

Annual Governance Statement 2017-18

Document Properties

Change Record

Document Approval

Approving Body or Person	Role (review, approve)	Date
Statutory Officers	Review	April 2018/July 2018
Combined Authority Audit Committee	Review	
S73 Officer, Head of Paid Service	Approve	
Combined Authority	Approve	

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 Combined Authority 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.

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

Local Enterprise Partnership (LEP)

LEPs are private sector led voluntary partnerships between the private and public sector 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 is the originator of economic policy within SCR and is author and custodian of the Strategic Economic Plan (SEP). The SCR LEP has entered into three growth deals with government to deliver programmes which deliver the vision of the SEP, increasing jobs, improving GVA and growing business density. The LEP are responsible for decision making on the direction of the Local Growth Fund (LGF) programme and the outcomes this funding delivers.

The SCR CA

The CA was established on the 1st April 2014. The CA footprint reflects the economic geography of the SCR and the SCR CA comprises the leaders and elected mayor (Doncaster) of each of the nine councils which constitute the body. The CA has a distinct and separate role from each of the individual local authorities it is comprised of. The remit of the CA is to coordinate and drive forward economic regeneration

and transport initiatives for the benefit of citizens and the business community within its boundaries.

The CA Constitution and operating arrangements, approved by all nine member bodies, have been in place since April 2014. 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. The CA is also the accountable body for funds awarded to the LEP.

The election of the Mayor signaled that a revised approach to the CA Constitution would be required. The Constitution has therefore been updated and reflects that the Mayor is a voting member of the CA.

CA Group

The CA Group includes an operational subsidiary, the South Yorkshire Passenger Transport Executive (SYPTTE). SYPTTE is the operational transport arm of the Combined Authority, tasked with delivering the South Yorkshire Transport Plan. Also within the Group structure is limited number of other subsidiaries including the SCR Interventions Holding Company which supports delivery of the LGF programme and SYITA Properties Ltd which operated until October 2017.

SCR Executive Team

The CA and LEP are supported by a dedicated Executive Team, who provide day-to-day support on policy, commissioning, project development, project appraisal, programme management and governance. 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, with support for the statutory finance function being provided by SCC and HR governance by BMBC.

Statutory Officers

The Statutory Officers of the Authority have 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.

4. Governance Review Activity

During 17/18 SCR has given priority to ensuring governance arrangements are robust, transparent and continue to be aligned to deliver SCR's programme of work efficiently and effectively. A number of activities have taken place to review and strengthen governance during the year.

LEP Governance and Transparency

Within year, the government concluded the initial phase of its review of LEPs. This led to the 'Review of Local Enterprise Partnership Governance and Transparency' being published. This report outlined the strengths and weaknesses within the LEP Network nationally. This review was formalised into a best practice guide and issued in January 2018.

The SCR Executive, on behalf of the LEP and CA, undertook a self-assessment review of compliance against requirements leading to an action plan of governance improvements. The output of this plan was the revision of a number of core documents, for example, the LEP Code of Conduct, and the publication of a revised set of Member Registers of Interest. Validation of the governance work has been received via a national compliance audit where the SCR LEP has been deemed to have good and exceptional governance when judged against national criteria.

Efficiency and Effectiveness of the CA Group

The Statutory Officers of the CA with the Senior Leadership Team of the operating subsidiary, SYPTE, commissioned in-year an independent, formal review of the operations of the Group in order to identify any operational changes which could lead to greater efficiencies and improved effectiveness. The review considered all aspects of the operation of the group including finance, legal, IT, HR, audit, governance, risk and procurement and commercial. The review has recently concluded and will be presented for consideration by the CA.

Annual Governance Review

SCR's Governance team has worked with the SCR Executive team to conduct an assessment of SCR's Governance Framework and compliance with SCR's Code of Corporate Governance, to gain assurance the effectiveness of current arrangements and to identify any opportunities for improvement. The outputs from the Annual Governance Review process are summarised in annex A and have assisted in the preparation of this Annual Governance Statement.

5. External Audit Recommendations 2016/17

The 2016/17 External Audit Report identified three areas for development and concluded that three of the four recommendations made in the 2015/16 audit had only been partially implemented and required further attention.

Table 1: Areas for development identified through the 2016/17 external audit

Area for development	Status
<p>Impairment Review The Group needs to review that the PTE has an effective control for monitoring possible impairment of its assets. This should include developing a revaluation policy, in line with accounting standards, that considers not just the assets appropriate for revaluation but also the remaining assets for signs of impairment. This should be done by as a desktop review of the estates and through a review of corporate decision making, looking at any future changes to be made to the assets.</p>	<p>Partially implemented The CA have had oversight of the financial reporting process for the CA group as a whole in 2017/18. The work undertaken as part of the Strategic Asset Management Review will address these recommendations further.</p>
<p>Review of Pension Assumptions The Group should ensure that PTE management have performed a review of the assumptions and can evidence that this has been done.</p>	<p>Partially implemented The CA have had oversight of the financial reporting process for the CA group as a whole in 2017/18. As such, this has ensured that the recommendation has been implemented in preparing the 2017/18 accounts.</p>
<p>Continued Review of Governance The Authority should continue to review and amend its governance structure to meet its needs. This should include full consideration of all issues raised within the Metro Dynamics report and a consideration of the governance structures within the Group.</p>	<p>Implemented (under regular review) The Statutory Officers have continued to ensure that improvements in Governance are embedded. Within the 17/18 year an internal review of governance has been conducted. This has informed steps to further strengthen arrangements where opportunities to do so are identified.</p>

Table 2: Outstanding recommendations from 2015/16 external audit

Area requiring attention	Status
Pension Admin System (SYPA) –Mapping Errors	This issue has been resolved in

Management should continue to be alert for mapping errors and deal with them promptly and completely (making full use of the DART tool once operational) once identified.	the 2017/18 year as the fund transferred to Greater Manchester.
Pensions Administration System (SYPA) –Helpdesk issues Management should address those outstanding issues relating to data migration problems promptly and completely (making full use of the DART tool once operational).	This issue has been resolved in the 2017/18 year as the fund transferred to Greater Manchester.
Pensions Administration System (SYPA) –Access Control Management should carry out a formal review of the above area as soon as possible to ensure: •Only authorised changes have and are made to data and system; •The results of the review should be documented and actions identified should be tracked to completion; •Appropriate segregations of duties are implemented to reduce the risk of unauthorised changes; and •Going forward a formal periodic reviews is carried out, documented and signed off by management.	This issue has been resolved in the 2017/18 year as the fund transferred to Greater Manchester.

6. Progress against the 17/18 governance improvement plan

In addition to the recommendations made by external auditors, SCR Statutory Officers, through SCR's review of governance in 2016/17, identified three key areas for improvement during 2017/18. An action plan was included in the 2016/17 Annual Governance Statement.

Table 3: Progress against the 2017/18 action plan

Governance Area	Focus for 17/18	Progress Update
Information Governance	<ul style="list-style-type: none"> Meeting the requirements of the GDPR. Developing a better understanding of SCR information assets, their management and security. 	<ul style="list-style-type: none"> An action plan aligned to the ICO's 12 steps to GDPR compliance was developed to ensure requirements were met. Regular updates regarding progress against the plan were provided to Statutory Officers. Ongoing actions have been identified and are being progressed. Information Asset Owners have been identified and a significant 'house-keeping' exercise and data audit has taken place to collate Information Asset Registers. The completion of these registers has assisted SCR in identifying where and why personal data is held.
Asset Management	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Budget was approved in order to commission the development of the Group Asset Management Strategy and an OJEU procurement process undertaken. The successful party has commenced work.

Financial Governance	<ul style="list-style-type: none"> • 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. • An increase in diligence in relation to scheme monitoring. Measuring quarterly performance data against business case to ensure promoters are adhering to agreed timescales and projected spend, and that outcomes are delivered. • Addressing recommendations of internal audit of procurement processes. • Appropriate monitoring and oversight of operational subsidiary. • Meeting all requirements to ensure an unqualified value for money conclusion is attained. 	<ul style="list-style-type: none"> • The post of Assistant Director of Assurance and Appraisal was filled June 2017 and a suite of appraisal models aligned to the specific requirements of SCR's strategic thematic objectives has been developed. These have been reviewed independently by government and have further strengthened the robustness of the scheme appraisal process. • Further to the Executive Team restructure the Commissioning Team are now able to focus on supporting scheme promoters on the development of business cases. • A Projects and Contracts Management Team are now in place to monitor schemes through the delivery phase and regular project review meetings are held with DoFs and EDs to ensure contractual compliance. • Recommendations of internal audit are reported within the Internal Audit Report Update to the Audit Committee. The actions of the IA Procurement have been addressed. • Statutory Officers have taken steps to assess the effectiveness of current arrangements to ensure monitoring and oversight of operational subsidiary governance arrangements. An action plan has been put in place during the year and monitored by Statutory Officers.
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7. Governance issues during 2017/18

The review of the CA's governance, risk and internal control measures led by Statutory Officers in 2017/18 has concluded that arrangements are now better aligned to deliver SCR's programme of work efficiently and effectively. This review, whilst not identifying anything fundamental, highlighted the following issues.

Shared Strategic Intent

Differences within the SCR on strategic direction and intent, if unresolved, may in the medium term, adversely affect consistent planning and prioritisation. Operational effectiveness is not adversely impacted at this time and attention is being given to resolving differences and managing the way forward. This includes the refresh of the Strategic Economic Plan, the development of a Local Industrial Strategy and the embedding of the Mayoral priorities following the election.

Long term financial planning

The revenue budgets of the CA / LEP for core operations continue to be over reliant on a number of short term funding streams including a LEP grant, Enterprise Zone income, subscriptions from Local Authority and other income from interest. This only permits financial decision making on a short-term basis and management of reserves to mitigate any fluctuations. Management of this issue is on-going.

The Local Growth Fund (LGF) programme is well managed however the notional allocation of programme expenditure to schemes when they enter the pipeline is creating significant management issues where schemes do not progress to profile. Significant efforts have been made to achieve a more secure position however in 18/19 an independent audit will be commissioned to enable the LEP Board to make decisions about repurposing the LGF programme for the next three years.

These issues are recognised in the Governance Improvement Plan at section 8 below.

8. Governance improvement plan 2018/19

In addition to the issues acknowledged in section 7 SCR has a clear understanding of the key areas of focus for strengthening governance in 2018/19 these include:

Table 4: Areas of focus for 2018/19

Governance Area	Focus for 18/19
Strategic	
Shared Strategic Intent	Supporting the LEP and the Mayor in the development of a single, integrated set of policies and priorities that effectively deliver the economic, social and environmental ambitions of the City Region.
Operational	
Financial Governance	<p>Ensuring that the LGF programme delivers the outputs and outcomes agreed as part of the Growth Deal in the final three years of the programme.</p> <p>Ensuring appropriate oversight and visibility of the South Yorkshire Transport Capital Programme to provide assurance that funding is utilised in a way that fully supports the ambitions of the City Region.</p>
Information Governance & Decision Making	<p>Ensuring data is used effectively to create robust, meaningful information/evidence to inform priorities and courses of action and to underpin decision making.</p> <p>Ensuring the performance of the organisation is measured appropriately so that the impact and effectiveness of courses of action are understood.</p> <p>Ensuring information assets (including any personal data) are managed appropriately and meet the requirements of relevant legislation or regulation.</p> <p>Ensuring that the CA Group works efficiently and effectively and that the decision-making structure is fit for purpose.</p>
Asset Management	Ensuring we have the information we need to manage the Groups assets including understanding where liabilities lie and developing a plan for any future acquisitions or divestment mapped against strategic ambitions.
Delivery	
Achieving Outcomes	<p>Ensure the appropriate support and advice is given to assist the process for agreeing the 2015 devolution deal.</p> <p>Ensuring the Mayoral Manifesto is implemented through the effective deployment of resources available and can be delivered alongside and integrated with Strategic Economic Plan priorities.</p> <p>Ensuring the Local Industrial Strategy is informed by the integrated LEP and Mayoral policies and priorities that deliver the ambitions of the City Region.</p>

9. Conclusion

Statement by the Chair of the CA and the Managing Director

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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On behalf of the Sheffield, Barnsley, Doncaster & Rotherham Mayoral Combined Authority

1. The Governance Framework

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.

The CA, in delivering the Accountable Body function for the LEP, is obliged to consider the requirements of the National Assurance Framework in processes related to the operationalisation of the LGF programme.

2. 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 constitution and policies of both the CA and the LEP set out the requirement that the business of SCR is conducted in accordance with the ¹Nolan Principles. The following section considers the main components of the framework, their effectiveness during 17/18, describes any improvements made in year and how SCR intends to strengthen arrangements into 18/19.

2.1 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 CA Constitution

The CA constitution defines the operating principles of the and embraces a suite of policies including an approved Code of Conduct, which define the standards of behaviours for members and employees. In 2018 the Constitution has been updated to reflect its Mayoral Combined Authority status. Constitutional policies and procedures include:

- **Whistleblowing Policy** - which sets out the protocols to be followed in relation to any allegations of misconduct. Any allegations are directed to the CA's Monitoring Officer. 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.
- **Gift and Hospitality Procedures**
- **Register and Declaration of Interest** – which requires each member of the CA to make a declaration of interest, pecuniary and non-pecuniary, for the purposes of their individual organisations. Registers are updated as necessary and reviewed annually, are available on the website and 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 within the Constitution to ensure that members do not participate in any decision making related to that interest.
- **Financial Regulations** and regulations including Anti Bribery, Fraud and Money Laundering. These regulations have also been reviewed and updated within year.

SCR contracts for the supply of goods and services also included standard clauses relating to anti-bribery, anti-corruption, human rights, human trafficking and counter terrorism, information laws and environmental regulations.

The SCR LEP

¹ Selflessness, integrity, objectivity, accountability, openness, honesty, leadership
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The SCR LEP policies have been revised and amended in year. These were approved by the LEP Board at its meeting 5th February 2018. The LEP suite of policies include:

- **Code of conduct** – which requires all LEP Board Members to approve and agree their adherence to the LEP Code of Conduct. This has been developed in accordance with the Nolan principles.
- **Terms of reference** – that set out the role and purpose of the Board and how it will operate to fulfil this role.
- **Declaration of gifts and hospitality** - which is aligned with existing local authority standards and Government guidance
- **Whistleblowing and confidential complaints** – that set out the process by which people can raise confidential complaints about the work of, and decisions made, by the LEP. These policies are both published on the SCR website and based on government templates.
- **Register and declaration of interest** – which requires each member of the LEP to declare and register any interest, pecuniary and non-pecuniary. These registers, must be updated immediately a Members interest changes with a revised register being published within 28 dates of the interest changing. Registers are available on the SCR website. 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 and interest, clear protocols exist within the Constitution, the LEP Terms of Reference and LEP Declaration of Interest Policy to ensure that members do not participate in any decision making related to that interest.
- **Diversity and equalities** – that sets out the Board's commitment to promoting diversity, including through recruitment processes and its activities.
- **Gifts and hospitality** – identifies the policy for accepting gifts and hospitality offered as a result of being LEP Board member.
- **Expenses** – eligible claimable items and associated amounts are set out within the policy.

The National Guidance for LEPs requires that protocols for conflicts and declaration of interests for members extends to any sub-boards which make decision on LGF spend and any officers advising on decision making. Therefore, the same requirements for registering and declaring interest and transparency and publication applies to the Business Investment Fund Panel and the SCR Housing Fund. Statutory Officer Registers are also published.

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

The CA's **Financial Regulations** which determine how money can be spent, and ensure that expenditure is lawful, have been reviewed during the year to ensure they are fit for purpose. The CA Board approved the revised Regulations in March 2018.

Contract Procurement Rules have also been refreshed to bring them into line with Public Contracts Regulations 2015 ensuring that procurement processes are robust and designed to minimise risk. These revised processes were approved by Statutory Officers (18th August '17) and a set of performance indicators agreed which will continue to be monitored regularly during 18/19.

During 17/18 the SCR Executive has reviewed its **FOI Publication Scheme** and related Guide to Information as well as undertaking a review of arrangements against the requirements of GDPR.

The Statutory Officers monitor the arrangements in place to ensure compliance and appropriate information governance through its **strategic risk management** processes (see section 2.13 for additional detail).

Before making a recommendation to the CA the Appraisal Panel, operating on behalf of the Statutory Officers, will ensure that all schemes are **state aid compliant**. The responsibility for obtaining a legal

opinion resides with the Scheme Promotor however, this is tested prior to a legal opinion being provided to the CA.

Employment Law - SCR procures its HR support through BMBC and operates under their suite of compliant policies.

Freedom of Information Act 2000 and information law compliancy is assured through working with BMBC Customer Feedback and Improvement team to co-ordinate and comply with FOI requests.

2.3 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 committees are published online in accordance with statutory access to information requirements. The paper publication approach is replicated for the LEP Board.

Annual accounts are reviewed by external auditors, their opinion together with the final accounts are published and available for inspection.

SCR's Assurance and Accountability Framework (AAF) is reviewed annually to ensure compliance with any revisions to the National Assurance Framework requirements. Within 2017/18 a substantial Internal Audit opinion has been received for adherence to the AAF and an external audit (March 2018) has concluded SCR processes adhere to the published Assurance Process. All schemes seeking LGF are independently appraised and are then objectively considered by the SCR Appraisal Panel. Each schemes value for money statement, which is included in each appraisal panel summary, is published with papers when seeking approval and then on SCR website once approval has been granted. In 2017/18 was a requirement for Scheme Promotors to publish business cases in draft to enable comments to be made. It is proposed that, to ensure this process happens consistently in 2018/19, the SCR Executive will undertake this function.

A reviewed **FOI Publication Scheme** and the launch of a new website has made information more easily accessible to the public.

A **LEP Governance and Transparency Policy Framework** which includes protocols regarding conflicts of interest and gifts and hospitality and is aligned to Government guidance was approved by the LEP Board. These polices are available on the SCR website.

An **open recruitment process** for new private sector LEP board members took place during 17/18 and resulted in the appointment of 5 new members. Particular attention was paid towards equality and diversity (in the broadest sense) focusing on both individual attributes in addition to the sectoral, business and geographical representation required

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

During the year SCR have launched a new website making key documents and information more accessible to SCR communities and stakeholders.

SCR has in place a series of corporate communications and marketing plans which sets out a number of actions to ensure effective engagement with stakeholders and partners. This is being refreshed in light of the context of a Mayoral Combined Authority. An integral element of this is the events programme of the SCR. This programme of events has provided ongoing engagement with public and private sector partners and institutional investors across the City Region and internationally. The programme has included the Horasis Global China business meeting and MIPIM Cannes, as well as bespoke engagement to promote SCR's investable propositions.

SCR also has made progress in harnessing the power of social media platforms, including Twitter and Facebook during the year, and undertaken analysis to understand the effectiveness of this engagement. Statistics show significant and consistent growth across all platforms. For example, Linked In followers have doubled in year and, during February and March, driven by the Mayoral Election awareness campaign, the number of people who saw SCR tweets increased by 486%.

The SCR Executive Team has led on the statutory consultation required for the proposed revisions to the Transport Strategy. The draft strategy was presented to the Combined Authority and LEP Boards in Autumn 2017 ahead of a 12-week public consultation exercise. The consultation which ended on 2 April 2018 received 281 online responses in addition to those received by email and by post. Work is currently underway with local authority partners to reconcile the comments, survey results and written responses received during the consultation. The strategy is due to be finalised and presented to the Combined Authority Board for approval in autumn 2018.

The SCR Executive, LEP and CA has engaged with partners through contributing to a range of other Boards, Forums and events including, but not limited to, Executive Boards, Local Authority Scrutiny sessions, Executive Directors Forum, Directors of Finance Groups and Business Membership meetings. These forums have provided a clear channel of communication with local authority partners on a range of issues including economic performance, devolution, the LGF programme, transport strategy and priorities, for example. Each engagement is designed to ensure appropriate consultation and challenge.

2.5 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.

In 2017 SCR's economic evidence base was updated and work with partners on refreshing the SEP commenced. The renewed economic evidence base has been shared and discussed with the LEP, the CA, the Overview and Scrutiny Committee as well as with a wide range of stakeholders including private sector networks. The implications for change and development of the SEP has been widely debated. The outcomes of these consultative processes are contributing to the development of the final draft of the revised SEP.

The new SEP will bring in the latest evidence on the performance of the economy, and will respond to the changed context in the wider UK economy. It will also respond to the announcement in the Government's Industrial Strategy White Paper of an intention to develop "Local Industrial Strategies" with local areas. The Government's White Paper has made the development of the Local Industrial Strategy the responsibility of the newly elected Mayor, in collaboration with the LEP. Work on a refreshed SEP will progress through 2019/20

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

SCR's current Strategic Economic Plan (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. The LGF programme and is directly linked to delivery of each of the SEP themes.

The Programme Commissioning directorate within the SCR Executive, are then responsible for setting out how the thematic priorities can be achieved. This involves the development of project and programmes, at scale, some of which are directly delivered by the SCR Executive, but the majority will involve externally commissioning activity to be delivered by partners and outside agencies. Prior to this, these projects and programmes are evaluated to ensure they contribute towards the SEP's economic objectives. Once validated the Executive Team contracts with scheme promoters, coordinates activity in the programme and reports on performance. Remedial action is agreed by the LEP and CA to improve delivery where necessary.

2.7 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.

SCR's decision-making framework is described in the Constitution and, for the delivery of the LGF programme, in the Assurance and Accountability Framework (AAF).

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 and other local and national intelligence.

SCR bases the capital programme decisions it makes on objective and robust information. Schemes are considered following an analysis of strategic alignment, options appraisal and risk assessment to ensure any investment will deliver the outcomes required by the Strategic Economic Plan (SEP) and represent good value for money. This assurance process is mirrored for the elements of the LGF which operate under a scheme of delegation namely the Business Investment Fund (BIF) and the Housing Fund (HF).

During 17/18 the Assurance Team have begun to develop appropriate appraisal criteria for opportunities unrelated to the Growth Deal. These models are peer reviewed by the relevant governing body to ensure they will successfully inform sound judgements and decision making.

The AAF requires SCR to communicate clearly with partners through publication of any programme commissioning the decision-making criteria that will be used. This has been evidenced in 2017/18 through the communication of criteria for the deployment of skills capital, the housing fund and Expressions of Interest (EOIs) for acceptance onto a LGF reserve pipeline of schemes.

2.8 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.

The Assurance and Accountability Framework (AAF) 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 LGF investments.

Throughout the lifespan of a programme monitoring, including site visits and the auditing of evidence, takes place to ensure the investment delivers its approved outputs and outcomes in line with SCR strategic priorities. Funding agreements, including those made via the Business Investment Fund, tie projects to delivering outcomes e.g. job creation that represent the best use of public resources and value for money whilst the use of clawback and retention clauses ensure mitigation of risk.

2.9 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.

The broader context for the CA's governance and internal control environment is provided by the Constitution (see section 2.1) 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.

2.10 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.

The CA's Chief Finance Officer (CFO) is a Statutory Officer of the Authority and operates in line with the CIPFA Statement on the Role of the CFO (2015). The CFO is 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 staff are professionally qualified and suitably experienced.

The recent 'deep dive' audit that examined the LEPs local Assurance and Accountability Framework (AAF), assessed compliance with the National Assurance Framework, Mary Ney recommendations and the Local Enterprise Partnership governance and transparency best practice guidance, recognised that the SCR LEP has a close working relationship with Sheffield CA Section 73 Officer and the Finance Team. This relationship provides a strong framework for managing LEP finances including a role in ensuring propriety and regularity of spend. The Section 73 Officer and representatives attend as advisors on all decision-making boards as well as the Scrutiny and Audit Committees.

The Section 73 deputy is embedded in the SCR Executive Team and is therefore positioned to ensure financial risks and issues are managed. The deputy also has overview and provides advice to projects and the programme in general. In addition, the deputy has a delegation for approving project applications under £2m from the Business Investment Fund, which avoids delay in waiting for CA Board meeting approval.

2.11 Ensuring effective arrangements are in place for the discharge of the monitoring officer function and the head of paid service function.

The CA Constitution outlines functions and delegated responsibilities of the statutory officers, namely the Head of Paid Service, the Chief Finance Officer and the Monitoring Officer. 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.

2.12 Inducting and identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.

CA Members – Members of the CA are engaged in discussions on the development of the vision, priorities and delivery of the SCR. Individual members are advised and supported by officers of the CA through papers and briefing meetings.

Scrutiny Induction and workshop - An OSC toolkit has been developed to ensure a consistent approach to scrutiny is taken by members and officers. This toolkit has been used to structure the induction of new OSC members and has been provided to current members to support them in their strategic role. A workshop has taken place to further enhance members skills and to establish the approach to scrutiny within a Mayoral Combined Authority.

LEP Induction - A formal programme of induction took place in autumn 2017 for new LEP Board Members to cover the role and purpose of the LEP, economic performance and the opportunities and challenges facing the City Region, the Strategic Economic Plan, corporate affairs and governance. This is followed up by a 6-monthly review with the Managing Director.

SCR Executive - All team members have a corporate induction which covers statutory matters including health and safety at work, IT compliance and HR matters. In addition, organisational specific induction modules, such as the CA and LEP governance, financial systems, programme management approach are also delivered to new team members. Work will commence in 2018 to ensure all SCR Executive Members have clear, documented objectives and a personalised training record.

2.13 Reviewing the effectiveness of the framework for identifying and managing risks and for performance, and demonstrating clear accountability.

Throughout 2017/18 the CA approach to Risk Management has been embedded. Risk Management Action Plans, covering 14 areas of strategic and operational significance, have been developed and managed by Statutory Officers.

The risk strategy and policy are reviewed annually in conjunction with the Audit Committee and, on a quarterly basis, the Risk Management Action Plans are reviewed and a statement of assurance provided to the Audit Committee by the Risk 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 (AAF) includes a comprehensive issue and risk management approach developed in accordance with the 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, appraised as part of the assurance process and are part of the scheme monitoring approach in the project delivery phase.

In relation to LGF investments, programmes of work are monitored throughout their lifespan. The Finance Team, who are embedded in the SCR Executive Team, work with the Programme Management Team to understand the overall scale of investment 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 Managing Director and S73 Officer, convene a Capital Programme Board of Officers. In 2018 this board has also included the LEP Vice Chair as the responsible LEP Board Member for LGF. The Capital Programme Board provides a detailed overview of the LGF capital and revenue programme to ensure that the programme is progressing in line with SCR objectives and priorities. Within year the Managing Director and S73 Officer have convened a partnership meeting with the major Local Authority Scheme Promoters (Directors of Finance and Executive Directors) to review programme performance and risks to ensure corrective actions are implemented.

2.14 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).

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.

2.15 Ensuring an effective scrutiny function is in place.

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.

The CA Scrutiny Officer commenced in post in September 2017. Since that time progress has been made in further embedding the function of scrutiny within the organisation and ensuring compliance with the 2016 Order. Developments of note include production of a OSC Toolkit to ensure a consistent approach to scrutiny is adopted, and a set of performance monitoring tools. An Annual Report will be available on the SCR website.

2.16 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 the CA is provided by BMBC. The principles within the CIPFA Statement on the role of the HoIA in Local Government are embedded in the CA's arrangements and the Internal Audit function is fully compliant with Public Sector Internal Audit Standards (PSIAS).

The Head of Internal Audit (HoIA) performs an important role in assisting SCR in delivering its strategic objectives through regular and open engagement, particularly with Statutory Officers and the Audit Committee. They agree in advance an annual Internal Audit Plan and lead and direct an internal audit service that is resourced to be fit for purpose, professionally qualified and suitably experienced.

2.17 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. From July 2018 the Committee has increased its membership to 16 with the addition of two independent members. Inclusive in the review of the constitution the Audit Committee terms of reference have been reviewed and an action plan developed to maximise the value the committee gives to SCR.

KPMG, who are appointed as external auditors 17/18, also attend Audit Committee meetings. This process is in keeping with arrangements in place for local authority. 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 progress of implementing recommendations that have been made, updates on the risk management process, financial management reports, and reports from the external auditors.

As part of its governance remit, the Audit Committee have considered this AGS and, have provided challenge and comments where necessary. In addition, the committee will monitor the implementation of any emerging developments or improvements, recommended through the governance review process.

2.18 Provides timely support, information and responses to external auditors and properly considers audit findings and recommendations.

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, conduct a self-assessment review 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. There are no longstanding internal audit recommendations to report at this time.

2.19 Incorporating good governance in respect of partnerships and other joint working

The constitution determines how the CA interacts with its subsidiary (SYPT) 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. However, the SCR Exec recognises that the External Auditor's opinion on the PTE last year included some qualifications related to Governance. Follow up with the management team of the PTE to review improvement plans has taken place. CA oversight of the PTE subsidiary has also been facilitated via the Statutory Officers Group meetings, whose membership includes the senior officers

of both the SCR and PTE. In addition, an external review of group structures and support services has led to recommendations that will draw the two organisations together more formally.

More broadly, the scale of ambition of our Strategic Economic Plan (SEP) means that neither the LEP nor the CA can deliver this alone. Collaboration and a true partnership approach has been a cornerstone of the SCR LEP and CA achieving what they have to date. This is not collaboration for its own sake, instead it is a focused programme of engagement which has been designed to accelerate the delivery of the SEP and harness the City Region's latent potential so that SCR can play a full role in the Northern Powerhouse. Examples of this include engagement with Transport for the North, the Department for International Trade on trade missions and, the inclusion of three investment propositions in the Northern Powerhouse Investment portfolio/pitchbook.

3. Monitoring and evaluating the effectiveness of the governance framework

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, and are responsible for ensuring compliance with, as well as improvement against the governance, risk and internal control framework.

The CA are also informed by the HoIA's annual report and also by comments made by external auditors and other regulators or inspectorates. 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 14th June 2018. 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 2017/18.