

**Annual Governance Statement 2016-17**

## Document Properties

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## **1. Introduction**

### **What is the Annual Governance Statement?**

The Accounts and Audit Regulations 2015 requires Combined Authorities to prepare an annual governance statement in order to report publicly on the extent to which they comply with their own code of governance, which, in turn, is consistent with good governance principles. This statement includes how the effectiveness of their governance arrangements have been reviewed during the year, and on any planned changes in the coming period. The process of preparing the governance statement should itself add value to the effectiveness of the governance and internal control framework.

The annual governance statement is a valuable means of communication. It enables an authority to explain to stakeholders its governance arrangements, and how the controls it has in place manage risks of failure in delivering its outcomes. It should reflect the Combined Authority's particular features and challenges.

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

By governance, we mean the arrangements that are put in place to ensure that intended outcomes are defined and achieved. The Governance Framework comprises the systems and processes, cultures and values, by which the Sheffield City Region (SCR) Combined Authority (CA) directs and controls the activities it is accountable for. Good governance is about making sure the Combined Authority does the right things, in the right way for the right people, in a timely inclusive, open, honest and accountable manner.

The CA acknowledges that good governance arrangements are the basis upon which it is able to establish policies and ultimately the efficient delivery of its programme of work within the city region. For good governance to be truly effective it must be robust yet permissive and be able to be adapted to changing circumstances. Public bodies such as the CA must be responsive to developments in services, public expectations and the actions of other stakeholders.

## **2. Scope of Responsibility**

The CA 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 arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the CA is responsible for establishing proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions including arrangements for the management of risk.

## **3. About Sheffield City Region Combined Authority and Local Enterprise Partnership**

### **Role and Structure**

#### **LEP**

LEPs are private sector led voluntary partnerships between local authorities and businesses set up in 2010 by the Department of Business Innovation and Skills to help determine local economic priorities and lead economic growth and job creation within the local area.

The LEP comprises a private sector majority with 10 private sector representatives and nine leaders of the member local authorities. The LEP works in partnership with the CA and ensures that SCR policy and

decisions receive the input and views of key business leaders and the wider business community. The LEP is the originator of economic policy within SCR and is author and custodian of the Strategic Economic Plan (SEP).

## **CA**

The CA was established on the 1st April 2014. Working closely with the LEP, the remit of the CA is to provide strategic direction for the SCR, and to coordinate and drive forward economic regeneration and transport initiatives for the benefit of citizens and the business community within its boundaries. The CA is the accountable body for funds notionally awarded to the LEP.

The SCR CA comprises the leaders and elected mayor (Doncaster) of each of the nine councils which constitute the body. It meets every six weeks and is aligned to a number of supporting committees and boards which provide the expected degree of scrutiny and challenge in formulating policy and driving key strategic decision-making. The CA comprises nine local authorities that collectively reflect the natural and economic geography of SCR. Between these partner authorities there has been a long standing approach to collaborative working.

The CA has a distinct and separate role from the local authorities it is comprised of, in that it provides leadership on those aspects that define the region, enables a regional identity and performs the strategy, policy, programme and assurance of SCR.

The CA constitution and operating arrangements, approved by all nine member bodies, have been in place since April 2014. These include terms of reference for the SCR Transport Committee and the authority that has been both delegated and referred to it. The constitution sets out the powers and functions of the CA, including financial procedures, Member Code of Conduct, the Scheme of Delegation to officers and arrangements for the operation of a scrutiny and audit committee function.

The Scheme of Delegation provides for the day to day management and oversight of services provided by the Authority. These include the responsibilities of the Head of Paid Service, Clerk, Finance Director and Monitoring Officer. Five thematic 'Boards' (Business Growth, Skills, Housing, Transport and Infrastructure) are empowered to debate thematic matters in detail on the CA / LEP's behalf ahead of draft 'resolutions' being put to the CA for endorsement.

## **Collectively**

SCR's objective, working in tandem with central Government, is to grow the economy of the SCR noting that to do so requires greater devolution of funding, resources and functions to the City Region. Since 2014 SCR has established itself as a front-running city region for devolution and governance, as one of only seven regions across the country to have established a combined authority and negotiated two devolution deals with central Government.

## **Executive Team**

The CA and LEP are supported by a dedicated Sheffield City Region Executive Team, who provide day-to-day support on policy, commissioning, project development, project appraisal, programme management and meeting administration. Through close co-ordination with member authorities, Leaders and Chief Executives, the team pro-actively advances decision making processes for SCR. Neither the CA or LEP are employing bodies, therefore the Executive Team is employed via BMBC.

## **Statutory Officers Group**

The purpose of the group is to assist the statutory officers in exercising their delegated powers as set out in the Scheme of Delegation. This includes, but is not limited to: ensuring the effective leadership of the SCR Executive Team; ensuring good governance; monitoring operating and financial performance and agreeing SCR executive budgets; providing overview and management of strategic risks. The group meets every four to six weeks and is chaired by the Managing Director.

## Senior Leadership Team

The senior leadership team comprises the Managing Director, Deputy Managing Director and the senior members of the Executive Team. Regular meetings are held to monitor the operational aspects of the support provided to the CA and LEP.

## CA Group

The CA Group includes two operational subsidiaries. SYITA Properties Ltd and South Yorkshire Passenger Transport Executive (SYPTe). SYITA Properties Ltd is the property holding subsidiary company of the CA. SYPTe is operational transport arm of the Combined Authority, tasked with delivering the South Yorkshire Transport Plan.

## 4. The Governance Framework

### Purpose

The governance framework evidences the systems, processes and the culture by which the CA directs and controls its activities to deliver the SCR's intended outcomes. These are mapped against the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives (SOLACE) Framework ***Delivering Good Governance in Local Government 2016***. These principles underpin the governance of the organisation and provide a framework against which to structure SCR's approach to governance. SCR's commitment to these principles is outlined in its Code of Corporate Governance.

## 5. Governance review activity

The SCR's governance arrangements have continued to evolve in line with its programme of work. During 2016/17, in light of devolution, an impending mayoral combined authority and the shift from a policy forming organisation to the deliverer of major programmes, a number of activities have taken place to review and strengthen governance. These fall into two main pieces of work –

### Review of SCR's governance and decision making structure

It was recognised early in 16/17 that a mayoral CA needed to be a quite different organisation. An independent review was commissioned to assess the SCR's decision making and governance structure. This review focused upon current arrangements, whether they were fit for purpose, and how they could flex and adapt to changing needs and future requirements. Elected members contributed to this assessment and, through a number of workshops shaped the consequent action planning.

This review identified the following key changes

- the need for SCR to be less transactional in its arrangements with government and to be a more strategic organisation
- for partners and stakeholders to develop and commit to a shared purpose for the SCR and for that commitment to be reflected in changed behaviours
- greater clarity of the delineation of responsibilities and
- improved decision making processes

### Review of SCR's decision making mechanisms

In 2015 SCR was awarded £295m of devolved Local Growth Fund. A condition of the award was to establish an Assurance and Accountability Framework (AAF) that set out the decision making mechanisms for the investment of the funds. The framework must be reviewed and updated on a yearly basis in order to receive the annual allocation.

The review of the framework in preparation for 2017/18 is an iterative process using government guidance and internal self-evaluation activity. It has also incorporated the work undertaken on the review of decision making structures as discussed in 1.3. The revised framework was approved by DCLG in February 2017.

Building on this activity, and in recognition of the importance of an effective governance and control system, SCR undertook further work to identify the relevant underpinning governance themes required to successfully deliver its Strategic Economic Plan, and the associated risks. Focusing on the effectiveness of, and the risks to, the governance framework has also assisted SCR in identifying opportunities to strengthen governance.

The review process has also taken into account the action taken against the control issues raised on the previous Annual Governance Statement.

## **6. Governance arrangements their effectiveness**

The scope of the governance and internal control framework spans the whole of SCR's activities and is described in the Code of Corporate Governance. The following section considers the main components of the framework, their effectiveness during 16/17 and describes any improvements made in year and how SCR intends to strengthen arrangements into 17/18.

### **6.1 Developing, communicating and embedding codes of conduct which define standards of behaviour for members and staff, and for policies dealing with whistleblowing and conflicts of interest.**

The SCR CA has an approved Code of Conduct for members within its constitution. This sets out the requirement that the business of SCR must be conducted in accordance with the <sup>1</sup>Nolan. It also specifies the procedures regarding the receipt of any gift or hospitality.

The SCR LEP policy on the acceptance and declaration of gifts and hospitality aligns with those of the existing local authority systems and standards. It also applies to the SCR Executive and any sub-groups and officer functions involved in advice or decision making regarding its Growth Deal. These policies include clear processes to facilitate ethical governance.

The CA constitution sets out the protocols to be followed in relation to any allegations of misconduct. Any allegations are directed to the CA's Monitoring Officer or their deputy. Where the complaint cannot be resolved locally, and the matter relates to the use of public money, the issue can be escalated to a relevant Government department.

Each member of the SCR CA and the LEP is required to make a declaration of interest, pecuniary and non-pecuniary, for the purposes of their individual organisations. These registers, updated as necessary and reviewed annually, are available on the website compliant with the requirements of the Localism Act 2011. Members are also required to declare any interests they may have in any agenda items at meetings. Any interests are recorded in the minutes and published on the website after the meeting. Where a member declares an interest, clear protocols exist with the constitution and the (draft) LEP Terms of Reference that ensure members do not participate in any decision making related to that interest.

Protocols for conflicts and declaration of interests for members of the Business Investment Board, established by the CA in 2015, with the purpose of unlocking business investment and enabling more companies within the City Region to access external finance, are defined in the BIF handbook.

SCR has the expected controls in place to ensure high ethical standards, however through our risk management framework we have identified that, given the partnership nature of the organisation, it is important to continue to monitor and strengthen these controls.

### **6.2 Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.**

<sup>1</sup> Selflessness, integrity, objectivity, accountability, openness, honesty, leadership  
SCR Combined Authority and Local Enterprise Partnership Annual Governance Statement 2016-17

The CA's financial regulations and procurement rules, which determine how money can be spent, ensure that expenditure is lawful. Legal advice is taken in relation to investment decisions regarding State Aid where appropriate. SCR's finance and procurement functions, who are embedded within the Executive team, have delivered a number of training sessions to ensure practice is compliant with the regulations and rules. The financial regulations and procurement rules are being revised as part of the constitutional review.

SCR procures its HR support through BMBC and operates under their suite of policies compliant with employment law. A dedicated BMBC HR team member, who works closely with SCR, regularly attends senior leadership team meetings.

SCR also procures support from BMBC in relation to information law. The SCR Governance and Compliance Officer works closely with the BMBC Customer Feedback and Improvement team to coordinate any requests under the Freedom of Information Act 2000. Through our risk management framework we have identified actions to strengthen our controls in relation to information governance. In addition, we have also identified actions to ensure the effective strategic and operational approach to ensuring legislative, regulatory and statutory compliance. Statutory Officers are considering the controls in place and any actions to strengthen these will feed into the Risk Management Action Plan and considered by the Audit Committee.

### **6.3 Demonstration of SCR's commitment to openness and acting in the public interest.**

CA meetings are held in public (unless there are good reasons to exclude the press and public). All agendas and reports for the CA and its associated committees are published online in accordance with statutory access to information requirements. Annual accounts are reviewed by external auditors, their opinion together with the final accounts are published and available for inspection.

Independent appraisals of all SCR's potential schemes linked to Local Growth Fund (LGF) investment, prioritise projects that deliver jobs, gross value added (GVA) and private sector investment ensuring that decisions are made based on value for money criteria and therefore demonstrating best value for public sector investment.

SCR's AAF has been reviewed following the publication of revised national guidance. In order to comply with this, moving forward, SCR will publish details of all proposed schemes and full business cases where applicable, receiving money from LGF. A mechanism will be available for members of the public to provide comments on each scheme. In addition, all boards with delegated authority from the CA will be required to report to the CA and LEP on a regular basis.

We believe there are appropriate measures in place to ensure openness however, it is recognised that further work to strengthen this is required. A review is underway to ensure information is published in line with the FOI Act Model Publication Scheme and with the Local Government Transparency Code 2015.

### **6.4 Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.**

SCR use various mediums to communicate with SCR communities and stakeholders these include: the SCR website and the publication of key documents such as the SCR Strategic Economic Plan and Assurance Framework, as well as updates on activity; a regular programme of events to provide ongoing engagement with public and private partners across the City Region. SCR also has dedicated pages on social media platforms including Twitter and Facebook.

The SCR Executive Team also engage with partners on behalf of the CA and LEP through the Executive Boards; Advisory Groups; Local Authority Scrutiny sessions, Executive Directors Forum; Directors of Finance and Directors of Housing Groups.

Through its Strategic Risk Management process SCR have assessed the controls in place that ensure SCR is effective in engaging and communicating with stakeholders and partners and opportunities to strengthen the approach have been identified. This includes a corporate communications plan, which is in

development and will capture the actions required.

In July 2016 SCR launched a statutory consultation process on the 'Scheme' for the Mayoral Combined Authority. Whilst well received publicly the legality of the consultation was challenged by Derbyshire County Council by way of a Judicial Review. Further to the judgement the CA resolved to undertake further consultation. This was scheduled to take place in summer 2017. SCR sought the advice of the Consultation Institute, who provide challenge and certification of consultation processes, in order to provide assurance that the approach and methodology would meet legislative requirements. However, the decision of Bassetlaw and Chesterfield to not pursue full membership of the CA at this time has negated the requirement for the consultation to go ahead as planned. Further consultation on the agreed scheme will however be required and will be subject to consultation requirements.

**6.5 Developing and communicating SCR's vision which specifies intended outcomes for citizens and service users and is used as a basis for planning.**

SCR's vision is contained within the 10 year Strategic Economic Plan (SEP) The SEP, which was approved by the CA and LEP in 2014, is a formal statement that captures the ambition, vision and strategic priorities of SCR. The vision is focused on creating a bigger and stronger private sector, including creating 70,000 jobs and increasing GVA by 10%. The delivery of the vision is communicated across a range of channels. This includes standardised text produced and replicated across internal and external briefings, through the production of visually appealing graphics – and in online content. Sheffield City Region has a regularly refreshed website and utilises social media streams such as Facebook and Twitter to actively engage with residents and businesses.

Five years on from the initial independent economic survey which assisted the development of the SEP, a further survey has been commissioned. The results from the survey are being analysed in order to understand the impact of interventions made to date and to re-refresh the plan. A number of workshops to socialise the options are being held with Local Authority partners.

**6.6 Translating SCR's vision into courses of action for the SCR, its partnerships and collaborations.**

The current SEP articulates the need for a bigger, stronger private sector in order for SCR achieve economic growth. The plan describes the strategic objectives required to deliver this and translates these into thematic priorities. In order to deliver SCR's ambition, the CA and LEP have established executive boards aligned to the themes and programmes of activity are commissioned against them. The executive boards, which are led by elected members, shape the programmes of activity and are held to account by the CA regarding their performance. Further to the governance review and the review of the AAF the role of the executive boards is being reconsidered.

The Devolution Agreement between Government and SCR sets out the terms of a proposed agreement to devolve a range of responsibilities to the CA. Within this agreement are a number of themes that underpin those in the SEP. The CA translates these devolved responsibilities in a number of ways. For example, a 'Joint Assets Board' is established and has the aim of accelerating the disposal of surplus public sector sites, maximising opportunities for housing and economic growth.

<b>6.7</b>	<b>Ensuring SCR’s decision-making framework is effective, including delegation arrangements, decision-making in partnerships, information provided to decision makers and robustness of data quality.</b>
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**How does SCR make decisions?**  
SCR’s decision making framework is described in its constitution. This includes a Scheme of Delegation, Financial Regulations and Terms of Reference for thematic boards. Moving into the CA’s third year of operation, and further to the independent review of its decision making structure, it has been recognised that the constitution now requires some refinement and a review is underway. This review, led by Statutory Officers, aims to address issues around the timeliness of decisions balanced against new Scrutiny rules. It also aims to clarify procedural issues and delegations.

**How does SCR make investment decisions?**  
The Assurance and Accountability Framework sets out the mechanisms used to make investment decisions in relation to SCR’s Growth Deal allocation.

**How does SCR make decisions with partners?**  
By its nature the CA and LEP is a partnership organisation. This is reflected in its constitution. SCR seeks to ensure, through collaboration and joint working, that the aspirations and ambitions of the City Region are aligned to those of its partners.

**Information provided to decision makers**  
SCR has robust processes in place for strategic decisions and prioritising investments. Evidence from various sources is considered including; economic analysis, the SCR integrated infrastructure plan, Area Based Review and other local and national intelligence.

SCR bases the programme decisions it makes on objective and robust information and considers an analysis of a variety of options and any associated risks. Potential investment of the Growth Deal allocation in capital programmes are appraised to ensure they are robust, strategically aligned and represent good value for money. The appraisal process is articulated in the AAF and includes a number of tools and processes including: the SCR Appraisal Panel; an independent appraisal panel; a tool for understanding the economic impact of a programme of capital infrastructure projects (FLUTE) and Web Based Transport Appraisal Guide which is used for modelling and appraisal of schemes based on the guidance set out in the HM Treasury Green Book.

During 2016 SCR made a significant investment in FLUTE and associated data sets. These tools and information are required across multiple programme areas and ensure the effective prioritisation and appraisal of schemes which are funded through SCR’s Local Growth Fund allocation. This appraisal is an essential part of the process required to test value for money of schemes at development stage.

The Business Investment Fund strategy was approved by the CA in 2015 with the purpose of enabling more companies within the City Region to access external finance to grow, modernise or sustain their activities. The CA has delegated authority to the BIF programme Board to approve grants of up to £2m. In order for the BIF Board to make decisions all grant awards are appraised using the “Green Book” methodology – leading to a cost/benefit appraisal of each proposed investments.

<b>6.8</b>	<b>Measuring the performance of services and related projects and ensuring that they are delivered in accordance with defined outcomes and that they represent the best use of resources and value for money.</b>
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The Assurance and Accountability includes a comprehensive monitoring and evaluation framework which is designed to provide robust feedback on any lessons learned from individual projects and monitor and measure the success of SCR’s Local Growth Fund investments. Throughout the lifespan of a programme, monitoring takes place and finance and programme management teams work together to understand the investment, its effectiveness, outputs and impacts. Funding agreements tie projects to delivering outcomes that represent the best use of resources and value for money. The recent SCR Executive team restructure has prioritised programme management resource. Additional resource in this area will help to

embed the progress made in 16-17 whereby the Programme Office was an integral part of the SCR delivering its Capital Programme.

The terms of grant awards made through the Business Investment Fund (BIF) are defined in a grant agreement. This agreement includes contractual outputs e.g. job creation. These 'deliverables' are monitored on a quarterly basis – including site visits and the auditing of evidence to substantiate any claims made.

<b>6.9</b>	<b>Defining and documenting the roles and responsibilities of members and management, with clear protocols for effective communication in respect of the CA and partnership arrangements.</b>
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The broader context for the CA's governance and internal control environment is provided by the constitution which gives comprehensive information on how the CA is organised, its decision making processes, how its authority is delegated and how probity and due process are promoted. As described in 6.7 a review of the Constitution is underway.

<b>6.10</b>	<b>Ensuring that financial management arrangements conform with the governance requirements of the CIPFA Statement on the role of the Chief Financial Officer in Local Government (2015) and, where they do not, explain why and how they deliver the same impact.</b>
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The CA's Chief Finance Officer (CFO) is a key member of the SCR Senior Leadership Team, helping it to develop and implement policy, strategy and resources to deliver the SEP in a way that is sustainable and in the public interest. They are also 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.

To deliver these responsibilities the CFO leads and directs the finance function to ensure it is resourced in such a way as to be fit for purpose and that they are professionally qualified and suitably experienced.

The principles within the CIPFA Statement on the role of the Chief Finance Officer in Local Government are embedded in the CA's arrangements.

<b>6.11</b>	<b>Ensuring effective arrangements are in place for the discharge of the monitoring officer function and the head of paid service function.</b>
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The constitution outlines functions and delegated responsibilities of the statutory officers, namely the Head of Paid Service, the Chief Finance Officer and the Monitoring Officer. All three of the statutory officers are members of the CA's Senior Leadership Team. The Statutory Officer Group meets regularly and focusses on the specific statutory nature and responsibilities of their roles and the authorities delegated to them through the Scheme of Delegation. The Monitoring Officer and the Head of Paid Service have direct access to the Chair of the CA and LEP with reference to their core statutory and professional roles.

<b>6.12</b>	<b>Inducting and identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.</b>
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One to one sessions with the SCR Managing Director and appropriate team members are arranged for new members and senior officers. These sessions provide opportunity to identify any knowledge development areas and plan any particular requirements. In addition, during the term of their appointment members are briefed and provided with advice and guidance on agendas and with respect to their conduct and behaviour. During the year a number of workshops focussing on specific areas relating to the strategic roles of members have taken place e.g. governance changes and SEP priorities.

<b>6.13</b>	<b>Reviewing the effectiveness of the framework for identifying and managing risks and for performance, and demonstrating clear accountability.</b>
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***Risk***

At its inception the CA adopted the policies and procedures of BMBC on all matters of governance including strategic risk management arrangements. The 15/16 external audit conclusion highlighted that risk management arrangements required development. Statutory Officers also recognised that, whilst arrangements had been proportionate to the relative immaturity of the organisation, work was required to embed a robust and effective approach. A number of sessions have been held to consider the approach and a risk management policy and strategy specific to the CA has been developed, socialised and endorsed by the Audit Committee and adopted by the CA. Work is progressing and risk management action plans are in development, each risk having specified owner. Improvement in this area is significant and the CA now has a clear timeline for embedding and maturing risk processes.

The SCR Assurance and Accountability Framework includes a comprehensive issue and risk management approach developed in accordance with the Government Green Book guidance and project management methodology. Project/scheme risks are recorded and managed by individual scheme promoters. Risks are referenced in the Business Case and appraised as part of the assurance process. Each project is asked to report its most significant risks on a quarterly basis and escalate any requiring the attention to the respective Board.

***Performance***

In relation to LGF investments, programmes of work are monitored throughout their lifespan. The Finance Team works with the Programme Management Team to understand the overall scale of investment and the fit between the capital revenue split and the conditionality of constituent components of the funding. This ensures that there is ongoing assessment of the effectiveness of each type of investment in line with the expectation of funding providers.

The CA are accountable for all investments and, during 16/17, an LGF capital approvals item has become a standing agenda item at all CA meetings. This item reports on projects as they progress through AAF process and culminates in a report seeking approval to proceed to contract and delivery. The same report summarises and presents for approval all project changes as submitted through the established performance management process. Once a project is in delivery phase regular returns are required from promoters on all projects. This captures KPIs for each project which are then summarised at programme level and presented for action, endorsement or approval to the appropriate executive board or to the CA. Project return deadlines have now been aligned to financial reporting periods and protocols are being developed for a Capital Programme Board. This board will consist of elected members and will provide strategic overview of the capital programme and revenue funding of SCR and that the programme is progressing in line with SCR objectives and priorities.

<b>6.14</b>	<b>Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).</b>
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The CA constitution includes a Fraud Response Plan and Whistleblowing Policy which provides direction and guidance for dealing with suspected cases of theft, fraud and corruption. It also gives direction on reporting matters of concern.

Partners and all other stakeholders are expected to have strong anti-fraud and corruption measures in place. In the case of any investigation they are required to provide the CA with full access to their financial records and staff. Agreements or contracts include these conditions, and appropriate due diligence is undertaken before entering into any agreement.

The SCR Executive Team, as employees of BMBC are bound by an employee Code of Conduct and a suite of policies relating to anti-fraud and bribery. An online training package is available to members of staff to support their understanding.

<b>6.15</b>	<b>Ensuring an effective scrutiny function is in place.</b>
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The CA has established a joint SCR Overview and Scrutiny Committee to exercise scrutiny functions over its activities and decisions (and those of formal committees and the LEP). This comprises 14 members and has a political balance. Each local authority appoints at least one elected member to the joint Overview and Scrutiny Committee – often this is the chair of each authority’s own overarching scrutiny committee. Going forward the joint SCR Overview and Scrutiny Committee will produce an annual work plan which will be made available to the public on the SCR CA website. SCR’s scrutiny procedures are currently being reviewed and strengthened in relation to the ‘Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2016’ statute.

**6.16 Ensuring that assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact.**

The Internal Audit function for SCR is provided by BMBC. The Head of Internal Audit (HoIA) plays an important role in assisting SCR in delivering its strategic objectives. This is achieved by championing best practice in governance, objectively assessing the adequacy of governance and management of risk, commenting on responses to emerging risks and proposed developments, and giving an objective and evidence based opinion on all aspects of governance, risk management and internal control.

To perform this role, the HoIA is a senior officer with regular and open engagement, particularly with Statutory Officers and the Audit Committee. They lead and direct an internal audit service that is resourced to be fit for purpose, professionally qualified and suitably experienced.

The principles within the CIPFA Statement on the role of the HoIA in Local Government are embedded in the CA’s arrangements.

The Internal Audit function is fully compliant with Public Sector Internal Audit Standards (PSIAS).

**6.17 Ensuring the core functions of an audit committee, as identified in Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2013) are undertaken.**

SCR has an established Audit Committee in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance. The Audit Committee, which is chaired by an elected member, comprises 14 members and is responsible for providing independent assurance to SCR on the adequacy and effectiveness of the governance and internal control framework, which incorporates the arrangements relating to financial, risk and performance management.

KPMG who are appointed as external auditors also attend Audit Committee meetings. This process is in keeping with arrangements in place for local authority spend. As the accountable body for all funds notionally awarded to the LEP, the Audit Committee covers the requirements for both the LEP and the CA.

The Committee receives regular reports relating to its remit, including issues arising from the work of Internal Audit, updates on the risk management process and financial management reports, plus reports from the external auditors which includes updates on the progress of implementing recommendations that have been made.

As part of its governance remit, the Audit Committee will consider this statement and, as necessary provide comments. In addition, the committee will monitor the implementation of any emerging developments or improvements, recommended through the governance review process.

Inclusive in the review of the constitution the Audit Committee terms of reference will be reviewed and an action plan developed to maximise the value the committee gives to SCR.

<b>6.18</b>	<b>Provides timely support, information and responses to external auditors and properly considers audit findings and recommendations.</b>
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The Statutory Officers of the CA maintain working relationships with the external auditors throughout the year to ensure that the auditors remain informed of changes to the CA's business and processes. Officers collaborate with the external auditors on the annual audit plan, and liaise on any external audit recommendations and the management actions taken to affect them. External auditors are embedded within the organisations oversight functions through their attendance at the CA's Audit Committee.

All audit reports include management mitigation plans with named responsible officers, and these are followed up by both internal and external audit. Only one fundamental recommendation has been made within the completed pieces of internal audit work. This relates to the understanding and application of regulatory and procedural requirements for contract procedures. The recommendations of the report are being addressed.

There are no longstanding internal audit recommendations to report at this time.

<b>6.19</b>	<b>Incorporating good governance in respect of partnerships and other joint working</b>
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By its very nature the CA it is a partnership organisation. The constitution determines how the CA interacts with its subsidiary (SYPTTE) and the financial regulations determine the limitations of their autonomy in relation to expenditure. The CA's operating subsidiaries have also adopted Articles of Association that limit their operational independence, this effectively imposes CA governance on them.

Where appropriate, contractual arrangements are in place and monitored throughout the lifespan of the partnership.

<b>7.</b>	<b>Monitoring and evaluating the effectiveness of the governance framework</b>
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The CA has responsibility for conducting a review of the effectiveness of its governance framework, including systems of internal control and risk management arrangements. The review of effectiveness is informed by the work of Statutory Officers who have responsibility for the development and maintenance of the governance environment, the HoIA's annual report and also by comments made by external auditors and other regulators or inspectorates.

Statutory Officers along with the SCR Executive team are responsible for ensuring compliance with, as well as improvement against the governance, risk and internal control framework. As part of this function, Statutory Officers are asked to provide assurances regarding the overall governance arrangements for their area of responsibility. This information has been evaluated, and where appropriate, included in governance improvement planning.

#### **Internal Audit**

The HoIA is responsible for providing assurances on the robustness of the CA's internal control arrangements to the Audit Committee. The Head of Internal Audit's annual report on audit activity and the performance of the Internal Audit division was presented to the Audit Committee on 27<sup>th</sup> July 2017. Based on the systems reviewed and reported on by Internal Audit during the year, together with management's response to issues raised, the HoIA has provided an overall **Adequate** assurance opinion for 2016/17.

The role of Internal Audit within the governance, risk and internal control framework is to operate both independently and objectively in reviewing and reporting on the effectiveness of the Annual Governance Review process and the corporate Risk Management framework. This work has been undertaken by a BMBC reporting directly to the CEXs and Audit Committee in order to preserve that independence.

<b>8.</b>	<b>Governance actions 15/16</b>
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The 15/16 external audit conclusion identified some areas for development. These are listed below along with an update on their resolution.

<b>Area for development</b>	<b>Status</b>
Establishment of a Code of Corporate Governance	A Code of Corporate Governance has been established. The systems, processes and the culture required to deliver the SCR's intended outcomes have been mapped against CIPFA/SOLCE principles. The arrangements described in the Code are well established.
Establishment a robust risk management process	Significant work has been undertaken during 16/17 to review SCR's strategic risk management process. A Risk Policy and Strategy specific to the CA has been developed and endorsed by the Audit Committee and adopted by the CA. The strategy includes a clear timeline progressing towards a risk maturity model.
Establishment of a performance management framework	The performance management framework for LGF investment is well established and described in the Assurance and Accountability Framework.
Review of the operation of SYITA Properties Ltd	Issues identified regarding the operation of SYITA Properties have been addressed and it has been agreed that the company board will move the company towards a members' voluntary liquidation. The assets and activity of the company reverting to the CA. It is expected that this action will be concluded in financial year 2017/18.
Address the backlog of issues at the pension fund	SYPA are responsible for the action required to address identified issues. The management structure has been reviewed and a new structure implemented from April 2017 to address performance. Close monitoring will take place throughout the year to keep progress under review.

## **9. Significant governance issues during 16/17**

The review of the CA's governance, risk and internal control arrangements in 2016/17, whilst not identifying any fundamental issues in terms of the general level of compliance with the CA's governance and internal control framework, has identified a number of opportunities to strengthen governance arrangements.

### **Financial Governance**

As the CA's governance processes continue to evolve, it is recognised that attention will need to be paid towards the effectiveness of current systems to enable responsive and effective financial governance in pursuit of the SEP aspirations. It is understood that an operating culture must be adopted that is reflective of the CA's assurance framework and the broader commitment to efficient use of its resource to overcome more inevitable narrower interests.

The strength of the CA's financial planning rests on the quality of information that is available to it. This requires honest, timely, and accurate information from partners in receipt of grant (mainly the nine member local authorities) to allow the CA to manage its programmes as efficiently as possible.

Pressures during 16/17 upon the CA's capital programme through significant underspends are a symptom of the development required in this area. The effectiveness of embedded programme management governance arrangements enabled early-warning of underspends and allowed for an effective mitigation plan to be implemented. However, work is being undertaken between the Combined Authority and its partners to ensure that a culture of openness and joint accountability for delivery is developed to safeguard the CA against such pressures in the future. For example, the Capital Programme Board will be transformed to widen the scope and membership in order to improve the overall ownership of programme management.

### **Management of Assets**

The absence of an up-to-date group-wide asset management strategy has led to a lack of transparency on emerging pressures, and a consequent risk that resource is not aligned to priorities. The CA recognises it must ensure that it has access to efficient management information for its own group-wide asset portfolio. The specification for a project to review the asset base has been developed and will move to commissioning stage by summer 2017.

### **Information Governance**

Recognising that there were a number of issues that presented the organisation with vulnerabilities and hindered efficient working, in autumn 2016 an assessment of SCR's IT provision and governance was commissioned. The assessment identified several improvements with the potential to improve business operations and efficiency. Statutory Officers approved an IT transformation project which is underway and will bring a number of benefits in terms of cost, efficiency, governance and security of information. Work will continue in 17/18 to further embed this.

### **Mayoral Combined Authority**

Since the four South Yorkshire Local Authorities consented to the Mayoral Order considerable work has progressed towards this ambition. This has been a challenging process as, in the course of seeking to expand the CA to include Chesterfield and Bassetlaw, a judicial review was brought against the CA. The subsequent decision of Chesterfield and Bassetlaw not to progress with full membership at this time, and the subsequent discussions regarding alternative options, has created some uncertainty. However, it is recognised that, whatever decision is taken regarding the future of the City Region, an appropriate and effective governance framework is vital to the achievement of SCR's ambition.

<b>10.</b>	<b>Governance improvement plan</b>
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Whilst no fundamental governance issues have been identified the CA has a clear understanding of the key areas of focus for 17/18 these include:

Governance Area	Focus for 17/18
Financial Governance	<ul style="list-style-type: none"> <li>• Move towards a more efficient scheme approval process with the effect of reducing the amount of time between outline business case and delivery, minimising the risk of slippage and grant clawback.</li> <li>• An increase in diligence in relation to scheme monitoring. Measuring quarterly performance data against business case to ensure promoters are delivering outcomes.</li> </ul> <p>The achievement of these are dependent on the resolution of the issues described in section 9.</p> <ul style="list-style-type: none"> <li>• Meeting all requirements to ensure an unqualified value for money conclusion is attained.</li> <li>• Addressing recommendations of internal audit of procurement processes.</li> <li>• Appropriate monitoring and oversight of operational subsidiary.</li> </ul>
Information Governance	<ul style="list-style-type: none"> <li>• Meeting the requirements of the GDPR.</li> <li>• Developing a better understanding of SCR information assets, their management and security.</li> </ul>
Asset Management	<ul style="list-style-type: none"> <li>• The development of a whole life Group Asset Strategy which will ensure decision makers are informed regarding the liabilities and opportunities in relation to group assets and that budgetary requirements are identified in a timely manner.</li> </ul>

<b>11.</b>	<b>Conclusion</b>
<b>Statement by the Chair of the CA and the Managing Director</b>	

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

On the basis of the sources of assurance set out in this statement, we are satisfied that, throughout the year and up to the date of the approval of the accounts, SCR CA has had in place satisfactory systems of internal control which facilitate the effective exercise of the CA's functions.

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