result of the failure of the OPCC to comply with statutory minimum revenue provision guidance giving rise to a deficiency in the Police Fund revenue budget. We also note that the Authority had no responsibility nor authority to challenge existing practices of the OPCC statutory entity before transfer and its subsequent implementation of governance arrangements in reaction to the identification of this, including the timely engagement of external advisors to quantify the extent of this omission and open communication with Central Government to seek a resolution to address this error.

Based on the findings above we have not identified any significant weaknesses in relation to the historical non-compliance with Minimum Revenue Provision requirements.

# Improving economy, efficiency and effectiveness

DRAFT

## How the Authority uses information about its costs and performance to improve the way it manages and delivers its services

We have considered the following in our work:

- How financial and performance information has been used to assess performance to identify areas for improvement;
- How the Authority evaluates the services it provides to assess performance and identify areas for improvement;
- How the Authority ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives; and
- Where the Authority commissions or procures services, how it assesses whether it is realising the expected benefits.

## Identification of cost savings and areas of improvement

- The Authority monitors cost performance via the budget monitoring process in which explanations are obtained for year-on-year movements as well as variances between budget and actuals. Additionally, every programme has a cost plan which is used to profile the resources required to deliver specific programmes and projects and other corporate initiatives. These are then used to manage costs within the constraints of the funding envelope and discussed at budget monitoring meetings with budget holders to identify any required costs savings.
- The Authority does not carry out specific benchmarking exercises as it does not experience such significant budgetary pressures as other local authorities. We have deemed this to be appropriate given the varying nature of MCA functions and therefore there not being many MCAs with the same functions to benchmark against.
- The Authority has considered the impact of cost-of-living pressures, including price inflation on cost drivers such as energy costs, within the budget, and variances continue to be monitored during the year. In addition, in order to alleviate the impact of the cost-of-living crisis on the people of South Yorkshire, the MCA has introduced measures to support local communities. There are individual regional support and government support to assist with the increases in household costs, energy bills, childcare costs and transport costs.

## Non-financial performance monitoring

- The Authority has a Monitoring and Evaluation Framework in place that is documented within the Authority's Assurance Framework which provides a framework for effective performance management. The Framework sets out how projects and programmes, including devolved funds such as Adult Education Budget (AEB), City Regional Sustainable Transport Settlement (CRSTS) and UK Shared Prosperity Fund (UKSPF), will be assessed to understand the inputs, outputs, and impacts of investments made in South Yorkshire. The framework sets out several logic models and identifies the performance metrics and indicators that are used to assess the impact of a project or programme and its contribution to delivering the Strategic Economic Plan (SEP) and other key corporate strategies and outcome targets for economic growth.

# Improving economy, efficiency and effectiveness

DRAFT

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  - How the Authority evaluates the services it provides to assess performance and identify areas for improvement;
  - How the Authority ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives; and
  - Where the Authority commissions or procures services, how it assesses whether it is realising the expected benefits.
- The Authority's Strategic Economic Plan (SEP) for 2021-2041 sets out the MCA's vision and overarching policy objectives for the next 20 years which are to create a stronger, fairer and greener South Yorkshire. The SEP sets out the performance measures and targets that will be used to assess whether the MCA has been successful in achieving its objectives by 2041.
  - In addition, the Authority has launched a Plan for Good Growth as a working document. Its purpose is to set out how the MCA, working in collaboration with its constituent Councils, will build prosperity by increasing the number of secure, high-paying jobs in South Yorkshire in the industries of the future, improve connectivity so that all can access the opportunities created, and create vibrant communities.
  - Following publication of the Plan for Good Growth, the next phase will be for the Authority to work with its partners to identify what is needed in the next 6-months and the next 5 years to develop the Growth Areas identified in the Plan for Good Growth, develop a consultation and engagement Plan for Good Growth document, and produce development plans for each Growth Area and priorities for wider economic and social infrastructure.
  - The MCA's key performance indicators are included in the Assurance Framework. Each KPI is assigned a desired outcome, the data the indicator will be measured against 2041 targets and are reviewed by the Board and other Committees and a responsible Director.
  - Monitoring of individual projects from sponsors takes place with quarterly performance reports to the MCA Executive Team. All quarterly reports are signed off by the Section 73 Officer. The MCA Executive Team presents Performance Reports on project and programme delivery, including AEB, to the MCA and relevant Thematic Board. This ensures that Board members are informed of progress on projects and are sighted on any issues that will result in financial slippage or underperformance.
  - Performance Reports are also submitted to the relevant Government department, specifically Ministry of Housing, Communities and Local Government and the Department for Education and the Department for Transport. The frequency of reporting is determined by the relevant Government department although it usually consists of the submission of quarterly updates to the department and a formal annual report.

# Improving economy, efficiency and effectiveness

DRAFT

## How the Authority uses information about its costs and performance to improve the way it manages and delivers its services

We have considered the following in our work:

- How financial and performance information has been used to assess performance to identify areas for improvement;
- How the Authority evaluates the services it provides to assess performance and identify areas for improvement;
- How the Authority ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives; and
- Where the Authority commissions or procures services, how it assesses whether it is realising the expected benefits.

- All projects are evaluated post-delivery on the project's impact on the South Yorkshire economy, to ascertain whether the project's objectives, outputs and outcomes were achieved, the reasons and results of any under or over performance, and to identify any lessons or recommendations that should be applied to future projects.

## Monitoring of outsourced services

- The Authority does not currently outsource any significant services.

## Partnership workings

- Experts are contracted based on their subject and thematic expertise and evaluation experience and produce independent evaluation reports of MCA funded projects, schemes, and programmes. The use of external evaluation experts to provide technical expertise and specialist advice on conducting project and programme evaluation, ensures that all evaluation conducted on projects and programmes funded by the MCA and Local Enterprise Partnership Board is as objective and impartial as possible.
- The MCA Executive Team reviews the results of the evaluation against the objectives of the project as set out in the business case and Funding Agreement and the most appropriate counterfactual. Evaluation results for all projects are published on the MCA website. The MCA Executive Team compiles a summary report for the MCA of all projects that have completed during the previous quarter. This report confirms whether the project has delivered against its spending profile and achieved the outputs and objectives in the Funding Agreement. The report also recommends whether each project can be closed.

## Conclusion

Based on our procedures performed we have not identified a significant risk associated with improving economy, efficiency and effectiveness.



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