

# Public Document Pack



Wednesday, 2 June 2021

To: Members of the MCA - Audit and Standards Committee and Appropriate Officers

## NOTICE OF MEETING

You are hereby summoned to a meeting of the Sheffield City Regional Mayoral Combined Authority to be held at **11 Broad Street West, Sheffield S1 2BQ**, on: **Thursday, 10 June 2021 at 11.00 am** for the purpose of transacting the business set out in the agenda.

A handwritten signature in black ink, appearing to read 'D. Smith'.

Dr Dave Smith  
**Chief Executive**

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## **Member Distribution**

Councillor Allan Jones  
Rhys Jarvis  
Councillor Phillip Lofts  
Councillor Ken Richardson  
Angela Marshall  
Councillor Austen White

Doncaster MBC  
(Independent Member)  
Barnsley MBC  
Barnsley MBC  
(Independent Member)  
Doncaster MBC

**MCA - Audit and Standards Committee**

**Thursday, 10 June 2021 at 11.00 am**

**Venue: 11 Broad Street West, Sheffield S1 2BQ**



**Agenda**

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2.	Urgent Items/Announcements		
3.	Items to be Considered in the Absence of Public and Press		
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11.	Strategic Risk Monitoring	Claire James	To follow
12.	Internal Audit Plan Reports	Lisa Mackenzie	101 - 154
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14.	Draft Head of Audit Opinion	Andy Smith	Verbal
15.	Treasury Management Strategy	Gareth Sutton	179 - 200
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**At:11 Broad Street West, Sheffield S1 2BQ**

**SCR - AUDIT AND STANDARDS COMMITTEE**

**MINUTES OF THE MEETING HELD ON:**

**THURSDAY, 18 MARCH 2021 AT 11.00 AM**

**VIRTUAL MEETING**



**Present:**

Councillor Allan Jones (Chair)	Doncaster MBC
Rhys Jarvis (Vice-Chair)	(Independent Member)
Councillor Ian Auckland	Sheffield City Council
Councillor Jeff Ennis	Barnsley MBC
Angela Marshall	(Independent Member)
Councillor Ken Wyatt	Rotherham MBC

**Officers in Attendance:**

Gareth Sutton	Chief Finance Officer/S73 Officer	MCA Executive Team
Dr Ruth Adams	Deputy Chief Executive	MCA Executive Team
Claire James	Senior Governance & Compliance Manager	MCA Executive Team
Emily Hickey	Governance and Compliance Officer	MCA Executive Team
Paul Johnson	Senior Policy Manager	MCA Executive Team

**In Attendance**

Dan Spiller	External Audit
Reyna Ramdhani	External Audit
Lisa Mackenzie	Internal Audit
Andrew Shirt (Minute Taker)	

**Apologies:**

Councillor Ben Curran	Sheffield City Council
Councillor Sioned-Mair Richards	Sheffield City Council
Dr Dave Smith	MCA Executive Team

**1 Welcome and Apologies**

The Chair welcomed everyone to the meeting.

Apologies for absence were noted as above.

**2 Urgent Items/Announcements**

None.

3 **Items to be Considered in the Absence of Public and Press**

None.

4 **Declarations of Interest by any Members**

None.

5 **Reports from and Questions by Members**

None.

6 **Questions from Members of the Public**

None.

7 **Minutes of the Previous Meeting held on 21st January 2021**

RESOLVED – That the minutes of the meeting held on 21<sup>st</sup> January 2021 be agreed as a true record.

8 **Actions from the previous meeting**

A report was presented to provide Members with progress updates on Actions/Matters arising from the Audit and Standards Committee held on 21<sup>st</sup> January 2021. It was noted that:

One action was currently outstanding in relation to ‘following-up progress with the HR Team and Union on the approval of the IT Policy and to provide the Chair with a progress update’.

The action to ‘review the format and presentation of the Strategic Risk Registers’ was currently on-going.

A Marshall highlighted that, two actions included within the minutes had not been added to the progress update report, but had been included within reports on today’s agenda. Namely, the use of Internal Audit Contingency days and the Assurance Framework being circulated by email to Members.

9 **Economic Impact of the Coronavirus Pandemic on the Economy**

P Johnson delivered a presentation to provide the Committee with analysis of the main economic impacts of Covid-19 and its implications for the MCA.

The presentation provided details on the Covid-19’s economic impact on jobs, young people, urban centres, and transport.

It was agreed that a copy of the presentation be circulated by email to Members after today’s meeting. **ACTION: P Johnson via C James.**

In summary, the following main points were noted:-

- The number of employees current on the Government's Furlough Scheme in South Yorkshire was low in comparison to other areas in the UK.
- The Claimant Count in South Yorkshire was 6.5%, which was higher than the previous Recession.
- The urban centres within South Yorkshire had seen the biggest impact with regards to jobs in the retail, hospitality and leisure sectors due to Government lockdowns.
- Some job sectors had grown in South Yorkshire during December 2019 to December 2020 (mainly in the health, education, construction and logistics sectors).
- Job postings online had seen a 17% reduction.
- Young people had been impacted the most by the pandemic, leading to redundancy.
- Visits to UK highstreets and shopping centres had plummeted during lockdowns. Bigger cities had been impacted the most. People had been visiting towns, rather than cities.
- It was estimated that the percentage of Sheffield residents in employment able to work from home was in line with national trends. This was very much reduced in Barnsley, Doncaster and Rotherham.
- In future, 1 in 4 jobs in South Yorkshire could be undertaken at home without losing productivity.

Members discussed the effects the pandemic was having upon jobs in South Yorkshire and the economic impact of Covid-19.

R Jarvis asked what the impacts would be in relation to unemployment and business failure, when the Government's Furlough Scheme and Jobs support grants came to an end.

P Johnson replied that modelling work was currently being undertaken to address the impacts of the termination of the Government's Furlough Scheme and the number of individuals it would impact upon.

R Jarvis referred to the transformation of city centres to support business developments. He asked if the MCA would be undertaking further work to regenerate city centres and the transport network; the current 5 year plan did not reflect the future.

P Johnson replied that the Additional Restrictions Grant from Government had been used to help both town centres and young people.

Councillor Jones referred to 'gross value added growth' and asked if assurances could be given to the Committee around the MCA's intention.

R Adams replied that the 2014-2020 Economic Plan had a single priority to grow a bigger and stronger private sector and therefore, the outcomes associated were around jobs growth and gross value added growth.

The new Strategic Economic Plan (SEP) was still focused on growth, but had a broader suite of impacts. In addition to jobs and gross value added, the SEP looked at wider impacts around inclusive places and sustainability. The SEP

had been founded on three pillars, namely, 'growth', 'sustainability' and 'inclusion'.

In response to the Covid-19 outbreak the Renewal Action Plan had been developed, setting out how the city region would recover from the Covid pandemic, which highlighted that jobs are the short-term priority. For the next year / two years, the MCA had stated they would focus on the stabilisation of the business base and jobs.

The Renewal Action Plan contained timescales and implementation plans had been developed and actions were being mobilised. Alongside this the SEP aspirations for businesses resilience through innovation, trade and international partnerships, were being progressed.

A Marshall asked if the Adult Education Budget would be utilised to help the hardest hit groups affected by the pandemic by directing and advising where training needs to take place.

R Adams replied that the MCA would take control of the Adult Education Budget in August 2021. Officers were currently in the process of procuring and working with grant providers. The Adult Education Budget was one tool the MCA will use, alongside Gainshare investment to focus on job support and promotion of apprenticeships.

The MCA's Education, Skills and Employment thematic Board were currently working on a programme to respond to this challenge.

RESOLVED – That the Audit and Standards Committee noted the presentation.

10

### **Progress Update on the MCA's Response to the Bus Review**

A report was presented to provide the Audit and Standards Committee with an update on the 7-point plan that was agreed by the MCA in response to the Bus Review.

Members noted that progress had still been made despite the challenging context and over the last 12 months. Work had also continued to implement the 7-point plan. The MCA remained committed to improving the bus system in South Yorkshire and have invested c.£17m over the last 12 months to support operators as well as allocating c.£7m for the future protection of priority services.

Paragraph 2.2 of the report provided Members with further details on the progress which had been made over the last 12 months.

Looking ahead, the anticipated National Bus Strategy from Government would be critical to informing the MCA's future bus recovery and improvement strategy.

The Committee noted that, possible Government Bus Recovery funding (which would follow the current emergency support grant) may require the MCA's commitment to explore statutory changes to the bus operating model. A paper



was currently being prepared to obtain the MCA's views.

Members noted that the Mayor had recently announced an extension of the current Young Persons discounted travel arrangements for a 12 month period to help young people who had been impacted the most by the Covid pandemic.

To deliver the MCA's ambitious programme of work and respond to any work arising as a result of the National Bus Strategy, paragraph 2.4 of the report provided further details on the additional resources which had been implemented. A meeting was scheduled with the Mayor during week commencing 22<sup>nd</sup> March 2021, to discuss the National Bus Strategy.

Members noted that all significant risks concerning finance, pandemic response and changes to regulatory environment were captured and monitored in the strategic risk register. Further details were presented within paragraph 3.3 of the report.

Appendix A to the report provided Members with a detailed progress update on the MCA's response to the Bus Review.

In response to Councillor Auckland's questions around Enhanced Partnerships or Franchising routes, S Edwards said that the Bus Strategy asked for a commitment to pursue one, or both Statutory options by 1<sup>st</sup> July. As region, there would need to be a commitment around one, or two Statutory options to continue to receive Government support.

Councillor Auckland asked if officers were confident they had the correct resources available to deliver the MCA's ambitious programme of work and respond to any work arising as a result of the National Bus Strategy.

S Edwards replied that the total amount of resource required was currently being assessed. A Programme Director had been appointed and was currently examining the amount of resource required to deliver the 7-point plan and work arising as a result of the National Bus Strategy.

It was confirmed that provisions had been earmarked in the budget to cover work in this area. In addition, officers had been working with the DfT to obtain £100k of Additional Capacity Funding, which had been made available to Local Transport Authorities.

In relation to the timescales for implementing an Enhanced Partnership, Members were informed that the Bus Strategy was looking for an Enhanced Partnership to be implemented within 12 months, (by June 2022). There would be a challenge to use existing expertise and back-fill the resources.

Councillor Auckland asked if the risk management framework would be reported to this Committee in future.

S Edwards said that the risk management framework was currently being developed and could be reported back to the Committee.

R Adams highlighted that the risks set out within the report were contained

within the MCA's strategic risk register.

R Jarvis asked if there was an option for local authorities to run the local bus network.

In response, S Edwards said that, currently, local authorities were prevented from creating a municipal bus company. However, this did not prevent them from taking over an existing bus company, if deemed to be appropriate.

R Jarvis requested that health and safety be added to the risk register due to the merger of SYPTTE into the MCA.

R Adams said that all health and safety obligations currently rested with the bus operators. It was confirmed that work would need to be undertaken to explore with the Monitoring Officer, what, if any, the obligations are over and above those of the bus operators.

Councillor Jones asked that the Committee be kept updated on progress at future meetings and included within the Committee's forward work programme.  
**ACTION: C James.**

RESOLVED – That the Audit and Standards Committee noted and commented on the report.

## 11 **Assurance and Monitoring and Evaluation Frameworks**

A report was presented to remind Members that, each year the MCA and LEP are required to update and publish its Assurance Framework to outline that robust, transparent and effective governance arrangements are in place.

Following devolution, the Assurance Framework also needs to be approved by four Government departments. The MCA was also required to produce and publish a Monitoring and Evaluation Framework alongside the Assurance Framework to outline how projects and programmes funded with devolved and awarded monies will be robustly monitored and evaluated. This also requires Government approval.

Members noted that the MCA would formally consider the two frameworks at their meeting on 22<sup>nd</sup> March 2021 in order that they can be submitted to Government for approval before 31<sup>st</sup> March 2021. The report presented at today's meeting summarised the amendments that had been incorporated.

Paragraph 2.3 of the report set out the key amendments to the Assurance Framework, which were noted by Members'. Appendix 1 to the report set out the Draft Assurance Framework 2021.

Members noted that, further to the presentation of an early draft of the Monitoring and Evaluation Framework to the MCA Board on 25<sup>th</sup> January 2021, the Monitoring and Evaluation Framework had been further refined.

The Monitoring and Evaluation Framework attached at Appendix 2 to the report included the logic models that would be used to evaluate the impact of

programmes and projects by thematic area, against the SEP and RAP targets, and to include the Monitoring and Evaluation Plans required for individual programmes, specifically Transforming Cities Fund (TCF).

R Jarvis referred to Figure 4 – ‘Renewal Action Plan’ and reference to helping 35,000 people re-engage. He asked if the figures related to before the Covid-19 pandemic, or if the figures needed to be adjusted to take account of the Covid-19 pandemic.

R Adams said that the figures contained at Figure 4 were those which were agreed when the Renewal Action Plan had been presented to Members, which were a bestcase scenario. It was confirmed that the figures would be monitored.

A Marshall asked if the integration of SYPTE into the MCA would be completed by the end of the financial year 2021/22.

R Adams replied that the MCA were aiming to progress the soft integration as much as possible during the financial year 2021/22. It was currently unknown when the Parliamentary Order would be made.

A Marshall asked if the narrative within the Assurance and Evaluation Framework could be expanded around the role of the Audit and Standards Committee in relation to the Assurance and Evaluation Framework.

R Adams confirmed that the narrative within the report had been updated. It was agreed that the revised wording would be circulated to Members after today’s meeting. **ACTION: R Adams via C James.**

R Jarvis referred to the Gender Equality Statement at 3.36 of the Draft Assurance and Evaluation Framework. He asked if the LEP Board was able to meet this milestone by March 2023.

R Adams replied that initially the statement was for private sector Board places only but that Government had insisted this was for all members including the public sector and therefore this would be a difficult task. It was noted that representations had been made to Government to state that, this was not within the LEP Board’s gift to influence the democratic process.

Councillor Jones said that Assurance and Evaluation Framework was very similar to the MCA’s Constitution. He asked why it was repeated within the document.

R Adams replied that whilst the Assurance and Evaluation Framework draws upon the Constitution, the Constitution sets out how the MCA is established and operates, the Assurance Framework establishes how the Mayor, MCA and LEP work together, make decisions and how investment proposals are evaluated and tested to ensure Value for Money.

A workshop session to provide detail on the Assurance and Evaluation Framework was scheduled with Members of the Overview and Scrutiny Committee. It was agreed that sessions would also be made available to Audit

and Standards Committee Members.

Councillor Jones asked if the Committee could receive further details on Gainshare and the Gateway Review Process.

R Adams replied that, it may be appropriate, at a later date, when further clarity had been received, to schedule reports in relation to Gainshare and the Gateway Review Process on the Committee's Forward Plan, as this is known.

RESOLVED - That the Audit and Standards Committee:

1. Noted, at section 2.3, the key amendments that had been made to the Assurance Framework to ensure compliance with the Government's requirements on Gainshare and the Gateway Review Process.
2. Noted the updated Assurance Framework set out at Appendix 1, pending any amendments required by the MCA on 22nd March 2021.
3. Noted the updated Monitoring and Evaluation Framework set out at Appendix 2, pending any amendments required by the MCA on 22nd March 2021.

## 12 External Audit Update

The Committee received a verbal update from D Spiller on External Audit matters.

Members were introduced to Reyna Ramdhani, Audit Manager at Ernst and Young (EY). R Ramdhan would be taking over from D Spiller as Audit Manager for both the MCA and SYPTE external audits later in the year, following a period of hand-over.

Members were informed that Stephen Clark, Partner for EY was currently absent and a decision had been taken to make a permanent change and appoint Hussan Rohimun, Associate Partner, who would shortly take over from Stephen Clark.

At the beginning of March, EY had commenced its interim planning visit for both the MCA and SYPTE. There remained some outstanding issues which would need finalising before developing the final Audit Plan, which would be presented at the June meeting.

Members were made aware that the Audit Plan was slightly behind schedule, where it had been in previous years. This was representative of continued pressures within audit across the country in all sectors due to closing 2019/20 work.

D Spiller made the Committee aware that there had been delays experienced during the 2019/20 audit of accounts, due to EY awaiting reporting from South Yorkshire Pensions Authority's External Auditor in respect of the Local Government Pension Scheme assets. To ensure no delays were experienced during 2021/22, it would be essential to obtain a reporting timescale from South Yorkshire Pensions Authority to enable EY to undertake work to sign-off the accounts on time.

Councillor Jones proposed that the MCA Audit and Standards Committee and SYPTE Audit and Risk Committee issued a letter to South Yorkshire Pensions Authority to request a timescale for the completion of their External Auditor's reporting in respect of the Local Government Pension Scheme assets.

The Committee supported the proposal and authorised M Thomas to issue a letter on its behalf. As Chair of SYPTE's Audit and Risk Committee, A Marshall also supported the proposal. **ACTION: M Thomas.**

RESOLVED - That the Audit and Standards Committee noted the verbal update.

### 13 **Internal Audit Plan 21/22**

L Mackenzie provided a verbal update on the Internal Audit Plan for 2021/22.

Members were informed that Internal Audit were currently in discussion with key staff within the Authority to develop the Internal Audit Plan for 2021/22. It was noted that, development of the Internal Audit Plan was currently behind schedule, which ideally would have been presented at today's meeting for approval.

L Mackenzie asked the Committee to delegate authority to Internal Audit to agree the Audit Plan outside of the Audit Committee, which would allow Internal Audit to commence work in April 2021 on the Audit Plan.

The Internal Audit Plan for 2021/22 would be presented to the Committee for formal approval in June.

The Committee approved the proposal.

RESOLVED - That the Audit and Standards Committee noted the verbal update.

### 14 **Internal Audit Plan 20/21 Progress Report**

L Mackenzie presented an update on the progress to date against the 2020/21 Group Internal Audit Plan.

It was noted that 39 of the 55 days in respect of MCA reviews had been delivered. A total of 160 days of the 272 days in the joint audit plan had been delivered, a detailed breakdown was contained within the report.

L Mackenzie informed Members that there were a number of proposed changes to the plan for the Committee's consideration, including the re-allocation of contingency days.

It was proposed to utilise the contingency days to carry out four reviews. Further details were presented within the report.

Members noted that since the last meeting of the Committee, the AMP Technology Centre audit report had been finalised and received a partial

assurance opinion with improvement required.

The report also included details of work in progress and changes to the audit plan since the last meeting of the Committee.

Members noted that the audit plan was under constant review due to the Covid-19 outbreak and the uncertainty of its impact. Subsequently a number of changes had been made resulting in an additional 38 days being moved to the Contingency budget, increasing the total balance to 63 days.

**N.B. At this point in the meeting, the Committee was no longer quorate, following Councillor Ennis and Councillor Wyatt leaving the remote meeting.**

Following discussion, the Chair agreed to terminate the meeting and requested C James to make arrangements to re-convene a meeting of the Audit and Standards Committee at a future date to allow the Committee to consider the outstanding items of business due for consideration at today's meeting.

**ACTION: C James.**

C James advised Members that she would discuss this request with the Authority's Monitoring Officer, with a view to the Monitoring Officer issuing a reminder to the respective Local Authority Monitoring Officers about the importance of their elected Members attendance at future Audit and Standards Committee meetings. Councillor Jones asked that he be kept notified of discussions. **ACTION: C James.**

In terms of learning points from today's meeting, R Adams said that officers would look to arrange future agendas into reports for decision, noting and for information. If the number of reports due for consideration at a future meeting were considerable, then an extended meeting would be called.

15 **Internal Audit Reports**

The meeting was stopped as the Committee was no longer quorate.

16 **Strategic Risk Monitoring**

The meeting was stopped as the Committee was no longer quorate.

17 **20/21 Annual Governance Review - initial findings**

The meeting was stopped as the Committee was no longer quorate.

18 **Internal Audit Recommendation Tracking Report**

The meeting was stopped as the Committee was no longer quorate.

19 **Draft Treasury Management Strategy**

The meeting was stopped as the Committee was no longer quorate.

20      **Work Plan**

The meeting was stopped as the Committee was no longer quorate.

21      **Any other business**

The meeting was stopped as the Committee was no longer quorate.

I, the undersigned, confirm that this is a true and accurate record of the meeting.

Signed .....

Name .....

Position .....

Date .....

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## AUDIT & STANDARDS COMMITTEE

10 June 2021

### Actions/Matters arising from the MCA Audit and Standards Committee held on 18<sup>th</sup> March 2021

Minute No	Action	Status/Update
8	Following-up progress with the HR Team and Union on the approval of the IT Policy and to provide the Chair with a progress update.	IT Policy is published on the intranet, there is a follow up with the Unions and IT 02/06/21 on two points of clarity
8	Review the format and presentation of the Strategic Risk Registers.	Currently on-going
9	Economic Impact of the Coronavirus Pandemic on the Economy - a copy of the presentation be circulated by email to Members after today's meeting. ACTION: P Johnson via C James.	CLOSED
10	R Jarvis requested that health and safety be added to the risk register due to the merger of SYPTE into the MCA.  Councillor Jones asked that the Committee be kept updated on progress at future meetings and included within the Committee's forward work programme. ACTION: C James.	Added to work plan
11	A Marshall asked if the narrative within the Assurance and Evaluation Framework could be expanded around the role of the Audit and Standards Committee in relation to the Assurance and Evaluation Framework. R Adams confirmed that the narrative within the report had been updated. It was agreed that the revised wording would be circulated to Members after today's meeting. ACTION: R Adams	CLOSED – Narrative updated
11	It was noted that a workshop session to provide detail on the Assurance and Evaluation Framework had scheduled with Members of the Overview and Scrutiny Committee. It was agreed that sessions would also be made available to Audit and Standards Committee Members	Scheduled for after the election when new members are confirmed
12	At the beginning of March, EY had commenced its interim planning visit for both the MCA and SYPTE. There remained some outstanding issues which would need finalising before developing the final	Update to be provided at the meeting

	Audit Plan, which would be presented at the June meeting.	
12	Councillor Jones proposed that the MCA Audit and Standards Committee and SYPTE Audit and Risk Committee issued a letter to South Yorkshire Pensions Authority to request a timescale for the completion of their External Auditor's reporting in respect of the Local Government Pension Scheme assets. The Committee supported the proposal and authorised M Thomas to issue a letter on its behalf. As Chair of SYPTE's Audit and Risk Committee, A Marshall also supported the proposal. ACTION: M Thomas.	Update to be provided at the meeting
13	The Internal Audit Plan for 2021/22 would be presented to the Committee for formal approval in June.	CLOSED – on agenda for June meeting
14	Following discussion, the Chair agreed to terminate the meeting and requested C James to make arrangements to re-convene a meeting of the Audit and Standards Committee at a future date to allow the Committee to consider the outstanding items of business due for consideration at today's meeting. ACTION: C James.	Items transferred to June meeting

## Audit and Standards Committee

10 June 2021

### Integration of MCA and PTE Update on the Programme Plan

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<b>Is the paper exempt from the press and public?</b>	No
<b>Purpose of this report:</b>	Governance
<b>Funding Stream:</b>	Not applicable
<b>Is this a Key Decision?</b>	No
<b>Has it been included on the Forward Plan?</b>	Not a key decision

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**Director Approving Submission of the Report:**  
Dave Smith, Chief Executive/Head of Paid Service

**Report Author(s):**  
Ruth Adams  
Ruth.adams@sheffieldcityregion.org.uk

**Executive Summary:**

This paper provides for ASC Members and overview presentation of the Integration programme and governance process in place to deliver this priority. For each workstream there is a more detailed workstream plan and risk register.

**What does this mean for businesses, people and places in South Yorkshire?**

The integration of the MCA and PTE is part of the decision of the MCA to give direct political leadership to decision making on all aspects of public transport policy and operation and to ensure responsibility for delivery of this is vested in a single executive body with political accountability.

**Recommendations:**

The ASC

1. Consider the programme planning undertaken as set out in appendix A
2. Consider the risk management arrangements and risks as set out in Appendix B
3. Consider the options set out for their assurance activity and agree their preferred approach
4. Outline the requirements they would wish to see built into the Internal Audit programme

## **1. Background**

1.1 The decision to integrate the executive arrangements of the MCA and the PTE into a single unified organisation is a priority of the MCA Board, as approved 27<sup>th</sup> July 2020. The formal dissolution of the PTE is subject to a statutory process and as yet the date for this process is unconfirmed. The MCA Board have agreed that all possible actions that can be taken to achieve integration, prior to the statutory order process, should be made. In furtherance of this, the MCA Board are considering at its meeting 7<sup>th</sup> June 2021, a number of governance changes in support of its priority and integration ambitions. This paper includes as a recommendation the integration of the 2 Audit Committees and to establish a sub-group (advisory Panel) for PTE aspects (while it remains a separate legal entity) and integration. After integration the Advisory Panel will become responsible for detailed consideration of operational public transport matters. The MCA paper is attached in full as Appendix A and an update will be provided to members of the MCA discussion as these are to take place after this paper is published. Draft terms of Reference for the Advisory Panel and proposed changes to the terms of reference for this Committee will also be discussed at the meeting.

1.2 To progress arrangements to deliver the decision made, detailed work has been undertaken, with the guidance and challenge of an appointed and expert strategic partner. The assured process put in place centres around 6 key enablers for successful integration:

- Clarity of vision
- Implementing clear and effective governance
- Clear accountabilities and responsibilities
- Developing a clear programme wide plan
- Ensuring resource capability aligns to programme activity
- Ensuring resource availability

### **1.3 Clarity of vision**

This has been driven from the MCA Board, and is centred upon:

- Political leadership, ownership and accountability for both strategic and operational transport
- A single executive that is focused on delivering ambitious and innovative programme and the highest standards of service within the resource envelope available
- A single executive based upon personal accountability and focused on delivering benefits for people, businesses, and places.

The Chief Executive has set out for the Management Board and the officers of the MCA and PTE this vision and there is included within the plan activity that continues to develop increased understanding of corporate direction, and the values and behaviours required to succeed.

#### 1.4 **Clear and effective governance**

An assured model of governance has been established for delivery of the programme and escalation.

Internally the assurance process is via:

- An integration Steering Group
- A Programme Board

Supported by a PMO function to ensure pace and quality.

Political oversight of the programme is through meetings with the Mayor and the Chair of the Transport and Environment Board.

The MCA will derive assurance from the above and also via the oversight of this ASC. The proposal being considered by the MCA is for the Chair of the ASC to provide an annual review of work of the committee for the MCA, outlining any issues, concerns or risks, for a formal meeting with the Mayor every six months and a formal meeting with the Management Board of the MCA every six monthly basis. Whilst these meetings are an opportunity for consider issues relating to the full remit of the ASC, this will enable escalation of matters concerning integration.

#### 1.5 **Clear accountabilities and responsibilities**

The programme plan has set out defined roles and accountabilities:

- Head of Paid Service – Chair of Programme Board
- Deputy Chief Executive – Chair of Steering Group
- Programme Board – all Statutory Officers, Director of the MCA, DG of the PTE
- Accountable Officers for Workstreams – named officers
- Workstream Leads – named officers

#### 1.6 **Developing a clear programme wide plan**

A detailed programme plan has been developed; with 5 distinct workstreams:

- The future organisation and HR
- Finance and assets
- Legal, governance and compliance
- Communications and marketing
- Information technology

Each workstream has developed its initiation document , considering activity, milestones, dependencies and risk.

This initiation document is supported by a more detailed activity plan for each work package which identifies all of the actions required.

#### 1.7 **Ensuring resource capability aligns to programme activity**

In the development of the plan, capability gaps have been identified where additional technical expertise is required. This includes the appointment of an Interim Workstream lead for the Future Organisation workstream and will also involve some call off capability to consider some specific elements of the programme, including but not limited to:

- The most effective approach to asset portfolio management
- Design and implementation of a single job evaluation system

## 1.8 **Ensuring resource availability**

A major risk to the programme is the availability of resource to deliver the integration programme whilst delivering a significantly increased programme in the context of a post pandemic economy. This is a significant risk and one that the Programme Board are seeking to mitigate by taking some actions as described in 2.6 and also considering where technology solutions could bring greater efficiencies.

## 2. **Key Issues**

2.1 Mobilising and implementing the programme that has been developed contains inherent risks. ASC are asked to consider the level of information and assurance work they wish to see and engage with, to enable them to fulfil their responsibilities to the MCA Board. This could include:

- Reliance on the Advisory Panel to solely focus on integration issues for the duration of the integration process
- ASC Member workshop based around understanding the detail of the workstreams
- Appointment of a lead ASC Member per workstream to engage in detailed assurance
- Outlining the programme of audit for the Internal Auditors to undertake into delivery of the plan
- Agreeing elements to be considered and included in the forward work plan of the committee

A brief summary of each option is included in section 3 below

## 3. **Options Considered and Recommended Proposal**

### 3.1 **Option 1 Establish Audit and Standards Advisory Panel to focus on integration**

This would have a standardised agenda including workstream overview, progress and risks.

### 3.2 **Option 1 Risks and Mitigations:**

Availability of Members to serve on this, noting that if it is an Advisory Panel and not a formal sub-committee it is not subject to being a public, webcast, in person meeting.

May not be required for duration of the entire programme.

Will only engage a limited number of members.

### 3.3 **Option 2 Informal workshops of all members**

These could be built into the forward plan and take place flexibly outside of the formal board context

### 3.4 **Option 2 Risks and Mitigations:**

Informality of workshop may reduce attendance

### 3.5 **Option 3 Allocate individual responsibilities to individual Members**

Appoint lead member to focus on deeper understanding of a specific workstream

**3.6 Option 3 Risks and Mitigations:**

May be too much of a commitment for an individual member  
Workstream interrelationships may be missed by this approach

**3.7 Option 4 Internal Audit Plan**

Include in the 2021/22 Internal Audit Plan to ask Auditor to review and provide assurance to the committee as part of detailed reports to the full ASC, as included in the forward plan

**3.8 Option 4 Risks and Mitigations:**

Provides independent review of progress at a point in time as opposed to on an on-going basis  
Could be combined with officer updates

**3.9 Recommended Option**

Members are asked to consider the above options, noting that a number of options could be progressed

**4. Consultation on Proposal**

4.1 Stakeholder engagement was part of the initial Bus Review work. This is being considered in specific elements of the workstreams, particularly those relating to the future organisation – where there will be consultation with Unions and also in communications and marketing – where there may be changes being made to branding.

**5. Timetable and Accountability for Implementing this Decision:**

5.1 Head of Paid Service – timetable is for considerable progress to be made towards full integration in 21/22 financial year. Final timetable will be determined based on the date of the statutory order becoming effective – the date for this is as yet unknown.

**6. Financial and Procurement Implications and Advice**

6.1 The Finance Director is closely engaged in all aspects of delivery of this plan, via Programme Board, Steering Group and leadership of the Finance and Asset workstream.

6.2 Any additional capacity or advice required in the delivery of this programme plan and the transition to new operating models across the group is subject to procurement via competitive tender or utilising established frameworks. Activity is contained within budgets identified as part of business planning.

**7. Legal Implications and Advice**

7.1 Work continues, led by the Monitoring Officer, to engage with MHCLG on the parliamentary order. The Monitoring Officer is engaged in the Programme Board to ensure legal advice across the workstreams is provided.

## **8. Human Resources Implications and Advice**

- 8.1 The HR aspects of this programme are captured in workstream 1 the future organisation. Work to date is focused on a single job evaluation system, review of policies and processes, engagement with officers and the unions and liaising with Communications to set out a detailed programme of employee engagement
- 8.2 Additional capacity has been secured on an Interim basis to lead this workstream working closely with the internal HR team.

## **9. Equality and Diversity Implications and Advice**

- 9.1 The future organisation – In integrating and setting up a new organisation equality and diversity is fundamental in organisational design, culture and values, and ways of working processes and protocols. In line with legislation a baseline for the workforce, matched to protected characteristics is being considered at the level of the group to enable any planned actions to be agreed and implemented.
- 9.2 Communications and marketing – Accessibility issues, imagery related to the new organisation are part of an on-going piece of work linked to the creation of a new website. Further work is planned in year to further progress equality and diversity in the internal and external communications programme of the MCA.

## **10. Climate Change Implications and Advice**

- 10.1 No direct implications as a result of the delivery of the programme plan, however the ambition to mitigate climate change is integral to a number of the work packages and the development of future operating models, not least the asset portfolio of the MCA / PTE. This aspect of the programme will be considered in the context of these specific elements.

## **11. Information and Communication Technology Implications and Advice**

- 11.1 Information technology is one of the five workstreams and there is a detailed plan outlining the IT requirements for the integrated organisation. This workstream is led by the Head of IT. Work packages include a single website and intranet, domain names, licencing and support. The current IT leadership and support is already a single service for the group and therefore a number of actions already operate on an integral basis.

- 11.2 The development of a number of new approaches or Target operating models, will have implications for IT eg the introduction of the following:

- Single HR system
- Programme Management system

The focus on transformational change via the use of data and technology is part of the development of new approaches with implications being considered in the development.



## **12. Communications and Marketing Implications and Advice.**

12.1 Communications and marketing are one of the five workstreams as well as being an enabler of the entire integration process.

Internal communications planned include:

- Detailed Comms plan outlining the approaches to be taken
- Weekly employee bulletin on integration (commenced 27/05/21)
- New intranet focused on integration issues
- Email address for integration questions

12.2 External issues

The MCA are considering at an extraordinary meeting of the MCA 7<sup>th</sup> June the name change of the MCA to the South Yorkshire Mayoral Combined Authority. This change will reflect the geographical focus of the authority. The branding for Travel South Yorkshire will continue, although as part of integration work on branding will be undertaken.

### **List of Appendices Included**

- A MCA Governance Paper
- B Programme Planning Overview
- C Risk Plan

### **Background Papers:**

N/A

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## Mayoral Combined Authority Board

07 June 2021

### MCA / PTE integration programme overview and governance

<b>Is the paper exempt from the press and public?</b>	No
<b><i>Reason why exempt:</i></b>	Not applicable
<b>Purpose of this report:</b>	Governance
<b>Funding Stream:</b>	Not applicable
<b>Is this a Key Decision?</b>	No
<b>Has it been included on the Forward Plan?</b>	Not a Key Decision

**Director Approving Submission of the Report:**  
Dave Smith, Chief Executive/Head of Paid Service

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#### **Executive Summary:**

This report provides for Members a detailed overview of the programme of activity to integrate the MCA and PTE into a single organisation, outlining arrangements for internal governance and overview of progress and risk management.

The paper seeks Member approval for a range of governance changes, in advance of the parliamentary order, including:

- approval to align all policy leadership and decision making for public transport with the established arrangements of the MCA and the Transport and Environment Board
- endorsement to set up a Transport Officers Steering Group, made up of senior transport officers, and Chaired by the nominated lead CEX, to provide an Officer group to support engagement with Local Authorities on transport policy and issues.
- approval for a single Group Audit and Standards Committee for the MCA, thus abolishing the PTE Audit and Risk Committee, but seeking approval for the creation of an ASC sub-

committee to focus on issues of integration and operational public transport, to ensure no loss of risk assurance and oversight.

- approval to amend the internal executive arrangements of the PTE to align with those of the MCA Executive, including cessation of a number of PTE sub-committees and alignment of the MCA scheme of delegation across the integrated organisation.

### **What does this mean for businesses, people and places in South Yorkshire?**

Moving to formalise governance within the established governance arrangements of the MCA, will provide greater public transparency to decision making arrangements.

### **Recommendations:**

Members are asked to:

1. Note the programme management plan and internal governance as the means of providing sufficient assurance of the approach being taken towards implementation
2. Approve the governance changes to:
  - Align Public Transport governance arrangements, currently undertaken by the PTE Executive Board, to those of the MCA and the TEB by:
    - Dissolving the PTE Transport Officers Board and establishing a Transport Steering Group (paragraphs 3.2-3.3 below)
  - Amend arrangements for Audit Committees, by integrating the two Audit Committees into a single committee (paragraphs 3.5-3.6 below)
  - As part of the arrangements to amend the PTE Executive arrangements to align with the MCA and TEB, appoint the three Statutory Officers of the MCA as PTE Members (replacing the existing Directors), for the period up to the formal dissolution of the PTE by statute and align internal operational decisions of the PTE to the current Management Board arrangements for the MCA (paragraph 3.9 below)
  - Approve amendments to the scheme of delegation arrangements, to align the officer delegation levels of both the PTE and MCA and enable the operational decisions of the PTE to be made within the MCA agreed framework (paragraph 3.10 below).
  - Authorise the Monitoring Officer to make the consequential amendments to the MCA Constitution require to reflect the above approvals

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

Audit and Standards Committee

10 June 2021

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## **1. Background**

- 1.1 The MCA received reports to its July and September 2020 meetings relating to the integration of the MCA and the PTE and in September agreed:

*To fully integrate the PTE into the MCA as a single entity encompassing economic development and transport strategic and operational functions. Including the creation of a single Executive organisation to support the MCA remit*

and agreed the delivery objectives as:

1. To dissolve the PTE, via statutory instrument, ensuring any statutory obligations are undertaken in a timely manner,
2. To develop an integrated MCA Executive function, including the transfer of employees from the PTE to the MCA

3. To agree the requirements for any new governance processes across the MCA, to ensure good governance and risk management systems can be agreed, developed and implemented.

1.2 This paper updates members on progress against the three agreed delivery objectives and is seeking decisions on amendments to governance and risk management processes, to be implemented in advance of the statutory order.

## **2. Key Issues**

2.1 The integration of the MCA and PTE into a single organisation, supporting the approved governance arrangements of the MCA is supported by a detailed programme plan and analysis of risk. Activity to mobilise this plan has commenced across a number of workstreams.

A summary of the programme plan is attached in appendix A, Progress against workstream areas is attached at appendix B

2.2 The formal integration is subject to a statutory process to dissolve the PTE, as yet the date for this order to progress through parliamentary process is unknown. Options to integrate the formal organisation of the MCA, and its systems and processes and the decision-making process of the MCA / PTE can be largely progressed in advance of this statutory order. The proposed option to do this is outlined in section 3.

## **3. Options Considered and Recommended Proposal**

### **3.1 Option 1: Thematic Board arrangements**

The proposal outlined for governance and decision-making arrangements, seeks to align arrangements for public transport, in advance of formal dissolution, to those already approved by the MCA, namely:

The MCA has responsibility for:

- setting new policy,
- setting the budget,
- agreeing the levy and
- monitoring performance and budget.

The TEB, as per delegated powers,

- makes decisions in scope of approved policy for public transport.
- agrees, monitors and performance manages any transport investment programmes and projects and
- recommends to the MCA any new policy that could be adopted.

This arrangement seeks to ensure decision making for transport aligns to decision making for other MCA functions and prepares for formal integration, when there will no longer be a legally distinct PTE.

3.2 Practically, the implementation of the arrangements to align all transport to other areas of MCA governance, will require the formal dissolution of the existing Transport Officers Board (currently fulfilling the legal role of PTE Executive Board). Decision making functions are integrated into the TEB and MCA as outlined in 3.1.

3.3 In recognition of the increased work programme this arrangement will have for the TEB, this option recommends the creation of a Steering Group, constituted by

senior transport leads and Chaired by the lead CEX nominated to the transport portfolio. This, Steering Group, is non-decision making, but will enable Local Authority Transport leads to be consulted and engaged on policy and operational developments that have relevance to local transport powers and responsibilities. Through the chairing arrangements for this Steering Group sitting with the lead CEX, the views of transport officer leads can be fed into the TEB and vice-versa, to enable a regular and systematic flow of ideas, policy preferences, issues and risks.

### 3.4 **Option 1 Risks and Mitigations**

There are a number of risks associated with governance arrangements:

1. Insufficient time in TEB meetings to cover the breadth of policy, strategic transport and public transport matters, perceptionally leading to reputational damage for the MCA/TEB if business is not attended to. In mitigation the creation of the Steering Group will enable the two-way flow of information.
2. The Board does not have the capacity to consider performance management or major risks and issues, pertaining to strategic transport matters and public transport arrangements, given the expanded work programme. In mitigation, option 2 below considering revised audit and risk arrangements is seeking to put in place arrangements that strengthen MCA assurance on risk management.

### 3.5 **Option 2: Audit arrangements**

In addition to the suggested governance changes, outlined above, is a proposal to streamline audit and risk arrangements. Currently there are two operating Committees the Audit and Standards Committee of the MCA and the Audit and Risk Committee of the PTE. The requirement for a PTE Audit Committee will disappear on dissolution of the PTE, however in advance of this and aligned to the governance changes outlined in option 1 the suggestion is to seek to move to 1 committee in advance of the statutory order. Initial discussions have taken place with the Chair of the PTE Audit and Risk Committee (who is also an independent Member of the MCA Audit and Standards Committee) about the dissolution of the PTE and how effective group audit can best be secured. There a number of proposals for endorsement.

- 3.6
- Firstly, is that the PTE Audit Committee is, at the appropriate time (to be determined by the Chair of the PTE Audit Committee, the Director General of the PTE and the MCA Chief Executive, dissolved.
  - On dissolution, a sub-committee of (or advisory panel to) the MCA Audit and Standards Committee is established with a specific remit related to Group integration activity and public transport (PTE business).
  - Thirdly, to ensure the Audit function of the Group is effectively managed, given its expanded remit, a Chair is appointed by the Committee following receipt of nominations and ensuring related relevant experience.
  - In order to strengthen the relationship of the Audit and Standards Committee to the MCA, it is proposed that at least annually the Chair of the Committee is invited to report directly to the MCA on the work the committee is undertaking on their behalf, and meets with the Mayor on a six-monthly basis and also with the MCA Management Board. Specifically, on integration and transport, it is suggested a report is presented to the TEB from the ASC.

### 3.7 **Option 2 Risks and Mitigations**

1. The expanded programme of a single Audit Committee based on the current frequency of meetings, does not enable adequate scrutiny of risks, mitigations, audits and financial affairs of the MCA. In mitigation the recommendation to create a sub-board of the Committee will be tasked with undertaking detailed work to provide assurance to the ASC and in turn the MCA with regards to Group integration and operational public transport. Also, the appointment to the position of the Chair by a Member with relevant experience, should help in formalising the work programme of the committee.
2. The alignment between the MCA and the ASC is currently operated through the presentation of papers to the MCA that have been endorsed by the Committee, this provides a disconnect in relationship. In mitigation, the proposal is that the MCA Board invite the ASC Chair the opportunity to formally report back to the MCA Board by way of an annual report, meet with the Mayor and the Management Board on six-monthly basis and report to the TEB on matters relating to integration.

### 3.8 **Option 3: Executive Management Arrangements**

To achieve integration of the executive management functions, it is proposed that all internal management decision making is aligned to the current Management Board of the MCA Executive, with the three Statutory Officers of the MCA and the DG of the PTE constituting the PTE Executive, as required in law until dissolution. This arrangement would see, in addition to the dissolution of the Transport Officers Board, the dissolution of the 2 management committees of the PTE: its Management Board and its Human Resources and Standards Committee.

Implementing this approach, prior to dissolution will ensure that no further internal changes are required to the decision-making structure at the date of formal dissolution of the PTE as this will be in place and operating.

- 3.9 In support of this proposal and to aid the wider business efficiency of the MCA, there is the requirement to align the officers' scheme of delegation in order to ensure the business of the MCA Executive is efficiently managed given the increased range of functions post devolution/AEB/integration. At present the officer scheme of delegation in the MCA is restricted to the Statutory Officers and Deputy Chief Executive. The proposal is as a first step to amend the Scheme of Officer delegation of the MCA to delegate to Heads of Service (Directors) the authority to accept tenders/quotes that are within the approved revenue/capital budget up to £25k. The Scheme of Delegation would therefore be:

- £0-£25k-Directors\*
- £25k-£100k (£200k for matter not falling in Thematic Board area) revenue and £25k-£250k Capital -3 Stat Officers and Deputy Chief Executive
- £100k- £200k revenue-and £2m capital- Thematic Board
- £200k + revenue and £2m+ Capital- MCA

All Officer delegated decision making to be implemented to meet the requirements of The Openness of Local Government Bodies Regulations 2014.

(\*only change from existing). A more detailed analysis of delegation levels will follow, and a revised scheme proposed for Member approval.

### **3.10 Option 3 Risks and Mitigations**

The proposal to amend the internal governance arrangements and the officer scheme of delegation is, in part, to enable the TEB to maintain a focus on strategy and performance matters as opposed to internal operational matters that used to be in the domain of the PTE Executive Board. Moving more quickly to the internal operating model of the MCA Executive, with officer delegations as opposed to sub-committee structures will ensure clearer lines of Director accountability, as is the model in Local Authorities.

### **3.11 Recommended Option**

It is recommended that the three governance options outlined are all approved and implementation of these arrangements, delegated to the Statutory Officers of the MCA to put in place.

## **4. Consultation on Proposal**

### **4.1 Chair of the TEB – update on progress as part of the development of the Integration Programme Plan.**

The outcome of this discussion has informed this paper in clarifying the scope of the TEB regarding public transport policy and seeking to align specific implementation issues through the officer scheme of delegation.

### **4.2 Prior to this report, consultation on the options has been undertaken with:**

- Chair of the PTE Executive Board, Sarah Norman (Undertaken by CEX) and
- Members of the PTE Executive Board (undertaken by DG PTE)

The outcome of this has led to the option presented in Option 1 for a formal sub board to be constituted to support the TEB and secure alignment with LA officer leads.

### **4.3 Chair of PTE Audit and Risk Committee (undertaken by CEX, DG PTE, MO)**

The outcome of this was concern expressed regarding the volume of business and the ability of the single committee to provide the necessary assurance and oversight. Additionally, the concern that there was a disconnect between the MCA and its committee. This has been considered in the option outlined as Option 2.

## **5. Timetable and Accountability for Implementing this Decision:**

### **5.1 If the decision is made to implement all three options, it is suggested that the Statutory Officers seek to implement these arrangements with immediate effect.**

### **5.2 The proposal is that the new arrangements for a single Audit Committee, if approved by Members, to take effect at a point to be agreed to enable the process to appoint the Chair to be implemented and to enable the 21/22 accounts process to be smoothly concluded.**

## **6. Financial and Procurement Implications and Advice**

### **6.1 There are a number of financial implications of this report, including the amendment to the financial regulations to expand the scheme of delegations.**

### **6.2 During 21/22 a procurement process may be required to appoint a single Internal Audit function for the integrated organisation. This is subject to the decision of the**



June ASC to recommend an extension the current arrangement with Grant Thornton for an additional year and the MCA approving such extension.

## **7. Legal Implications and Advice**

- 7.1 The PTE Establishment Order requires the MCA to appoint, in addition to a Director General, not less than 2 or more than 8 Members to manage the PTE. The options presented are all compliant with the current legislation of the MCA and PTE and are designed to enable the integration to be practically implemented in advance of statutory implementation.
- 7.2 If agreed the Constitution of the PTE and the MCA will need to be amended to reflect the changes to governance and delegation levels.

## **8. Human Resources Implications and Advice**

- 8.1 As part of the first workstream, the Future Organisation, work is underway to set out the remits of the Directors of the integrated MCA Executive. This work will be reported on shortly as it is finalised.

## **9. Equality and Diversity Implications and Advice**

- 9.1 Equality and Diversity implications are monitored as part of Executive arrangements and compliance with statutory requirements for gender pay gap and pay policy reporting.
- 9.2 The constitution of the Thematic Board, sub-Board and the formal committees of the MCA (the Overview and Scrutiny Committee and the Audit and Standards Committee) should be reviewed to ensure the nominees from the Local Authorities are representative of diversity considerations. This will be reported back to the MCA as part of the appointment Members.

## **10. Climate Change Implications and Advice**

- 10.1 The TEB has responsibility for matters relating to Net Zero. Specifically, these governance changes do not impact upon the established structures.

## **11. Information and Communication Technology Implications and Advice**

- 11.1 Information Technology is a specific workstream in the integration programme. There are significant implications on IT of the integration programme, including amendments to domain names, websites, data storage and access, for example.
- 11.2 To support this aspect of integration, Grant Thornton (Internal Auditors), have been commissioned to undertake a detailed review of IT arrangements across the group and to consider this alongside other benchmark organisations to ensure the MCA policies, resourcing, systems and processes are effective, proportionate and compliant.

## **12. Communications and Marketing Implications and Advice.**

12.1 A related paper on the MCA branding and name change is to be presented to a specially convened meeting for the purposes of determining the amended name. This decision, will enable many aspects of the marketing and branding workstream to commence.

12.2 Internal officer communication activity has commenced, which to date has included:

- A joint staff briefing event (all MCA and PTE employees)
- A new intranet for internal comms re integration and in time the new intranet for the unified organisation
- The commissioning of an independent company to conduct employee surveys, to enable the constant feedback on opportunities, issues and risks of integration for the workforce

### **List of Appendices Included**

NA

### **Background Papers**

NA

# Integration programme. Overarching summary.



## Document Context

- ❖ This document is written to provide an overarching summary of the work that PwC have completed in order to design and establish an assured integration framework and plan for the MCA integration programme.
- ❖ This document describes the 'journey' that has been undertaken as part of this work, firstly describing the ask and then the process which was followed. The approach undertaken focussed on establishing a robust governance framework which will undertake effective ongoing risk management, which is the key to running a successful integration programme and mitigating risks in a timely manner. Underneath the governance structure, sit five workstreams and the process by which these have been established and work has commenced are described within this document
- ❖ This document is intended to give an overview of PwC's work completed. However, it can also be used to give an overview of the assurance process as a whole and has been written with the intention that it can be used to provide reassurance to senior stakeholders and bodies such as Audit and Standards Committee that risk is being managed through an effective, well managed process
- ❖ The success of this programme will not be as a result of the plan and activities described within this document. The success of the programme will come from the governance procedures which have been established and described within this document continuing to be followed throughout the course of the programme. This will provide challenge and clear risk management throughout the programme lifecycle. This document describes how this process will take place and emphasises its importance.

# How does this document align to other documents?

As part of our work to support the integration programme, we have produced a number of different documents to capture the progress that has been made. Each workstream has a separate workstream initiation document, underpinned by a summary of the work that has been completed on a programme wide level to accelerate current progress.

## Overarching summary

This document will summarise the work that has been completed at a programme wide level and will act as an executive summary to more detailed documents (such as the programme risk log and the interdependency tracker).

Page 37

### Workstream 1: The future organisation and HR

A workstream initiation document that introduces the workstream, the scope of work, provides a high level plan of activity and captures the key interdependencies and risks.



### Workstream 2: Finance and assets

A workstream initiation document that introduces the workstream, the scope of work, provides a high level plan of activity and captures the key interdependencies and risks.



### Workstream 3: Legal, governance and compliance

A workstream initiation document that introduces the workstream, the scope of work, provides a high level plan of activity and captures the key interdependencies and risks.



### Workstream 4: Communications and marketing

A workstream initiation document that introduces the workstream, the scope of work, provides a high level plan of activity and captures the key interdependencies and risks.



### Workstream 5: Information technology

A workstream initiation document that introduces the workstream, the scope of work, provides a high level plan of activity and captures the key interdependencies and risks.



# 1. Context and Introduction to this phase of work

# Introduction to this phase of work

## Background to the integration

A decision to formally integrate the Mayoral Combined authority (MCA) and the South Yorkshire Passenger Transport Executive (SYPTe) was taken in 2020 with the intention of creating one, more effective organisation. Integrations of this nature can be complex and due to the breadth of change activities required they can come with a wide risk profile. Due to this, external support was requested to construct an independently assured plan and risk mitigation strategy for the integration programme.

## Key aims of this phase of work

Prior to this work taking place, some initial work had been undertaken to support the integration including the development of a single legal entity and executive team and progress has been made to integrate some functions across both organisations (such as HR and Legal). This phase of work aimed to support the Accountable Officer and current programme management to:

Pages



Evaluate the existing work that has taken place so far, providing challenge by drawing on best practice. Begin to 'stand up' the formal integration programme by **evaluating a number of previous programme wide decisions and the proposed workstreams.**



Establish clear but **concise governance arrangements** for the whole integration programme. This will be supported by the development of a **programme wide plan** for integration to ensure progress, risks and interdependencies are all tracked properly.



Evaluate and develop the proposed workstreams, working with leadership to identify workstream leads. Begin to work with the workstream leads to establish **workstream activity plans that consider the tasks and milestones** that will need to be completed.



■ South Yorkshire full 'constituent' members ■ Non-constituent members

## 2. Approach and initial findings



# What are the key enablers for a successful integration?

The integration of two organisations that are currently independent operational and legal entities is a complex task which carries with it a large and varied risk profile. However, when correctly managed and governed, integration projects can lead to the creation of a new improved organisation with a clear vision and purpose. The success of this integration programme will largely depend on the effectiveness of the governance structures which have been put into place and the experience, expertise and availability of staff to perform the activities required. Specifically the following six facets are key to ensuring a successful integration.



## Clarity of vision and narrative with partners

To ensure full benefit realisation, a clear vision for the new organisation is vital. The new organisation should aim for a 'best in class' operating model rather than simply amalgamating culture and processes from the two existing organisations



## Implementing clear and efficient governance

Governance should be detailed without being onerous, ensuring that decisions are made at the appropriate level and risks are highlighted and resolved quickly. This governance structure should allow extensive challenge from senior stakeholders



## Clear accountabilities and responsibilities

There should be clear accountabilities and responsibilities throughout the programme, right from chief executive level down to the workstream leads. Responsibilities for boards and steering groups should be defined in RACI format and agreed



## Developing a clear programme wide plan

It is vital that at the start of a complex programme, time is given to developing a clear plan that outlines the required activities to successfully integrate and the associated milestones. This plan should clearly call out initial risks and dependencies



## Ensuring resource capability aligns to programme activity

Integration activities can be complex and require a level of experience right across the organisation to ensure that all activities are carried out effectively and legally. This complexity must be acknowledged and where gaps exist, these must be addressed



## Ensuring resource availability

Once the correct resources have been identified, it is vital that they have enough time to both undertake programme activities and any BAU work. Lack of time can constitute a key risk both to BAU and integration activities

# Key principles for developing an assured integration programme

When developing an assured integration plan for the MCA/ PTE integration, a number of key principles based on industry best practice have been followed to ensure that the integration is not only carried out legally and with minimal unnecessary disruption to the organisations involved but also allows the full benefits of the integration to be realised. These principles have underpinned the establishment of the plan and the integration activities which have been carried out to date. Continuing to follow these principles and the arrangements laid out within this document is crucial to enable the integration to be a success.

## What are the key principles that have underpinned the approach to developing the integration programme?



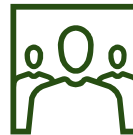
**Governance** - Ongoing, robust governance by qualified individuals is the key to success. This governance structure will underpin all integration activities.



**Adequate escalation** - The most senior escalation point (in this case programme board) has a key role to play in making key decisions and ensuring that the most complex risks are being mitigated.



**Applying best practice** - The plan which has been put into place is based on best practice from across the public sector. The governance structure is there to mitigate these risks and in doing so, will lead to a successful integration.



**Accountability** - The workstream structure should lead to clear accountability throughout the programme. This provides a clear view of ownership of tasks and gives the leadership of the MCA a definitive answer regarding who is responsible for each key task to be carried out.



**Identifying integration specific activities** - The tasks and activities within the plan specifically focus on the integration and preparing the organisation for going live as one new organisation. This plan features design activities which will determine how business as usual is carried out in the new organisation, but should not be confused with business as usual activities.

## Assessing the progress that had been made prior to this phase

In the first week of the project, extensive stakeholder engagement took place to determine the current state of the Integration programme and the work which had already been completed. This engagement showed that some key tasks work had already commenced, but that the programme required an overarching framework to mitigate risks and ensure that the integration was carried out in line with the vision for the MCA. Specifically, four things were highlighted by this engagement:



### Progress has already been made

There had already been some progress made, particularly with stand alone tasks around the legal dissolution of the PTE and the integration of the Finance functions. However, this progress wasn't part of a joined up plan and had often taken place in isolation



### Establishing programme governance was critical

To accelerate the collective programme, clear governance to underpin the programme was imperative. Clearly defined governance ensures decision making is effective and risks are mitigated in line with a clear ongoing strategy.



### General preference to informally integrate before statutory date

All stakeholders that were spoken to highlighted how integrating the organisations wherever possible was the preferred overarching option. There was an appreciation that certain components cannot be integrated until the SYPTE has been formally dissolved however there are a large number of components that can be integrated in advance.



### An absence of an overarching vision that stakeholders across both organisations can buy into

Staff across both organisations need to understand both their individual and collective purpose to ensure new ways of working are successfully adopted and one culture is adopted across the future organisation. A clear vision needed to be set to underpin the integration programme.

## In Week 1, a preferred option for Integration was also confirmed

Due to the difficulty in obtaining parliamentary time to legally dissolve the SYPTE and the potential issue this would cause with delays to benefits, two different integration options were discussed with senior stakeholders across both of the current organisations. ***In summary, all stakeholders agreed option 2 was the preferred option as it maintained the current momentum regarding progress and it was more likely to deliver the integration in a timely manner.***

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### Option 1: Wait until legal integration before undertaking wider programme activities



#### Overview

This proposes that the immediate priority should be to pass the integration through parliament as soon as possible, with the SYPTE being 'lifted and shifted' in the meantime.



#### Positives of this option

This option would lead to legal dissolution of the PTE quicker, with functions remaining as normal in the short term. This option may provide greater clarity to partners and external stakeholders earlier, providing them with more time to make any required changes.



#### Disadvantages of this option

This option is likely to waste time in the immediate as legal dissolution may not be soon as the parliamentary order depends on other, out of control activities. Integrating after a lift and shift is also likely to be less successful in terms of implementing real change and improvements.

### Option 2: Begin integration activities as soon as possible and legal activity is completed when it can



#### Overview

This option proposes that integration activities should commence as soon as possible rather than a 'lift and shift' of the current SYPTE.



#### Positives of this option

This option ensures progress can maintain momentum as there are plenty of activities that can be completed before legal integration. It is also more likely to improve the quality of services within the future organisation as it provides more time for change to be implemented. From a staff perspective this will be a smoother process of change for them.



#### Disadvantages of this option

There may be some areas of duplication (such as pre legal dissolution method vs post legal dissolution) that will lead to a slight increase in workload.

\*A more detailed breakdown of the positives and negatives of each option can be found in **appendix 1**.

# 3. Establishing the programme structure and governance

## What process has been followed to stand up the programme?

To build on the previous progress that had already taken place across the integration programme prior to the formal development of the plan, a number of important activities have taken place to establish structure which will mitigate risk and ensure the success of the integration. The following process has been followed to establish the structure that is now in place:

### Confirm and implement the required governance

Drawing on best practice, governance procedures have been implemented to ensure progress is reported on frequently and any key decision points and / or risks are escalated appropriately.



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### Establishing the workstreams

The seven workstreams that were previously proposed have been streamlined into five. Workstream leads for each of these workstreams have also been identified.



### Development of workstream initiation documents

A short initiation document has been developed to outline the work packages, high level activities (will be built on further by workstream leads), the dependencies and current identified risks.



## Who have we engaged with to stand up the integration programme?

To shape the integration programme and to understand the progress that had already been made, a number of stakeholders have been engaged. This engagement has been in line with the process outlined above:

### Engagement with senior leadership

Engagement with senior leadership took place to discuss a number of key components, including confirmation of the preferred integration option and to understand the progress that had been made so far.



### Engagement with workstream leads

To build on the current progress and to confirm the programme structure, workstream leads that were identified by senior leadership have been engaged to develop the workstreams. This included discussion on the work packages and the associated activities.



## Establishing the governance for the programme

Vital to the success of any complex integration programme is the establishment of open but robust governance. The structure which has been proposed and implemented for the MCA Integration gives responsibility to workstream leads for the implementation of their workstream. Workstream leads meet at a steering group fortnightly, with a Programme board sitting above them as a final decision making executive body. This will ensure that the programme continues to manage risk effectively, whilst supporting those in key workstream lead positions. The key roles are described in more detail below:

### Programme board



Page 47 To enable the success of the programme, a separate, dedicated monthly management team meeting will meet as the 'Programme Board' with accountability and ownership of the whole integration programme. This board will consist of attendees at director level accountable for the delivery of the programme, acting as an escalation point and making key programme decisions.

### Integration steering group



Underneath the Programme Board, will sit a group which will be responsible for delivery, constructive challenge and support. This Steering Group will be responsible for the success of, communications around and providing constructive challenge to the integration programme and the individual workstreams within. It is vital that members of this group are able to dedicate sufficient time and resource to driving progress and understanding the challenges that this integration programme will face. This group will meet fortnightly.

### PMO support



The MCA/ SYPT E Integration programme will utilise a very small, central PMO to ensure that there is joined up reporting across the programme, to enable the Programme board and Steering group to receive accurate information, on which to base decisions. All documentation and updates shall be submitted using digital methods, greatly reducing the workload of the PMO.

*\*Please note that a more detailed RACI for the implemented governance arrangements can be found in **appendix 2**.*

# Developing a consistent approach to risk identification and mitigation

The governance arrangements outlined previously are central to the risk management approach being employed for the MCA integration. The approach defined below aligns with the MCA's existing risk and issue management logs and aims to empower workstream leads to manage risks in an open and collaborative manner.

## Using the governance structure to manage risk

The programme risk log will be updated in real time by workstream leads using an online collaboration tool. This enables programme leadership to have a real time view of the risk picture. Key risks will then be actively called out in fortnightly highlight reports and discussed at steering group. Where risks are deemed to be 'red' rated or where steering group requires a decision regarding mitigation this will then be escalated to Programme Board where a formal decision will be made. This structure should give confidence to senior stakeholders that risks are being managed in an honest and transparent manner, with key decisions being taken at the right level to ensure serious integration risks are mitigated against.

## Key principles behind the risk management strategy





# Confirming the workstreams

At the February MCA committee, seven workstreams were proposed to complete the required integration activities. To prevent reporting and governance from becoming time consuming and onerous, a number of changes have taken place that would improve the speed of decision making, reduce the amount of different reporting lines and evenly distribute the workload associated with the integration activities.

## Changes since February MCA committee

1. Workstream 1 has been renamed to 'The future organisation and HR' to better reflect the activity around developing the future TOM of the integrated organisation

2. Previous workstream 6 (Programme and Investment) has been added to workstream 1.

3. Previous workstream 7 (Assets) has been combined with workstream 2 to form 'finance and assets'.

4. Previous workstream 4 (branding and comms) has been changed to communications and marketing. Comms regarding the integration will be developed on a programme wide level but will still be completed by the communications team.

5. Governance for the programme has been implemented, with steering group taking place fortnightly and integration board replacing management board on the last meeting of the month.

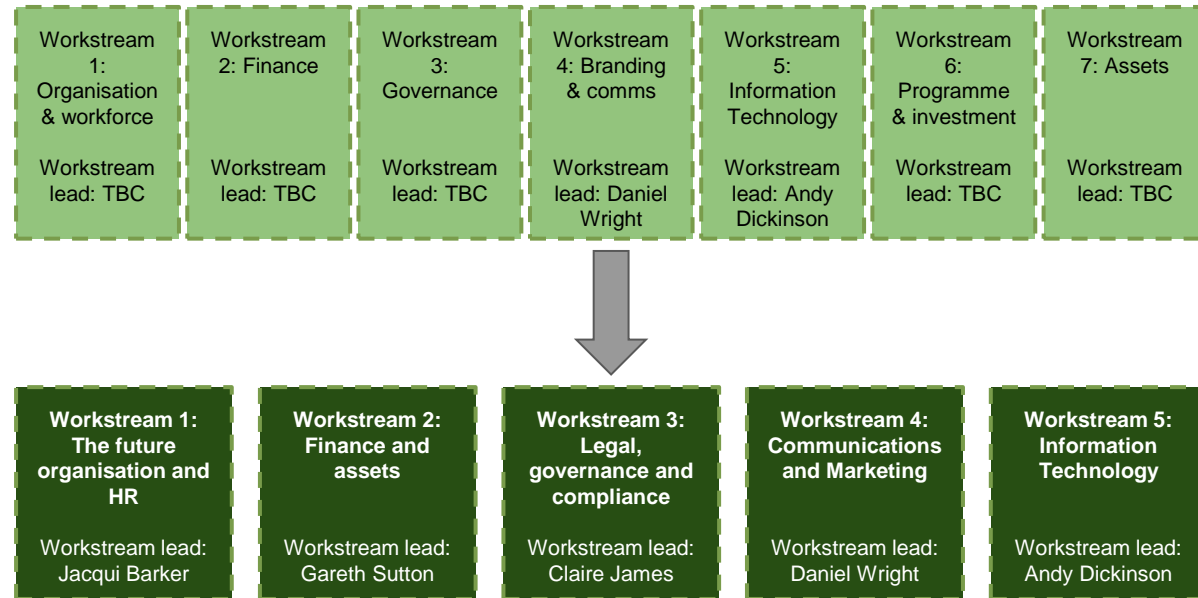


Figure 1 - Old programme structure vs new programme structure

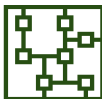
## Confirming the scope of each workstream

Following the agreement across senior stakeholders regarding the structure of the wider programme and the consolidation of the previous workstreams, a series of meetings took place to establish:

1. *The scope of the workstream in accordance with the identified work packages*
2. *The high level activities that would need to take place for each of these work packages and the associated milestones for the workstream*

### Confirming the scope of each of the integration workstreams

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#### **Workstream 1: The future organisation and HR**

This workstream is responsible for all activities associated with developing the new ways of working on a day to day basis, including the future operating model.



#### **Workstream 2: Finance and assets**

This workstream is responsible for completing all finance related activity as part of the integration. This also includes all activity associated with current assets.



#### **Workstream 3: Legal, governance and compliance**

This workstream is responsible for ensuring all the legal elements of the integration are completed correctly, along with the development of new organisational policies.



#### **Workstream 4: Communications and marketing**

This workstream is responsible for developing the future branding of the organisation and marketing this accordingly to residents, communities and stakeholders.



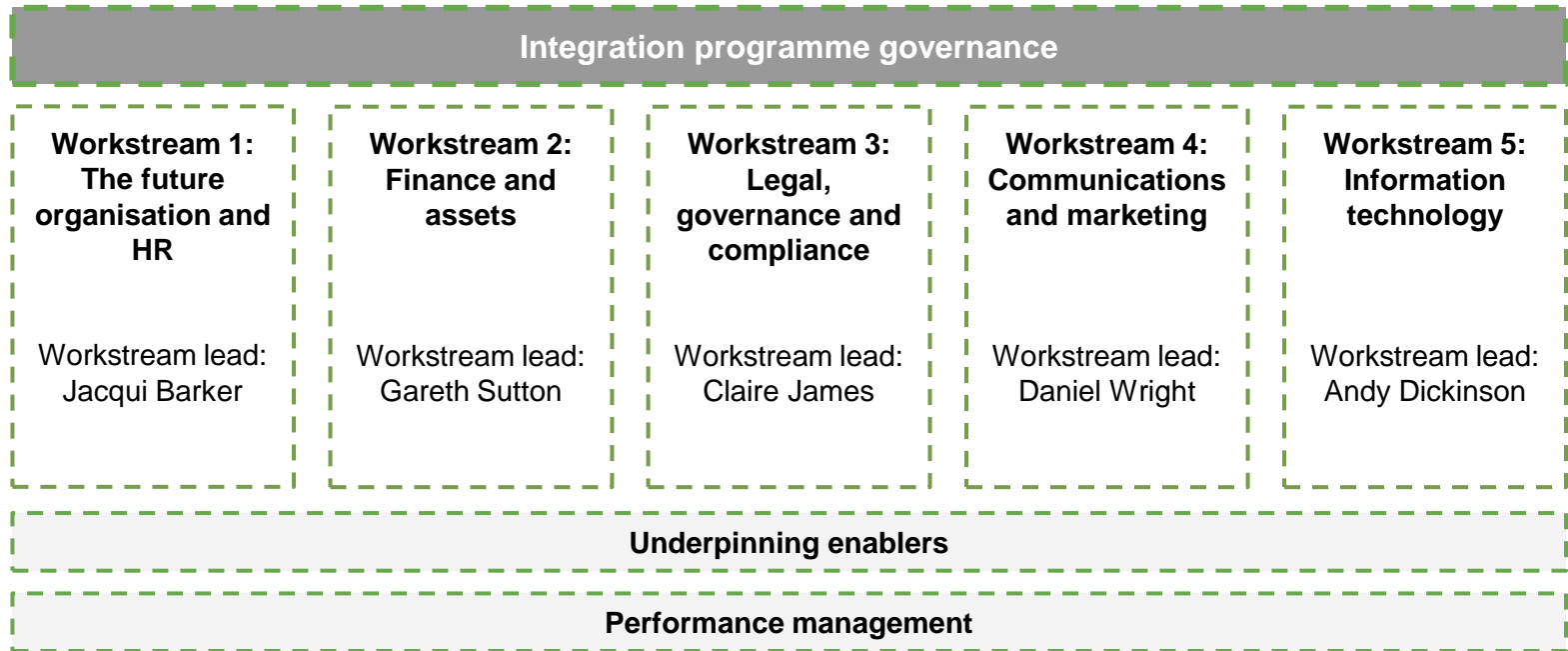
#### **Workstream 5: Information technology**

This workstream is responsible for making sure all of the technology is successfully integrated and implemented to enable future ways of working.

# 4. Developing the workstreams plans for the integration programme

## Developing the workstream plans

Once the governance structure had been agreed and established, a set of individual detailed workstream plans were constructed. This process involved working alongside the workstream leads to actively challenge their existing thinking, highlight existing risks and dependencies and produce a detailed initial plan for the workstream which could then be used as a baseline for reporting progress. The follow slides provide an overview of each of the five workstreams, with more detailed workstream initiation documents, sitting separately to this pack



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 Communications and engagement

# Workstream 1: The future organisation and HR - what does good look like?

**Accountable:** Ruth Adams **Workstream Lead:** Jacqui Barker **Other team members:** Rachel Radford, HR team

## Workstream summary and overall objective

This workstream is responsible for developing what the future organisation will need to be from a Target Operating Model (TOM) perspective. This includes key HR functions and activities that will need to take place as part of the integration. The workstream will:

- Develop the Target Operating Model for the future organisation and all of the services that will be provided. This includes defining 'what' the future services will be doing and 'how' they will deliver this
- Develop and implement the new organisational structure for the future organisation and complete all necessary HR elements to underpin this
- Work with MCA leadership to reaffirm the vision and the key values of the future organisation

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## What will good look like following the completion of this workstream?

It should be recognised that this will be a large workstream with multiple different components, however on completion the following components should be in place:

The **vision** is reaffirmed across the organisation with staff understanding their collective and individual purpose.

A **best in practice Target Operating Model** will be implemented that enables corporate objectives and empowers staff.

A **single operating model** is in place for the future organisation that clearly outlines what services the organisation will provide.

All **HR related activities** have been completed, with a single version of HR policies, processes and Ts & Cs in place.

## Considering best practice



### Success factors

- A clear vision for the overall organisation and each service undertaking a TOM redesign must be in place before carrying out TOM activities
- Consistent language is adopted when referring to Target Operating Models. TOM refers to the 'how' by considering what needs to be in place to deliver the desired outcomes

### Issues faced by others





- Lack of time to adequately complete detailed design of services, causing details to be missed and implementation to be delayed
- Absence of clear sequencing or prioritisation should there be time constraints

### Common pitfalls to avoid

- To deliver significant changes to how services are delivered and to maximise benefits, detailed TOM design should not be confused with determining which option to go for out of existing models

# Workstream 1: The future organisation and HR - Learning from industry best practice (1 of 2)

Before commencing the work packages outlined below, it is important that the end goal of each work package is agreed and that industry best practice is utilised to ensure that common pitfalls are avoided. Lessons learned and key factors for success from similar integrations are described below at a work package level

Work package	Key factors for success based on industry best practice
 <p><b>Strategy, purpose and vision</b></p>	<p>The vision must be agreed amongst senior stakeholders at the start of the integration programme. The strategy for achieving this and what this means for future design and different stakeholders must be followed (could be through the development of design principles).</p>
 <p><b>TOM development and design</b></p>	<p>The operating model for the whole organisation needs to be established by identifying where different services will sit in the overall model. A review of the different services present will need to take place to identify those that are a priority or require the greatest amount of activity for detailed service design.</p>
 <p><b>Organisation design and Job evaluation (based on the TOM)</b></p>	<p>The vision for the organisation and each service must be agreed before this takes place. Organisation structure should be developed to enable decisions to be made at pace whilst ensuring staff are clear on who reports to them and who they report to (best practice - no more than 1:10 staff ratio)</p>
 <p><b>Culture, behaviours and values</b></p>	<p>This work package must follow on from the 'strategy, purpose and vision' work package as this considers what needs to be done on a day to day basis to help achieve the vision. Culture and behaviours need to be consistent across the whole organisation regardless of grade and senior leadership will need to be seen as leading by example by this through tangible action.</p>

## Workstream 1: The future organisation and HR - Learning from industry best practice (2 of 2)

Before commencing the work packages outlined below, it is important that the end goal of each work package is agreed and that industry best practice is utilised to ensure that common pitfalls are avoided. Lessons learned and key factors for success from similar integrations are described below at a work package level

Work package	Key factors for success based on industry best practice
 <p><b>Organisation development - training and skills</b></p>	 <p>As part of the future TOM across the organisation, skill and capability gaps are likely to appear. Training and development opportunities should aim to overcome these, whilst training should also help to achieve the vision and strategy that has been set out.</p>
 <p><b>HR policies, processes and Ts &amp; Cs changes</b></p>	 <p>A single set of HR policies, processes and Ts &amp; Cs need to be considered. It is vital that any changes around this are communicated effectively to those that will be affected as previous experience has shown this as a common pitfall for organisations.</p>
 <p><b>Employee appraisal process</b></p>	 <p>A single appraisal process that is fair and consistent needs to be put into place. Organisations who take the time to outline clearly goals and objectives (whilst making this clear that this isn't about micromanaging) for teams and individuals often see better levels of productivity.</p>
 <p><b>Employee, trade union and stakeholder communications</b></p>	 <p>A clear communication strategy that enables the whole programme must be developed early on in the programme. Where possible, regular comms must be developed around key milestones, with a specific approach being developed for different audiences. These audiences must be identified at the start of the process. This work package will work closely in alignment with workstream 4.</p> <p>Trade unions must be onboard with the changes of the programme from the outset. The benefits of the integration must be articulated clearly to ensure approval.</p>

## Workstream 2: Finance and Assets - what does good look like?

**Accountable:** Gareth Sutton **Workstream Lead:** Gareth Sutton **Other team members:** Mike Thomas, Jill Smith, Sue Sykes

### Workstream summary and overall objective

This workstream is responsible for the completion of 4 key elements that will be critical for ensuring the programme is a success. At the heart of this is the completion of all financial related activities that need to be completed when integrating two organisations. In addition the workstream will:

- Pivot into a new business partnering model that can better support the future organisation
- Enable the organisation to achieve greater value for money whilst leveraging its purchasing power
- Develop a consistent approach to finance, procurement, assets and Programme & Performance (PPU)

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### What will good look like following the completion of this workstream?

It should be recognised that there are currently different approaches and methods present across the two organisations, however on completion the following should be in place:

All **finance** related activity associated with an integration of organisations (e.g. banking) is completed.

**Industry leading thinking** (business partnering as an example) has been applied when considering approaches.

A **single approach to asset management** that focuses on quality and satisfaction.

A consistent approach to **programme and performance** that links assurance framework and other standards together.

### Considering best practice



#### Success factors

- A single model that aligns to best practice for each of the 4 components (e.g. business partnering) is adopted
- Clear accountabilities are in place around the management of the components within this workstream (e.g. managers owning budgets).

#### Issues faced by others

- Adopting the best out of the two different approaches rather than considering what the optimum model is (usually due to time constraints)









#### Common pitfalls to avoid

- It is critical that BAU activities or activities that would actually be within the workstream 1 plan (for example TOM activity associated with these functions) do not become key activities for this workstream.



## Workstream 2: Finance and Assets - Learning from industry best practice

Before commencing the work packages outlined below, it is important that the end goal of each work package is agreed and that industry best practice is utilised to ensure that common pitfalls are avoided. Lessons learned and key factors for success from similar integrations are described below at a work package level

Work package	Key factors for success based on industry best practice
 <b>Finance</b>	 <p>A single chart of accounts needs to be underpinned by a single financial framework and single banking structure. Different models should also be assessed against the required outcomes and objectives of the organisation rather than simply selecting one of the two approaches present.</p>
 <b>Procurement</b>	 <p>A 'single version of the truth' must be developed to underpin future contract and procurement activity. In addition a single set of contractual procedures and rules for the future organisation must be developed and communicated properly across the organisation due to the complexity in this area.</p>
 <b>Assets</b>	 <p>A single asset strategy to underpin a future landlord function must be developed. A clear map of all current assets needs to be developed and a single set of landlord standards must be in place to drive improved quality and standards.</p>
 <b>Programme and Performance Unit (PPU)</b>	 <p>Linking closely to workstream 1 (the future organisation and HR) a single approach to programme and performance management must be adopted to provide clarity to those across the future organisation. The approach taken for this should follow a similar approach to that adopted as part of the TOM activities.</p>

# Workstream 3: Legal, governance and compliance - what does good look like?

**Accountable:** Ruth Adams, Steve Davenport **Workstream Lead:** Claire James **Other team members:** TBC

## Workstream summary and overall objective

This workstream is responsible for ensuring all of the required legal and policy components that need to take place for the integration to become official are completed. This will include the activities that need to be completed at parliamentary level but also the activities that need to take place from a legal, policy and compliance perspective for a single future organisation. The workstream will:

- Ensure that all of the legal and parliamentary activities are completed that will allow the two organisations to formally integrate
- Develop a single risk management strategy and framework to underpin the future organisation
- Streamline and develop a single set of organisational policies

## What will good look like following the completion of this workstream?

It should be recognised that activities within this workstream will impact potential deadlines and timescales for other workstreams. On completion the following should be in place:

There is a **single, legal organisation** that has been formally approved in parliament and other government departments.

A single approach has been implemented regarding **risk management**.

New decision making and governance arrangements in relation to **different boards and committees**.

Required changes have been implemented into the 2022 **assurance framework**.

## Considering best practice



### Success factors

- The creation of an open and transparent culture regarding organisational risk management
- Clear communications internally regarding the legal dissolution of the PTE and the impact this will have on the organisation

### Issues faced by others









- Allowing 'competing cultures' with regard to governance to develop. A new, aligned governance structure must be developed to counter this
- Mixed messages around the impact of the legal dissolution on, in this case, the PTE's staff

### Common pitfalls to avoid

- Trying to create organisational policies which are a combination of the two organisations existing policies rather than 'best in class'
- A reluctance to support and utilise new governance structures and cultures









## Workstream 3: Legal, governance and compliance - Learning from industry best practice (1 of 2)

Before commencing the work packages outlined below, it is important that the end goal of each work package is agreed and that industry best practice is utilised to ensure that common pitfalls are avoided. Lessons learned and key factors for success from similar integrations are described below at a work package level

Work package	Key factors for success based on industry best practice
 <b>Statutory order</b>	 <p>A decision must be agreed at the start of programme planning on the overall programme approach regarding legal dissolution. Best practice suggests that programme activity should commence as early as possible and should not be dependent on the legal dissolution date to begin.</p>
 <b>Constitution activity</b>	 <p>Clear timelines need to be put in place regarding the changes that will need to take place regarding the constitution. Standing orders should also be reviewed and necessary changes made when possible.</p>
 <b>Corporate assurance and governance procedures</b>	 <p>A single set of corporate assurance and governance procedures must be in place across the future organisation. There is often a number of dependencies here with changes that will be made to the future operating model (and subsequent organisational structure) of the future organisation.</p>
 <b>Decision making</b>	 <p>Not to be confused with the day to day decision making within services, a streamlined version of existing boards and committees will need to be established to reflect the changes at organisational level. Existing boards and committees should be mapped and changes implemented before formal integration. These changes should be communicated closely to workstream 1 to ensure any relevant changes are reflected to governance changes across the services.</p>

## Workstream 3: Legal, governance and compliance - Learning from industry best practice (2 of 2)

Before commencing the work packages outlined below, it is important that the end goal of each work package is agreed and that industry best practice is utilised to ensure that common pitfalls are avoided. Lessons learned and key factors for success from similar integrations are described below at a work package level

Work package	Key factors for success based on industry best practice
 <b>Risk management</b>	 <p>A new, single risk management strategy and approach will need to underpin the future organisation. This should be driven by a series of agreed risk management principles that are agreed amongst senior stakeholders before a detailed strategy is developed.</p>
 <b>Information governance</b>	 <p>Linking closely to workstream 5 (IT) a consistent approach to information governance must be adopted to ensure data protection and security is in accordance with GDPR and other regulations associated with data.</p>
 <b>Organisational policies</b>	 <p>A single set of organisational policies should be in place. Depending on the amount of change from existing policy arrangements, a staggered approach may be needed to ensure the most critical policies are implemented and adopted ASAP.</p>
 <b>Contracts and licenses</b>	 <p>A full breakdown of the changes that will be required to the existing contracts across both organisations needs to be understood, with correct steps being taken to ensure they are valid under the future organisation. This will also be the case with licenses and there may be a need to work closely with IT around this.</p>

## Workstream 4: Communications and marketing - what does good look like?

**Accountable:** Stephen Batey **Workstream Lead:** Daniel Wright **Other team members:** Darshana Dolakia, Nici Pickering

### Workstream summary and overall objective

This workstream is responsible for the completion of all activities associated with communicating the integration programme (both internally and externally) at the correct times and the development of a single organisational brand. Stakeholders, residents and communities must be clear on the changes that will be taking place and how this may impact them. The integration provides a great opportunity to develop a strong, single brand across the region and beyond. This workstream will:

- Develop a robust external communications plan that provides regular updates to those outside of the organisation where appropriate
- Implement new, consistent branding that can be bought into by all to solidify the two organisations integrating as one

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### What will good look like following the completion of this workstream?

Consistency regarding comms and brand strength are absolutely essential for the future organisation. On completion the following should be in place:

**External stakeholders** are well informed on the integration programme and how it impacts them.

**Internal stakeholders** and staff are bought into the integration programme due to a robust internal communications strategy.

**Self serving content** has been refreshed, reducing unnecessary contact between public and the future organisation.

There is a **single, consistent brand** for the future organisation that reflects the organisations vision and values.

### Considering best practice



#### Success factors

- Starting by the articulation of the future vision and breaking down how that impacts different stakeholders or groups
- A clear comms strategy that includes the 4 components:
  1. A method to track metrics across the change programme
  2. Identifying change 'champions' across the business to advocate the changes
  3. Audience mapping to establish the different milestones and how each of those impact different audiences
  4. Consistent messaging to maintain momentum

#### Issues faced by others and common pitfalls

- A lack of tailored communications to different audiences
- Communications that are not developed around the programme milestones
- Not starting with the articulation of the vision

## Workstream 4: Communications and marketing - Learning from industry best practice (1 of 2)

Before commencing the work packages outlined below, it is important that the end goal of each work package is agreed and that industry best practice is utilised to ensure that common pitfalls are avoided. Lessons learned and key factors for success from similar integrations are described below at a work package level

Work package	Key factors for success based on industry best practice
 <b>Formal name</b>	 <p>The future organisation needs a single, concise name that accurately reflects both the purpose of the organisation and the role it plays for the region. Best practice indicates the sooner a decision on a name can be determined and approved the better as this may enable other activities to take place.</p>
 <b>Core brand</b>	 <p>A consistent brand provides a sense of belonging for all staff that will be part of the future organisation, but will also ensure external stakeholders, residents and communities are clear on the role and responsibilities of the future organisation.</p>
 <b>Customer facing marketing</b>	 <p>Although this is not marketing the future organisation, organisations who grasp the opportunity to increase their exposure (particularly through international and / or targeted campaigns) may realise a number of benefits that align to organisation or service objectives (e.g. Investment services).</p>
 <b>External communications</b>	 <p>As is the case with internal communications, a clear plan for external communications needs to be developed. Organisations are continuously looking for new ways to reach their audience, particularly through digital channels and this is something that needs to be considered in any integration programme.</p>

## Workstream 4: Communications and marketing - Learning from industry best practice (2 of 2)

Before commencing the work packages outlined below, it is important that the end goal of each work package is agreed and that industry best practice is utilised to ensure that common pitfalls are avoided. Lessons learned and key factors for success from similar integrations are described below at a work package level

### Work package

### Key factors for success based on industry best practice



**Website development and integration**



A new website that is modern and user friendly will help stakeholders, residents and communities to interact with the future organisation. It should also be recognised that the alignment or transformation of internal intranets will go along way of embedding a single culture across the future organisation.



**Internal communications**



An internal communications strategy that incorporates a clear communications plan for how stakeholders and staff will be engaged throughout the integration programme is central to this. This should include a range of features such as audience segmentation, metric application and different approaches to engaging with staff.

## Workstream 5: Information technology - what does good look like?

**Accountable:** Gareth Sutton **Workstream Lead:** Andy Dickinson **Other team members:** Nick Brailsford

### Workstream summary and overall objective

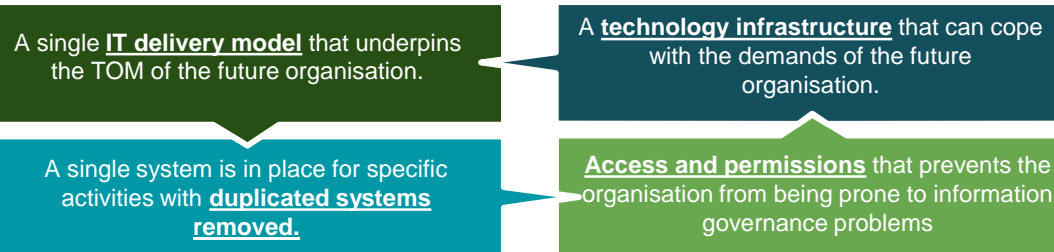
This workstream is responsible for the completion of all of the required technology and digital change that must take place to underpin the future activity of services across the organisation. The integration of existing technology or the implementation of new technologies will need to take place once business and system requirements are understood. This workstream will:

- Implement a single, consistent IT delivery model that enables future ways of working
- Implement the required changes regarding technology across the organisation in relation to the future operating model of the organisation and services
- Implement the required changes that ensure information governance procedures are adhered to and followed

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### What will good look like following the completion of this workstream?

Although technology activities have a large number of interdependencies with other workstreams, on completion the following will be in place:



### Considering best practice



#### Success factors

- A phased approach to technology integration: Identify the critical services that are required to function and prioritise the activities for these over the 'nice to have's'
- Realistic timescales considering some workstream activity will be dependent on the completion of other workstream activity

#### Issues faced by others

- Attempting to 'mash' together different systems: This often reduces the quality of support and causes issues long term
- Unclear requirements from others: This often causes delays and issues that lead to bugs or issues on go live









#### Common pitfalls to avoid

- Unrealistic timescales
- A lack of specialist skills for specific components of the workstream (e.g. Developers)



## Workstream 5: Information technology - Learning from industry best practice

Before commencing the work packages outlined below, it is important that the end goal of each work package is agreed and that industry best practice is utilised to ensure that common pitfalls are avoided. Lessons learned and key factors for success from similar integrations are described below at a work package level

Work package	Key factors for success based on industry best practice
 <b>Identity change and digital branding</b>	 <p>The external website must be user friendly whilst reflecting the changes and requirements outlined by other workstreams. Internal system changes (such as the intranet) should also be fully accessible for all with extensive UAT taking place prior to go live.</p>
 <b>IT storage</b>	 <p>Access and permissions to potentially sensitive information must be based other factors across the programme such as organisation structure (workstream 1) and subsequently information governance decisions (workstream 3).</p>
 <b>IT systems</b>	 <p>Duplicated systems are identified quickly, with a phased approach often adopted due to the time it takes to integrate or procure technology. Often externally facing technology components are prioritised, particularly customer based services.</p>
 <b>Licensing</b>	 <p>Licenses should be procured and renewed through the single, future organisation when it is possible to do so, with licenses that are currently in place can be mapped early to ensure forward planning of any potential complex changes that need to happen further into the programme.</p>

## 5. The current state of the programme and next steps

## The current state of the programme (1 of 4)

The below table describes the current state of the MCA Integration programme against the 6 success criteria outlined previously. It then describes what next steps need to be taken to improve the RAG ratings and ensure that the programme continues to progress successfully:

Success Criteria	Current RAG	Current State Description	Actions to be taken by programme or specific workstream
Developing a clear, programme wide plan		A clear, programme plan has been developed including initial risks and dependencies. This has been developed with workstream leads who will own the plan going forward.	<ol style="list-style-type: none"> <li>1. Ensure that the programme plan is utilised as a benchmark for reporting into steering group and programme board</li> <li>2. Ensure the plan and the dependencies in it are regularly updated and stakeholders kept informed</li> <li>3. <b>Workstream 1:</b> Detailed plan in development but there has to be confirmation on the level of detail that will be applied to TOM activity. There is a major difference between high level design (MVP to ensure services can complete the required activity) and detailed service design (development of gold standard service).</li> </ol>
Implementing clear and efficient governance		A governance structure has been implemented which should provide assurance and challenge to the programme. However, programme board is yet to meet and it is vital to the success of the integration that the experience of those in attendance at programme board is used to mitigate risk and drive the programme forward	<ol style="list-style-type: none"> <li>1. Rigorously enforce the governance which has been set up. Risk logs and highlight reports need to be read and acted on by senior leadership</li> <li>2. Ensure that <b>programme board</b> does not become a 'rubber stamping' body. It should be providing challenge to the programme, mitigating risks and making key decisions throughout</li> <li>3. Ensure <b>workstream leads</b> taken ownership of steering group and use that forum as it is intended to be used</li> </ol>

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## The current state of the programme (2 of 4)

The below table describes the current state of the MCA Integration programme against the 6 success criteria outlined previously. It then describes what next steps need to be taken to improve the RAG ratings and ensure that the programme continues to progress successfully:

Success Criteria	Current RAG	Current State Description	Actions to be taken by programme or specific workstream
Clear accountabilities and responsibilities		Responsibilities and accountabilities have been defined. There is still a lack of understanding within the organisation regarding what this means practically. Particularly for workstream leads. This will become more apparent as the programme develops	<ol style="list-style-type: none"> <li>1. Ensure that the accountabilities and responsibilities within the governance structure are communicated with all involved</li> <li>2. Ensure that the accountabilities and responsibilities within the programme are stuck to and enforced by programme leadership</li> </ol>
Clarity of vision and narrative with partners		A clear vision has been laid out for how the future MCA organisation will operate. This vision is now being translated into the future operating model for the organisation	<ol style="list-style-type: none"> <li>1. This vision needs to be actively referenced throughout the new Target Operating model and operationalised</li> <li>2. The vision needs to be successfully communicated to staff and key stakeholders as part of the internal communications plan. This must be broken down in a way that considers the different stakeholders and groups so everyone can buy into the vision by understanding both their individual and collective purpose</li> </ol>

## The current state of the programme (3 of 4)

The below table describes the current state of the MCA Integration programme against the 6 success criteria outlined previously. It then describes what next steps need to be taken to improve the RAG ratings and ensure that the programme continues to progress successfully:

Success Criteria	Current RAG	Current State Description	Actions to be taken
Page 9 Ensuring source capability aligns to programme activity		Workstream leads have been assigned to each workstream, who have some specialist knowledge around the relevant areas. Below the workstream leads there have been resources identified to complete activities but some skills gaps have been identified and some posts are waiting to be filled	<ol style="list-style-type: none"> <li>1. Any gaps in skills should be met via recruitment internal and external. Steering Group and Programme board should use their expertise to identify and challenge skills gaps</li> <li>2. Steering Group and Programme Board should be used to continually review whether the workforce in place have the correct skills to further the project and mitigate this risk if not</li> <li>3. <b>Workstream 3:</b> Capability gap around risk management strategy and other work packages. A similar approach to that adopted by workstream 1 may be required (interim support).</li> <li>4. <b>Workstream 4:</b> Undertake recruitment as there is an absence of skills for the redesign and build of future organisation website</li> <li>5. <b>Workstream 5:</b> Undertake recruitment. Developers are required to actually build the future organisation website. System architects will also be required during system integration.</li> </ol>

## The current state of the programme (4 of 4)

The below table describes the current state of the MCA Integration programme against the 6 success criteria outlined previously. It then describes what next steps need to be taken to improve the RAG ratings and ensure that the programme continues to progress successfully:

Success Criteria	Current RAG	Current State Description	Actions to be taken
Page 70 Ensuring resource availability		Resources have been identified but already there have been concerns raised about the ability of identified resources to complete the work alongside BAU and some posts need to be filled. Senior posts (workstream leads etc) need to have the required time to dedicate to fulfilling governance duties and currently this represents a major risk	<ol style="list-style-type: none"> <li>1. Assess whether senior governance roles (workstream leads and above) have the time to dedicate to ensuring the programme receives adequate oversight. If they do not, mitigating actions must be taken as a priority</li> <li>2. Recruit vacant posts and regularly report progress around recruitment to board</li> <li>3. <b>Workstream 2:</b> Recruitment activity planned to help spread workload and release other capacity</li> <li>4. <b>Workstream 5:</b> Recent number of resignations in the IT service will increase pressure on remaining staff to balance BAU activity and integration activity. Proposal to align existing skills to workstream activity and bring in temporary support for completion of BAU tasks.</li> </ol>

## What are the key milestone across the programme?

Each workstream has identified a range of different milestones that will need to be achieved across the course of the programme to ensure a successful integration. Although all of these milestones are important, there are a number of significant ones that will be critical across the course of the programme. These have been outlined below:

Workstream	Work package	Milestone	Proposed completion
Workstream 1: The future organisation and HR	TOM development & design	Full TOM embedded for 22/23	March 2022
	Culture, behaviours & values	Future cultural blueprint defined	September 2021
Workstream 2: Finance and assets	Finance	New financial regulations developed	December 2021
<b>Workstream 3: Legal, policy and compliance</b>	<b>Statutory order</b>	<b>Official dissolution of the PTE</b>	<b>1st April 2022</b>
Workstream 3: Legal, policy and compliance	Constitution activity	Changes made to MCA constitution to reflect integration post parliament decision	January 2022
Workstream 5: IT	IT storage	All storage changes implemented	November 2021

# What key components need to be considered when designing the future organisation as part of the next steps

COVID-19 has emphasised that services will need to transform and adapt to new demands from residents and communities. Critical to new ways of working and how different services and functions operate are 3 key components that together, will significantly transform 'how' functions deliver their services whilst improving the quality of service provision. Outlined below, these 3 key components will need to be considered throughout this integration in the following ways: These 3 key components are:

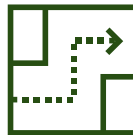


## **Access and utilising data**

Organisations have access to a significant amount of data that should be used to drive decision making and tailor service provision to resident and community needs.

### *Application to the programme:*

A clear data strategy should be developed as part of the future operating model. This could either be a component of the future IT function, however best practice suggests dedicated expertise towards data and insight development would significantly improve the use of data across the organisation.



## **Using efficient technology**

To access and use data effectively, the correct technology needs to be in place. Organisations need to evaluate the use of existing technology and identify new technologies that may be of benefit (e.g. Artificial intelligence).

### *Application to the programme:*

Workstream 5 will be focused on completing the required technology integration but consideration needs to be given by workstream 1 as technology will be a key component of the TOM for services. Consideration must be given to any new technology that needs to be implemented alongside the integration of existing technology.



## **Considering organisational boundaries**

Considering who is best equipped to deliver services in the future will be critical for removing duplicated effort and ensuring collaboration between teams and organisations.

### *Application to the programme:*

Workstream 1 will play a critical role in developing 'what' services will be provided by the future organisation and the TOM which considers the 'how'. The integration provides a unique opportunity for the organisation to develop a new TOM, starting with defining exactly what the service aims to deliver.



# Appendix 1. Confirming the preferred integration option

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## Option 1- Progress soft alignment activity but wait until the statutory order to maximise integration

**Overview:** Option 1 would involve undertaking some initial up front alignment activity (such as the Finance integration already undertaken), but waiting until the statutory order passes until progressing the majority of the integration work. This would mean effectively 'lift and shifting' the SYPTE into the MCA and then progressing the alignment work, once the legal dissolution has been completed.

### Advantages of this option

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This option would mean less short term workarounds for statutory reporting functions, as this would be kept separate until the statutory order. This would also lead to less immediate impact on the SYPTE team



This option would involve working to a set date for the statutory order passing. This milestone could simplify communications

### Disadvantages of this option



This option would ultimately lead to a slower pace of integration, pushing back benefits realisation for Sheffield City Region



'Lifting and shifting' before integration can often lead to organisations struggling to align. Creation of a truly joint team tends to work best, when completed up front



A delay in informal integration may lead to change fatigue setting in amongst staff, making cultural integration more difficult. This would reduce the opportunities of integrating the organisations

**Summary-** Option 1 is likely to lead to a slower pace of integration, and in other, similar programmes of work, this has often led to organisations struggling to create 'one culture' within the new organisation. Even though this option would give the MCA more time to plan the integration and reduce the need for workarounds, it is likely to lead to reduced benefits in both the medium and long term.

## Option 2- Maximise integration to the extent permissible in advance of the statutory order

**Overview:** Option 2 would involve maximum possible integration between the MCA and the SYPTTE taking place in advance of the statutory order being granted by parliament. This would involve a substantial amount of integration of teams and processes, with the legal process and alignment of some regulatory functions to be fully completed following the statutory order.

### Advantages of this option



This option would lead to the quickest possible integration, allowing the teams to function as one in the shortest time scale



Similar programmes of work have shown that moving at a quicker pace and starting work as one combined team leads to cultural change being adopted more successfully



This option is less reliant on the date of the legal dissolution (which is out of SCR's hands), as many of the benefits will already be realised by this point

### Disadvantages of this option



This option would involve implementing workarounds and duplicating some reporting processes for the two organisations, prior to becoming legally integrated. These workarounds would then need to be discontinued once the SYPTTE is dissolved



There is a chance that the integration process could become rushed, if a parliamentary date was granted before summer recess (this is currently unlikely)

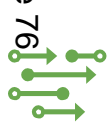
**Summary-** Option 2 will lead to one integrated team being created in the shortest timescale. This should lead to improved communications around the change and to an improved process for particularly SYPTTE staff. This option would require some short term workarounds to be implemented to allow for legal reporting and other statutory functions

## Recommendations

### Recommended option

Following the options appraisal on the previous two slides, it is recommended that **Option 2- Maximise integration to the extent permissible in advance of the statutory order** is followed, as per SCR's existing thinking. The rationale for this being that based on best practice from other integration programmes, it is important to integrate teams as quickly as possible and to avoid 'lifting and shifting' if possible. This will increase the ease of creating 'one team' between SYPTE and MCA staff, realising the benefits of integration.

### Next steps



#### Continue and step up activity associated with option 2

Activity to implement option 2 and full integration programme should be developed around this approach. Workstreams should be confirmed and work packages aligned appropriately to ensure there is a clear structure in place for the programme. Governance should also be established to monitor progress and manage risk.



#### Workstream and work package development

Each workstream should prioritise their work packages as follows:

1. **Immediate priorities**
2. **Pre informal integration** (activities to be completed before informal integration takes place)
3. **Pre legal integration** - Activities that need to be completed before legal integration but not before informal integration
4. **Post integration** - Remaining work that needs to be completed post legal integration

# Appendix 2. Full governance arrangements

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## Introduction and proposed governance structure

### Introduction

The following lays out the proposed governance structure for the governance structure of the MCA/ SYPTE integration programme of work. This structure is based on best practice from similar integration programmes and builds on work already undertaken by the MCA. This document also includes the terms of reference for the two governance boards

### Programme Board

To enable the success of the programme, a separate, dedicated monthly management team meeting will meet as the 'Programme Board' with accountability and ownership of the whole integration programme. This board will consist of attendees at director level accountable for the delivery of the programme, acting as an escalation point and making key programme decisions

### The Integration Steering Group

Underneath the Programme Board, will sit a group which will be responsible for delivery, constructive challenge and support. This Steering Group will be responsible for the success of, communications around and providing constructive challenge to the integration programme and the individual workstreams within. It is vital that members of this group are able to dedicate sufficient time and resource to driving progress and understanding the challenges that this integration programme will face. This group will meet fortnightly

### PMO Support

The MCA/ SYPTE Integration programme will utilise a very small, central PMO to ensure that there is joined up reporting across the programme, to enable the Programme board and Steering group to receive accurate information, on which to base decisions. All documentation and updates shall be submitted using digital methods, greatly reducing the workload of the PMO.

## Programme initiation RACI

### Introduction

The following RACI matrix tables identify the person/group responsibilities for each of the steps/tasks required throughout the MCA/ SYPTE integration programme for a successful and effective integration.

RACI tables are a simple well established way of seeing what level of responsibility each role has. The letters stand for:

R = Responsible (gets the job done)

A = Accountable (answerable for the programme's success)

C = Consulted (supports, has the information or the capability required)

I = Informed (notified, but not consulted)

### Programme Initiation

Task	Programme Board	Steering Group	Workstream leads	PMO
Sponsoring the programme	A			
Confirm the steering group attendees	A	R	C	
Produce the programme governance arrangements	A	R	C	I
Develop the workstream plans		C	A,R	I
Develop the workstream overviews		C	A,R	I
Develop the overall programme plan		A		R

## Programme initiation RACI

Task	Programme Board	Steering Group	Workstream leads	PMO
Identify wider stakeholders	A	R	C	I
Develop initial vision	A	R	C	I
Weekly workstream updates			A, R	I
Managing workstream risks			A, R	I
Consolidation of overall highlight reports				A, R
Providing challenge to progress		A, R	I	
Escalation of key issues		A, R	I	
Managing of programme level risks	A	R		
Sign off of final deliverables	A, R	C	I	
Sign off any future projects	A, R	C	I	
Agree project completion	A, R	C	I	
Communication of change		A, R	C	I



## Introduction and purpose of the Programme Board

### Overview and Purpose

To enable the success of the programme, a separate, dedicated monthly management team meeting will meet as the 'Programme Board' with accountability and ownership of the whole integration programme. This board will consist of attendees at director level accountable for the delivery of the programme, acting as an escalation point and making key programme decisions

### Objectives

The key objectives of the Programme Board are:

- ❖ To act as an escalation point for key programme decisions
- ❖ To obtain buy in and support for the programme from key stakeholders and leaders
- ❖ To hold accountability for delivery of the agreed benefits
- ❖ To ensure that the Integration Steering Group is performing its role effectively
- ❖ To use the experience within the leadership team to provide assurance to the Integration programme

### Key tasks

The key tasks of the Programme Board are:

- ❖ To make key decisions as highlighted by the Integration Steering Group
- ❖ To engage with key stakeholders and to ensure their buy in, into the programme
- ❖ Mitigate key programme risks as highlighted by the Integration Steering Group
- ❖ Provide top level assurance to the programme
- ❖ To ensure alignments with the MCA's wider strategic objectives

## Programme board attendees

Below, are featured the attendees of the Programme Board, alongside their role within the group:

Proposed attendee	Role
Dave Smith	Chair
Ruth Adams	Attendee
Stephen Edwards	Attendee
Gareth Sutton	Attendee
Helen Kemp	Attendee
Martin Swales	Attendee
Stephen Batey	Attendee
Steve Davenport	Attendee

*\*In addition to the above, a PwC representative will be in attendance to take minutes and actions for an agreed period*

## Board working arrangements

The working and reporting arrangements for the Programme Board will be as follows:

- ❖ The board will meet monthly with a date agreed at least one month in advance
- ❖ Exceptional meetings may also take place, if requested by the Integration Steering Group and agreed by the board members
- ❖ The PMO team will aim to provide agenda for consideration at least 5 working days in advance
- ❖ The Programme Board will be presented with a set of reports and escalations from the Steering Group on which decisions are required
- ❖ Where possible these reports will be presented in a digital manner to match the rest of the programme governance
- ❖ Each meeting will feature an official decision log in which all decision made by the board including formal approvals/ rejections will be recorded. This decision log will be circulated around all attendees as well as the Steering Group within 10 working days
- ❖ Where possible these decisions will be made available to wider stakeholders to ensure that the programme is as transparent as possible
- ❖ These reporting and working arrangements will be reviewed every three months to ensure that they are fulfilling their purpose. If the board decides that these need to be updated, then these Terms of Reference will be updated
- ❖ Board attendance will also be reviewed every three months to ensure that the correct people are in attendance. Some guest attendees may be invited to the board if formally agreed by the board at the previous meeting

## Introduction and purpose of the Integration Steering Group

### Overview and Purpose

Underneath the Programme Board, will sit a group which will be responsible for delivery, constructive challenge and support. This Steering Group will be responsible for the success of, communications around and providing constructive challenge to the integration programme and the individual workstreams within. It is vital that members of this group are able to dedicate sufficient time and resource to driving progress and understanding the challenges that this integration programme will face. This group will meet fortnightly

### Objectives

The key objectives of the Integration Steering Group are:

- ❖ To hold responsibility for delivery of the agreed benefits
- ❖ To obtain buy in from stakeholders across the MCA and SYPTE at all levels
- ❖ To provide challenge to the programme
- ❖ To ensure programme board are briefed at an appropriate level in order to allow them to make key decisions when required

### Key tasks

The key tasks of the Integration Steering Group are:

- ❖ To actively challenge and understand the progress of the programme
- ❖ To review risks and issues highlighted by the programme highlight reports
- ❖ To escalate risks and key decisions to the Programme Board when deemed appropriate
- ❖ To work with the project leads to ensure identified benefits are delivered
- ❖ To review dependencies across the programme
- ❖ To review and suggest improvements to MCA wide communications regarding the programme

## Integration Steering Group attendees

Below, are featured the attendees of the Integration Steering Group, alongside their role within the group:

Proposed attendee	Role
Ruth Adams	Chair
Tim Taylor	SYLTE representative - independent challenge
Jacqui Barker	Workstream lead - The future organisation and HR
Gareth Sutton	Workstream lead - Finance and assets
Claire James	Workstream lead - Legal, policy and compliance
Daniel Wright	Workstream lead - Branding and Marketing
Andy Dickinson	Workstream lead - IT
PwC representative	Minute taker

*\*In addition to the regular attendees above, additional attendees may be asked to attend should a specific agenda item require additional attendance.*

## Board working arrangements

The working and reporting arrangements for the Steering Group will be as follows:

- ❖ The group will meet fortnightly with a data agreed at least one week in advance
- ❖ The PMO team will aim to provide agenda for consideration at least 2 working days in advance
- ❖ The Integration Steering Group will be sent the weekly highlight report by the PMO team, which will include updates from each individual project
- ❖ These reports will be presented in a digital manner to match the rest of the programme governance
- ❖ Each meeting will feature an official decision log in which all decision made by the group including formal approvals/ rejections will be recorded. This decision log will be circulated around all attendees within 5 days
- ❖ Where possible these decisions will be made available to wider stakeholders to ensure that the programme is as transparent as possible
- ❖ Any escalations for programme board will be circulated to all programme board members, following these meetings
- ❖ These reporting and working arrangements will be reviewed every three months to ensure that they are fulfilling their purpose. If programme board decide that these need to be updated, then these Terms of Reference will be updated
- ❖ Steering group attendance will also be reviewed every three months to ensure that the correct people are in attendance.
- ❖ Some guest attendees may be invited to the group if formally agreed by the group at the previous meeting

WS1 Risk Register – The Future Organisation and HR Appendix B

No.	DATE RAISED 00/00/00	RISK CATEGORY	RISK DESCRIPTION				Existing Controls	Prob'	Impact	Risk Score	Risk Owner	Urgency	RISK RESPONSE OPTION	RISK RESPONSE ACTION	RISK ACTION OWNER	TARGET DATE 00/00/00	REVIEW DATE 00/00/00	ACTION STATUS	Prob'	Impact (I)	Risk Rating	RESIDUAL PROXIMITY	RISK STATUS
			Fall Description	Cause (Trigger)	Leading to... (Event)	effect (resulting in)																	
001	12/04/21	Workstream 1: Future Organisation and HR	There is a risk that staff revert back to previous ways of working following integration, reducing the benefits of the programme	A lack of alignment across working styles and cultures means that the new organisation struggles to work as one joined up organisation	This could lead to staff working differently and not integrating into a single culture	This would result in fewer programme benefits and less effective teamworking	Ensuring that the vision for the MCA is widely communicated and agreed by senior stakeholders	2	2	RA	01/04/22	Reduce threat	JB to ensure that communications and working practices are clearly defined and agreed by management	RA	01/09/21	01/07/21		2	2		No change	Open	
002	12/04/21	Workstream 1: Future Organisation and HR	There is a risk that changes in t's and c's within contracts cause a delay to the programme due to union involvement	Employment T's and C's needing to change requires union involvement	Timescales for their agreement being pushed back	Timescales for the overall integration and the benefits involved being pushed back	None	2	2	JB	01/10/21	Reduce threat	JB to work with Legal to ensure alignment of t's and c's, making as few changes as possible	JB	01/08/21	01/07/21		2	2		No change	Open	
003	12/04/21	Workstream 1: Future Organisation and HR	There is a risk that existing staff members do not match the skill sets required to work within the newly designed operating model	A lack of alignment between current and future staff capabilities	MCA staff being unable to operate effectively within the new, optimised operating model	Lower levels of productivity across the MCA and reduced benefits	None	1	3	JB	01/04/22	Reduce threat	JB to identify skill sets required and to match to existing workforce with external recruitment considered	JB	01/07/21	01/07/21		1	2		No change	Open	
004	12/04/21	Workstream 1: Future Organisation and HR	There is a risk that lack of resource delays the progress of workstreams, pushing back benefits timelines	The organisation doesn't have the resource to cope with the extra workload across the organisation due to the integration activities	A delay in lower priority activities being completed, which could impact dependant workstream activities	This will result in integration activities being spread across a longer timeline, reducing staff's capacity for BAU activities across a longer timeframe and causing a delay in benefits realisation	Initial workstream packs are identifying any known resource shortfalls	4	3	RA	01/08/21	Reduce threat	Workstream leads and RA to ensure that workstreams are effectively resourced with gaps identified and filled	RA	01/06/21	01/06/21		2	3		No change	Open	
005	12/04/21	Workstream 1: Future Organisation and HR	This is a risk that lack of resource across the organisation impacts on the ability of the workstream 1 to design a TOM	The organisation doesn't have the resource to cope with the extra workload across the organisation due to the integration activities	A lack of specialist resource to help workstream 1 build the TOM for areas across the organisation	This will lead to a delay in the TOM being constructed and thus implemented across the organisation	Initial workstream packs are identifying any known resource shortfalls	4	3	RA	01/08/21	Reduce threat	JB to ensure programme board is kept informed of any resourcing issues and that any shortfalls are communicated across the organisation	RA	01/08/21	01/06/21		3	3		No change	Open	
006	22/04/21	Workstream 1: Future Organisation and HR	There is a risk of duplication across different workstreams	This is caused by multiple interdependencies between several workstreams, which could lead to duplication if responsibilities are not clearly communicated	This will lead to duplication across workstreams, unnecessarily increasing workloads	This will result in lower levels of productivity across the MCA	Dependencies are discussed and mitigated at steering group	4	2	JB	01/08/21	Reduce threat	JB to ensure the responsibilities and input required across work packages is clear between workstreams.	JB	01/06/21	01/06/21		2	2		No change	Open	

WS2 Risk Register – Finance and Assets

No.	DATE RAISED 00/00/00	RISK CATEGORY	RISK DESCRIPTION				Existing Controls	Prob'	Impact	Risk Score	Risk Owner	Urgency	RISK RESPONSE OPTION	RISK RESPONSE ACTION	RISK ACTION OWNE	TARGET DATE 00/00/00	ACTION REVIEW DATE 00/00/00	ACTION STATUS	Prob'	Impact (I)	Risk Rating	RESIDUAL PROXIMITY	RISK STATUS
			Full Description	Cause (Trigger)	leading	effect (resulting in)																	
001	12/05/21	Workstream 2: Finance and Assets	There is a risk that the activity associated with the banking project fails and the organisation is left with without an appropriate	The activity around the banking piece of work is not successful	The organisation no longer has an effective banking platform	Disruption to banking and wider finance activities	GS ensuring resource exists to complete these activities	2	2	4	GS	01/04/22	Reduce threat	GS to ensure adequate resource for completing banking related activities.	GS	01/12/21	01/06/21		1	2	2	No change	Open
002	12/05/21	Workstream 2: Finance and Assets	Changes to finance function (structures, policies etc) are not embedded properly causing confusion and inefficiency.	The new structures within the MCA finance structure are not embedded effectively	Working patterns reverting to previous ways of working with a split between ex MCA and PTE staff	Inefficiencies throughout the finance department	None	3	3	9	GS	01/04/22	Reduce threat	GS and team to work closely with w1 on the op model and w4 regarding clear comms.	GS	01/12/21	01/06/21		2	3	6	No change	Open
003	12/05/21	Workstream 2: Finance and Assets	Funding partners are left confused by changes leading to issues with disbursement of funding	The changes to the finance function confuses finance partners	Activity around disbursement becomes less clear and there is confusion amongst partners	Issues with how funding is disbursed and administered	None	2	2	4	GS	01/04/22	Reduce threat	Funding partners to be engaged with at the appropriate times.	GS	01/02/21	01/06/21		1	2	2	No change	Open
004	12/05/21	Workstream 2: Finance and Assets	Pace of recruitment to vacant posts does not support business partner model	Recruitment to vacant posts is delayed or more timely than expected	The business partner model is unable to commence due to pushed back timescales	The business partner model is delayed	None	3	3	9	GS	01/04/22	Reduce threat	GS to confirm recruitment timelines and ensure related activity is completed.	GS	01/07/21	01/06/21		2	3	6	No change	Open
005	12/05/21	Workstream 2: Finance and Assets	Groupwide business planning process does not generate a fully consolidated financial plan, leading to financial	A fully consolidated plan cannot be generated following group wide planning	The lack of a fully consolidated and agreed plan for the finance function	Financial inefficiencies across the organisation	Working alongside workstream 1 to understand required activities	3	3	9	GS	01/04/22	Reduce threat	Team to ensure all business planning activities are completed (along with w1) and detailed activities required are detailed.	GS	01/12/21	01/06/21		2	3	6	No change	Open
006	12/05/21	Workstream 2: Finance and Assets	Disparate systems that are adopted in the future leads to a lack of control over procurement activity	Disparate procurement systems are adopted by the future organisation	A lack of control over procurement activity	Potential duplication and unmonitored spend across the organisation	Working alongside workstream 5 to ensure the entire system is adequate	1	3	3	GS	01/04/22	Reduce threat	Team to work closely with w5 to ensure system is adequate for underpinning the future function.	GS	01/12/21	01/06/21		1	2	2	No change	Open
007	12/05/21	Workstream 2: Finance and Assets	Interfaces with other teams around contract rules, financial regulations and scheme of delegation are complicated	The future organisation has a confusing set of interfaces around contract rules and delegations	A lack of clarity around responsibilities and decision making processes	Processes not being followed as intended and procurement becoming inefficient	None	1	3	3	GS	01/04/22	Reduce threat	Team to ensure messages are simplified, with support from comms used when required	GS	01/12/21	01/06/21		1	2	2	No change	Open
008	12/05/21	Workstream 2: Finance and Assets	There is a risk that lack of resource delays the progress of workstreams, pushing back benefits timelines	The organisation doesn't have the resource to cope with the extra workload across the organisation due to the integration activities	A delay in lower priority activities being completed, which could impact dependant workstream activities	This will result in integration activities being spread across a longer timeline, reducing staff's capacity for BAU activities across a longer timeframe and causing a delay in benefits realisation	Initial workstream packs are identifying any known resource shortfalls	4	3	12	GS	01/01/22	Reduce threat	Required resources to be identified, with programme activity prioritised	GS	01/08/21	01/06/21		3	3	9	No change	Open
009	12/05/21	Workstream 2: Finance and Assets	Assets are not recorded systematically, with knowledge based on custom and	Assets are managed by custom and practice rather than by recording systematically	Assets being poorly recorded	A lack of formal understanding across the organisation regarding the asset position	None	2	2	4	GS	01/04/22	Reduce threat	Adequate time frame allocated towards mapping of assets	GS	01/02/22	01/06/21		2	1	2	No change	Open
010	12/05/21	Workstream 2: Finance and Assets	A lack of standardisation on process and practice leads to fragmentation in service	A lack of standardisation of process and practice within assets	Fragmentation within the service and teams working in siloes	Duplication of effort and inefficiencies across the service area	None	1	2	2	GS	01/04/22	Reduce threat	Team to work closely with w1 regarding the future processes to ensure standardisation	GS	01/12/21	01/06/21		1	2	2	No change	Open
011	12/05/21	Workstream 2: Finance and Assets	Late agreement on the TOM leads to lack of time to implement and embed the required changes	A delay in formal agreement to the finance service TOM	A lack of time to implement and embed the changes	The new service function operating inefficiently when it goes live	Meeting with workstream 1 to understand dependencies	3	4	12	GS	01/01/22	Reduce threat	Team to work closely with w1 regarding timeframes for TOM design	GS	01/12/21	01/06/21		3	2	6	No change	Open



WS3 – Risk Register Legal, Governance and Compliance

No.	DATE RAISED 00/00/00	RISK CATEGORY	RISK DESCRIPTION				Existing Controls	Prob'	Impact	Risk Score	Risk Owner	Urgency	RISK RESPONSE OPTION	RISK RESPONSE ACTION	RISK ACTION OWNER	TARGET DATE 00/00/00	ACTION REVIEW DATE 00/00/00	ACTION STATUS	Prob'	Impact (I)	Risk Rating	RESIDUAL PROXIMITY	RISK STATUS
			Full Description	Cause (Trigger)	Leading to... (Event)	Effect (resulting in)																	
001	12/04/21	Workstream 3: Legal, Policy and Compliance	There is a risk that staff revert back to previous ways of working following integration, reducing the benefits of the programme	A lack of alignment across working styles and cultures means that the new organisation struggles to work as one joined up organisation	This could lead to staff working differently and not integrating into a single culture	This would result in fewer programme benefits and less effective teamworking	Ensuring that the vision for the MCA is widely communicated and agreed by senior stakeholders	2	2	2	CJ	01/04/22	Reduce threat	CJ	01/03/21	01/07/21		2	2	2	No change	Open	
002	22/04/21	Workstream 3: Legal, Policy and Compliance	There is a risk that lack of resource delays the progress of workstreams, pushing back benefits timelines	The organisation doesn't have the resource to cope with the extra workload across the organisation due to the integration activities	A delay in lower priority activities being completed, which could impact dependant workstream activities	This will result in integration activities being spread across a longer timeline, reducing staff's capacity for BAU activities across a longer timeframe and causing a delay in benefits realisation	Initial workstream packs are identifying any known resource shortfalls	4	4	4	CJ	01/01/22	Reduce threat	CJ	01/08/21	01/06/21		3	3	3	No change	Open	
003	26/04/21	Workstream 3: Legal, Policy and Compliance	There is a risk that the parliamentary order may get delayed due to it struggling to command parliamentary time	Trusts caused by other, urgent government priorities (for example COVID-19 and Brexit) being prioritised in the parliamentary agenda	This could lead to a delay in the legal dissolution date	This will result in formal integration activities being pushed back further and may delay programme benefits	None	1	3	3	CJ	01/04/22	Reduce threat	CJ	30/11/21	01/06/21		1	3	3	No change	Open	
004	26/04/21	Workstream 3: Legal, Policy and Compliance	There is a risk that the new audit committee may lack sufficient expertise and focus around public transport issues.	This is caused by the committee including membership across all focus areas of the MCA in comparison to the PTE's sole focus on transport issues	This could lead to less focus and prioritisation of public transport amongst competing issues across the MCA's strategy and work	This could result in public transport issues persisting for longer or the quality of services declining if there is less focus	None	1	3	3	CJ	01/04/22	Reduce threat	CJ	30/11/21	01/07/21		1	3	3	No change	Open	
005	26/04/21	Workstream 3: Legal, Policy and Compliance	There is a financial risk if there isn't a compliant, up-to-date financial framework it could jeopardise any future funding awards.	This is caused by the financial framework not being compliant following the merger	The MCA being unable to bid for future funding awards	A reduction in grants for the MCA	GS is working to ensure that the finance framework is compliant	1	4	4	CJ	01/04/22	Reduce threat	CJ	31/09/21	01/07/21		1	4	4	No change	Open	
006	26/04/21	Workstream 3: Legal, Policy and Compliance	When recruiting a Risk and Assurance Officer, the correct individual may not be available for the position at the proposed salary.	This is caused by a lack of available resource within the market in this area	This could lead to the current team being overstretched	This would result in key risk and assurance activities being pushed back or may lead to a delay in wider integration activities	To be set out via governance	4	2	2	CJ	01/10/21	Reduce threat	CJ	31/07/21	01/07/21		2	2	2	No change	Open	
007	26/04/21	Workstream 3: Legal, Policy and Compliance	There is a risk that when recruiting an Information Governance & Assurance Officer, the correct individual may not be available for the position at the proposed salary.	This is caused by a lack of available resource within the market in this area	This could lead to the current team being overstretched	This would result in key risk and assurance activities being pushed back or may lead to a delay in wider integration activities	To be set out via governance	4	2	2	CJ	01/10/21	Reduce threat	CJ	31/07/21	01/07/21		2	2	2	No change	Open	
008	27/05/21	Workstream 3: Legal, Policy and Compliance	Workstream leadership and capacity to deliver this alongside BAU	caused by the workstream lead unable to take on the responsibility due to BAU pressures	This could lead to a lack of leadership for this workstream in the short term	This would result in progress or completion of tasks being delayed for the workstream, impacting milestones.	Decision by accountable officer on who to take on WL role	4	3	3	RA / SD	11/06/21	Exploit opportunity	RA / SD	11/06/21	04/06/21		3	3	3	No change	Open	

WS4 – Communications & Marketing

No.	DATE RAISED 00/00/00	RISK CATEGORY	RISK DESCRIPTION				Existing Controls	Prob*	Impact	Risk Score	Risk Owner	Urgency	RISK RESPONSE OPTION	RISK RESPONSE ACTION	RISK ACTION OWNER	TARGET DATE 00/00/00	ACTION REVIEW DATE 00/00/00	ACTION STATUS	Prob*	Impact (I)	Risk Rating	RESIDUAL PROXIMITY	RISK STATUS
			Full Description	Cause (Trigger)	Leading to... (Event)	Effect (resulting in)																	
001	16/04/21	Workstream 4: Branding and Marketing	There is a risk associated with keeping the service running on the website as there is a transition from one platform to another. This has been enforced by central government and there is a risk of a significant fine should this not take place.	Central Government decreeing that the MCA's website needs to meet accessibility criteria	This could lead to the MCA being unable to meet the accessibility criteria set out	This could result in a fine issued by government	Work has commenced to improve the website content	3	4	D/W	01/11/21	Reduce threat	Continue to progress the transition from the current platform onto the new platform.	D/W	01/09/21	01/06/21		2	3	High	No change	Open	
002	16/04/21	Workstream 4: Branding and Marketing	There is a risk that deadlines for improving the current website may impact the preferred approach for integrating the MCA and PTE websites.	This is caused by the difficulty of improving and integrating the websites simultaneously	This could lead to a delay in completing the website integration	This could result in the website being completed after the legal dissolution point	Work has commenced to improve the website content	3	3	D/W	01/09/21	Reduce threat	Assess the feasibility of integrating the websites at the same time of shifting platforms.	D/W	01/06/21	01/06/21		2	2	Medium	No change	Open	
003	20/04/21	Workstream 4: Branding and Marketing	There is a risk that a lack of resource could delay the progress of Workstream 4 (e.g. digital communications manager to develop the new website), pushing back timelines of activity which could have a knock on effect for other workstreams.	This is caused by delays in relation to external recruitment although there is budget.	Delays in the activities that need to be completed for the integration	Delay in the completion of activities, causing milestones to be pushed back	Budget present should recruitment be agreed.	4	4	D/W	14/05/21		Confirm the plan regarding extra capacity for this workstream	D/W	14/06/21	14/05/21		3	3	High	No change	Open	
004	22/04/21	Workstream 4: Branding and Marketing	There is a risk that the branding and marketing will lack impact with the public, due to integrating two separate organisations and increased recognition of the city region during the pandemic.	This is caused by the different brand images of both organisations and also due to the public's increased recognition of the role of a city region during the pandemic	This could lead to the public not fully understanding or recognising the integrated organisation and its role in the region	This could result in less programme benefits of integration if the public do not engage fully	None	3	3	D/W	01/04/21	Reduce threat	D/W to ensure the branding and marketing of both organisations are clearly aligned when integrating to provide clarity to the public	D/W	01/09/21	01/07/21		2	2	Medium	No change	Open	
005	22/04/21	Workstream 4: Branding and Marketing	There is a risk that there are different ways of working, expectations and priorities across both organisations which could create some challenges during and after integration	This is caused by the different cultures and subsequent ways of working across the current MCA and PTE	This could lead to challenges when integrating a new culture and communicating this clearly through this workstream	The integration not being as successful as it should be	Close working with w1	3	3	D/W	01/07/21	Reduce threat	D/W to work closely with Jacqui Barker to ensure comms regarding new ways of working that underpin the future vision and culture are regular but concise.	D/W	01/09/21	01/07/21		2	2	Medium	No change	Open	
006	22/04/21	Workstream 4: Branding and Marketing	There is a risk that different hosts for different websites may limit the degree of changes that can be made on the websites (e.g. Growth Hub website host has an external host).	Different hosting platforms making it difficult to make full changes to the website	This could lead to content not being changed and updated to the desired agree	A less coherent website than would be preferable	None	3	2	D/W	01/04/21	Reduce threat	D/W to work closely with Workstream 5 to ensure limitations of website infrastructure is considered during content development.	D/W	01/09/21	01/07/21		2	2	Medium	No change	Open	
007	28/04/21	Workstream 4: Branding and Marketing	There is a risk that the public and stakeholders are confused / reject the new name, impacting the rest of the integration.	This is caused by a change in name for both organisations which will need to be effectively communicated to the public	This could lead to the public not fully understanding or recognising the integrated organisation and its role in the region	This could result in less programme benefits of integration if the public do not engage fully	None	2	2	D/W	28/04/21	Reduce threat	Clear comms following the agreement of the name and the rest of the integration to the public and stakeholders.	D/W	30/06/21	01/06/21		1	2	Medium	No change	Open	
008	05/05/21	Workstream 4: Branding and Marketing	There is a risk that a clear and common understanding of the vision and principles of the future organisation is not adopted in line with the future operating model.	A lack of common understanding of the vision and principles of the new organisation	This would lead to the new operating model not adopting the principles of the organisation as outlined by leadership	This could lead to the vision for the organisation not being fully realised	None	2	2	D/W	TBC	Reduce threat	D/W to work with workstream 1 to make sure changes as part of workstream 1 are considered when developing the vision and subsequent comms.	D/W / JB	01/09/21	01/07/21		1	2	Medium	No change	Open	

No.	DATE RAISED 00/00/00	RISK CATEGORY	RISK DESCRIPTION				Existing Controls	Prob'	Impact	Risk Score	Risk Owner	Urgency	RISK RESPONSE OPTION	RISK RESPONSE ACTION	RISK ACTION OWNERS	TARGET DATE 00/00/00	ACTION REVIEW DATE 00/00/00	ACTION STATUS	Prob'	Impact (I)	Risk Rating	RESIDUAL PROXIMITY	SECONDARY RISKS	RISK STATUS
			Full Description	Cause (Trigger)	Leading to...(Event)	effect (resulting in)																		
001	20/04/21	Workstream 5: Information Technology	There is a risk that staff do not fully adopt technology change that is brought about from the integration. Some staff may be required to use different systems that will require changes to existing ways of working.	This is caused by a change in ways of working and behavioural adoption of technology change	This could lead to a return to old ways of working and less efficiency	This would result in fewer programme benefits and less effective use of technology	To be set out via governance	2	2	4	AD	01/04/22	Reduce threat	AD	01/09/21	01/07/21		2	2	4	No change		Open	
002	20/04/21	Workstream 5: Information Technology	There is a risk that the streamlining and integration of different data and systems will be significantly more difficult than first thought due to the amount of different systems present and decisions that may be made at programme level.	This is caused by the dependency on programme level decisions to direct how data and systems are integrated	This could lead to a change in timescales and workloads for the integration	This would result in the integrations being delayed or pushed back, delaying the associated benefits	To be set out via governance	3	4	12	AD	01/04/22	Reduce threat	AD	01/09/21	01/07/21		2	3	6	No change		Open	
003	20/04/21	Workstream 5: Information Technology	There is a risk that lack of resource delays the progress of Workstream 5, pushing back timelines of activity which could have a knock on effect for other workstreams.	The organisation doesn't have the resource to cope with the extra workload across the organisation due to the integration activities	A delay in lower priority activities being completed, which could impact dependant workstream activities	This will result in integration activities being spread across a longer timeline, reducing staff's capacity for BAU activities across a longer timeframe and causing a delay in benefits realisation	Initial workstream packs are identifying any known resource shortfalls	2	2	4		01/08/21	Reduce threat	AD	01/08/21	01/06/21		2	2	4	No change		Open	
004	22/04/21	Workstream 5: Information Technology	There is a large amount of risk and work associated with the potential to switch Microsoft tenants, resulting in little benefit.	This is caused by the decision of whether to remove SYPTE's internal system upon integration	This could lead to a substantial increase in the workload from associated activities	This will result in extra demands on resources and potential resource shortages	None	3	3	9	TBC		Reduce threat	AD	01/10/21	01/06/21		2	2	4	No change		Open	
005	22/04/21	Workstream 5: Information Technology	delay in procuring licenses and contracts through frameworks whilst the new organisation is not explicitly named on them (dependency with Legal to address this).	This is caused by the legal name change not being immediately listed on existing frameworks	This could lead to a delay in procuring new licenses and contracts	This could result in delays to beginning post-integration activities	None	3	3	9	TBC		Reduce threat	AD	01/08/21	01/06/21		2	3	6	No change		Open	

Risk Response Definition	
Avoid a threat Exploit the opportunity	These options are about making an uncertain situation certain. This can be achieved by removing the cause of the threat or by actively implementing the cause of an opportunity. Where any costs are incurred they must be justified i.e. the cost of the response is warranted to make the uncertain situation certain.
Reduce a threat Enhance opportunity	These options choose a definite action to change the probability/likelihood of the risk/opportunity and/or the impact. This option may commit the organisation to costs and these must be justified.
Transfer the risk	This option aims to pass part of the risk to a third party. Insurance is the classic form of transfer. The cost of transfer must be justified. Is the premium worth it?
Share the risk	This option differs from 'transfer' as it seeks to share the risk with multiple parties.
Accept the risk	This option means that the organisation 'takes the chance' that the risk will occur and with its full impact.
Prepare contingent plans	This option involves preparing plans NOW but not taking any action unless the situation changes and the risk materialises. Cost implications need to be considered.

## Audit and Standards Committee

10 June 2021

### Internal Audit Plan 20/21 Progress Report

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<b>Is the paper exempt from the press and public?</b>	No
<b><i>Reason why exempt:</i></b>	Not applicable
<b>Purpose of this report:</b>	Discussion
<b>Funding Stream:</b>	Not applicable
<b>Is this a Key Decision?</b>	No
<b>Has it been included on the Forward Plan?</b>	Not a Key Decision

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#### **Director Approving Submission of the Report:**

Ruth Adams, Deputy Chief Executive

#### **Report Author(s):**

Internal Audit – Grant Thornton

#### **Executive Summary:**

This report provides an update on the progress of the 2020/21 Group Internal Audit Plan.

#### **What does this mean for businesses, people and places in South Yorkshire?**

Internal Audit supports the organisation in helping to achieve its objectives by giving assurance on its internal control and governance arrangements. Good governance enables the MCA to pursue its ambitions and objectives in the most effective and efficient way, bringing about better outcomes for residents and businesses in South Yorkshire.

#### **Recommendations:**

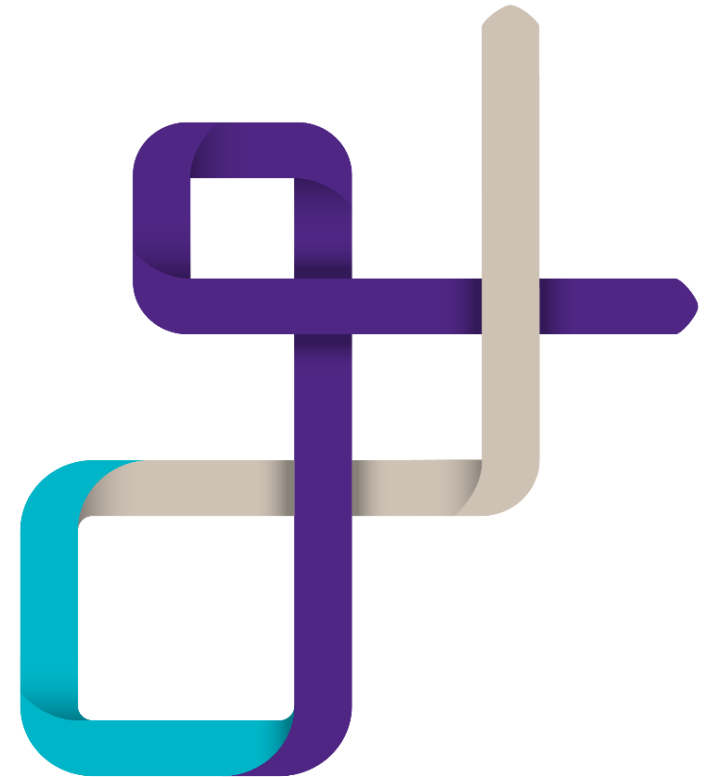
Click or tap here to enter text. The Audit and Standards Committee are asked to note the progress of 2020/21 audit activity undertaken by Grant Thornton for:

- Joint MCA & SYPTE audits
- MCA audits
- SYPTE audits



# Internal Audit Progress Report

Page 94  
Sheffield City Region Mayoral Combined Authority  
June 2021



# Introduction & headlines

## Purpose

This report provides an update on progress against the reviews within the 2020/21 internal audit plan.

We have delivered 50 out of the 55 days in respect of MCA reviews, this is equivalent to 91% and we have delivered a total of 236 days of the 272 days in the joint audit plan which is equivalent to 87%. A breakdown can be found at pages 3 and 4.

## Final reports issued

We have finalised one audit report since the last Audit Committee meeting. A copy of the report is attached with the agenda papers. We have also attached the AMP Technology Centre report from the previous Audit Committee meeting:

Audit Completed	Overall Assurance Level
AMP Technology Centre	Partial assurance with improvement required
Core Financial Controls	Significant assurance with some improvement required

Our assurance levels are shown at appendix 1.

We have also completed the grant certification work and issued the sign off certification letters in respect of the Growth Hub Grant and Business Readiness Funding 2020-2021.

## Work in progress

The following reviews are currently in progress. The fieldwork is almost complete and the draft reports will be shared with the Authority soon:

- Risk Management
- Governance
- Procurement
- Adult Education Budget (AEB)
- Travel and Expense Claims

## Resourcing

The outbreak of Covid-19 has had a significant impact on the Authority and subsequently the delivery of the Internal Audit Plan. We have clearly communicated the reviews we need to undertake to enable us to provide a Head of Internal Audit Opinion for 2020/21.

## Changes to the audit plan since the last meeting

Due to the outbreak of COVID-19 and the uncertainty of its impact, we have continued to keep the audit plan under review. Subsequently a number of changes have been made to the group audit plan resulting in an additional 38 days being moved to the Contingency budget, increasing the total balance to 63 days.

These days have been re-allocated as follows:

Review	Change	Days
AEB Budget	The scope of the review was wider than the original readiness checklist therefore additional resource was allocated from the contingency budget to cover this additional work.	10
Grant Certification	In light of Covid-19, the Department for Transport made available additional grant funding. Additional days were allocated from the contingency budget to cover this additional work.	5
IT Advisory	Resource was allocated from the contingency budget to carry out an advisory review of the organisations' IT service and systems. This review also incorporate the review of Back Office Systems.	35
Balance of contingency days carried forward into the 2021/22 Internal Audit Plan		13

## Head of Internal Audit opinion

The Head of Internal Audit opinion report is currently being prepared and will be shared with the Authority on completion of the outstanding reviews. As part of our opinion we comment on the implementation of audit recommendations. This year we have observed greater delays in the implementation of audit recommendations.

# Progress against 2020/21 Internal Audit Plan

Audit	Planned days	Start date	Scope meeting held	APB agreed	Fieldwork started	Fieldwork completed	Debrief held	Draft report sent	Mgt response received	Final report sent	Days used
<b>Annual Reviews for HOIA opinion and Joint Authority Audits</b>											
Core financial controls	30	Quarter 3									30
Risk Management	12	Quarter 4								SYPTE Fieldwork Complete. MCA fieldwork is nearly complete. The draft report to be issued by 10 <sup>th</sup> June 2021	9
Governance	12	Quarter 4								SYPTE Fieldwork Complete. MCA fieldwork is nearly complete. The draft report to be issued by 10 <sup>th</sup> June 2021	9
Procurement	18	Quarter 4								Fieldwork nearly complete. The draft report to be issued by end June 2021	15
Public Engagement and Consultation	12	Quarter 1									12
IT Advisory Review, incorporating Back Office Systems	35	Quarter 4								Fieldwork in progress. The draft report to be issued by end June 2021	30
Follow up of recommendations	10	Ongoing									10
Attendance at Audit Committee & other client meetings	25	Ongoing									25
<b>Sub-total</b>	<b>154</b>										<b>140</b>



# Progress against 2020/21 Internal Audit Plan

Audit	Planned days	Start date	Scope meeting held	APB agreed	Fieldwork started	Fieldwork completed	Debrief held	Draft report sent	Mgt response received	Final report sent	Days used
<b>Sheffield City Region Mayoral Combined Authority</b>											
Grant Claims: • Growth Hub • Local Transport Capital Funding	8	Quarter 1/2									8
Adult Education Budget	18	Quarter 4						Fieldwork complete. The draft report to be issued by 10 <sup>th</sup> June 2021			15
AMP Technology Centre	13	Quarter 2									13
Programme Management – Follow up	4	Quarter 2									4
Travel and Expense Claims	12	Quarter 3						Fieldwork complete. The draft report to be issued by 10 <sup>th</sup> June 2021			10
<b>Sub-total</b>	<b>55</b>										<b>50</b>
<b>South Yorkshire Passenger Transport Executive</b>	<b>50</b>										<b>46</b>
<b>Contingency</b>	<b>13</b>										<b>0</b>
<b>Total Plan</b>	<b>272</b>										<b>236</b>

# Appendix 1 - Our assurance levels

The table below shows the levels of assurance we provide and guidelines for how these are arrived at. We always exercise professional judgement in determining assignment assurance levels, reflective of the circumstances of each individual assignment.

Rating	Description
<b>Significant assurance</b>	<p>Overall, we have concluded that, in the areas examined, the risk management activities and controls are suitably designed to achieve the risk management objectives required by management.</p> <p>These activities and controls were operating with sufficient effectiveness to provide significant assurance that the related risk management objectives were achieved during the period under review.</p> <p>Might be indicated by no weaknesses in design or operation of controls and only IMPROVEMENT recommendations.</p>
<b>Significant assurance with some improvement required</b>	<p>Overall, we have concluded that in the areas examined, there are only minor weaknesses in the risk management activities and controls designed to achieve the risk management objectives required by management.</p> <p>Those activities and controls that we examined were operating with sufficient effectiveness to provide reasonable assurance that the related risk management objectives were achieved during the period under review.</p> <p>Might be indicated by minor weaknesses in design or operation of controls and only LOW rated recommendations.</p>
<b>Partial assurance with improvement required</b>	<p>Overall, we have concluded that, in the areas examined, there are some moderate weaknesses in the risk management activities and controls designed to achieve the risk management objectives required by management.</p> <p>Those activities and controls that we examined were operating with sufficient effectiveness to provide partial assurance that the related risk management objectives were achieved during the period under review.</p> <p>Might be indicated by moderate weaknesses in design or operation of controls and one or more MEDIUM or HIGH rated recommendations.</p>
<b>No assurance</b>	<p>Overall, we have concluded that, in the areas examined, the risk management activities and controls are not suitably designed to achieve the risk management objectives required by management.</p> <p>Those activities and controls that we examined were not operating with sufficient effectiveness to provide reasonable assurance that the related risk management objectives were achieved during the period under review</p> <p>Might be indicated by significant weaknesses in design or operation of controls and several HIGH rated recommendations.</p>



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## Audit and Standards Committee

10 June 2021

### Internal Audit Plan Reports

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<b>Is the paper exempt from the press and public?</b>	No
<b><i>Reason why exempt:</i></b>	Not applicable
<b>Purpose of this report:</b>	Discussion
<b>Funding Stream:</b>	Not applicable
<b>Is this a Key Decision?</b>	No
<b>Has it been included on the Forward Plan?</b>	Not a Key Decision

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**Director Approving Submission of the Report:**

Ruth Adams, Deputy Chief Executive

**Report Author(s):**

Internal Audit – Grant Thornton

**Executive Summary:**

This report presents the Internal Audit Reports for the AMP Technology Centre and for Core Financial Controls.

**What does this mean for businesses, people and places in South Yorkshire?**

Internal Audit supports the organisation in helping to achieve its objectives by giving assurance on its internal control and governance arrangements. Good governance enables the MCA to pursue its ambitions and objectives in the most effective and efficient way, bringing about better outcomes for residents and businesses in South Yorkshire.

**Recommendations:**

The Audit and Standards Committee are asked to consider the findings and recommendations of the internal audits on:

- AMP Technology Centre (Appendix 1)
- Core Financial Controls (Appendix 2)

# Sheffield City Region Mayoral Combined Authority

## AMP Technology Centre

January 2021

### Final Report

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## Report distribution:

### Responsible Executive:

- Gareth Sutton, Group Chief Financial Officer

### For Information:

- Dave Smith, Chief Executive
- Ruth Adams, Deputy Chief Executive
- Mike Thomas, Deputy Section 73 Officer
- Claire James, Senior Governance and Compliance Officer
- Paul Taylor, Director Creative Space Management
- Simon Walton, Management Accountant, Creative Space Management

### For action:

- Charli Taylor, Senior Programme and Performance Unit Manager
- Colin Blackburn, Assistant Director of Infrastructure and Housing
- Steve Davenport, Monitoring Officer
- Simon Tompkins, Finance Manager
- Lynne Sutton, Health & Safety Advisor / Jayne Hampshire, Business Operations Manager
- Jonathan Griffin, AMP Centre Manager

This report is confidential and is intended for use by the management and directors of Sheffield City Region Mayoral Combined Authority (MCA) It forms part of our continuing dialogue with you. It should not be made available, in whole or in part, to any third party without our prior written consent. We do not accept responsibility for any reliance that third parties may place upon this report. Any third party relying on this report does so entirely at its own risk. We accept no liability to any third party for any loss or damage suffered or costs incurred, arising out of or in connection with the use of this report, however such loss or damage is caused.

It is the responsibility solely of the Authority's management and directors to ensure there are adequate arrangements in place in relation to risk management, governance, control and value for money.



# Executive Summary

## Background

The Advanced Manufacturing Park Technology Centre (the Centre) is located within the Advanced Manufacturing Park (AMP), Rotherham and provides a combination of office space, workshop facilities and conferencing & meeting room resources. There are 3 buildings within the Centre, buildings 1 & 2 are serviced office spaces and workshops which are rented to the occupiers. Building 3 has office spaces and workshops but are leased to the clients.

The main source of income is rent (Licenses) and additional services are catered to upon request. These are internet, rack space, phone line, call charges, event space, franking, cleaning and catering. Currently these services are charged by BACS on a monthly basis to clients, however, ad hoc space requirements are also available where clients pay-as-they-go. An on-site café also generates additional income for the Centre through its operations and conference catering.

A third part managing agent, Creative Space Management (CSM), has been contracted to operate the site on behalf on the MCA for over a decade. The current contract commenced in 2018 and is to last 5 years (with an additional 2 years extension). Their key role is to obtain maximal occupancy and have facilitated long-term client leases for the centre. The MCA Executive manages the AMP; Commissioning leading strategic activity, Programme and Performance leading contractual performance, Finance leading financial overview and tenancy agreements led by legal.

As a key priority for the MCA, it is essential then that there is appropriate management and oversight of internal and financial controls within the Centre, and that reporting to the MCA is up to date and accurate. Assurance over these controls is especially important during the current global COVID-19 pandemic where the risks increases around potential financial fraud.

## Objectives

The objective of the review was to provide an independent and objective assessment of the design of MCA controls and the effectiveness of those controls relating to the internal and financial reporting arrangements within the Centre and the accuracy around financial reports received.

## Objectives (continued)

Our review focused on the following potential risk areas to the MCA:

- Inadequate Governance arrangements:
  - Roles and responsibilities relating to the contractual performance management of the AMP Centre are not clearly defined,
  - Ineffective contract monitoring arrangements in place, leading to non-compliance with contract terms and conditions,
  - Lack of robust monitoring, reporting and management oversight arrangements.
- Inadequate or ineffective internal and financial control increasing the risk of loss, error or fraud:
  - The MCA is unable to place reliance on the bank reconciliation process. The MCA does not receive assurance that Bank accounts are reconciled on a regular and timely basis; that the methodology used is robust and that bank reconciliations are accurate.
  - Inadequate or inconsistent arrangements for receiving and managing income from clients,
  - Inadequate or ineffective expenditure controls, including lack of segregation of duties.
  - Client licenses and lease agreements are not reviewed on a timely basis to ensure that they remain fit for purpose,
- The Centre does not meet the requirements arising from COVID-19 within its service delivery or for its employees, or changes to internal and financial controls in response to the pandemic have not been documented or approved by the MCA.

## Limitation of scope

Our findings and conclusions were limited to the risks identified above. The scope of this audit does not allow us to provide an independent assessment of all risks and controls associated with the AMP Technology Centre.

Where sample testing is undertaken, our findings and conclusions will be limited to the sample tested only. Please note that there is a risk that our findings and conclusions based on the sample may differ from the findings and conclusions we would reach if we tested the entire population from which the sample is taken.

This report does not constitute an assurance engagement as set out under ISAE 3000.

# Executive Summary

## Conclusion

### Partial assurance with improvement required

We have reviewed the processes and controls around the MCA's Financial and Internal Control management arrangements at the AMP Technology Centre. The controls tested are set out in our Audit Planning Brief.

We have concluded that the processes provide **PARTIAL ASSURANCE WITH IMPROVEMENT REQUIRED** to the Committee.

We have provided this opinion based on the fundamentals and key elements expected as part of good practice to be in place as part of an organisation's financial and internal control framework and contract performance management.

## Good practice

It is clear that there is an open and transparent relationship between CSM and the MCA management, supported by monthly management meetings between parties. MCA senior management charged with the responsibility for the Centre have a good understanding of issues arising and actions underway, such as to support tenants during the global COVID-19 pandemic.

From our work, however, there is now opportunity for both parties to build on their existing arrangements to further enhance processes and controls.

The findings of our review and subsequent recommended action is designed to assist the MCA in working towards this goal.

## Areas requiring improvement

The AMP Technology Centre is managed as a stand alone asset and there is absence of a wider Asset Management Framework and Strategy for which its performance can be aligned. As a consequence, our review of key performance indicators noted they were for contractual performance monitoring rather than its performance against any wider strategic goals of the MCA.

In addition, roles and responsibilities around governance and operational oversight are not clear to management outside of the immediate contract management team, that consists of the Contract Manager, the Assistant Director of Infrastructure and Housing, Principal Solicitor/Monitoring Officer, and the Senior Finance Manager.

## Areas requiring improvement (continued)

The MCA Executive recognises, and has begun work, to define how operational risks arising from the Centre fit into the MCA's risk management framework but these, along with the asset register management and backlog maintenance arrangements require defining and embedding across the asset management.

Management noted appetite for developing an Asset Management Framework, however, work has been postponed during 2020 due to the MCA's COVID response. We therefore recommend that this action is progressed through a workshop with key stakeholders and an action plan developed for monitoring purposes by the Management Board.

We also identified other areas where controls could be improved to ensure that arrangements are in line with good practice and the MCA's Constitution and Management Agreement with CSM, such as:

- Segregation of duties during the monthly reconciliation process could be made clearer through documented procedures and auditing completed by CSM on income and expenditure recorded. Checks on the cash balance held in the Project Bank Account should be tightened to ensure that the amount attributable to MCA is below the pre-determined threshold of £500,000.
- An informal agenda was in place for monthly monitoring meetings in the form of the Monitoring Report containing different reports from CSM. However, meetings notes and actions were documented informally via email between parties. Since the audit, the process has been enhanced to incorporate a formal Review Note, Agenda, Meeting Note, and Actions Log.
- The debt recovery process requires formalising and documenting. CSM currently have informal arrangements for chasing debt and report any issues of concern through the performance meetings with the MCA so that they can be escalated to MCA Management Board for decision on what action to take where necessary. Arrangements to when interest is to be added to debt owed (as noted in licence and lease agreements) should also be formalised in procedure by management.
- Current procurement controls are not robust or mitigate against the risk of fraud. Controls are currently manual and there is absence of an automated system that ensures there is clear segregation of duties and clear audit trail of expenditure.
- Final tenancy agreements should be held electronically and centrally to allow access by both MCA and CSM management ensuring both have timely access to up to date arrangements.

# Executive Summary

## Areas requiring improvement *(continued)*

- The AMP Technology Centre COVID-19 Risk Assessment details an increased risk around fire due to internal doors being wedged open. The impact of internal fire doors being wedged open to the Centre's fire certification and building insurance was discussed between the MCA Health & Safety Advisor and CSM in March 2020 and advice confirmed via email and adjustments made based on that advice. A formal process should be established to ensure any risk to the MCA is also assessed and documented.
- The Centre's Business Continuity plan also requires to adopt good version control practices and ensure that contact numbers provided are correct and staff are aware of arrangements.

## Recommendations

Based on our findings, we have raised 8 recommendations. The grading of these recommendations is shown below:

	High	Medium	Low	Improvement
Detailed findings	1	2	5	-

## Acknowledgement

We would like to take this opportunity to thank your staff and CSM for their co-operation during this internal audit.

# Action Plan – MCA

In this section we set out the detailed findings arising from our work. Details of what each of the ratings represents can be found in Appendix 2.

Risk	Findings and Recommendation	Action Plan
<p>Roles and responsibilities relating to the contractual performance management of the AMP Centre are not clearly defined.</p> <p>Ineffective contract monitoring arrangements in place, leading to non-compliance with contract terms and conditions.</p>	<p>The AMP Technology Centre is a significant income stream for the MCA and has potential to impact the underlying budget of the Combined Authority group. However, while the asset is managed through contractual performance monitoring, there is no asset management framework that defines the role of the AMP Technology Centre in the wider portfolio of assets and arrangements around the following:</p> <ul style="list-style-type: none"> <li>(i) <b>Governance oversight requirements:</b> AMP Financial performance is monitored and reported on to the MCA at a high level through in year finance reports on the overall performance of the MCA against budget. However, there is currently no formal annual performance or business plan reporting to the MCA Theme Board (responsible for financial decisions under £2 Million), or Management Board or Combined Authority Meetings to allow their oversight and scrutiny.</li> <li>(ii) <b>Operational framework:</b> it is not currently clear to all management who is ultimately responsible for the performance of the asset and Creative Space Management noted difficulty in timely decision making when the MCA’s contract manager was absent.</li> <li>(iii) <b>Performance management:</b> AMP Technology Centre performance is not formally measured against the wider MCA Corporate Strategy, for example, there is no Asset Management Strategy for the MCA and therefore the AMP Technology Centre documented. Monthly Key Performance Indicators (KPIs) reviewed are related to contractual management arrangements only.</li> <li>(iv) <b>Risk management:</b> the AMP Technology Centre risk register does not align to the wider risk management framework and asset management framework. Issues are escalated through monthly monitoring meetings and escalated to Management Board, where necessary.</li> <li>(v) <b>Asset register and backlog management policy:</b> management are aware there is no asset register for the Centre, and wider management policy for any backlog maintenance and asset management requires to be documented.</li> </ul>	<p><b>Management Response:</b></p> <ul style="list-style-type: none"> <li>(i) The annual Business Plan is to go to the Management Board for formal approval from March 2021.</li> <li>(ii) Gareth Sutton is Senior Responsible Owner. CSM are aware to engage with the AD for Infrastructure and Housing and the Senior Finance Manager as well as the MCA’s Contract Manager.</li> <li>(iii) AMP is to be integrated into the wider Asset Management Strategy.</li> <li>(iv) Integration of the risk register into the wider MCA risk management framework will commence now corporate strategy has been approved.</li> <li>(v) An enhanced assets register is currently being commissioned alongside annual review of the planned preventative maintenance.</li> </ul>

# Action Plan – MCA

In this section we set out the detailed findings arising from our work. Details of what each of the ratings represents can be found in Appendix 2.

Risk	Findings and Recommendation	Action Plan
<p>Roles and responsibilities relating to the contractual performance management of the AMP Centre are not clearly defined.</p> <p>Ineffective contract monitoring arrangements in place, leading to non-compliance with contract terms and conditions.</p>	<p><b>Issues identified:</b> There is no formal asset management framework and strategy impacting on the AMP Technology Centre being managed as a stand alone asset and lack of clarity over performance management arrangements.</p> <p><b>Risk:</b> Operational issues are not formally considered against the impact to the wider MCA or mitigation made through timely decision making.</p> <p><b>Recommendations:</b></p> <p>Management noted planning around a Combined Authority asset management framework has been postponed during 2020. An action plan for its completion should be agreed through a workshop with key stakeholders and documented for Management Board review and scrutiny.</p> <p>The asset management framework should allow for Theme Board scrutiny of the AMP Technology Centre business planning and performance through annual reporting and consider noting of arrangements by the Management Board and / or Combined Authority in line with good governance practices.</p> <p>It should also be supported by policy and a strategy where the impact of asset performance, such as AMP Technology Centre, can be monitored through KPIs that align to that strategy.</p> <p>Operational risks raised from the AMP Technology Centre and associated risk registers should align and be embedded into the wider MCA risk management and asset management framework.</p> <p>Similarly, the asset register for the AMP Technology Centre should be completed and policy documented around backlog maintenance planning.</p>	<p><b>Actions:</b></p> <ol style="list-style-type: none"> <li>1. AMPTC Business Plan to go to Management Board annually for approval.</li> </ol> <p><b>Responsible Officer:</b> Charli Taylor, Senior Programme and Performance Unit Manager</p> <ol style="list-style-type: none"> <li>2. Risk register to align to recently approved corporate strategy.</li> </ol> <p><b>Responsible Officer:</b> Charli Taylor, Senior Programme and Performance Unit Manager</p> <ol style="list-style-type: none"> <li>3. Asset register to be commissioned and aligned to the planned preventative maintenance. Once in place it is to be reviewed annually in accordance with the Business Plan.</li> </ol> <p><b>Responsible Officer:</b> Colin Blackburn, Assistant Director of Infrastructure and Housing</p> <p><b>Executive Lead:</b> Gareth Sutton, Group Finance Director</p> <p><b>Due date:</b> 31/12/2021</p>

# Action Plan – MCA

In this section we set out the detailed findings arising from our work. Details of what each of the ratings represents can be found in Appendix 2.

Risk	Findings and Recommendation	Action Plan
<p>Lack of robust monitoring, reporting and management oversight arrangements.</p>	<p>The MCA have established Key Performance Indicators (KPIs) for its contract with CSM within their 2018 Management Agreement and annual business plans, that also detail the target baselines agreed. KPIs are reported in monthly reports to the Contract Manager.</p> <p>However, the format of minutes made of monthly performance reviews were inconsistent. In practice, an informal agenda was followed for monitoring meetings using the Monitoring Report and supporting reports supplied by the CSM. Meetings notes were circulated and actions documented via email between parties during resolution. As a consequence, the MCA were unable to evidence formal review of key performance indicators.</p> <p>The reporting frequency of two “Specific Performance Measures” KPIs in the business plan is inaccurate to current practice and requires updating. It was noted as quarterly but in practice is completed annually as agreed with the MCA.</p> <p>Actions stemming from monthly discussions were also not centrally documented for tracking and monitoring of timely completion, and enhancements agreed in business plans are not monitored for completion. In practice, annual performance allows the reconciliation of outcomes against Business Plan objectives.</p> <p><b>Issues identified:</b> Outcomes from monthly performance meetings are not captured to allow for effective monitoring of the status of actions.</p> <p><b>Risk:</b> Performance trends are not used to identify contract issues impacting timely decision making.</p> <p><b>Recommendations:</b></p> <p>Monthly performance review meetings should follow a set agenda that includes a review of KPIs and actions/ outcomes tracked within an action log for monitoring purposes.</p> <p>The Business Plan should be updated to ensure that reporting of the two Specific Performance Measures is documented as annual in line with current reporting practices.</p> <p>A review of the agreed enhancements and mitigations brought by the COVID-19 pandemic be brought into future performance monitoring.</p>	<p><b>Management Response:</b></p> <p>KPI’s are a standing agenda point. KPI review is completed but only formally noted during the review meetings by exception, such as if issues/queries were raised by the MCA in response to the return.</p> <p>The process has now been enhanced and rolled out to incorporate a formal Review Note, Agenda, Meeting Note and Actions Log. Actions stemming from monthly meetings are noted on the Actions Log and resolution formally documented on file.</p> <p><b>Actions:</b></p> <ol style="list-style-type: none"> <li>1. Business Plan to be updated as part of the 2020/21 review process.</li> </ol> <p><b>Responsible Officer:</b> Charli Taylor, Senior Programme and Performance Unit Manager</p> <ol style="list-style-type: none"> <li>2. Embed COVID-19 reviews into standard MCA H&amp;S management.</li> </ol> <p><b>Responsible Officers:</b> Lynne Sutton, Health &amp; Safety Advisor / Jayne Hampshire, Business Operations Manager</p> <p><b>Executive Lead:</b> Gareth Sutton, Group Finance Director</p> <p><b>Due date:</b> 31/12/2021</p>

# Action Plan – MCA & CSM

In this section we set out the detailed findings arising from our work. Details of what each of the ratings represents can be found in Appendix 2.

Risk	Findings and Recommendation	Action Plan
<p>The MCA is unable to place reliance on the bank reconciliation process.</p> <p>The MCA does not receive assurance that Bank accounts are reconciled on a regular and timely basis; that the methodology used is robust, that bank reconciliations are accurate.</p>	<p>Management note assurance around the monthly bank reconciliation process and our review noted no significant transaction errors through our sampling work. However, we were unable to evidence that segregation of duties were appropriate and in line with the Authority's Constitution as the procedure is not documented to clearly identify roles and responsibilities of checks and balances completed.</p> <p>In practice, the process is completed by two finance teams within the MCA and CSM. The Project Bank Account reconciliation is prepared by CSM's management accountant and provided to MCA Finance for review on a monthly basis. Monthly VAT reports are used by the MCA to update journal entries for management reporting. Invoices sent to the MCA are checked against management reports for VAT value and number only.</p> <p>There is also no formal check on the Project Account by the MCA to ensure that the amount attributable to the MCA does not exceed £500,000. There were several months noted during sampling where opening and closing balances exceeded £700,000 over the period reviewed. Management reported this was part due to retention of £175,000 due to the previous owner on resolution of the Ground Heat Source issue and the account only exceed the limit in June and July 2020.</p> <p><b>Issues identified:</b> End of month reconciliation duties are not documented to give clarity around roles and responsibilities and assurance that segregation of duties are in line with the Constitution.</p> <p><b>Risk:</b> While we did not identify any issues in the sample of transactions tested, without robust segregations of duties, there is risk of fraudulent activity not being detected.</p> <p><b>Recommendations:</b></p> <p>The procedure for completing month end reconciliations process by CSM and MCA should be documented with clarity around segregation of duties at the AMP Technology Centre to ensure it is in line with the Authority's Constitution.</p> <p>The following monitoring enhancements should also be made to ensure that the opening and closing balances of the Project Bank account limit should be reviewed monthly by the MCA to ensure that credit limits remain below the £500,000.</p>	<p><b>Actions:</b></p> <p>The review of Project bank account reconciliations by the MCA Finance will be evidenced with immediate effect. MCA will also with immediate effect assume responsibility for monitoring the cash held on behalf of the MCA and taking proactive action to ensure tat it does not exceed the pre-determined threshold.</p> <p><b>Responsible Officer:</b> Simon Tompkins, Finance Manager</p> <p><b>Executive Lead:</b> Gareth Sutton, Group Finance Director</p> <p><b>Due date:</b> Immediate effect</p>

# Action Plan – MCA & CSM

In this section we set out the detailed findings arising from our work. Details of what each of the ratings represents can be found in Appendix 2.

Risk	Findings and Recommendation	Action Plan
<p>Inadequate or inconsistent arrangements for receiving and managing income from clients.</p>	<p>There is no documented process for managing aged debt and recovery that would clearly differentiate the role of CSM and when the MCA should be involved as the landlord. Both the MCA and CSM are in agreement that it is the CSM responsibility to chase bad debt, however, the process currently adopted is informal.</p> <p>For example, while CSM have aged debt letters, they are not routinely used. CSM adopt a process that involves meeting with tenants informally onsite. When they are office based this process works well and maintains relationships with tenants. However, during periods where they are not onsite, bad debt was noted to increase over Christmas and during the COVID-19 lockdown period.</p> <p>Licenses and leases reviewed also detail that 4% above base rate should also be added to debt over 7 days. However, in practice this is not added. Without a documented procedure, it was difficult to ascertain when interest should be added or under which circumstances it should not be added.</p> <p>Our sampling noted that at August 2020, only one tenant debt being written off as bad debt (£2,090) and aged debt reported was at £113,345. This was due to a conscious decision made by the MCA Management Board to support AMP tenants by allowing them to defer the June payment of rent less 50% and pay over the following two quarters. As at October 2020, arrears were at £51,000 with £12,000 being over 2 months old as a consequence of the deferment period unwinding.</p> <p><b>Issues identified:</b> Debt recovery is inefficient when management are not onsite and tenants are not being held to account on aged debt.</p> <p><b>Risk:</b> The MCA relies on CSM chasing debt owed to them.</p> <p><b>Recommendations:</b></p> <p>The joint process around Bad Debt Management at the AMP Technology Centre should be documented to allow clarity around roles and responsibilities, and when aged debt letters should or should not be used.</p> <p>During periods where management are offsite, aged debt letters should be used and actions recorded for monitoring.</p> <p>The procedures and letters should also be clear around the application of the 4% base interest charge on overdue rental.</p>	<p><b>Actions:</b></p> <p>Debt recovery procedures will be formalised. This will include clarifying the respective roles and responsibilities of CSM and the MCA and escalation procedures where tenants fall into arrears.</p> <p><b>Responsible Officer:</b> Simon Tompkins, Finance Manager</p> <p><b>Executive Lead:</b> Gareth Sutton, Group Finance Director</p> <p><b>Due date:</b> 31/01/2021</p>



# Action Plan – MCA & CSM

In this section we set out the detailed findings arising from our work. Details of what each of the ratings represents can be found in Appendix 2.

Risk	Findings and Recommendation	Action Plan
<p>Inadequate or ineffective expenditure controls, including lack of segregation of duties.</p>	<p>We were unable to demonstrate that expenditure related controls at the AMP Technology Centre are operating as expected and in line with public procurement good practice as follows:</p> <p><b>(i) Procedure and segregation of duties:</b> The process for raising AMP Technology Centre expenditure and approving spend is not documented to provide clarity to roles and responsibilities of management and the checks and balances completed. In practice, the Centre Manager raises Purchase Orders and approves expenditure under £2,500. The Centre Manager raises and approves expenditure on hardcopy purchase order forms, monitor goods and services received, and approves the payment of supplier invoices.</p> <p>Checks on expenditure during the month end reconciliation process by CSM Finance team are not documented. There is therefore reliance on management that expenditure reported is appropriate.</p> <p><b>(ii) Evidence of approvals:</b> We were unable to evidence a robust audit trail of procurement expenditure approvals by the Centre Manager and CSM Director. Purchase orders are approved on hard copy forms by the Centre Manager, with expenses over £2,500 and £10,000 approved by the CSM Director and MCA, respectively. However, we were not able to evidence documented approval in our sample tested. Due to remote working at the time of the audit, management were unable to provide us with purchase order forms to demonstrate documented approvals and noted that director approval is often verbal or through emails as part of business as usual activity. We noted instances of costs over £2,500 that did not have CSM Director approval and that only through discussion were noted to be services completed on separate dates but logged on one PO therefore not requiring senior management approval.</p> <p><b>(iii) Purchase order management:</b> Purchase orders are listed on an Excel spreadsheet detailing the PO reference, date, amount, supplier, and high level goods description. However, it does not document when approval by CSM Director or MCA were made, when goods/ services were received, invoice amounts, or when payment to suppliers were made, or if the cost was assigned to a tenant lease agreement.</p> <p>Inspection of the tracker also noted the following inconsistencies:</p> <ul style="list-style-type: none"> <li>• It was not routinely used using the COVID-19 lockdown and information on expenses made at that time is incomplete,</li> <li>• Some cells relating to purchase order reference numbers and costs were blank, and</li> <li>• On reconciliation of purchase orders tested listed against expense reports provided to the MCA, there were seven instances of typos on reference numbers or amounts.</li> </ul>	

# Action Plan – MCA & CSM

In this section we set out the detailed findings arising from our work. Details of what each of the ratings represents can be found in Appendix 2.

Risk	Findings and Recommendation	Action Plan
<p>Inadequate or ineffective expenditure controls, including lack of segregation of duties.</p>	<p><b>(iv) Recording checks on goods or services received:</b> There is no process to record that three way checks on the original purchase order, receipts of goods/ services, and invoiced amount are made prior to making supplier payments. The process is informal and completed by the Centre Manager.</p> <p><b>(v) Status of supplier invoice payments:</b> There is reliance on the Centre Manager to understand the status of supplier payments. For example, from our testing of the 39 purchase orders recorded over the five months sampled, 22 could not be easily reconciled from the Purchase Order tracker to MCA management reports as item descriptions and reference numbers often did not align. On further discussion, this was due to:</p> <ul style="list-style-type: none"> <li>• 15 invoiced later in the year (invoice reference numbers and dates provided),</li> <li>• 5 had different final amounts invoiced to that on the PO tracker. Discussions noted that the final cost of services can differ to that originally quoted and often suppliers will not start work unless there is a PO in place, and</li> <li>• 2 invoices that had not yet been provided by the supplier despite work being completed months prior to the time of audit.</li> </ul> <p><b>(vi) Frequent procurement and supplier trend analysis:</b> There is no supplier trend analysis undertaken to ensure appropriateness of spend is in line with public procurement requirements. We noted one supplier, SCM Services, for example, had nine separate purchase orders amounting to over £10,000 for the 5 months tested. Annual spend should be reviewed to ensure public procurement limits requiring tender are monitored.</p>	

# Action Plan – MCA & CSM

In this section we set out the detailed findings arising from our work. Details of what each of the ratings represents can be found in Appendix 2.

Risk	Findings and Recommendation	Action Plan
<p>Inadequate or ineffective expenditure controls, including lack of segregation of duties.</p>	<p><b>Issues identified:</b> Procurement controls at the AMP Technology Centre are not in line with public procurement good practice requirements</p> <p><b>Risk:</b> Risk of fraudulent or inappropriate purchases if authorisation processes and checks and balances are not robust.</p> <p><b>Recommendations:</b></p> <p>Good procurement practices should be adopted to ensure that requirements as set in the MCA management agreement are being followed. Management should consider the following:</p> <ul style="list-style-type: none"> <li>• Documenting the procurement procedure at the AMP Technology Centre and ensuring clear segregation of duties between the management involved so that those raising purchase orders are not approving payment to suppliers.</li> <li>• Develop a process that provides a robust audit trail of all procurement and expenses including documented authorisation, documented purchase orders, POs approval in line with the Management Agreement, receipt of goods/ services, supplier invoices, deviations from original values on purchase orders to that then invoiced, and when payments are finally made. Management should consider implementing an electronic module to their finance system, SAGE, to support this process.</li> <li>• Checks on total supplier spend to ensure that the predicted annual spend does not exceed national public sector procurement limits.</li> <li>• The MCA should seek assurance through monthly reporting that the CSM Finance Team have completed the necessary checks on expenses are in line with their Management Agreement.</li> </ul>	<p><b>Actions:</b></p> <p>In the short term, the MCA will enhance the checks currently in place on expenditure incurred by CSM in running the AMP to obtain assurance that CSM are complying with the procurement standards specified in the contract.</p> <p>Longer term, a systems based solution will be sought which seeks to apply the same level of financial discipline on purchases made in connection with the running of the AMP as with expenditure incurred directly by the MCA.</p> <p><b>Responsible Officer:</b> Charli Taylor, Senior Programme and Performance Unit Manager</p> <p><b>Executive Lead:</b> Gareth Sutton, Group Finance Director</p> <p><b>Due date:</b>  Short term: 31/01/2021  Long term: 30/04/2021</p>

# Action Plan – MCA & CSM

In this section we set out the detailed findings arising from our work. Details of what each of the ratings represents can be found in Appendix 2.

Risk	Findings and Recommendation	Action Plan
<p>Client licenses and lease agreements are not reviewed on a timely basis to ensure that they remain fit for purpose</p>	<p>There is absence of centralised, electronic retention of AMP Technology Centre tenant agreements by the MCA. Instead agreements are retained in hard copy by the MCA Legal department impacting the efficiency to which information can be retrieved. Our sample testing of 10 agreements noted only one was held electronically.</p> <p>Reporting on the current status of licence agreements is raised by exception during monthly review meetings. MCA legal hold a license/lease tracker for new contracts and renewals that reflect start/end dates. Details of review dates. are held by CSM as the managing agent. While we evidenced no specific issues in the timeliness of tenancy renewal, the method of tracking reviews is through the use of reminders in Microsoft Outlook calendars.</p> <p><b>Issues identified:</b> Unable to access signed agreements on a timely basis.</p> <p><b>Risk:</b> Timeliness of decision making around tenant agreements.</p> <p><b>Recommendations:</b></p> <p>Management should consider developing centralised electronic filing to allow the retention of electronic, signed copies of tenant lease and licence agreements.</p> <p>The spreadsheet used to track licences should be updated to provide start and end dates of licences and narrative against each tenant to their current arrangements. The MCA should be provided with an action plan against each tenant to ensure awareness of those agreements due to expire and next steps by CSM.</p>	<p><b>Management Response:</b></p> <p>Implement a single register of signed licences and Leases, hopefully in share point, to be maintained by the Managing Agents and accessible for SCR Officers. Investigate whether register can have a link to an electronic copy of the signed Agreement. Register to contain tenancy details including expiry date. Investigate whether licences can be granted on a rolling basis at end of initial term e.g. 12 months and then from month to month until terminated on [4] weeks' notice. This would simplify renewal process.</p> <p><b>Actions</b></p> <ol style="list-style-type: none"> <li>1. Create SharePoint access for SCR/CSM</li> <li>2. Confirm whether licenses can be granted on a rolling basis</li> </ol> <p><b>Responsible Officer:</b> Steve Davenport, Monitoring Officer</p> <p><b>Executive Lead:</b> Steve Davenport, Monitoring Officer</p> <p><b>Due date:</b> 31/08/2021</p>

# Action Plan – MCA & CSM

In this section we set out the detailed findings arising from our work. Details of what each of the ratings represents can be found in Appendix 2.

Risk	Findings and Recommendation	Action Plan
<p>The Centre does not meet the requirements arising from COVID-19 within its service delivery or for its employees (Business Continuity Arrangements).</p>	<p>We reviewed the current business continuity plan and emergency plans supplied to the MCA as part of the annual Business Planning for 2020/21. We noted there were multiple dates throughout the documents impacting on clarity to whether they had been reviewed and three supplier contact numbers presented in the Emergency Plan that had typos. This could risk efficiency to staff contacting key suppliers.</p> <p>We also noted that the documents did not document their testing arrangements with relevant staff in line with good practice. This should include any wider stakeholders involved, such as MCA management.</p> <p><b>Issues identified:</b> Business Continuity plans reviewed have inaccuracies.</p> <p><b>Risk:</b> Staff are not fully aware of roles and responsibilities should there be a business continuity event impacting the timeliness of decisions made.</p> <p><b>Recommendations:</b></p> <p>Business continuity documents should adopt good version control practices, and all contact details be checked for inaccuracies.</p> <p>Testing arrangements of the Business Continuity plans should also be included in documents to ensure that staff involved are fully aware of their roles and responsibilities during an event.</p>	<p><b>Actions:</b></p> <ol style="list-style-type: none"> <li>1. MCA to review with CSM as part of the annual Business Plan process to ensure enhancements are made.</li> <li>2. CSM to implement version control and testing arrangements of the Business Continuity Plan.</li> </ol> <p><b>Responsible Officer:</b> Charli Taylor, Senior Programme and Performance Unit Manager / Jonathan Griffin, AMP Centre Manager</p> <p><b>Executive Lead:</b> Gareth Sutton, Group Finance Director</p> <p><b>Due date:</b> 31/12/2021</p>

# Action Plan – MCA & CSM

In this section we set out the detailed findings arising from our work. Details of what each of the ratings represents can be found in Appendix 2.

Risk	Findings and Recommendation	Action Plan
<p>The Centre does not meet the requirements arising from COVID-19 within its service delivery or for its employees (COVID-19 Risk Assessment)</p>	<p>CSM completed a COVID-19 Health and Safety Risk Assessment for the AMP Technology Centre in May 2020 and was updated in June 2020. The Centre Manager has implemented a number of changes to maintain safety of their employees and tenants and documented changes made.</p> <p>The COVID-19 Risk Assessment provided to us did not evidence that the MCA Health &amp; Safety Advisor had been involved in the assessment to ensure risks associated with the MCA had been considered. In practice, the COVID-19 Risk Assessment was discussed between the MCA Health &amp; Safety Advisor and CSM in March 2020 with advice confirmed informally via email. CSM review the Risk Assessment monthly but the form itself is only adjusted if changes are required with the updated form submitted to the MCA.</p> <p>We also noted risk around an increase risk of fire had been documented due to internal corridor doors being wedged open. On review, we noted some are fire doors which could risk the fire certification and building insurance should their be a fire on those premises.</p> <p><b>Issue identified:</b> MCA related risks have not been identified and documented on AMP Technology Centre COVID-19 Risk Assessments</p> <p><b>Risk:</b> The MCA may not meet fire safety requirements increasing its reputational risk should there be a fire.</p> <p><b>Recommendations:</b></p> <p>The impact of wedging doors on the buildings' fire certification and insurances should be considered and actions agreed with the MCA.</p> <p>Management should ensure that any future changes to the COVID-19 Risk Assessment be highlighted to MCA Health and Safety teams for their awareness and consultation.</p>	<p><b>Management Response:</b></p> <p>It is recognised that a formalised process should be in place. In the interim CSM have agreed to more formally review and update the Risk Assessments monthly, providing to the MCA H&amp;S Advisor to ensure that advice is provided in a direct, consistent and auditable manner. The current MCA H&amp;S review is underway and as part of the 2020/21 Business Plan development, a H&amp;S Strategy was noted to embed direct MCA H&amp;S engagement, stronger governance and 6-monthly audits.</p> <p><b>Actions:</b></p> <p>MCA H&amp;S Advisor to engage directly with CSM to ensure measures on site and Risk Assessments are in accordance with H&amp;S regulations.</p> <p><b>Responsible Officer:</b> Lynne Sutton, Health &amp; Safety Advisor / Jayne Hampshire, Business Operations Manager</p> <p><b>Executive Lead:</b> Gareth Sutton, Group Finance Director</p> <p><b>Due date:</b> 31/12/2020</p>

# Appendices

# Appendix 1 – Staff involved and documents reviewed

## Staff involved

### MCA

- Steve Davenport, Monitoring Officer
- Kerry Willers, Executive Legal/Governance Administration Officer
- Richard Howard, Finance Manager
- Charli Taylor, Senior Programme and Performance Unit Manager
- Colin Blackburn, Assistant Director of Infrastructure and Housing
- Gareth Sutton, Group Finance Director
- Mike Thomas, Deputy Section 73 Officer
- Simon Tompkins, Finance Manager

### Creative Space Management

- Paul Taylor, Director, Creative Space Management
- Simon Walton, Management Accountant, Creative Space Management
- Jonathan Griffin, AMP Centre Manager

## Documents reviewed

- AMP Technology Centre Management Agreement (March 2018)
- SRCMCA Constitution containing scheme of delegation and segregation of duties instructions
- SRC Meeting minutes from July 2019 and 2020 containing additional scheme of delegation for the AMP Technology Centre
- Creative Space Management Annual Plans for 2019/20 and 2020/21

For December 2019, January 2020, April 2020, June 2020, and August 2020, we reviewed:

- Creative Space Management Monthly Performance reports to SRCMCA
- Creative Space Management Purchase Order spreadsheet
- Clarity Core extract for tenant invoices
- Management financial reports and reconciliation workings by Creative Space Management
- Audit checks on VAT by MCA finance team
- Sample of tenant lease and license agreements



# Appendix 2 - Our assurance levels

The table below shows the levels of assurance we provide and guidelines for how these are arrived at. We always exercise professional judgement in determining assignment assurance levels, reflective of the circumstances of each individual assignment.

Rating	Description
<b>Significant assurance</b>	<p>Overall, we have concluded that, in the areas examined, the risk management activities and controls are suitably designed to achieve the risk management objectives required by management.</p> <p>These activities and controls were operating with sufficient effectiveness to provide significant assurance that the related risk management objectives were achieved during the period under review.</p> <p>Might be indicated by no weaknesses in design or operation of controls and only IMPROVEMENT recommendations.</p>
<b>Significant assurance with some improvement required</b>	<p>Overall, we have concluded that in the areas examined, there are only minor weaknesses in the risk management activities and controls designed to achieve the risk management objectives required by management.</p> <p>Those activities and controls that we examined were operating with sufficient effectiveness to provide reasonable assurance that the related risk management objectives were achieved during the period under review.</p> <p>Might be indicated by minor weaknesses in design or operation of controls and only LOW rated recommendations.</p>
<b>Partial assurance with improvement required</b>	<p>Overall, we have concluded that, in the areas examined, there are some moderate weaknesses in the risk management activities and controls designed to achieve the risk management objectives required by management.</p> <p>Those activities and controls that we examined were operating with sufficient effectiveness to provide partial assurance that the related risk management objectives were achieved during the period under review.</p> <p>Might be indicated by moderate weaknesses in design or operation of controls and one or more MEDIUM or HIGH rated recommendations.</p>
<b>No assurance</b>	<p>Overall, we have concluded that, in the areas examined, the risk management activities and controls are not suitably designed to achieve the risk management objectives required by management.</p> <p>Those activities and controls that we examined were not operating with sufficient effectiveness to provide reasonable assurance that the related risk management objectives were achieved during the period under review</p> <p>Might be indicated by significant weaknesses in design or operation of controls and several HIGH rated recommendations.</p>

# Appendix 2 - Our assurance levels (cont'd)

The table below describes how we grade our audit recommendations.

Rating	Description	Possible features
<b>High</b>	Findings that are fundamental to the management of risk in the business area, representing a weakness in the design or application of activities or control that requires the immediate attention of management	<ul style="list-style-type: none"> <li>▪ Key activity or control not designed or operating effectively</li> <li>▪ Potential for fraud identified</li> <li>▪ Non-compliance with key procedures / standards</li> <li>▪ Non-compliance with regulation</li> </ul>
<b>Medium</b>	Findings that are important to the management of risk in the business area, representing a moderate weakness in the design or application of activities or control that requires the immediate attention of management	<ul style="list-style-type: none"> <li>▪ Important activity or control not designed or operating effectively</li> <li>▪ Impact is contained within the department and compensating controls would detect errors</li> <li>▪ Possibility for fraud exists</li> <li>▪ Control failures identified but not in key controls</li> <li>▪ Non-compliance with procedures / standards (but not resulting in key control failure)</li> </ul>
<b>Low</b>	Findings that identify non-compliance with established procedures, or which identify changes that could improve the efficiency and/or effectiveness of the activity or control but which are not vital to the management of risk in the business area.	<ul style="list-style-type: none"> <li>▪ Minor control design or operational weakness</li> <li>▪ Minor non-compliance with procedures / standards</li> </ul>
<b>Improvement</b>	Items requiring no action but which may be of interest to management or which represent best practice advice	<ul style="list-style-type: none"> <li>▪ Information for management</li> <li>▪ Control operating but not necessarily in accordance with best practice</li> </ul>



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# Sheffield City Region Mayoral Combined Authority & South Yorkshire Passenger Transport Executive

## Core Financial Controls

May 2021

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## Report distribution

### Responsible Executive:

- Gareth Sutton, Group Finance Director

### For Information:

- Dave Smith, Chief Executive (SCRMCA)
- Stephen Edwards, Executive Director (SYPTTE)
- Steve Davenport, Monitoring Officer
- Mike Thomas, Deputy Section 73 Officer
- Claire James, Senior Governance and Compliance Officer (SCRMCA)
- Dawn Marshall, Secretary to Interim Head of Financial Services

### For action:

- Finance Staff

This report is confidential and is intended for use by the management and directors of Sheffield City Region Mayoral Combined Authority (SCRMCA) and South Yorkshire Passenger Transport Executive (SYPTTE). It forms part of our continuing dialogue with you. It should not be made available, in whole or in part, to any third party without our prior written consent. We do not accept responsibility for any reliance that third parties may place upon this report. Any third party relying on this report does so entirely at its own risk. We accept no liability to any third party for any loss or damage suffered or costs incurred, arising out of or in connection with the use of this report, however such loss or damage is caused.

It is the responsibility solely of the entities management and directors to ensure there are adequate arrangements in place in relation to risk management, governance, control and value for money.

# Executive Summary

## Background

Well designed and robust key financial systems, operating efficiently and effectively, are essential for good quality financial information used for both internal and external reporting. It is therefore necessary that the Authority identifies and addresses operational and financial risks and ensures that robust arrangements are in place to manage them, including effective systems of internal control.

Controls around core financial systems are required to support the production of accurate and timely financial reports and financial statements. For these controls to be effective, they need to be applied consistently throughout the Authority and be supported by robust standing financial instructions and operating procedures. Failure to implement effective financial controls can expose an organisation to risk.

## Objectives

Our review focused on the following potential risk areas:

- General ledger:
  - the Authority could be exposed to financial risks including fraud or manipulation of financial information where controls are inadequate or segregation of duties insufficient;
  - journal entries or other adjustments that were recorded without proper documentation or explanation;
  - items posted to suspense accounts are not reviewed and cleared in a timely manner; and
  - the Authority do not have adequate back up procedures.
- Accounts payable:
  - inadequate authorisation procedures & payments not made in line with procedures; and
  - Inadequate coding of COVID-19 related expenses.

- Accounts receivable:
  - ineffective debt collection procedures; and
  - ineffective invoice raising procedures.
- Cash & bank:
  - bank accounts are not reconciled on a regular and timely basis and that the methodology used is not robust.
- Payroll:
  - inadequate segregation of duties; and
  - controls over starters, changes, leavers ( permanent and temporary staff) are inadequate
- Capital Accounting:
  - Fixed asset acquisitions, disposals, and transfers are not identified and recorded in the Fixed Asset Register.
- Budgetary Control
  - Ineffective review of the budget to verify its completeness and accuracy; and
  - Inadequate budget monitoring processes in place.

## Limitations of scope

Our findings and conclusions will be limited to the risks identified above. The scope of this audit does not allow us to provide an independent assessment of all risks and controls associated with core financial controls.

Where sample testing is undertaken, our findings and conclusions will be limited to the sample tested only. Please note that there is a risk that our findings and conclusions based on the sample may differ from the findings and conclusions we would reach if we tested the entire population from which the sample is taken.

This report does not constitute an assurance engagement as set out under ISAE 3000.

# Executive Summary

## Conclusion

### Significant assurance with some improvement required

We have reviewed the key controls around the core financial systems for both SYPTE and SCRMCA. The scope of the audit is set out in our Audit Planning Brief. We have concluded that the processes provide **SIGNIFICANT ASSURANCE WITH SOME IMPROVEMENT REQUIRED** to the Authority.

Based on our review and testing of the Authority's core financial controls we have concluded that, subject to the findings in this report and the limitations of sample testing, the Authority has a well-designed internal control framework which is operating mainly as expected. From our sample testing, control activities are performed consistently and are carried out in compliance with financial standards, processes and delegated scheme of authority. Control activities include segregation of duties, formal and documented approvals, verifications and reconciliations, all of which mitigate the risk of intentional or unintentional financial misstatements.

Appendix 3 provides a breakdown of assurance levels by core financial process for each entity.

## Good practice

We have identified the following areas of good practice:

- The design of controls around the majority of key financial processes for both entities contains both preventive and detective controls where possible. Having both types of controls in place significantly reduces the risk of fraud or error.
- Generally key financial controls that have been subjected to testing are operating well and in accordance with policies and procedures.
- There are strong controls in place around budget setting and budget monitoring and this has been effectively integrated into the accounting software, improving the efficiency and ease in monitoring.

## Areas for development

We have identified the following areas which require improvement including:

- The implementation of the new ledger system has enabled a number of automated controls to be introduced such as limiting user access rights to appropriate officers. However our review has noted some areas where officers have the ability to carry out multiple roles which could potentially put segregation of duties at risk. This was particularly evident where officers preparing the monthly bank reconciliations also post journals. We also noted that authorisation of journals is not an automated control, this is performed manually outside of the system. Officers have the ability and access to perform both tasks of posting and authorising journals. However we do acknowledge that our audit testing did not evidence any occasions where this had taken place.
- Following the Internal Audit review carried out in respect of financial year 2019/20, it was agreed that Management would undertake a high level review of MCA GJ type journals posted. We noted that the review would be periodic however our review of the June and September Journals reports noted that this review did not take place until January 2021.

## Recommendations

Based on our findings, we have raised 16 risk recommendations, the gradings are as follows:

	High	Med	Low	Imp
PTE	0	0	3	6
MCA	0	0	2	5

## Acknowledgement

We would like to take this opportunity to thank your staff for their co-operation during this internal audit.



# Action Plan - SYPTE

In this section we set out the detailed findings arising from our work. Details of what each of the ratings represents can be found in Appendix 2

Risk Issue	Findings and Recommendation	Action Plan
<p><b>General Ledger – SYPTE</b></p> <p>The Authority could be exposed to financial risks including fraud or manipulation of financial information where controls are inadequate or segregation of duties insufficient.</p> <p>Journal entries or other adjustments that were recorded without proper documentation or explanation.</p> <p>Items posted to suspense accounts are not reviewed and cleared in a timely manner.</p> <p>The Authority do not have adequate back up procedures.</p>	<p><b>Key findings</b></p> <ul style="list-style-type: none"> <li>▪ We reviewed the process of posting journals to the General Ledger and documented the controls in place. We tested a sample of journal postings to ensure the controls that had been documented had been performed in an effective manner.</li> <li>▪ The Journals posting process includes both preventive and detective controls. These controls include restricting the ability to post journals to appropriate personnel, required authorisation of journals, maintaining signed journals for record keeping and reviewing monthly journal files against journal reports.</li> <li>▪ We reviewed the System Security Report to confirm appropriate user access rights and noted that the ability to post journals is restricted to appropriate finance staff and system support. However we did note that the Interim Group Chief Financial Officer, who has since left the Authority is still showing as a current user.</li> <li>▪ Our review of the journals listings list noted that 1 user appeared to have to accounts where 24 out of 171 journals have been posted by JulieA and 33 by JullieA. However, our review of the System Security Report did not show 2 users.</li> <li>▪ Our sample testing of 20 journals found these had been appropriately input and authorised by another member of the Finance team. However, we did note that 2 journals from our sample had not been signed as authorised. We also noted that the date of authorisation was retrospective with a review date of 1-Dec-20. It is acknowledged that the actual control had been performed throughout the year, however documenting the check was implemented in December 2020.</li> <li>▪ Authorisation of journals is not automated within the ledger, this control is performed manually outside of the system. We noted that finance officers have the ability to perform both tasks, although we did not evidence through our testing any journals that had been input and authorised by the same officer.</li> <li>▪ We also noted that officers carrying out the bank reconciliation procedures have access to post and authorise journals. However, we do recognise that officers completing the bank reconciliations are not involved in other duties relating to cash and bank therefore the risk is reduced. Our review of the journals listing report noted that the officer preparing the reconciliation has posted 30 out of 171 journals. Our sample testing of 20 journals noted that 15 of these had been authorised by the same officer.</li> </ul>	

# Action Plan - SYPTE

Risk Issue	Findings and Recommendation	Action Plan
<p><b>General Ledger – SYPTE</b></p> <p>The Authority could be exposed to financial risks including fraud or manipulation of financial information where controls are inadequate or segregation of duties insufficient.</p> <p>Journal entries or other adjustments that were recorded without proper documentation or explanation.</p> <p>Items posted to suspense accounts are not reviewed and cleared in a timely manner.</p> <p>The Authority do not have adequate back up procedures.</p>	<ul style="list-style-type: none"> <li>▪ Electronically signed journal templates had been maintained and monthly journals report reviews were undertaken. However the monthly review of journals posted is not currently signed and dated to evidence the control is being performed by appropriate personnel in a timely manner. We also noted that the review is undertaken by an officer with access to post and authorise journals.</li> <li>▪ The Authority have robust backup procedures in place. The SQL server is backed up daily, copied to an offsite server (MS Azure) and periodically a third copy is moved into an offnet backup repository. SQL logs are truncated every hour and backups are tested annually, however new software is being implemented that will have automated test plans built in which will advise if the backups are successful or not. No issues relating to backups were reported in the period.</li> </ul> <p><b>Issues Identified:</b></p> <ul style="list-style-type: none"> <li>▪ Finance officers have the ability perform multiple roles for example, post and authorise journals and prepare and review the bank reconciliation procedures.</li> </ul> <p><b>Risk:</b></p> <ul style="list-style-type: none"> <li>▪ Fraudulent or erroneous journals could be posted to the ledger.</li> </ul> <p><b>Recommendations:</b></p> <ul style="list-style-type: none"> <li>▪ To strengthen controls around segregation of duties, review and consider individual roles and user access rights to prevent officers having access to perform multiple roles. We acknowledge the limitations of roles and size of the organisation, and recognise there may be an opportunity to consider this in collaboration with the PTE as part of the wider integration agenda.</li> </ul>	<p><b>Agreed Action:</b></p> <p>We will continue to prioritise segregation of duties for journal authorisation in respect of those areas with the highest potential risk for fraud, for example bank and payroll. We do not consider that authorisation is required for other areas, partly because the fraud risk level is relatively low, and furthermore there are compensating controls in place, such as balance sheet reconciliations.</p> <p>In the medium term, we will review individual roles as part of integration.</p> <p><b>Responsible Officer:</b> Mike Thomas, Deputy Section 73 Officer</p> <p><b>Executive Lead:</b> Gareth Sutton, Group Finance Director</p> <p><b>Due date:</b> 31 December 2021</p>

# Action Plan - SYPTE

Risk Issue	Findings and Recommendation	Action Plan
<p><b>General Ledger – SYPTE</b></p> <p>The Authority could be exposed to financial risks including fraud or manipulation of financial information where controls are inadequate or segregation of duties insufficient.</p> <p>Journal entries or other adjustments that were recorded without proper documentation or explanation.</p> <p>Items posted to suspense accounts are not reviewed and cleared in a timely manner.</p> <p>The Authority do not have adequate back up procedures.</p>	<p><b>Issues Identified:</b></p> <ul style="list-style-type: none"> <li>Two journals had not been signed as authorised and the remaining journals within our sample showed a retrospective authorisation date of 1-Dec-20.</li> </ul> <p><b>Risk:</b></p> <ul style="list-style-type: none"> <li>Fraudulent or erroneous journals could be posted to the ledger.</li> </ul> <p><b>Recommendations:</b></p> <ul style="list-style-type: none"> <li>The Executive to ensure all journals are authorised in a timely manner.</li> </ul>	<p><b>Agreed Action:</b></p> <p>As per the previous recommendation, we will prioritise prompt authorisation of journals for banking and payroll.</p> <p><b>Responsible Officer:</b> Mike Thomas, Deputy Section 73 Officer</p> <p><b>Executive Lead:</b> Gareth Sutton, Group Finance Director</p> <p><b>Due date:</b> 30 June 2021</p>
	<p><b>Issues Identified:</b></p> <ul style="list-style-type: none"> <li>An officer who has left the Executive still has user access to the Ledger. Another officer appeared to have a duplicate user account.</li> </ul> <p><b>Risk:</b></p> <ul style="list-style-type: none"> <li>Fraudulent or erroneous journals could be posted to the ledger.</li> </ul> <p><b>Recommendations:</b></p> <ul style="list-style-type: none"> <li>The Interim Group Chief Financial Officer user access to be removed from the system.</li> <li>To investigate the potential duplicate user access of JulieA.</li> <li>The Executive to ensure user access rights are promptly removed for all leavers.</li> <li>Introduce periodic review of all user access to ensure these remain appropriate to the individual and role.</li> </ul>	<p><b>Agreed Action:</b></p> <p>These issues will be investigated and resolved forthwith. An amendment to current working practices will be introduced, namely the removal of leavers and a quarterly review of user access.</p> <p><b>Responsible Officer:</b> Mike Thomas, Deputy Section 73 Officer</p> <p><b>Executive Lead:</b> Gareth Sutton, Group Finance Director</p> <p><b>Due date:</b> 31 December 2021</p>
	<p><b>Improvement Point:</b></p> <ul style="list-style-type: none"> <li>Monthly reviews of the journals report to be signed and dated as evidence of the check being carried out.</li> </ul>	<p>Management has noted this finding.</p>

# Action Plan - SYPTE

Risk Issue	Findings and Recommendation	Action Plan
<p><b>Accounts Payable – SYPTE</b></p> <p>Inadequate authorisation procedures &amp; payments not made in line with procedures.</p> <p>Inadequate coding of COVID-19 related expenses.</p>	<p><b>Key findings</b></p> <ul style="list-style-type: none"> <li>▪ We reviewed the Accounts Payable process from raising requisitions through to payment of suppliers, specifically documenting the controls in place. We tested a sample of expenditure transactions to ensure the controls that had been documented had been performed in an effective manner.</li> <li>▪ The Accounts Payable process is relatively robust and includes both preventive and detective controls. These controls include appropriate requisition authorisation, three-way matching, authorised payment runs and periodic account reconciliations.</li> <li>▪ We noted from our discussions that there was specific code set up to capture all Covid-19 related expenditure which is monitored as part of budget monitoring processes. We have tested this as part of our work within the ‘Budgetary Control’ section of the report.</li> <li>▪ Our sample testing of 20 invoices found that the controls in place are operating effectively. Requisitions and payments are authorised in a timely manner by appropriate personnel, including the involvement of segregation of duties, improving the effectiveness of these controls and reducing the risk of fraud. We also verified that the accounting system requires and correctly completes three-way matches and corroborated that monthly reconciliations have been performed to date, comparing the Accounts Payable account to the General Ledger.</li> <li>▪ BACS payment runs are made on a weekly basis with relevant payments matched off by due date. This ensures that the entity effectively manages cash flows whilst still meeting payment deadlines.</li> <li>▪ For one sample we tested, we found that the weekly APT payment report was not dated when it was reviewed. We also identified one monthly reconciliation between the AP Control Account to the Creditors Report and the GL that was not signed as completed.</li> </ul>	
	<p><b>Improvement Point:</b></p> <ul style="list-style-type: none"> <li>▪ The Executive to ensure reviews and reconciliations are signed and dated as evidence of checks being carried out in a timely manner.</li> </ul>	<p>Management has noted this finding.</p>

# Action Plan - SYPTE

Risk Issue	Findings and Recommendation	Action Plan
<p><b>Accounts Receivable – SYPTE</b></p> <p>Ineffective debt collection procedures; and</p> <p>Ineffective invoice raising procedures.</p>	<p><b>Key findings</b></p> <ul style="list-style-type: none"> <li>▪ We reviewed the Accounts Receivable process from raising invoices through to receiving payment, specifically documenting the controls in place. We tested a sample of income transactions to ensure the controls that had been documented had been performed in an effective manner.</li> <li>▪ The Accounts Receivable process is relatively robust and includes both preventive and detective controls. These controls include required completion of invoice request forms, restricting invoice raising to appropriate personnel, daily cash statements and weekly reviews of debtor's listings.</li> <li>▪ Our sample testing of 20 invoices found that the controls in place are operating effectively. Invoice request forms have been completed where necessary, invoices have been raised in a timely manner by appropriate personnel, daily cash statements have been completed matching income in the bank to sales invoices and weekly debtors reports have been run to reduce aged debtors.</li> <li>▪ A debt recovery database is maintained which highlights outstanding debtors and at which stage of the reminders process the debt is in, ensuring appropriate escalation of outstanding debtors. Our testing did not identify any issues relating to ineffective debt collection.</li> <li>▪ Through our sample testing we identified one invoice request form that was not marked as reviewed, one invoice that was issued more than one month after request and one invoice request form that was not fully completed.</li> </ul>	
	<p><b>Improvement Point:</b></p> <ul style="list-style-type: none"> <li>▪ The Executive to ensure invoice requests are fully completed, marked as reviewed and promptly issued.</li> </ul>	<p>Management has noted this finding.</p>

# Action Plan - SYPTE

Risk Issue	Findings and Recommendation	Action Plan
<p><b>Cash &amp; Bank – SYPTE</b></p> <p>Bank accounts are not reconciled on a regular and timely basis and the methodology used is not robust</p>	<p><b>Key findings</b></p> <ul style="list-style-type: none"> <li>▪ We reviewed the processes involved in managing Cash &amp; Bank accounts, specifically documenting the controls in place. We reviewed and reformed a sample of bank reconciliations to ensure the control had been documented and performed in an effective manner.</li> <li>▪ We note that the Cash &amp; Bank management process is relatively robust and includes both preventive and detective controls. These controls include; required approval of weekly BACS payments, restricting bank access to appropriate personnel, completion of daily cash statements and monthly bank reconciliations</li> <li>▪ Our sample testing of bank reconciliations found that they are operating effectively, with relevant reconciling items between the bank and General Ledger being recorded. Reconciliations are prepared and reviewed by appropriate personnel in a timely manner and there is appropriate segregation of duties between the preparer and reviewer.</li> <li>▪ However, we have noted where officers carrying out the reconciliations also have access to post and authorise journals, see slide 5.</li> </ul>	

# Action Plan - SYPTE

Risk Issue	Findings and Recommendation	Action Plan
<p><b>Payroll – SYPTE</b></p> <p>Inadequate segregation of duties; and</p> <p>Controls over starters, changes, leavers (permanent and temporary staff) are inadequate</p>	<p><b>Key findings</b></p> <ul style="list-style-type: none"> <li>▪ We reviewed the Payroll process, specifically documenting the controls in place around the administration of starters and leavers and the monthly payroll process. We tested a sample of starters and leavers to ensure the controls that had been documented had been performed in an effective manner. We also sample tested the controls in place around the monthly payroll process.</li> <li>▪ The Payroll process is relatively robust and includes controls such as required completion of Employee Administration forms, New Starter Induction Checklists and Leavers Checklists. There is also strong management oversight of the recruitment process, with establishment reports outlining planned recruitment for the year having to be approved by board with any additional recruitment requests having to be approved by the Human Resources Standards Committee.</li> <li>▪ Appropriate segregation of duties have been identified within the payroll process, including internally within the HR department when administering starters and leavers as well as between the HR department, Finance department and the external Service Organisation when administering the monthly payroll.</li> <li>▪ The controls around the processing of the monthly payroll are also considered to be robust and include secure transfer of sensitive data, monthly analytical reviews, sense checks and reconciliations.</li> <li>▪ Our sample testing found that the controls in place are operating adequately, no issues were identified within the sample reviewed. We found that Employee Administration forms had been completed for all 10 of the starters and leavers samples tested. Analytical reviews, sense checks and reconciliations had also been completed for both the months sampled.</li> <li>▪ We noted that additional assurance could be gained by having the HR Business Partner review the completed Employment Administration Forms and Leavers Administration Forms. Also, the various analytical reviews and reconciliations performed as part of the payroll process could be improved if they were dated when they were completed and reviewed as this would provide assurance that they were completed in a timely manner.</li> </ul>	

# Action Plan - SYPTE

Risk Issue	Findings and Recommendation	Action Plan
<p><b>Payroll – SYPTE</b></p> <p>Inadequate segregation of duties; and</p> <p>Controls over starters, changes, leavers (permanent and temporary staff) are inadequate</p>	<p><b>Improvement Points:</b></p> <ul style="list-style-type: none"> <li>▪ The Executive should ensure that the monthly analytical reviews and reconciliations are dated when they are completed and reviewed.</li> <li>▪ The Executive to consider Employment Administration Forms and Leavers Administration Forms to be formally documented as reviewed by the HR Business Partner.</li> </ul>	<p>Management has noted this finding.</p>



# Action Plan - SYPTE

Risk Issue	Findings and Recommendation	Action Plan
<p><b>Capital Accounting – SYPTE</b></p> <p>Fixed asset acquisitions, disposals, and transfers are not identified and recorded in the Fixed Asset Register.</p>	<p><b>Key findings</b></p> <ul style="list-style-type: none"> <li>▪ We reviewed the Capital Accounting process, including the treatment of additions, disposals and transfers of assets as well as the maintenance of the Fixed Asset Register. We tested a sample of additions to ensure the controls that had been documented had been performed in an effective manner. We confirmed that there had not been any disposals of assets during the year of review.</li> <li>▪ The Capital Accounting process is relatively robust and includes both preventive and detective controls. These controls include required authorisation for payments relating to capital spend, agreement of payments to the Capital programme and a yearly reconciliation of the Fixed Asset Register to the General Ledger.</li> <li>▪ We noted as a general good practise point, the yearly FAR reconciliation to be performed more frequently than annually to provide greater assurance that all acquisitions, disposals and transfers are being captured and any potential issues are flagged up in a more timely manner</li> </ul> <p><b>Improvement Point:</b></p> <ul style="list-style-type: none"> <li>▪ FAR to GL reconciliation to be completed more frequently than annually.</li> </ul>	<p></p> <p>Management has noted this finding.</p>

# Action Plan - SYPTE

Risk Issue	Findings and Recommendation	Action Plan
<p><b>Budgetary Control – SYPTE</b></p> <p>Ineffective review of the budget to verify its completeness and accuracy</p> <p>Inadequate budget monitoring processes in place</p>	<p><b>Key findings</b></p> <ul style="list-style-type: none"> <li>▪ We reviewed the Budgetary Control process, specifically documenting the controls in place around setting the budget as well as the monitoring process. We reviewed the supporting evidence to ensure the controls that had been documented had been performed in an effective manner.</li> <li>▪ The Budgetary Control process is robust and includes controls such as periodic comparison checks against historic performance, comparisons against actual performance. There is also strong management oversight of the budget process, with the yearly budget having to be approved by board with any consequent adjustments having to also be approved by board.</li> <li>▪ We have tested the key controls for the yearly Budget setting process including confirming timely approval by Board. We have also tested monthly budget monitoring reports for two separate months and one quarterly budget report. No issues were identified as part of our testing.</li> <li>▪ The integration of software such as ARMS and Epicore in to the budget monitoring process has considerably improved the effectiveness of real time monitoring of performance against budget codes as well as creating automated controls that mitigate the risk of errors in assigning expenditure against the wrong code or codes without the requisite remaining budget.</li> </ul>	

# Action Plan - SCRMCA

Risk Issue	Findings and Recommendation	Action Plan
<p><b>General Ledger – SCRMCA</b></p> <p>The Authority could be exposed to financial risks including fraud or manipulation of financial information where controls are inadequate or segregation of duties insufficient.</p> <p>Journal entries or other adjustments that were recorded without proper documentation or explanation.</p> <p>Items posted to suspense accounts are not reviewed and cleared in a timely manner.</p> <p>The Authority do not have adequate back up procedures.</p>	<p><b>Key findings</b></p> <ul style="list-style-type: none"> <li>▪ We reviewed the process of posting journals to the General Ledger and documented the controls in place. We tested a sample of journal postings to ensure the controls that had been documented had been performed in an effective manner.</li> <li>▪ The Journals posting process includes both preventive and detective controls. These controls include restricting the ability to post journals to appropriate personnel, required authorisation of journals, maintaining signed journals for record keeping and reviewing monthly journal files against journal reports.</li> <li>▪ We reviewed the System Security Report to confirm appropriate user access rights and noted that the ability to post journals is restricted to appropriate finance staff and system support. However, we noted that officers carrying out bank reconciliation procedures also have access to post journals. However, we do recognise that officers completing the bank reconciliations are not involved in other duties relating to cash and bank therefore the risk is reduced. Our sample testing of 20 journals noted that 17 of these had been posted by the same officer preparing the bank reconciliation. The officer reviewing the bank reconciliation also carried out the review of the monthly journals report.</li> <li>▪ Our sample testing of 20 journals found that these had been input accurately by appropriate personnel, electronic journal templates had been maintained.</li> <li>▪ Authorisation of journals is not automated within the ledger, this control is performed manually outside of the system. Following the Internal Audit review carried out in respect of financial year 2019/20, it was agreed that Management would undertake a periodic high level review of GJ type journals posted. However, the review of monthly journals has not been completed in a timely manner. We selected the June and September Journals reports for testing and noted that this review did not take place until January 2021. We also noted that the review is undertaken by an officer with user access rights to post journals, although we did not evidence within our sample tested any journals that had been posted by this officer.</li> <li>▪ The monthly review of journals posted could also be strengthened by signing off journal templates individually as this would ensure more granular inspection of journals posted as well as proactively identify any issues..</li> <li>▪ The Authority have robust backup procedures in place. The SQL server is backed up daily, copied to an offsite server (MS Azure) and periodically a third copy is moved into an offnet backup repository. SQL logs are truncated every hour and backups are tested annually, however new software is being implemented that will have automated test plans built in which will advise if the backups are successful or not. No issues relating to backups were reported in the period.</li> </ul>	

# Action Plan - SCRMCAs

Risk Issue	Findings and Recommendation	Action Plan
<p><b>General Ledger – SCRMCAs</b></p> <p>The Authority could be exposed to financial risks including fraud or manipulation of financial information where controls are inadequate or segregation of duties insufficient.</p> <p>Journal entries or other adjustments that were recorded without proper documentation or explanation.</p> <p>Items posted to suspense accounts are not reviewed and cleared in a timely manner.</p> <p>The Authority do not have adequate back up procedures.</p>	<p><b>Issues Identified:</b></p> <ul style="list-style-type: none"> <li>▪ The review of monthly journals has not been completed in a timely manner.</li> </ul> <p><b>Risk:</b></p> <ul style="list-style-type: none"> <li>▪ The authorisation of journals is a key anti-fraud control. Without timely authorisation, there is a risk that fraudulent or erroneous journals could be posted to the ledger.</li> </ul> <p><b>Recommendation:</b></p> <ul style="list-style-type: none"> <li>▪ The Authority to ensure that the review of monthly journals is undertaken in a timely manner.</li> </ul>	<p><b>Agreed Action:</b></p> <p>We will prioritise prompt authorisation of journals for banking and payroll.</p> <p><b>Responsible Officer:</b> Mike Thomas, Deputy Section 73 Officer</p> <p><b>Executive Lead:</b> Gareth Sutton, Group Finance Director</p> <p><b>Due date:</b> 30 June 2021</p>

# Action Plan - SCRMCAs

Risk Issue	Findings and Recommendation	Action Plan
<p><b>General Ledger – SCRMCAs</b></p> <p>The Authority could be exposed to financial risks including fraud or manipulation of financial information where controls are inadequate or segregation of duties insufficient.</p> <p>Journal entries or other adjustments that were recorded without proper documentation or explanation.</p> <p>Items posted to suspense accounts are not reviewed and cleared in a timely manner.</p> <p>The Authority do not have adequate back up procedures.</p>	<p><b>Issues Identified:</b></p> <ul style="list-style-type: none"> <li>Finance officers have the ability perform multiple roles for example, post and authorise journals and prepare and review the bank reconciliation procedures.</li> </ul> <p><b>Risk:</b></p> <ul style="list-style-type: none"> <li>Fraudulent or erroneous journals could be posted to the ledger.</li> </ul> <p><b>Recommendations:</b></p> <ul style="list-style-type: none"> <li>To strengthen controls around segregation of duties, review and consider individual roles and user access rights to prevent officers having access to perform multiple roles. We acknowledge the limitations of roles and size of the organisation, and recognise there may be an opportunity to consider this in collaboration with the PTE as part of the wider integration agenda.</li> </ul> <p><b>Improvement Point:</b></p> <ul style="list-style-type: none"> <li>Journal templates should be signed as authorised individually as this would ensure more granular inspection of journals posted as well as proactively identify any issues.</li> </ul>	<p><b>Agreed Action:</b></p> <p>We will continue to prioritise segregation of duties for journal authorisation in respect of those areas with the highest potential risk for fraud, for example bank and payroll. We do not consider that authorisation is required for other areas, partly because the fraud risk level is relatively low, and furthermore there are compensating controls in place, such as balance sheet reconciliations.</p> <p>In the medium term, we will review individual roles as part of integration.</p> <p><b>Responsible Officer:</b> Mike Thomas, Deputy Section 73 Officer</p> <p><b>Executive Lead:</b> Gareth Sutton, Group Finance Director</p> <p><b>Due date:</b> 31 December 2021</p> <p>Management has noted this finding.</p>

# Action Plan - SCRMCAs

Risk Issue	Findings and Recommendation	Action Plan
<p><b>Accounts Payable – SCRMCAs</b></p> <p>Inadequate authorisation procedures &amp; payments not made in line with procedures.</p> <p>Inadequate coding of COVID-19 related expenses.</p>	<p><b>Key findings</b></p> <ul style="list-style-type: none"> <li>▪ We reviewed the Accounts Payable process from raising requisitions through to payment of suppliers, specifically documenting the controls in place. We tested a sample of expenditure transactions to ensure the controls that had been documented had been performed in an effective manner.</li> <li>▪ The Accounts Payable process is relatively robust and includes both preventive and detective controls. These controls include appropriate requisition authorisation, three-way matching, authorised payment runs and continuous account reconciliations through the batch book.</li> <li>▪ We noted from our discussions that there was specific code set up to capture all Covid-19 related expenditure which is monitored as part of budget monitoring processes. We have tested this as part of our work within the ‘Budgetary Control’ section of the report.</li> <li>▪ Our sample testing of 20 invoices found that the controls in place are operating effectively. Requisitions and payments are authorised in a timely manner by appropriate personnel, including the involvement of segregation of duties, improving the effectiveness of these controls and reducing the risk of fraud. We also verified that the accounting system requires and correctly completes three-way matches and corroborated that all samples agree back to the batch book.</li> <li>▪ There is a team at Sheffield City Council who help in the administration of accounts payable posting to the ledger. This is restricted to a few individuals and the requirement for authorisation by SCRMCAs staff mitigates any risk of fraud.</li> <li>▪ BACS payment runs are made on a weekly basis with relevant payments matched off by due date. This ensures that the entity effectively manages cash flows whilst still meeting payment deadlines.</li> </ul>	

# Action Plan - SCRMCA

Risk Issue	Findings and Recommendation	Action Plan
<p><b>Accounts Receivable – SCRMCA</b></p> <p>Ineffective debt collection procedures; and</p> <p>Ineffective invoice raising procedures.</p>	<p><b>Key findings</b></p> <ul style="list-style-type: none"> <li>▪ We reviewed the Accounts Receivable process from raising invoices through to receiving payment, specifically documenting the controls in place. We tested a sample of income transactions to ensure the controls that had been documented had been performed in an effective manner.</li> <li>▪ The Accounts Receivable process is relatively robust and includes both preventive and detective controls. These controls include required completion of invoice request forms, restricting invoice raising to appropriate personnel, matching of income against open invoices within Epicore and monthly reviews of debtor’s listings.</li> <li>▪ Our sample testing of 11 invoices found that most controls in place are operating effectively. Invoices have been raised by appropriate personnel and these receivables have been monitored through both the daily cash statement as well as a monthly debtors report. Our testing did not identify any issues relating to ineffective debt collection.</li> <li>▪ There is a team at Sheffield City Council who help in the administration of accounts receivable postings to the ledger. This is restricted to a few individuals and the requirement for authorisation by SCRMCA staff mitigates any risk of fraud.</li> <li>▪ We did note that when income is matched off against open invoices, this is not currently signed and dated as completed by the relevant officer to appropriately record that this has been completed in a timely manner.</li> </ul>	
	<p><b>Improvement Point:</b></p> <ul style="list-style-type: none"> <li>▪ The Authority to ensure reviews and reconciliations are signed and dated as evidence of checks being carried out in a timely manner.</li> </ul>	<p>Management has noted this finding.</p>

# Action Plan - SCRMCAs

Risk Issue	Findings and Recommendation	Action Plan
<p><b>Cash &amp; Bank – SCRMCAs</b></p> <p>Bank accounts are not reconciled on a regular and timely basis and the methodology used is not robust</p>	<p><b>Key findings</b></p> <ul style="list-style-type: none"> <li>▪ We reviewed the processes involved in managing Cash &amp; Bank, specifically documenting the controls in place. We reviewed and reformed a sample of bank reconciliations to ensure the control had been documented and performed in an effective manner.</li> <li>▪ The Cash &amp; Bank management process is relatively robust and includes both preventive and detective controls. These controls include required approval of weekly BACS payments, restricting bank access to appropriate personnel, review of monthly bank statements for items that need posting to the ledger and monthly bank reconciliations.</li> <li>▪ Our sample testing of bank reconciliations found that they are operating effectively, with relevant reconciling items between the bank and General Ledger being recorded. Reconciliations are prepared and reviewed by appropriate personnel in a timely manner and there is a segregation of duties between the preparer and reviewer.</li> <li>▪ However we have noted where officers carrying out the reconciliations also have access to post and authorise journals, see slide 15.</li> </ul>	



# Action Plan - SCRMCA

Risk Issue	Findings and Recommendation	Action Plan
<p><b>Payroll – SCRMCA</b></p> <p>Inadequate segregation of duties; and</p> <p>Controls over starters, changes, leavers (permanent and temporary staff) are inadequate</p>	<p><b>Key findings</b></p> <ul style="list-style-type: none"> <li>▪ We reviewed the Payroll process, specifically documenting the controls in place around the administration of starters and leavers as well as the monthly payroll process. We then tested a sample of starters and leavers to ensure the controls that had been documented had been performed in an effective manner. We also sample tested the controls in place around the monthly payroll process.</li> <li>▪ The Payroll process is relatively robust and includes controls such as required completion of Employee Administration forms, New Starter Induction Checklists and Leavers Checklists. There is also strong management oversight of the recruitment process, with establishment reports outlining planned recruitment for the year having to be approved by board with any additional recruitment requests having to be approved by the Human Resources Standards Committee.</li> <li>▪ The controls around the processing of the monthly payroll are also considered to be robust and include secure transfer of sensitive data, monthly analytical reviews, sense checks and reconciliations.</li> <li>▪ Appropriate segregation of duties have been identified within the payroll process, including internally within the HR department when administering starters and leavers as well as between the HR department, Finance department and the external Service Organisation when administering the monthly payroll.</li> <li>▪ Our sample testing found that the controls in place are mostly operating adequately. We found that Employee Administration forms had been completed for 4 of the 5 starters samples and all leavers samples tested. Also, analytical reviews, sense checks and reconciliations had been completed for both the months sampled.</li> <li>▪ Through our testing we identified one sample where the Employee Administration Form had not been completed in a timely manner. However, it should be noted that this instance did not lead to any payroll errors and consequently we have not raised a recommendation related to this.</li> <li>▪ We noted that additional assurance could be gained by having the HR Business Partner formally document reviews of the completed Employment Administration Forms and Leavers Administration Forms. Also, the various analytical reviews and reconciliations performed as part of the payroll process could be improved if they were signed and dated when they were completed and reviewed as this would provide assurance that they were completed in a timely manner by the appropriate personnel.</li> </ul>	

# Action Plan - SCRMCAs

Risk Issue	Findings and Recommendation	Action Plan
<p><b>Payroll – SCRMCAs</b></p> <p>Inadequate segregation of duties; and</p> <p>Controls over starters, changes, leavers (permanent and temporary staff) are inadequate</p>	<p><b>Improvement Points:</b></p> <ul style="list-style-type: none"> <li>▪ The Executive should ensure that the monthly analytical reviews and reconciliations are dated when they are completed and reviewed.</li> <li>▪ The Authority to consider Employment Administration Forms and Leavers Administration Forms to be formally documented as reviewed by the HR Business Partner.</li> </ul>	<p>Management has noted this finding.</p>

# Action Plan - SCRMCAs

Risk Issue	Findings and Recommendation	Action Plan
<p><b>Capital Accounting – SCRMCAs</b></p> <p>Fixed asset acquisitions, disposals, and transfers are not identified and recorded in the Fixed Asset Register.</p>	<p><b>Key findings</b></p> <ul style="list-style-type: none"> <li>▪ We reviewed the Capital Accounting process, including the treatment of additions, disposals and transfers of assets as well as the maintenance of the Fixed Asset Register.</li> <li>▪ The Capital Accounting process is relatively robust and includes both preventive and detective controls. These controls include an approved Capital Programme, required authorisation of requisition requests, submission of quarterly claims which are reviewed by the monitoring officer, authorised payment to suppliers and monthly reconciliation of capital expenditure reviewed to date.</li> <li>▪ The majority of capital expenditure is Revenue Expenditure Funded by Capital Under Statute and paid as a grant. The money spent on capital programmes by relevant stakeholder is claimed by submitting a grant claim.</li> <li>▪ We noted that the monthly balance sheet reconciliations are not currently signed as completed and reviewed by the relevant officer to appropriately record that this has been completed in a timely manner.</li> </ul> <p><b>Improvement Point:</b></p> <ul style="list-style-type: none"> <li>▪ The Authority to ensure reviews and reconciliations are signed and dated as evidence of checks being carried out in a timely manner.</li> </ul>	<p>Management has noted this finding.</p>

# Action Plan - SCRMCMA

Risk Issue	Findings and Recommendation	Action Plan
<p><b>Budgetary Control – SCRMCMA</b></p> <p>Ineffective review of the budget to verify its completeness and accuracy</p> <p>Inadequate budget monitoring processes in place</p>	<p><b>Key findings</b></p> <ul style="list-style-type: none"> <li>▪ We reviewed the Budgetary Control process, specifically documenting the controls in place around setting the budget as well as the monitoring process. We reviewed the supporting evidence to ensure the controls that had been documented had been performed in an effective manner.</li> <li>▪ We note that the Budgetary Control process is robust and includes controls such as periodic comparison checks against historic performance, comparisons against actual performance. There is also strong management oversight of the budget process, with the yearly budget having to be approved by board with any consequent adjustments having to also be approved by board.</li> <li>▪ We have tested the key controls for the yearly Budget setting process including confirming timely approval by Board and the reconciliation of the budget uploaded onto Epicore to the different budgets approved by the MCA and LEP (Core Ops, Transport Revenue, Revenue Programmes and Capital). No issues were identified as part of our testing.</li> <li>▪ The integration of software such as ARMS and Epicore in to the budget monitoring process has considerably improved the effectiveness of real time monitoring of performance against budget codes as well as creating automated controls that mitigate the risk of errors in assigning expenditure against the wrong code or codes without the requisite remaining budget.</li> </ul>	

# Appendices

# Appendix 1 – Staff involved

## Staff involved

- Matt Bell, Financial Services Manager – SYPTE
- Geoff Taylor, Management Accountant – SYPTE
- Andy Mumford, Financial and Project Accountant – SYPTE
- Martin Lukey, Senior Revenues Officer – SYPTE
- Rachael Radford, HR Business Partner Manager– SYPTE
- Simon Tompkins, Finance Manager – SCRMCMA
- Richard Howard, Assistant Finance Manager – SCRMCMA
- Donna Johnson, Assistant Finance Officer – SCRMCMA
- Saeed Ahmed Assistant Finance Manager - SCRMCMA

## Documents reviewed

- Financial Standard Operating Procedures
- Employment Administrations forms and checklists
- Various reconciliations as required
- Monthly monitoring reports
- Ledger reports as required

# Appendix 2 - Our assurance levels

The table below shows the levels of assurance we provide and guidelines for how these are arrived at. We always exercise professional judgement in determining assignment assurance levels, reflective of the circumstances of each individual assignment.

Rating	Description
<b>Significant assurance</b>	<p>Overall, we have concluded that, in the areas examined, the risk management activities and controls are suitably designed to achieve the risk management objectives required by management.</p> <p>These activities and controls were operating with sufficient effectiveness to provide significant assurance that the related risk management objectives were achieved during the period under review.</p> <p>Might be indicated by no weaknesses in design or operation of controls and only IMPROVEMENT recommendations.</p>
<b>Significant assurance with some improvement required</b>	<p>Overall, we have concluded that in the areas examined, there are only minor weaknesses in the risk management activities and controls designed to achieve the risk management objectives required by management.</p> <p>Those activities and controls that we examined were operating with sufficient effectiveness to provide reasonable assurance that the related risk management objectives were achieved during the period under review.</p> <p>Might be indicated by minor weaknesses in design or operation of controls and only LOW rated recommendations.</p>
<b>Partial assurance with improvement required</b>	<p>Overall, we have concluded that, in the areas examined, there are some moderate weaknesses in the risk management activities and controls designed to achieve the risk management objectives required by management.</p> <p>Those activities and controls that we examined were operating with sufficient effectiveness to provide partial assurance that the related risk management objectives were achieved during the period under review.</p> <p>Might be indicated by moderate weaknesses in design or operation of controls and one or more MEDIUM or HIGH rated recommendations.</p>
<b>No assurance</b>	<p>Overall, we have concluded that, in the areas examined, the risk management activities and controls are not suitably designed to achieve the risk management objectives required by management.</p> <p>Those activities and controls that we examined were not operating with sufficient effectiveness to provide reasonable assurance that the related risk management objectives were achieved during the period under review.</p> <p>Might be indicated by significant weaknesses in design or operation of controls and several HIGH rated recommendations.</p>

# Appendix 2 - Our assurance levels (cont'd)

The table below describes how we grade our audit recommendations.

Rating	Description	Possible features
<b>High</b>	Findings that are fundamental to the management of risk in the business area, representing a weakness in the design or application of activities or control that requires the immediate attention of management	<ul style="list-style-type: none"> <li>▪ Key activity or control not designed or operating effectively</li> <li>▪ Potential for fraud identified</li> <li>▪ Non-compliance with key procedures / standards</li> <li>▪ Non-compliance with regulation</li> </ul>
<b>Medium</b>	Findings that are important to the management of risk in the business area, representing a moderate weakness in the design or application of activities or control that requires the immediate attention of management	<ul style="list-style-type: none"> <li>▪ Important activity or control not designed or operating effectively</li> <li>▪ Impact is contained within the department and compensating controls would detect errors</li> <li>▪ Possibility for fraud exists</li> <li>▪ Control failures identified but not in key controls</li> <li>▪ Non-compliance with procedures / standards (but not resulting in key control failure)</li> </ul>
<b>Low</b>	Findings that identify non-compliance with established procedures, or which identify changes that could improve the efficiency and/or effectiveness of the activity or control but which are not vital to the management of risk in the business area.	<ul style="list-style-type: none"> <li>▪ Minor control design or operational weakness</li> <li>▪ Minor non-compliance with procedures / standards</li> </ul>
<b>Improvement</b>	Items requiring no action but which may be of interest to management or which represent best practice advice	<ul style="list-style-type: none"> <li>▪ Information for management</li> <li>▪ Control operating but not necessarily in accordance with best practice</li> </ul>



# Appendix 3 - Assurance level breakdown

The table below shows the levels of assurance we provided for each key risk for each entity

Area	SYPTE	SCRMCA
General Ledger	Significant assurance with some improvement required	Significant assurance with some improvement required
Accounts Payable	Significant assurance	Significant assurance
Accounts Receivable	Significant assurance	Significant assurance
Cash & Bank	Significant assurance with some improvement required	Significant assurance with some improvement required
Capital Accounting	Significant assurance	Significant assurance
Payroll	Significant assurance	Significant assurance
Budgetary Controls	Significant assurance	Significant assurance
<b>Overall</b>	<b>Significant assurance with some improvement required</b>	<b>Significant assurance with some improvement required</b>



## Audit and Standards Committee

10 June 2021

### Internal Audit Plan 2021/22

<b>Is the paper exempt from the press and public?</b>	No
<b><i>Reason why exempt:</i></b>	Not applicable
<b>Purpose of this report:</b>	Discussion
<b>Funding Stream:</b>	Not applicable
<b>Is this a Key Decision?</b>	No
<b>Has it been included on the Forward Plan?</b>	Not a Key Decision

#### **Director Approving Submission of the Report:**

Ruth Adams, Deputy Chief Executive

#### **Report Author(s):**

Internal Audit – Grant Thornton

#### **Executive Summary:**

The Audit and Standards Committee is responsible for overseeing and reviewing the Authority's internal audit strategy. This report presents the Internal Audit Plan for 2021/22.

#### **What does this mean for businesses, people and places in South Yorkshire?**

Internal Audit supports the organisation in helping to achieve its objectives by giving assurance on its internal control and governance arrangements. Good governance enables the MCA to pursue its ambitions and objectives in the most effective and efficient way, bringing about better outcomes for residents and businesses in South Yorkshire.

#### **Recommendations:**

Members are asked to consider the Internal Audit Plan for 2021/22.

# Sheffield City Region Mayoral Combined Authority and South Yorkshire Passenger Transport Executive

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## Draft Internal Audit Strategy 2021/24 and Annual Audit Plan 2021/22

May 2021



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Our Internal Audit Plan for 2021/22 has been prepared on the basis set out in your “Invitation to Quote”. This plan, and our subsequent deliverables do not constitute an assurance engagement as set out under ISAE 3000. This report has not been designed to be of benefit to anyone except the Authority. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Authority. Any party other than the Authority that obtains access to this report (or a copy) under Freedom of Information Act 2002, through the Authority’s publication scheme or otherwise, and chooses to rely on this report (or any part of it) does so at their own risk. To the fullest extent permitted by law, Grant Thornton UK LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Authority.

# Introduction

Public Sector Internal Audit Standards (PSIAS) require the Chief Audit Executive (Chief Internal Auditor) to produce a risk based plan which takes into account the organisation's risk management framework, its strategic priorities and objectives and the views of its senior management and Audit Committee\* members.

This annual plan for 2021/22 has been developed through:

- review of South Yorkshire Passenger Transport Executive Business Plan 2020–2021;
- review of the Sheffield City Region Transport Strategy 2018 – 2040;
- review of Sheffield City Region Strategic Economic Plan 2020-2040;
- review of the each organisation's annual report and annual governance statement;
- review of each organisation's risk registers;
- review of minutes and papers to identify any planned changes to the control environment or emerging risks, and
- discussions with senior management and Audit Committee members.

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We have shared our initial risk assessment with both your senior management team and Audit Committee members to refine the risks presented in this plan, ensuring that it is appropriate, focused and designed around your specific needs.

We have also set out our strategic internal audit plan (2021 to 2024) detailing planned work which will feed into the development of the annual plan in future years and will be undertaken in accordance with PSIAS.

Our strategic and annual plan is designed to provide sufficient coverage over the Group's risk, governance and control environment (including financial controls) so that we can provide an annual internal audit opinion for each organisation.

*\*Note - the reference to Audit Committee throughout this document refers to the Organisations' two Audit Committees:*

- *SYLTE – Audit and Risk Committee*
- *SCRMCA – Audit and Standards Committee*

# Introduction

## A risk based approach to internal audit planning

We have considered the robustness of your risk management framework and associated risk culture and can confirm we have used this as a basis for identifying and prioritising internal audit work. In particular, we have taken into account your overall appetite and tolerance for risk when prioritising our planned activity.

You are operating in a constrained financial environment and have an agreed budget for internal audit and therefore, together with senior management and the audit committee, we have used judgement to prioritise activities. We have ensured sufficient coverage over risk, governance, and control and therefore can confirm we are able to produce an annual internal audit report and opinion (limited to the work we have completed).

## Your control environment

Internal audit is not itself part of the internal control system, nor is it responsible for internal control or compliance. This remains the responsibility of management. Our work as internal audit typically includes:

- Reviewing the risk management and internal control processes developed and maintained by management to ensure the achievement of agreed organisational or departmental goals;
- Assessing compliance with policies and procedures, including where relevant laws and regulations and strategic plans;
- Considering the robustness and reasonableness of arrangements to ensure effective and efficient use of resources.

Internal Audit is only one source of assurance available to you. The delivery of our internal audit plans will not, and does not, seek to cover all the risks and controls in place across the Authority. We will liaise with external audit, and other assurance providers to ensure that duplication is minimised. We do not place reliance on other sources of assurance available to you when forming our annual opinion.

# Overview of the internal audit planning process

<b>Stage 1</b>	Your Visions & Values
<b>Stage 2</b>	Understanding your Risk Maturity
<b>Stage 3</b>	Review Strategic Risk Registers
<b>Stage 4</b>	PSIAS Requirements
<b>Stage 5</b>	In year developments / New Projects
<b>Stage 6</b>	Your internal audit budget to inform prioritisation

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Possible Internal Audit Considerations

Internal Audit Budget



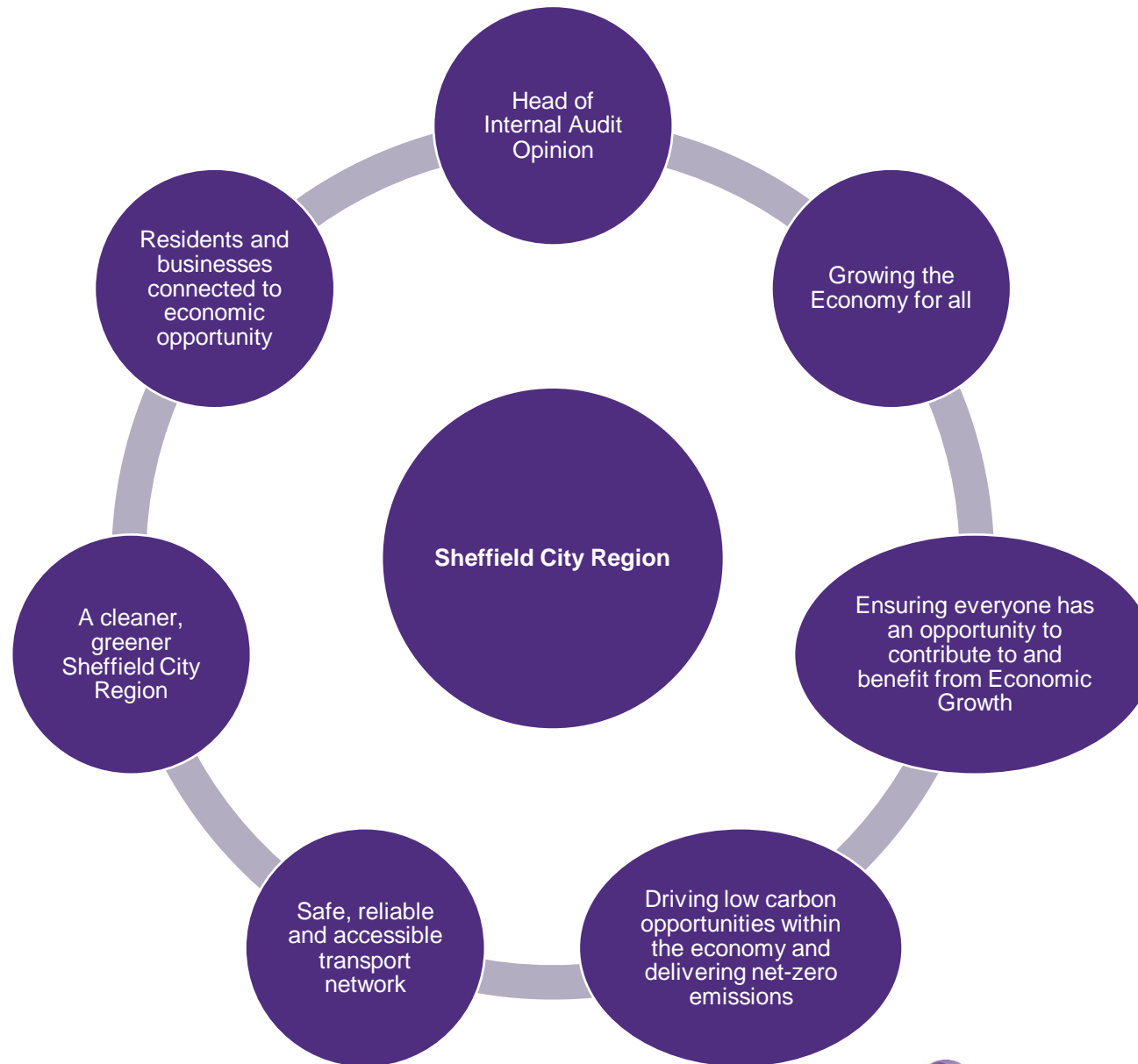


# Factors influencing the strategic plan

Our internal audit work takes into account your cultural values and commitments as well as processes. We look holistically across the Authority, recognising good and effective governance requires a well balanced combination of process/people/behaviours. We consider these three aspects within each internal audit review. The diagram below considers internal audit coverage over the 3 year period against the changing risk environment to ensure our coverage covers all 3 areas.



# Strategic objectives and goals



# Internal audit plan for 2021/22

The draft 2021/22 internal audit plan is summarised below. This plan is subject to final discussion with the Group Finance Director, Deputy Section 73 Officer and Chairs of Audit Committee, prior to final approval and adoption at Audit Committee. The specific objectives; associated risks; our scope and approach to each review; and timing will be agreed with the relevant audit sponsor.

**The plan has been formulated during the Covid-19 pandemic and is subject to flexibility to reflect the longer term impact of the virus.**

Review area	IA Sponsor	Scope/Rationale	Proposed timing (Quarter)	Indicative days
<b>Annual reviews for HOIA opinion</b>				
Core financial controls	Group Finance Director	Evaluation and testing of the design, implementation and operation of key controls in the Authority's core financial systems. This will include review of controls over the general ledger, journals, payroll, cash and banking, accounts receivable and payable and budgetary control.	Q3	30
Risk Management	Deputy Chief Executive (MCA) & Executive Director (PTE)	In accordance with Public Sector Internal Audit Standards, we are required to complete a review of risk management. We will review the current arrangements in place to ensure that management have appropriate assurance that risks are managed and escalated appropriately through the Authority and that there is sufficiency overview and scrutiny of these risks. This review will consider the design and operating effectiveness of the processes for identifying, assessing, recording, managing, reviewing and reporting risks at a divisional level.	Q4	15
Governance	Deputy Chief Executive (MCA) & Principal Solicitor and Secretary to the Executive (PTE)	We will review the adequacy of the governance arrangements in place within the Group. Our review will focus on the application of and compliance with the Authority's Assurance Framework and will consider how each Authority receives assurance.	Q3	15
Critical IT Controls	Group Finance Director	Our review will assess the adequacy of essential IT controls. This will include security management, technology acquisition, development and maintenance and technology infrastructure.	Q1/2	15
<b>Sub Total</b>				<b>75</b>
<b>Risk Based Reviews (See following pages)</b>				<b>153</b>
<b>Contract Management &amp; Follow Up</b>				<b>35</b>
<b>Total Days to deliver in 2021/22 - This includes Contingency Days Brought Forward of 13 days</b>				<b>263</b>

# Internal Audit Plan for 2021/22

Review area	IA Sponsor	Scope/Rationale	Proposed timing (Quarter)	Indicative days
<b>Group audits</b>				
Integration of MCA & PTE	Deputy Chief Executive	The MCA has commenced the process for integrating the PTE fully within the MCA, moving away from the current Group Structure with a wholly owned Subsidiary Body. Given the high profile risk to the Authority, Audit resource has been included within the plan to provide assurance. The scope and coverage of the review is to be determined.	Q3/4	26
Assessing the risk of Fraud	Group Finance Director	We will carry out a high level strategic overview of the Authority's Local Counter Fraud arrangements in place to detect, manage and mitigate the risk of Fraud.	Q1	10
<b>Group audits – sub total</b>				<b>36</b>
<b>MCA</b>				
Grant Claims	Group Finance Director	Certification of grant claims including the Growth Hub and Local Transport Capital Funding Grants.	Q1 & 3	12
Procurement (Phase 2)	Group Finance Director	Phase two of our review will focus on the embeddedness, operational effectiveness and compliance with procurement controls within the MCA.	Q2	10
AEB	Director of Business & Skills	As part of the MCA Devolution Deal, the authority will take responsibility for c£39m of devolved Adult Education Budget (AEB) from 1 August 2021. Audit resource has been included within the plan to provide assurance. The scope and coverage of the review is to be determined.	Q3	30
AMP Technology Centre – Follow Up	Group Finance Director	Our 2020/21 internal audit reported partial assurance with improvement required. Our report included one high and two medium risk recommendations. This review will reperform the audit testing in respect of a sample of areas to provide assurance on the effectiveness and embeddedness of the actions implemented.	Q1	10
<b>MCA audits – sub total</b>				<b>62</b>

# Internal Audit Plan for 2021/22

Review area	IA Sponsor	Scope/Rationale	Proposed timing (Quarter)	Indicative days
<b>PTE</b>				
Grant Claims	Group Finance Director	Certification of the Local Authority Bus Subsidy Ring-Fenced (Revenue) Grant.	Q3	10
Asset Management	Principal Solicitor and Secretary to the Executive / Director of Customer Services	We will evaluate the Executive's Asset Landlord arrangements in place to ensure there is a robust programme of asset management, oversight of control, security, investment and maintenance. We will also carry out a follow up review of the actions agreed following our Asset management review of the Super Tram in 2019/20 which provided a Partial Assurance with improvement required opinion and included six medium risk recommendations.	Q1	25
Supplier Resilience	Group Finance Director	Our review will evaluate the arrangements in place to monitor supplier resilience and financial sustainability in delivering major contracts. Our review will consider how risks are identified and monitored and the Business Continuity Plans in place.	Q2	20
<b>PTE audits – sub total</b>				<b>55</b>

## Timing of Reviews 2021/22

We would propose to complete the reviews below in 2021/22. We have also included provisional timing for each review, although recognise that this may be subject to change.

Review	Days	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Grant Claims (MCA)	12												
Assessing the risk of Fraud (Group)	10												
Asset Management (PTE)	25												
Supplier Resilience (PTE)	20												
AMP Technology Centre – Follow Up (MCA)	10												
Critical IT Controls (Group)	15												
Procurement (MCA)	10												
Grant Claims (PTE)	5												
Governance (Group)	15												
AEB (MCA)	30												
Core financial controls (Group)	30												
Integration of MCA & PTE (Group)	26												
Risk Management (Group)	15												
Contract Management	25												
Follow-up	10												
<b>Total</b>	<b>258</b>												
Audit Committee (PTE)													
Audit Committee (MCA)													

## Strategic internal audit plan (2021 - 2024)

Based on our initial risk assessment, we have set out in the table below what we believe the key areas of risk and therefore a priority for you to mitigate are. Our plans are flexible and we would anticipate this plan will change year on year to take account of new or changed risks and priorities. Our plans reflect 250 internal audit days input per annum.

Internal Audit area	Source of review	Authority's strategic risk	Proposed internal audit coverage		
			2021/22	2022/23	2023/24
<b>Annual reviews for HOIA opinion</b>					
Core financial controls	PSIAS – control	Covers all strategic objectives	Yes	Yes	Yes
Risk management	PSIAS – risk	Covers all strategic objectives	Yes	Yes	Yes
Governance	PSIAS – governance	Covers all strategic objectives	Yes	Yes	Yes
Critical IT Controls	PSIAS – control	Covers all strategic objectives	Yes	-	Yes
<b>Group Audits</b>					
Integration of MCA & PTE	PSIAS – risk	Covers all strategic objectives	Yes	Yes	-
Procurement	PSIAS – control	Covers all strategic objectives	Yes	-	-
Assessing the risk of Fraud	PSIAS – risk	Covers all strategic objectives	Yes	-	-
<b>Audit Plan areas for consideration in future years:</b>					
Implementation of the Bus Review Recommendations	PSIAS – governance	Covers all strategic objectives	-	Yes	-
Business Continuity, Resilience and Disaster Recovery Planning / Learning from Covid-19	PSIAS – risk	Covers all strategic objectives	-	Yes	-

\*\*Note under PSIAS we are required to ensure sufficient coverage over governance, risk and controls. This may be a specific review over for example risk management or may be covered in individual reviews and we will make this clear and transparent in our plans and the individual audit planning brief (terms of reference). We consider financial controls to be key to the Authority's overall systems of control but this will be proportionate and risk based, and could be cyclical.

# Strategic internal audit plan (2021 - 2024)

Internal Audit area	Source of review	Authority's strategic objective	Proposed internal audit coverage		
			2021/22	2022/23	2023/24
<b>Group Audits</b>					
Business Planning / Medium Term Financial Strategy	PSIAS – governance	Covers all strategic objectives	-	Yes	-
Capital Programme	PSIAS – governance	Covers all strategic objectives	-	Yes	-
Business Intelligence / Performance Reporting	PSIAS – governance	Covers all strategic objectives	-	-	Yes
Information Governance / GDPR / Cyber Security	PSIAS – risk	Covers all strategic objectives	-	-	Yes
HR / Workforce Planning / Organisational Development	PSIAS – governance	Covers all strategic objectives	-	-	Yes
<b>MCA Audits</b>					
Grant Claims	PSIAS – control	Covers all strategic objectives	Yes	Yes	Yes
AEB	PSIAS – control	Ensuring everyone has an opportunity to contribute to and benefit from Economic Growth	Yes	Yes	Yes
<b>Audit Plan areas for consideration in future years:</b>					
Conflict of Interests - LEP	PSIAS – governance	Covers all strategic objectives	-	Yes	-
Investment	PSIAS – risk	Growing the Economy for all	-	Yes	-
Contract Management	PSIAS – governance	Growing the Economy for all	-	Yes	-
Commercial Strategy	PSIAS – governance	Growing the Economy for all	-	Yes	-
Partnership Governance	PSIAS – governance	Growing the Economy for all	-	-	Yes
Programme Management	PSIAS – governance	Growing the Economy for all	-	-	Yes
Asset Management	PSIAS - control	Growing the Economy for all	-	-	Yes
Research and Development	PSIAS – governance	Driving low carbon opportunities within the economy and delivering net-zero emissions	-	-	Yes



# Strategic internal audit plan (2021 - 2024)

Internal Audit area	Source of review	Authority's strategic objective	Proposed internal audit coverage		
			2021/22	2022/23	2023/24
<b>PTE</b>					
Grant Claims	PSIAS – control	Covers all strategic objectives	Yes	Yes	Yes
Asset Management	PSIAS – governance	Residents and businesses connected to economic opportunity	Yes	-	-
Supplier Resilience	PSIAS – risk	Residents and businesses connected to economic opportunity	Yes	-	-
<b>Audit Plan areas for consideration in future years:</b>					
Maintenance Programme	PSIAS - control	Safe, reliable and accessible transport network	-	Yes	-
Project Management	PSIAS - governance	Residents and businesses connected to economic opportunity	-	Yes	-
Review of Operational Arrangements: A rolling programme to review and provide assurance on different operational areas e.g. tendered bus services etc.	PSIAS – risk	Safe, reliable and accessible transport network	-	Yes	-
Remote Site Operational Controls	PSIAS – risk	Safe, reliable and accessible transport network	-	Yes	-
Air Quality & Environment	PSIAS – governance	A cleaner, greener Sheffield City Region			
Health and Safety Compliance	PSIAS – risk	Safe, reliable and accessible transport network	-	-	Yes
Contract Management	PSIAS – governance	Residents and businesses connected to economic opportunity	-	-	Yes
Ticketing and Concessions	PSIAS – control	Residents and businesses connected to economic opportunity	-	-	Yes
Market Research	PSIAS – governance	Residents and businesses connected to economic opportunity	-	-	Yes

# Appendix

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# Appendix A: Our Internal Audit Charter

Internal auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the South Yorkshire Passenger Transport Executive and Sheffield City Region Mayoral Combined Authority'. It supports the Authority to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

## Aim

The aim of this Charter is to set out the management by all parties of the internal audit process. The Charter sets out the context of the internal audit function, including the place of the Audit Committee, the key personnel, timescales and processes to be followed for each internal audit review.

## Role

The internal audit activity is established by the Audit Committee on behalf of the Authority. Internal audit's responsibilities are defined by the Audit Committee as part of its oversight role.

## Professionalism

The internal audit activity will adhere to Public Sector Internal Audit Standards (PSIAS), which are based on mandatory guidance of The Chartered Institute of Internal Auditors (CIIA) including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing.

The CIIA's Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, the internal audit activity will adhere to the Authority's relevant policies and our Grant Thornton Internal Audit manual and internal audit practices.

# Appendix A: Our Internal Audit Charter

## Authority

The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of the Authority's records, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity will also have free and unrestricted access to the Audit Committee.

## Accountability

The Chief Internal Auditor will be accountable to the Audit Committee and will report administratively to the Chief Finance Officer. The Audit Committee will approve all decisions regarding the performance evaluation, appointment, or removal of the Chief Internal Auditor, or advise and make recommendations to the Executive Board in accordance with the Committees' Terms of Reference.

The Chief Internal Auditor will communicate and interact directly with the Audit Committee, including between committee meetings as appropriate.

## Independence and objectivity

The internal audit activity will remain free from interference by any element in the Authority, including matters of audit selection, scope, procedures, frequency, timing, or report content. This is essential in maintaining our independence and objectivity. Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditor's judgment.

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgements.

The Chief Internal Auditor will confirm to the Audit Committee, at least annually, the organisational independence of the internal audit activity.

# Appendix A: Our Internal Audit Charter

## Scope and responsibility

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management, and internal control processes in relation to the organisation's defined goals and objectives. Internal control objectives considered by internal audit include:

- Consistency of operations or programmes with established objectives and goals,
- Effectiveness and efficiency of operations and use of resources,
- Compliance with significant policies, plans, procedures, laws, and regulations,
- Reliability and integrity of management and financial information processes, including the means to identify, measure, classify, and report such information,
- Safeguarding of assets.

Internal Audit is responsible for determining a risk based internal audit plan. In doing so, internal audit maintains a proper degree of coordination with external audit. Internal audit may perform consulting and advisory services related to governance, risk management and control. It may also evaluate specific operations at the request of the Audit Committee or management, as appropriate.

Based on its activity, internal audit is responsible for reporting significant risk exposures and control issues identified to the Audit Committee and to senior management, including fraud risks, governance issues, and other matters needed or requested by the Authority.

## Engagement with management

Internal audit aims to work closely with senior and operational managers to develop and deliver a programme of internal audit work that adds value to the Authority and encourages continuous process improvement. To achieve this, internal audit will work closely with management during the audit planning and reporting stages, as described below.

## Appendix A: Our Internal Audit Charter

### Annual internal audit plan

The audit year runs from 1 April to 31 March. At least annually, the Chief Internal Auditor will submit to the Audit Committee an internal audit plan for review and approval. The Internal Audit Plan will detail, for each subject review area:

- The outline scope for the review;
- The number of days allocated;
- The timing, including the Audit Committee to which the final will report will be presented; and
- The review sponsor.

The Internal Audit Plan will be developed using a risk-based methodology, including input of senior management. Prior to submission to the Audit Committee for approval, the plan will be discussed with senior management. Any significant deviation from the approved Internal Audit Plan will be communicated through the periodic activity reporting process.

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### Assignment planning and conduct

Terms of reference (audit planning brief) will be drafted prior to the start of every assignment setting out the scope, objectives, timescales and key contacts for the assignment. Specifically, the terms of reference will detail the timescales for carrying out the work, issuing the draft report, receiving management responses and issuing the final report. The terms of reference will also include the name of the staff member who will be responsible for the audit (review sponsor) and the name of any key staff members to be contacted during the review (key audit contacts). The terms of reference will be agreed with the review sponsor and the key audit contacts (for timings) before the review starts.

The internal auditor will discuss key issues arising from the audit as soon as reasonably practicable with the key contact and/or review sponsor, as appropriate. For each review, a close-out meeting will be held to discuss the initial audit findings within five days of completion of the audit fieldwork.

# Appendix A: Our Internal Audit Charter

## Reporting and monitoring

A written report will be prepared and issued by the Chief Internal Auditor or designee following the conclusion of each internal audit engagement and will be distributed to the review sponsor and key contacts identified in the terms of reference for management responses and comments.

Draft reports will be issued by email within fifteen working days of fieldwork concluding. The covering email will specify the deadline for management responses, which will normally be within a further fifteen working days. The management comments and response to any report will be overseen by the review sponsor. Internal Audit will make time after issuing the draft report to discuss the report and, if necessary, meet with the review sponsor and/or key contact to ensure the report is factually accurate and the agreed actions are clear, practical, achievable and valuable.

The internal auditors will issue the final report to the review sponsor. The final report will be issued within five working days of the management responses being received. Finalised internal audit reports will be presented to the Audit Committee. The working days set out above are maximum timescales and tighter timescales may be set out in the terms of reference, as required.

## Follow up of management actions

The internal audit team will follow-up on engagement findings and recommendations. Internal audit will work with directors or their nominated leads to follow up on completion of agreed management actions. Internal Audit will report progress in implementing recommendations quarterly to the Audit Committee. Internal Audit will confirm for implementation of all significant findings to supporting evidence to confirm implementation.

## Audit Committee

The Audit Committee meets five times a year typically. Dates for Audit Committee meetings will be provided to internal audit as soon as they are agreed. The Chief Internal Auditor and/or Internal Audit Manager will attend all meetings of the Audit Committee. Internal audit will schedule its work so as to spread internal audit reports reasonably evenly over the Audit Committee meetings. The annual Internal Audit Plan will detail the internal audit reports to be presented to each Audit Committee meeting.

## Appendix A: Our Internal Audit Charter

### Reporting and monitoring

The Chief Internal Auditor will generally present specific reports to the committee as follows:

Output	Meeting
Audit needs assessment	December/February
Annual internal Audit Plan	December/February
Annual report	May
Progress report, including follow-up of recommendations	Each meeting

The Audit Committee will meet privately with the internal auditors at least once a year.

### Periodic assessment

The Chief Internal Auditor is responsible for providing a periodic self-assessment on the internal audit activity as regards its consistency with the Audit Charter (purpose, authority, responsibility) and performance relative to its Plan. In addition, the Chief Internal Auditor will communicate to senior management and the Audit Committee on the internal audit activity's quality assurance and improvement programme, including results of ongoing internal assessments and external assessments conducted at least every five years in accordance with Public Sector Internal Audit Standards.

### Review of Charter

This Charter will be reviewed by both parties each year and amended if appropriate.





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## Audit and Standards Committee

10 June 2021

### Treasury Management Strategy

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<b>Is the paper exempt from the press and public?</b>	No
<b>Purpose of this report:</b>	Governance
<b>Funding Stream:</b>	Not applicable
<b>Is this a Key Decision?</b>	No
<b>Has it been included on the Forward Plan?</b>	No not a key decision

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#### Director Approving Submission of the Report:

Gareth Sutton, Chief Finance Officer/s73 Officer

#### Report Author(s):

Gareth Sutton

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Claire James

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#### Executive Summary:

This report presents the draft Treasury Management Strategy for financial year 2021/22.

#### What does this mean for businesses, people and places in South Yorkshire?

The Treasury Management Strategy supports the authority in meeting its requirement to operate a balanced budget and ensure cash flow is adequately planned. Strong public financial management is a key principle of good governance. Good governance enables the MCA to pursue its ambitions and objectives in the most effective and efficient way, bringing about better outcomes for residents and businesses in South Yorkshire.

#### Recommendations:

The Audit and Standards Committee are asked to note the Treasury Management Strategy.

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## 1. Background

- 1.1 Regulation and the MCA's Constitution require that the MCA approve the adoption of an Annual Treasury Management Strategy (TMS). The MCA considered and approved the Strategy at their meeting on 22nd March. In line with the terms of reference the Audit and Standards Committee are asked to scrutinise the Strategy.

## 2. Key Issues

- 2.1 The TMS sets the parameters within which the MCA will deliver its cash and debt management activities. The proposed TMS is appended to this report and includes an Investment Strategy and Prudential Indicators. Progress against this proposed strategy will be reported to the MCA at the mid-year point, and again at outturn.
- 2.2 In common with most other public sector bodies, the MCA's approach to its Investment Strategy is governed by a hierarchy of considerations centred on protecting public funding. This hierarchy places a greater emphasis on the security and the liquidity of the MCA's investments than it does on the yield generated from them.
- 2.3 This relatively conservative approach limits the MCA's exposure to losses arising from counterparty default, but also limits the returns that can be generated from investing cash resource until it is required.
- 2.4 Noting the significant financial uncertainties prevailing in financial markets, the TMS proposes to maintain the current stance, limiting investments to the safest of counterparties.
- 2.5 With interest-rates forecast to remain at record lows for some time, it is likely that revenue generated from the MCA's investment activity will remain lower than previously forecast. The impact of this is felt in the Group's proposed revenue budgets, with depressed income returns impacting upon the scope of activity that can be funded.
- 2.6 The TMS also notes the intention to retire a further £8m of borrowing during the year, following the £53m repaid this year. The repayment of this borrowing reduces the cost of debt by c. £1.20m.
- 2.7 The ongoing retirement of legacy debt will reduce the overall burden of financing costs on the revenue budget and the transport levy. This trend is matched to the release of reserves from the Levy Reduction Reserve, meaning that when that reserve is exhausted the cost of debt will have fallen so significantly that the reserve subsidy can be withdrawn on a more sustainable basis.
- 2.8 Of note in the new financial year is the expectation that the MCA will accrue new powers to borrow for its non-local transport authority activity. The receipt of these powers is contingent on Parliament passing new legislation. It is expected that that process will begin in the summer, concluding in the Autumn.

2.9 Reflecting this, it should be noted that the TMS contains a proposal to increase the operational boundary and the authorised limit on debt the MCA can hold. Whilst at this stage there are no plans to undertake borrowing for new non-LTA activity in the new year, increasing the limits at this stage provides the MCA with the necessary headroom to initiate a programme of borrowing funded activity during the year should the need or opportunity arise. All investment decisions will be subject to the MCA's revised Assurance Framework.

2.10 The TMS further contains an adjustment to the MRP policy to reflect the MCA's intention to use future capital grant allocations to pay down debt that may be incurred in the financing of future gainshare funded schemes. This will allow for the costs of this type of borrowing to be wholly contained within devolution monies, avoiding costs falling onto the transport levy or mayoral precepts unless otherwise planned for.

### **3. Consultation on Proposal**

3.1 Not applicable

### **4. Timetable and Accountability for Implementing this Decision**

4.1 Following MCA approval in March.

### **5. Financial and Procurement Implications and Advice**

5.1 This is a financial report, the details of which are presented in the main body of the report and in the appendices.

### **6. Legal Implications and Advice**

6.1 The MCA is obliged to set a Treasury Management Strategy.

### **7. Human Resources Implications and Advice**

7.1 There are no human resource implication relating to this report.

### **8. Equality and Diversity Implications and Advice**

8.1 There are no equality and diversity implications relating to this report.

### **9. Climate Change Implications and Advice**

9.1 There are no climate change implications relating to this report.

### **10. Information and Communication Technology Implications and Advice**

10.1 There are no information and communication technology implications relating to this report.

## **11. Communications and Marketing Implications and Advice**

12.1 None

### **List of Appendices Included**

A Appendix 1 – Treasury Management Strategy

### **Background Papers**

None

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

### **ANNUAL TREASURY MANAGEMENT STRATEGY 2021/22**

#### **Introduction**

The annual treasury management strategy is forward looking and seeks to ensure that:

- The MCA's overarching borrowing strategy is appropriate in the context of the current economic climate
- The MCA Group's capital plans are affordable, prudent and sustainable (as measured via a series of prudential indicators);
- Prudent charges are made to revenue for the repayment of debt by adopting a minimum Revenue provision (MRP) policy that is compliant with statutory MRP guidance
- investments and borrowings are organised in accordance with the MCA's risk appetite (as measured via a series of treasury indicators); and
- The MCA Group's investment strategy pays due regard to security (the management of risk and the protection of the principal sums invested) and liquidity (availability of cash to meet liabilities as they fall due) as first priorities and then what level of return (yield) can be obtained based on risk appetite and the contribution each investment activity makes.

The annual treasury management strategy is set in the wider context of the MCA's medium and longer term capital investment plans. At this stage, whilst business investment, capital infrastructure and transport programmes beyond 2021/22 are still being developed, the financial planning horizon has been limited to the three-year minimum specified by the Code based on existing commitments.

In addition, the annual treasury management strategy sets out the MCA Group's position on:

- borrowing in advance of need;
- debt rescheduling; and
- use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, MHCLG MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.

Proposed changes to CIPFA's Prudential Code and Treasury Management Code are currently out to consultation with the focus on ensuring that:

- risks associated with commercial property investment are properly addressed
- treasury management staff and members receive adequate training to ensure that they have the necessary expertise, knowledge and skills to perform their duties
- treasury activities pay due regard to Environmental, Social and Governance risks over the sums invested

The impact of these changes will be reported back in the mid year report on treasury management.

#### **Treasury management reporting**

The annual treasury management strategy is the first of a minimum of three reports that will be reported in respect of 2021/22 treasury activity. As a minimum the two other reports will comprise:

- a mid year report which will provide an update on treasury activity for the first 6 months of the 2021/22 financial year, and

- an annual report which will report actual performance against the treasury management strategy after the end of the 2021/22 financial year

In addition, should there be any material changes to the strategy or associated indicators these will be brought back for approval before being implemented.

### **Recommendations**

Members are asked to:

- Approve the annual treasury management strategy;
- Approve the borrowing strategy set out in Section A of the annual treasury management strategy;
- Approve the capital expenditure estimates and associated prudential indicators set out in Section B of the annual treasury management strategy;
- Approve the minimum revenue provision policy set out in Section C of the annual treasury management strategy;
- Approve the annual investment strategy set out in Section D of the annual treasury management strategy and to grant delegated authority to the Group Finance Director to develop it further by investigating options for diversification in consultation with the MCA's external advisors and Audit and Standards Committee;
- Grant delegated authority to the Group Finance Director in consultation with the Chief Executive to provide a financial guarantee in favour of the SCR Financial Interventions Holding company, and;
- Support the intention to negotiate with HM Treasury and MHCLG to agree a borrowing cap for non transport functions.



**Borrowing Strategy**

The borrowing strategy currently relates solely to the transport functions of the MCA as, at present, the MCA has no borrowing powers in relation to its LEP functions.

However, this position is likely to change during the course of 2021/22, to enable the MCA to borrow money for non-transport purposes, up to a Government agreed cap. These powers will be conferred by separate legislation following negotiation with HM Treasury and MHCLG on what level of cap is needed to meet the MCA's strategic plans having regard to affordability, prudence and sustainability.

The current borrowing strategy is to meet any borrowing need for the year internally from treasury investments rather than taking out external borrowing. This is in the expectation that the cost of new borrowing will continue to exceed likely investment returns. This remains likely to be the case despite the Government reducing PWLB rates on new loans by 1% under new lending arrangements which came into effect on 26 November 2020. This has reduced fixed term PWLB rates to between 1% and 2.3% currently. However, returns on investments are forecast to remain suppressed at 0.1% for relatively short term investments of three months duration up to and including 2023/24.

In addition, the current strategy is to repay debt as it falls due rather than to refinance debt. This assumption has been built into the financial plans resulting in a projected fall in debt servicing costs as debt is repaid.

The strategy also seeks to take the opportunity to reschedule existing debt where this will lead to an overall saving. However, for the reasons described further on in this report it is considered unlikely that any such opportunities will arise in the short to medium term.

The new lending arrangements introduced in November 2020, in addition to lowering interest rates, also tightened the rules governing local authorities, including MCAs, access to PWLB borrowing. The new rules do not allow access to PWLB where a local authority intends to buy commercial investment assets held primarily or partially to generate a profit for yield within its capital plans at any point in the next three years regardless of whether the transaction would notionally be financed from a source other than PWLB. The definition of commercial investment assets in this case is that contained within MHCLG Statutory Guidance on Local Government investments and includes, for example, investment property portfolios whose main purpose is to generate a profit.

The MCA Group's investment property portfolio is a legacy of bus deregulation and comprises former transport assets which are not being actively managed to achieve commercial returns. Accordingly, they are not considered to fall within the definition of commercial investment assets under the Statutory Guidance. This will however be kept under review should there be any plans to expand or diversify the portfolio.

**Capital Expenditure Plans and Prudential Indicators: 2020/21 to 2023/24****Indicator 1 - Group Capital expenditure estimates**

The table below summarises the MCA Group's capital investment plans for the forthcoming year and indicative estimates for the following two years.

The estimates are based on known commitments at this point in time. It is highly likely that these commitments will change as new Government funding streams announced in the Spending Review come on-line, and the MCA begins to shape its own gainshare funded investment strategy. The estimates may also materially change should the MCA be successful in its Mass Transit Renewals bid into Government. The estimate below reflect known commitments:

1. Group Capital Expenditure Estimates	2019/20	2020/21	2021/22	2022/23	2023/24
	Actual	Forecast	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
Local Growth Fund	£39,531	£43,786	£10,502		
Brownfield Fund	£0	£1,907	£20,000	£8,112	£8,112
Getting Building Fund	£0	£5,155	£28,445		
Active Travel Emergency Fund (Capital)	£0	£603	£0		
Active Travel (phase-2)	£0	£0	£4,369		
Highways Capital Maintenance	£13,058	£13,552	£8,718		
Pothole & Challenge Fund	£0	£3,401	£6,974		
SYLTE (excluding ITB & TCF)	£8,098	£6,957	£2,463		
Integrated Transport Block	£9,531	£8,668	£8,746		
Transforming Cities Fund - tranche 1	£1,973	£2,271	£0		
Transforming Cities Fund - tranche 2	£0	£4,534	£61,401	£100,370	
Gainshare Capital	£0	£5,500	£33,980		
Parkway Widening A630	£0	£0	£40,160		
ICT and Asset Renewals	£0	£411	£910		
BDR Transport Capital Pot	£2,607	£472	£0		
Low Emission Buses	£1,293	£0	£0		
<b>Identified New Funding Streams:</b>					
Levelling Up Fund					
Shared Prosperity Fund					
Inter-City Transport Fund					
<b>Total Capital Investment</b>	<b>£76,091</b>	<b>£97,217</b>	<b>£226,668</b>	<b>£108,482</b>	<b>£8,112</b>

## **Indicator 2 – Capital Financing Requirement (CFR) estimates**

The table below shows how the planned capital expenditure is expected to be financed. Any capital expenditure not funded by capital grants, capital receipts, or revenue contributions, results in a need for borrowing.

<b>2. Group Capital Financing Estimates</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
	<b>Actual</b>	<b>Forecast</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Government Grant - LGF	£38,843	£43,239	£0	£0	
Government Grants - BrownField Fund	£0	£1,907	£20,000	£8,112	£8,112
Government Grants - Getting Building Fund	£0	£5,155	£28,445	£0	
Government Grants - transport	£25,855	£33,029	£130,368	£100,370	
Gainshare - capital	£0	£5,500	£33,980	£0	
Capital Receipts	£2,152	£958	£11,412	£0	
Earmarked reserves	£0	£0	£0	£0	
Revenue contributions	£0	£0	£0	£0	
SYPTe - other grant funding	£3,071	£2,722	£2,383	£0	
Borrowing	£6,170	£4,707	£80	£0	
<b>Net borrowing needed for the year</b>	<b>£6,170</b>	<b>£4,707</b>	<b>£80</b>	<b>£0</b>	<b>£0</b>

The borrowing need in 2020/21 and 2021/22 stems from the decision taken in 2018/19 to borrow up to £23.3m over the 3-year period 2018/19 to 2020/21 to support capital investment in South Yorkshire transport schemes (Rotherham Interchange, re-railing and the transport capital pot).

The cumulative borrowing need over the period from 2018/19 to 2020/21 is forecast to be £23.1m and therefore within the overall amount approved. The revenue implications of this borrowing have been factored into the 2021/22 South Yorkshire transport revenue budget approved by the MCA at its meeting on 25 January 2021.

As noted above under the section on Borrowing Strategy, the MCA will be negotiating with HM Treasury and MHCLG on a borrowing cap for non transport purposes. This has not been factored into the table above at this stage pending the outcome of the negotiations being known.

Based on the above capital investment plans and capital financing proposals, the Group's overall forecast underlying need to borrow or Capital Financing Requirement (CFR) is forecast to change as follows:

<b>2. Group Capital Financing Requirement</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
	<b>Actual</b>	<b>Forecast</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Opening CFR</b>	£113,045	£116,054	£117,114	£113,334	£109,519
<b>movement in CFR</b>					
Additional borrowing requirement	£6,170	£4,707	£80	£0	£0
MRP	-£3,161	-£3,647	-£3,860	-£3,815	-£3,778
Capital receipts set aside for the repayment of debt	£0	£0	£0	£0	£0
Other adjustments	£0	£0	£0	£0	£0
<b>Closing CFR</b>	<b>£116,054</b>	<b>£117,114</b>	<b>£113,334</b>	<b>£109,519</b>	<b>£105,741</b>

### **Indicator 3 - Amount of external debt against the Capital Financing Requirement (CFR)**

The purpose of this indicator is to assess the extent to which borrowing is only being used in the medium to longer term to finance capital expenditure. The benchmark recommended by CIPFA is that the estimated amount of gross debt should not exceed the estimated CFR for the current and following two years.

<b>Group external borrowing</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>
	<b>Actual</b>	<b>Forecast</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
External Debt					
-MCA Loans	£25,660	£25,660	£25,000	£25,000	£25,000
-Expected change in MCA Loans	£0	-£660	£0	£0	-£4,000
-SYPTe Debt	£161,375	£161,375	£108,375	£100,400	£92,400
-Expected change in SYPTe Loans	£0	-£53,000	-£7,975	-£8,000	-£46,400
<b>Gross Debt</b>	<b>£187,035</b>	<b>£133,375</b>	<b>£125,400</b>	<b>£117,400</b>	<b>£67,000</b>
The Capital Financing Requirement	£116,054	£117,114	£113,334	£109,519	£105,741
<b>Debt in excess of CFR</b>	<b>£70,981</b>	<b>£16,261</b>	<b>£12,066</b>	<b>£7,881</b>	<b>-£38,741</b>

Historically, gross debt has exceeded CFR because MRP has been charged annually to the transport levy to write down the CFR but no loan repayments had taken place. As illustrated in the table above, this situation is now rebalancing as debt matures and significant loan repayments are being made.

The repayment of borrowing is also drawing down on the cash investments built up in previous years for the repayment of debt with the consequence that the level of investments is also forecast to fall - see Investment Strategy - Table 2.

### **Indicator 4 - Ratio of Financing Costs to Net Revenue Stream**

This indicator is a measure of the affordability of decisions taken to finance capital investment borrowing in the context of the Group's overall financial sustainability.

Ratio of financing costs to net revenue streams	2019/20	2020/21	2021/22	2022/23	2023/24
	Actual	Forecast	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
Interest	£13,136	£9,554	£8,359	£7,762	£5,555
MRP	£3,161	£3,647	£3,859	£3,815	£3,777
Less Investment Income	-£2,000	-£1,189	-£870	-£496	-£386
<b>Net Financing Costs</b>	<b>£14,297</b>	<b>£12,012</b>	<b>£11,348</b>	<b>£11,081</b>	<b>£8,946</b>
Income - transport levy	£54,365	£54,365	£54,365	£54,365	£54,365
Finance Costs/Unrestricted Revenue Income %	26.3%	22.6%	21.2%	20.2%	16.5%

Interest payable is principally fixed rate PWLB borrowing. The reduction in the amount of interest payable is therefore a function of PWLB debt being repaid as it matures. A significant amount of PWLB debt is scheduled to be repaid over the period to 2023/24 as illustrated in Indicator 3, hence, the downward trend.

The return on investments is a function of the average level of treasury investments and target returns which are expected to be achieved. The reduction in investment income reflects the fact that investments are being used to settle loan repayments as they fall due in accordance with the borrowing strategy thereby reducing the level of core funds. The expected returns on investments are also expected to decline as long term investments on which decent returns are currently being earned unwind - see Investment Strategy Table 2.

### **External Debt – borrowing limits – Indicators 5 and 6**

There are two indicators on borrowing limits: the authorised limit and operational boundary

The **authorised limit** represents a control on the maximum amount of debt the Group can borrow for capital investment and temporary cash flow purposes. Under Section 3 of the Local Government Act 2003 this limit is agreed by the MCA and cannot be revised without that body's agreement.

The authorised limit reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the long term.

The **operational boundary** is the maximum amount of money the Group expects to borrow during the financial year. It acts as a useful warning if breached during the year that underlying spend may be higher than expected or income lower than budgeted.

Authorised Limit	2019/20	2020/21	2021/22	2022/23	2023/24
	Actual	Forecast	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
Loans	£228,500	£228,500	£673,500	£665,500	£657,500
Other Long Term Liabilities	£11,500	£11,500	£11,000	£11,000	£10,500
<b>Total</b>	<b>£240,000</b>	<b>£240,000</b>	<b>£684,500</b>	<b>£676,500</b>	<b>£668,000</b>

Operational Boundary	2019/20	2020/21	2021/22	2022/23	2023/24
	Actual	Forecast	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
Loans	£213,500	£213,500	£658,500	£650,500	£642,500
Other Long Term Liabilities	£11,500	£11,500	£11,000	£11,000	£10,500
<b>Total</b>	<b>£225,000</b>	<b>£225,000</b>	<b>£669,500</b>	<b>£661,500</b>	<b>£653,000</b>

Both the Authorised Limit and Operational Boundary allow for up to a £500m increase in borrowing capacity to accelerate delivery of the Gainshare funded Investment Programme by bringing forward all uncommitted Gainshare capital that the MCA is due to receive in years 3 to 30 so that it can be invested upfront in the near term. The figure of £500m represents the upper limit of what is potentially affordable to enable the associated debt financing costs to be contained within the overall 30 year Gainshare allocation. It will also be subject to the borrowing cap that the MCA agrees with HM Treasury and MHCLG for non-transport purposes.

In addition, the authorised limit allows for an additional £40m headroom over the maximum expected amount of gross debt in 2021/22 (excluding the £500m referred to above) - the operational boundary allows for an additional £25m headroom. The headroom provides capacity for short term temporary borrowing to manage the MCA's cash position rather than having to realise higher yield longer term investments early before they are due to mature.

The MCA has ready access to temporary borrowing should the need arise through local authority to local authority lending. Currently, borrowing rates in the local authority to local authority market are around 0.1% to 0.25% for one to two year borrowing. In this context, having headroom of up to £40m is considered affordable in the short term.

The Other Long-Term Liabilities set out in the table below represents the PFI liability in respect of Doncaster Interchange.

Major changes to local authority accounting rules under IFRS 16 in respect of accounting for leasing may lead to "right of use" leased assets being brought on balance sheet which would increase the value of Other Long-Term Liabilities. The new accounting rules were due to come into effect in 2020/21 but implementation has now been deferred until the start of 2022/23. Should the introduction of the new accounting rules lead to other long term liabilities being brought on balance sheet on 1 April 2022 this will be reflected in the 2022/23 annual treasury management strategy.

#### **Indicator 7 – Maturity structure of borrowing**

The maturity profile is important in ensuring there is sufficient liquidity to meet loan repayments as they fall due.

Maturity of Group borrowing:	Amount	
	£'000	%
2020/21	53,000	28%
2021/22	7,975	4%
2022/23	8,000	4%
2023/24	50,400	27%
2024/25	4,000	2%
2025/26	4,000	2%
2026/27	4,000	2%
2027/28	22,000	12%
2028/29	0	0%
2029/30	4,000	2%
2030/31	4,000	2%
2043 to 2056	25,000	13%
<b>Total</b>	<b>£186,375</b>	<b>100%</b>

The level of core funds available up to and including 2023/24 (see Investment Strategy - Table 2) indicates that there are sufficient internal funds to meet loan repayments in the medium term without the need for external borrowing.

In the period 2024/25 to 2026/27 the amount raised as MRP through the levy will more or less match the loan repayments of £4m p.a in each of these years. Hence, it is not until 2027/28 that there is a potential need for external borrowing. This is on the assumption that:

- Borrowing requirement - the net borrowing need is as set out in Indicator 2
- Market loans - there is no early repayment of market loans (considered very unlikely in the prevailing low interest rate environment - see Debt Rescheduling below)

### **Debt Rescheduling**

Opportunities for debt rescheduling depend on the difference between the repayment rates on early redemption and the interest rates on existing debt.

Where repayment rates on early redemption are lower, a premium (cost) is payable. Where repayment rates are higher, a discount (saving) can be obtained.

In the present low interest rate environment, PWLB rates for early repayment are currently in the range minus 0.2% to 1.2%. This is significantly lower than rates on the Group's existing PWLB debt portfolio which range from 4.25% to 8.50%. Early repayment would therefore incur a very substantial premium.

The interest rates on the Group's market loans range from 4.50% to 4.95%. As these are considerably higher than the prevailing rates it is considered unlikely that the lender would exercise their call option which would trigger an opportunity to repay the debt early and refinance it by cheaper PWLB debt.

The prospect of refinancing or paying off early some of the underlying PFI debt relating to Doncaster Interchange in order to reduce future unitary payments over the remainder of the PFI term is discussed at the regular review meetings with the PFI Operator. No such opportunities have presented themselves to date.

### **Borrowing in advance of need**

The MCA will not borrow more than, or in advance of, its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the MCA can ensure the security of such funds.

Risks associated with any borrowing in advance will be subject to prior appraisal and reporting through the mid-year treasury report or annual report on treasury management.

### **Financial guarantee**

The MCA has a wholly owned subsidiary, the SCR Financial Interventions Holding Company whose sole purpose is to hold finance to support the delivery of the LGF programme. The company does not trade, is controlled by the MCA Executive and only has intercompany transactions with the MCA.

Under Companies Act legislation, the company can be made exempt from the requirement for audit, and therefore save the public purse, if the MCA as parent provides a financial guarantee in the required format stating the financial year to which it relates.

The effect of the guarantee is that the MCA guarantees all outstanding liabilities to which the company is subject at the end of the financial year to which the guarantee relates until they are satisfied in full; and, the guarantee is enforceable against the MCA by any person to whom the company is liable in respect of

those liabilities. However, as the company's only liability is to the MCA, there is no risk to the MCA group.

It is therefore proposed that the MCA provides a financial guarantee in respect of the 2020/21 financial year and that this remains in force if and until such time that the company transacts with parties other than the MCA. As the MCA's Financial Regulations allow the Group Finance Director to enter into any borrowing, investment and financing arrangements on behalf of the Authority compliant with the Treasury Management Policy, it is recommended that delegated authority be given to the Group Finance Director to provide the financial guarantee on the MCA's behalf for filing with Companies House.

### **Use of external advisors**

Link Asset services have been appointed as treasury advisors to the MCA to provide technical guidance and support on treasury matters, including providing a creditworthiness service on financial institutions and other potential counterparties.

The MCA also has a service level agreement with Sheffield City Council to provide day to day banking and treasury services including managing the MCA's investment portfolio on its behalf.

Where external advisors are appointed to provide specialist skills and resources, officers will ensure that the terms of their appointment and methods by which their value will be assessed are properly agreed and documented.



**Minimum revenue provision (MRP) policy statement**

This policy statement has been prepared having regard to the Revised Statutory MRP Guidance issued in 2018. This limited the maximum number of years over which MRP can be charged to 50 years unless a suitably qualified professional advisor advises that the related asset will deliver service functionality for more than 50 years.

In practice, this change will have little or no practical effect on the existing profile of MRP charges.

The broad aim of MRP is for an authority to make a prudent provision by charging revenue over time to reduce its Capital Financing Requirement. In doing so, an authority should align the period over which they charge MRP to one that is commensurate with the period over which its capital assets / expenditure provides benefits either in terms of service potential or economic return.

Regulation 28 of the *Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [as amended]* gives local authorities flexibility in how they calculate MRP, providing the calculation is 'prudent'. In calculating a prudent provision, local authorities are required to have regard to statutory guidance on determining MRP which offers a number of options for meeting this requirement.

In addition, an authority may charge an amount greater than the statutory minimum should it wish to do so. The MCA has not elected to charge in excess of the minimum statutory amount to date and has no plans to do so in 2021/22.

**The MCA is recommended to approve the following MRP statement for financial year 2021/22:**

MRP on the residual Capital Financing Requirement at the end of 2015/16 relating to capital expenditure incurred before 1st April 2008, is being charged on a flat line basis over fifty years. This is considered a more prudent approach to the "regulatory method" adopted up to and including 2015/16, as it better aligns the charges to revenue to the benefits the related assets deliver.

MRP on capital expenditure incurred since 1<sup>st</sup> April 2008, financed by unsupported borrowing will be based on the 'asset life method'. This means that MRP will be based on the estimated useful life of the assets created. The MCA will apply a maximum life of 50 years to new assets unless a suitably qualified professional advisor advises that an asset will deliver service functionality for more than 50 years or where an asset is a lease or PFI asset, and the length of the lease/PFI contract exceeds 50 years. MRP will commence in the year after an asset becomes operational to align charges to revenue to the economic benefits generated from those assets.

MRP on capital loans and capital grants awarded to partners and third parties financed by borrowing will be charged over the useful life of the assets concerned.

MRP on capital expenditure on assets not owned by the MCA or on assets for use by others will similarly be charged over the useful life of the assets concerned. MRP on expenditure capitalised by virtue of a statutory direction, repayment of capital grants or loans received, or acquisition of share capital, will be charged over a period not exceeding the maximum period specified by regulation.

If, as noted in the section about the Authorised Limit and Operational Boundary, the MCA agrees increase its borrowing capacity by up to £500m to accelerate delivery of the Gainshare Funded Investment Programme, Gainshare capital will be applied in the first instance to meet the requirement to set aside an amount to repay debt in lieu of charging revenue.

**Investment strategy**

The MCA's investment policy has regard to the following:

- MHCLG's Guidance on Local Government Investments
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017
- CIPFA Treasury Management Guidance Notes 2018

The MCA's investment priorities will be security first, portfolio liquidity second and then yield (return). The MCA will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with the MCA's risk appetite.

MHCLG and CIPFA place a high priority on the management of risk. Accordingly, the MCA has adopted a prudent approach to managing risk and defines its risk appetite by the following means:

- Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
- A defined list of **types of investment instruments** that the treasury management team are authorised to use. These fall into two categories - 'specified' and 'non-specified' investments.
  - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year or have less than a year left to run to maturity if they were originally classified as being non-specified investments solely due to the maturity period exceeding one year.
  - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.
- **Lending limits** (amounts and maturity) for each counterparty will be set through applying the matrix in Table 4
- A limit on investments which are invested for **longer than 365 days** - see Table 2

At the advent of the Covid 19 pandemic the Bank of England took emergency action in March 2020 to reduce the base rate to first 0.25% and then to a historic low of 0.10%. This, together with the Government's fiscal stimulus package, has resulted in returns on traditional types of investment being suppressed. This is likely to remain the case in the medium term as illustrated in the table in the section below on Prospects for Interest Rates.

In view of this and in accordance with the 2020/21 annual treasury management strategy, preliminary discussions have taken place with the Group's treasury advisors and bankers on options to diversify into other types of pooled investment funds including, for example:

- Short dated bond funds (suitable for investors with a minimum time horizon of 2 to 3 years)
- Property Funds (suitable for investors with a minimum time horizon of at least 5 years)
- Multi-asset income funds (suitable for investors with a minimum time horizon of at least 5 years)

These types of investment can generate a higher rate of return but inevitably at a greater risk than traditional types of investment. A comprehensive understanding of the varying degrees of risks

associated with these types of investment is therefore required to assess against the potential rewards having regard to appropriate professional advice from external advisors.

Given the risks and uncertainties in the current economic climate, the focus for the time being at least, has been and will continue to be on maximising returns from traditional types of investment rather than on diversification.

## Investment Performance

Over the course of 2020/21 in the 10 months to January 2021, the average size of the investment portfolio was £260m with the weighted average return on investments falling from 1.07% in April 2020 to 0.50% in January 2021 and averaging 0.70% for the 10 months to date.

The types of investment included within the investment portfolio are the more traditional ones held by local authorities, namely:

- Deposits with local authorities through the local authority to local authority market;
- Call accounts with reputable banks with a high credit rating, and;
- Low volatility low risk highly liquid Money Market Funds which provide for instant access.

The returns on all of these types of investment have declined over the year with the average return now being c. 0.30% on local authority deposits (excluding longer term investments), 0.35% to 0.40% on call accounts and 0.02% on Money Market Funds.

The reason for the weighted average return for the 10 months to date of 0.70% being higher than the returns on traditional investments is due to the higher returns being earned on longer term fixed interest local authority deposits of more than 365 days duration. As at January 2021 there were £85m of such longer investments on which the average return was 1.70%.

**Table 1 - Prospects for interest rates**

Link Group Interest Rate View	9.11.20													
	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	1.80	1.80	1.80	1.80	1.80	1.90	1.90	1.90	1.90	1.90	2.00	2.00	2.00	2.00
10 yr PWLB	2.10	2.10	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30	2.30	2.30	2.30	2.30
25 yr PWLB	2.50	2.50	2.60	2.60	2.60	2.60	2.70	2.70	2.70	2.70	2.80	2.80	2.80	2.80
50 yr PWLB	2.30	2.30	2.40	2.40	2.40	2.40	2.50	2.50	2.50	2.50	2.60	2.60	2.60	2.60

As shown in the forecast table above, no increase in Bank Rate is expected in the forecast table over the next three years as economic recovery is expected to be only gradual and, therefore, prolonged.

Returns on investments are expected to remain suppressed at 0.10% on investments of shorter duration and 0.20% on investments of 12 months.

On the positive side, PWLB interest rates on borrowing are expected to rise only marginally over the next three years.

**Table 2 - Core funds and balances and longer term investments of more than 365 days**

Core funds	2019/20	2020/21	2021/22	2022/23	2023/24
	Actual	Forecast	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
Reserves and balances - revenue and capital	£107,290	£131,301	£84,035	£72,297	£66,179
Cash set aside to repay debt	£70,981	£16,261	£12,146	£7,961	-£38,661
<b>Sub - Total</b>	<b>£178,271</b>	<b>£147,562</b>	<b>£96,181</b>	<b>£80,258</b>	<b>£27,518</b>
Short term cash / working capital / capital grant unapplied	£39,200	£121,778	£77,259	£34,007	£25,000
<b>Total</b>	<b>£217,471</b>	<b>£269,340</b>	<b>£173,440</b>	<b>£114,265</b>	<b>£52,518</b>

The level of core funds available beyond 2023/24 will remain reasonably constant until 2027/28 when (as illustrated in Indicator 7) £22m of borrowing is due to be repaid.

Investment greater than 365 days	2019/20	2020/21	2021/22	2022/23	2023/24
	Actual	Forecast	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
Maximum - end of the year	£90,000	£96,000	£80,000	£27,500	£33,000
Existing long term investments	£60,000	£85,000	£63,000	£15,000	£15,000
Balance available to invest	£30,000	£11,000	£17,000	£12,500	£18,000

The table above shows the estimated amount available to invest in longer term investments of more than 365 days duration based on the estimated level of core funds available (excluding short term cash and working capital) measured against the existing longer term investment portfolio as at January 2021.

It shows that some capacity remains for further longer term investments in the next three years but that the position will now need to be managed carefully as the headroom is down to an estimated £12.5m in 2022/23

**Table 3 - Target return on investments (Yield)**

Using the prospects for interest rates, returns on longer term investments and core funds available to investment set out above, the target return on the investment portfolio as a whole (short and long term) is as follows:

Returns on investments	2019/20	2020/21	2021/22	2022/23	2023/24
	Actual	Forecast	Estimate	Estimate	Estimate
	£'000	£'000	£'000	£'000	£'000
Target return on treasury investments	1.22	0.7	0.7	0.7	0.7

## Security

The risk of default varies according to the type of investment. Local authorities are assumed to have a zero default rate. The default risk attached to other counterparties depends on their creditworthiness and duration of investment. The MCA's treasury advisors provide historic default rates for different types of counterparty as a guide. The risk of default on non local authority investments in the investment portfolio

as at January 2021 using historic default rates provided by the MCA's treasury advisors at the end of 2019/20 is c. 0.013% or £8k.

This is considered an acceptable level of risk against an average portfolio of £260m.

### Liquidity

A balance of £25m will be maintained in highly liquid instant access investments / the bank to manage day to day treasury activity.

### Creditworthiness policy

The MCA has adopted the creditworthiness service provided by its external treasury management advisors to manage counterparty risk.

The service involves a risk weighted scoring of the three main credit rating agencies to arrive at a colour coding system to recommend the maximum duration of investments. This is summarised in the table below:

Colour Band	Duration
Yellow	5 years *
Dark pink	5 years for Ultra Short Dated Bond Funds with a credit score of 1.25
Light pink	5 years for Ultra Short Dated Bond Funds with a credit score of 1.5
Purple	2 years
Blue	1 year (only applies to nationalised/semi nationalised UK Banks)
Orange	1 year
Red	6 months
Green	100 days
No colour	not to be used

The Lending limits (amounts and duration) for each counterparty are unchanged from 2020/21.

At the foot of the matrix table, other investment options have been introduced. These include, for example, short dated bond funds, property funds and multi asset income funds. No limits have been specified for these new investment types as yet, subject to further investigation into the risks and suitability of these options.

**Table 4 - Lending Limits**

	Colour (and long term rating where applicable)	Maximum sum and/or % Limit (per institution)	Time Limit
Banks *	Yellow	100%	5 years
Banks	Purple	£30m	2 years
Banks	Orange	£30m	1 year
Banks – part nationalised**	Blue	£50m	1 year
Banks (UK Banks)	Red	£20m	6 months
Banks (non-UK Banks)	Red	£15m	6 months
Banks	Green	£10m	100 days
Banks	No colour	Not to be used	

	Colour (and long term rating where applicable)	Maximum sum and/or % Limit (per institution)	Time Limit
MCA's banker (Barclays) in the event of the bank being 'no colour'	-	100 %	5 days***
DMADF	AAA	100%	6 months
Local authorities and other suitable public bodies or bodies delivering public services funded by the government	N/A	£50m	10 years
Money market funds – CNAV****	AAA	100 %	Liquid
Money market funds – LVNAV*****	AAA	100 %	Liquid
Money market funds – VNAV*****	AAA	100 %	Liquid
Ultra short dated bond funds with a credit score of 1.25	Dark pink / AAA	100 %	Liquid
Ultra short dated bond funds with a credit score of 1.5	Light pink / AAA	100 %	Liquid
Short dated bond funds			
Property Funds			
Multi Income Asset Funds			

\* Please note: the yellow colour category is for UK Government debt, or its equivalent, constant net asset value money market funds and collateralised deposits where the collateral is UK Government debt.

\*\* When placing deposits with part nationalised banks the MCA will take care to review when it expects the UK Government to divest its interest in the institution, and the impact this move would have on the MCA's view of the institutions security.

\*\*\* to cover period to next working day allowing weekends and bank holidays such as Easter

\*\*\*\* CNAV refers to Constant Net Asset Value Money Market Funds when investors will be able to purchase and redeem at a constant Net Asset Value (£1 in / £1 out)

\*\*\*\*\* LVNAV refers to Low Volatility Net Asset Value Money Market Funds when investors will be able to purchase and redeem at a stable Net Asset Value to two decimal places, provided the fund is managed to certain restrictions

\*\*\*\*\* VNAV refers to Variable Net Asset Value Money Market Funds where the price may vary

The MCA is alerted to changes to ratings through the creditworthiness service provided by its external treasury advisors.

If a downgrade results in the counterparty / investment scheme no longer meeting the MCA's minimum criteria, its further use as a new investment will be withdrawn immediately. Any existing investment will be redeemed as soon as it is economically viable.

Investment instruments identified for use in the financial year are listed under the 'specified' and 'non-specified' investments categories. Counterparty limits will be as set through the MCA's treasury management practices.

#### Country limits

The MCA has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of "AA-" from Fitch. The list of countries that qualify using this credit criteria as at the date of this report are as shown below. Should ratings change, this list will be added to, or deducted from, by officers in accordance with this policy.

- AAA
- Australia
  - Denmark
  - Germany
  - Luxembourg

- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France

AA-

- Belgium
- Hong Kong
- Qatar
- **U.K.**

### Specified and Non specified investments

The distinction between specified and non specified investments is important because of the additional procedures that need to be undertaken in considering the risk attached to non specified investments.

### Specified Investments

Statutory Guidance on Investments defines specified investments as ones having the following characteristics:

- Denominated in sterling
- The duration is 12 months or less
- The investment is high quality or is with the UK Government or a local authority

High quality is determined by reference to the matrix table included in the creditworthiness policy.

**Table 5 - Limits on Specified Investments**

	Minimum credit criteria / colour band	** Max % of total investments / £ limit per institution	Max. maturity period
Money Market Funds CNAV	AAA	100%	Liquid
Money Market Funds LNAV	AAA	100%	Liquid
Money Market Funds VNAV	AAA	100%	Liquid
Ultra-Short Dated Bond Funds with a credit score of 1.25	AAA	100%	Liquid

Ultra-Short Dated Bond Funds with a credit score of 1.5	AAA	100%	Liquid
Local authorities	yellow	100%	12 months
Term deposits with banks and building societies or housing associations	Blue Orange Red Green No Colour	As per lending limits table	12 months 12 months 6 months 100 days Not for use
CDs or corporate bonds with banks and building societies	Blue Orange Red Green No Colour	As per lending limits table	12 months 12 months 6 months 100 days Not for use
UK government debt	Yellow	100%	12 months

### Non specified investments

These are any investments which do not meet the specified investment criteria.

As far as the MCA is concerned, Non-specified investments represent those with a duration of more than one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

The table below illustrates the types of non specified investment that are currently being invested in or could be considered at a future date. The list is not however intended to be exhaustive and may be expanded as other types of investment are investigated.

**Table 6 - Limits on Non Specified Investments**

<b>Duration of more than one year</b>	<b>* Minimum Credit Criteria</b>	<b>** Max % of total investments</b>	<b>Max. maturity period</b>
Term deposits – local authorities	N/A	100%	10 years
Term deposits – banks and building societies	Purple	£30m	2 years
UK Government Debt	Yellow	100%	5 years
Multi asset income funds			
Property Funds			
Short dated bond funds			



## Audit and Standards Committee

10 June 2021

### Annual Governance Review – initial findings

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<b>Is the paper exempt from the press and public?</b>	No
<b><i>Reason why exempt:</i></b>	Not applicable
<b>Purpose of this report:</b>	Governance
<b>Funding Stream:</b>	Not applicable
<b>Is this a Key Decision?</b>	No
<b>Has it been included on the Forward Plan?</b>	Not a Key Decision

#### **Director Approving Submission of the Report:**

Ruth Adams, Deputy Chief Executive

#### **Report Author(s):**

Claire James, Senior Governance and Compliance Manager

[Claire.james@sheffieldcityregion.org.uk](mailto:Claire.james@sheffieldcityregion.org.uk)

#### **Executive Summary:**

This paper reports the initial findings of the Annual Governance Review which has been carried out in line with CIPFA guidance note 'Application of the Good Governance Framework 2020/21'. It also provides an update on the 20/21 Governance Improvement Plan.

#### **What does this mean for businesses, people and places in South Yorkshire?**

Good governance enables the MCA to pursue its ambitions and objectives in the most effective and efficient way, bringing about better outcomes for residents and businesses in South Yorkshire.

#### **Recommendations:**

The Committee is asked:

- to note the initial findings of the Annual Governance Review and identify any issues.
- note the progress of the 20/21 Governance Improvement Plan.

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

Not applicable

### **1. Background**

- 1.1 Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 requires an authority to conduct a review, at least once in a year, of the effectiveness of its systems of internal control and include a statement reporting on the review with any published Statement of Accounts.

The scope of the Mayoral Combined Authority's (MCA's) governance and internal control framework spans the whole of the organisation's activities and is described in the local <sup>1</sup>Code of Corporate Governance. This Code stands as the overall statement of the MCA and Local Enterprise Partnership's (LEP's) corporate governance principles and commitment. The Code demonstrates that the MCA and LEP's governance arrangements comply with the core and sub-principles contained in CIPFA's "Delivering Good Governance in Local Government Framework".

- 1.2 This paper reports the initial findings of the Annual Governance Review which has been carried out in line with the CIPFA guidance note 'Application of the Good Governance Framework 2020/21'. This guidance note recommends that the impact of the Covid-19 pandemic should be taken into account when conducting the annual review for 2020/21. In particular, it recommends that the review should identify the impact of the pandemic on governance arrangements in place and, changes to existing arrangements that have resulted from the pandemic.

### **2. Key Issues**

- 2.1 A summary of the outcome of this assessment is outlined in appendix A.
- 2.2 In addition, this paper provides an update on the progress of the 20/21 Governance Improvement Plan (Appendix B).

#### **2.3 Next steps**

An additional report on the findings of the Annual Governance Review will be provided alongside a draft Annual Governance Statement to the Committee in June.

### **3. Financial and Procurement Implications and Advice**

- 3.1 The outcome of the annual governance review will be published in the Annual Governance Statement as part of the Authority's statutory accounts. It is important that the review assesses the adequacy of the Authority's internal financial controls as per the Financial Regulations. Failure to do so could result in a qualified value for money opinion issued by the external auditor, thus undermining confidence in the Authority's stewardship of public funding.

Furthermore, the risk associated with poor governance practice could result in poor financial decision making and, in consideration of Local Growth Fund and other

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<sup>1</sup> <https://sheffieldcityregion.org.uk/wp-content/uploads/2020/11/SCR-Code-of-Corporate-Governance20-21Final.pdf>

monies distributed from central government, could result in material financial penalties including the withholding or reduction in grant received.

#### **4. Legal Implications and Advice**

4.1 Failure to comply with the principles of good governance ultimately could lead to and External Audit opinion qualification.

#### **5. Human Resources Implications and Advice**

5.1 None

#### **6. Equality and Diversity Implications and Advice**

6.1 None

#### **7. Climate Change Implications and Advice**

7.1 None

#### **8. Information and Communication Technology Implications and Advice**

8.1 None

#### **9. Communications and Marketing Implications and Advice.**

9.1 The activity described in this paper is internally focussed however it will culminate in the publication of the Annual Governance Statement alongside the Authority's accounts.

#### **List of Appendices Included**

- A Summary of Code of Corporate Governance commitments impacted by the Covid-19 Pandemic
- B Progress Update – 20/21 Governance Improvement Plan

#### **Background Papers**

None

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## Summary of Code of Corporate Governance commitments impacted by the Covid-19 Pandemic

In order to fulfil the principles of the CIPFA/SOLACE Good Governance Framework a number of commitments are set out in the MCA's Code of Corporate Governance.

The table below indicates the commitments under each principle that have been affected by the Covid-19 pandemic and outlines the impact (positive or negative). Not all commitments have been affected and are therefore not included here.

<b>Principle B - 'Ensuring openness and comprehensive stakeholder engagement'</b>	
<b>Commitment affected</b>	<b>Impact</b>
Holding MCA meetings in public.	At the onset of the first national lockdown in March 2020 the MCA only cancelled one of its formal meetings (23 <sup>rd</sup> March) and quickly put arrangements in place to conduct virtual meetings as soon as legislation would allow. Audit and Standards Committee and Overview and Scrutiny Committee meetings were paused for one cycle and returned to the original schedule of meetings from summer 2020 onwards. All meetings were webcast and the most meeting of the MCA in January 2021 welcomed a member of the public who had submitted a question. Webcast viewing figures have increased steadily over the last 12 months.
Establishing clear channels of communication and effective engagement with all stakeholders, encouraging consultation and collaboration.	Equipping and mobilising the organisation to virtual meetings has supported continued effective stakeholder engagement and consultation during the pandemic. During the early stages of the pandemic additional meetings were scheduled with specific groups to ensure clear channels of communication including MCA and PTE Audit Committee Chairs and Vice Chairs, Local Authority Chief Executives, Combined Authority Finance Directors. The MCA has also played a key role in convening working groups to address the early issues around PPE availability and the LEP in ensuring business representation on key issues.
Consulting appropriately to determine effective interventions and courses of action.	Consultation on the Strategic Economic Plan continued as planned, as well as consultation on the development of the Renewal Action Plan.

<b>Principle C - 'Defining outcomes in terms of sustainable economic, social and environmental benefits'</b>	
<b>Commitment affected</b>	<b>Impact</b>
Have in place a formal statement that describes the vision for the City Region and sets out purpose and intended outcomes of the MCA and LEP.	As referenced above, despite the challenges circumstances the Strategic Economic Plan was approved by the MCA in January. Alongside this, the Renewal Action Plan has been developed and approved in order to mitigate the worst effects of the Covid crisis.

<b>Principle D - ‘Determining the interventions necessary to optimise the achievement of the intended outcomes’</b>	
<b>Commitment affected</b>	<b>Impact</b>
To ensure, as appropriate, that the views of stakeholders are considered in the decision-making process.	Extensive SEP and RAP consultations undertaken Private Sector lead sessions with major private sector stakeholders to understand the impact of the pandemic on business and the economy and to inform the development of the Renewal Action Plan.
To ensure that decision making arrangements are robust but flexible enough to adapt to changing circumstances.	In addition to the move to virtual meetings, urgency provisions in the constitution were exercised in the early part of the pandemic to ensure the organisation could continue to operate effectively.
Ensures commissioned schemes/investments made are measured against defined outcomes and that they represent the best use of resources and value for money.	In the absence of site visit to monitor project delivery, contract monitoring processes adapted to include submission of images at agreed gateways.
Engages with internal and external stakeholders in determining how courses of action should be planned and delivered.	Examples include: <ul style="list-style-type: none"> <li>• In the first national lockdown weekly SY CEX meetings were convened</li> <li>• 2 Weekly Business Development Managers Meetings were convened to focus on the delivery of support programmes</li> <li>• Informal monthly meetings schedule with the Chairs and Vice-chair of PTE and MCA Audit Committees</li> </ul>

<b>Principle E - ‘Developing the entity’s capacity, including the capability of its leadership and the individuals within it’</b>	
<b>Commitment affected</b>	<b>Impact</b>
Ensures a clear protocol exists to support a constructive working relationship between Members and Officers and seeks to develop partnerships and collaboration where most value can be added.	A protocol has been developed during the last 12 months to support the political leadership in the thematic areas of MCA priorities.
Holds staff to account through regular performance reviews which take account of training or development needs	The timing of the roll out of performance reviews has been re-scheduled, to ensure the system is consistent across the MCA Exec and PTE.
Ensures arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing.	Recognising the impact of the pandemic and adapted working on the health and wellbeing of the workforce a number of additional arrangements were introduced during the last year including additional all staff briefings, daily and then weekly bulletins, staff surveys, wellbeing sessions, sign posting to additional services (counselling etc), the introduction of mental health first aiders, DSE assessments

<b>Principle F - 'Managing risk and performance through robust internal control and strong public financial management'</b>	
<b>Commitment affected</b>	<b>Impact</b>
An effective Audit and Standards Committee who lead on ensuring robust risk management arrangements are in place and are evaluated regularly.	In response to internal audit recommendations refreshed and updated risk management arrangements were endorsed by the ASC and approved by the MCA. Work is ongoing to embed new processes.
To review the effectiveness of the decision-making framework, including delegation arrangements regularly.	Increase in delegation to £200k from £100k to in order to enable officers to make corporate decisions affecting the running of the Executive organisation.
Has in place robust arrangements for internal and external audit to provide assurance over the effectiveness of systems of internal control.	Whilst the Internal Audit Plan has been impacted by the ongoing situation, sufficient audit activity has been undertaken in year to enable a Head of Audit opinion to be given. Disruption and other priorities caused by the lockdown has resulted in some target dates for internal audit actions slipping. Despite disruption to the timetable the external audit was completed, and the accounts submitted by the statutory deadline.
Has in place a properly resourced and skilled Finance team with embedded processes compliant with best practice.	A dedicated, full time S73 joined the organisation in June 2020. Implementation of new Finance system which has enabled the MCA to tailor its system based control to its own operating environment, improve the provision of management information, and deliver operating efficiencies through the use of one Group wide platform.
Ensures compliance with relevant laws and regulations, internal policies and procedures and that all expenditure is lawful.	Changes required by new procurement law have been implemented. Adaptation of internal processes to remote working including electronic signatures and paperless sign off ensuring adequate internal control and segregation of duties.
Financial management supports both long terms achievement of outcomes and short-term financial and operational performance	Significant amount of work has been undertaken to manage and administer emergency funding from Government, as well as work to keep budgets under review to ensure they are strategy and priority led and reserves used appropriately.

<b>Principle G - 'Implementing good practices in transparency, reporting, and audit, to deliver effective accountability'</b>	
<b>Commitment affected</b>	<b>Impact</b>
Holds all MCA meetings in public, unless there are good reasons to exclude the press and public.	See above
Reviews the effectiveness of its decision-making framework	See above

including delegation arrangements	
Welcomes peer challenge, reviews and inspections from regulatory bodies	MHCLG's annual performance review of the LEP undertaken virtually. CfGS LEP Peer Review in progress during March.



No.	Focus for 2020/21	Lead	Milestones/ Deadline	Status Update – as at June 2021	RAG Rating
<b>Strategic</b>					
1	Adoption of the SEP and RAP and the development of agreed implementation plans for the SEP and the RAP	Head of Paid Service / Deputy CEX	Dec 20	The RAP was adopted by the MCA July 2020. A final version of the SEP approved by the LEP on 14 <sup>th</sup> January and to the MCA on 25 <sup>th</sup> January. These documents have informed the Corporate and Business Plan priorities for 21/22	
2	Implementation Bus Review recommendations including progressing the full integration of the PTE into the MCA	Head of Paid Service / Deputy CEX	Mar 21 and beyond	A high-level project plan was approved by the MCA in September 2020, work continues to negotiate with Government on a date for the legal order. An independent strategic partner was appointed to ensure the integration process was planned effectively. Implementation is part of 21/22 GIP.	
3	Implementation of new Thematic Board arrangements	Head of Paid Service / Monitoring Officer	Oct 20	The new Thematic Boards were implemented and have been operational since October 2020.	
4	Continuation of negotiation and implementation of Devolution agreement	Head of Paid Service	Ongoing	Work has been undertaken to implement a number of aspects of the Devolution Deal e.g. the transfer of the Adult Education Budget (formal transfer of responsibility Aug 21) and on the Investment Strategy for Gainshare, due to be adopted by the MCA 22 <sup>nd</sup> March 2021. Work will continue into 21/22.	
<b>Operational</b>					
5	Embedding risk management processes	Deputy Chief Executive	Mar 21	The revised Risk Management Policy and Process was endorsed by the Audit and Standards Committee in October 2020 and approved by the MCA in November. Risk Management has been embedded into the 2021/22 Business Planning process and is being embedded in to the new Programme Management System which is due to go live w/c 22 <sup>nd</sup> March.	
6	Introduction of new CPRs and a Social Value Policy	S73 Officer	Jan 21	New Contract Procurement Rules were approved by the MCA in November, a new Head of Procurement has taken up a new position and will be rolling out CPR training across the Executive Team in 21/22.	

7	Review and implementation of new corporate induction	Deputy Chief Executive	Jan 21	Content for the corporate induction was reviewed and largely finalised in December. Management Board reviewed the content in January and an implementation plan for adopting the new induction process has been developed. Full roll out is scheduled for 21/22 (noting the roll out will be virtual due to new starters working remotely)	
8	Refresh Assurance Framework to take account of devolution	Deputy Chief Executive	Dec 20	A thorough review of the Assurance Framework has been undertaken and was considered by the LEP on 11 <sup>th</sup> March, the ASC 18 <sup>th</sup> March and the MCA on 22 <sup>nd</sup> March ahead of submitting the document to Government.	
9	Refresh Evaluation Strategy to take account of devolution and implement programme level evaluations for LGF and TCF	Deputy Chief Executive	Feb 21	The Framework was considered by the LEP on 11 <sup>th</sup> March and the MCA on 22 <sup>nd</sup> March, ahead of submitting the document to Government.	
	<b>Delivery</b>				
10	Embed cross organisational Collaboration Teams to improve the effectiveness of major programme delivery	Deputy Chief Executive	Mar 21	Initial work to progress formalised cross team working was paused due to multiple lockdowns. This work has been considered as part of the Corporate and Business Planning work with a view to reintroducing this in 21/22.	
11	Full review of the lifecycle of programme development and delivery to inform continual improvements	Deputy Chief Executive	Mar 21	<p>Work, jointly sponsored by the Deputy Chief Executive and CEX of DMBC (on behalf of SY LA) has commenced to do a full review, leading to a report to Members on systems improvements. An interim programme improvement manager has been appointed and is working within the MCA on continual improvement approaches.</p> <p>Appointment of a partner to undertake Business Process Re-engineering on was agreed by CEXs, procurement took place and the partner has undertaken the work. The review is due to conclude report end of Q1 21/22.</p>	

## Audit and Standards Committee

10 June 2021

### Internal Audit Recommendations Tracker Report

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<b>Is the paper exempt from the press and public?</b>	No
<b><i>Reason why exempt:</i></b>	Not applicable
<b>Purpose of this report:</b>	Discussion
<b>Funding Stream:</b>	Not applicable
<b>Is this a Key Decision?</b>	No
<b>Has it been included on the Forward Plan?</b>	Not a Key Decision

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**Director Approving Submission of the Report:**

Ruth Adams, Deputy Chief Executive

**Report Author(s):**

Internal Audit – Grant Thornton

**Executive Summary:**

The Audit and Standards Committee is responsible for overseeing and reviewing the Authority's internal audit strategy, and receiving reports, as appropriate, from the Internal Auditor. This report presents an update on the implementation of the recommendations made by Internal Audit.

**What does this mean for businesses, people and places in South Yorkshire?**

Internal Audit supports the organisation in helping to achieve its objectives by giving assurance on its internal control and governance arrangements. Good governance enables the MCA to pursue its ambitions and objectives in the most effective and efficient way, bringing about better outcomes for residents and businesses in South Yorkshire.

**Recommendations:**

Members are asked to review the progress of the implementation of internal audit recommendations.



# Internal Audit Recommendation Tracker

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Sheffield City Region Mayoral Combined Authority

June 2021



# Introduction & headlines

## Purpose

This document provides an overview of the status of internal audit recommendations.

## Respective responsibilities

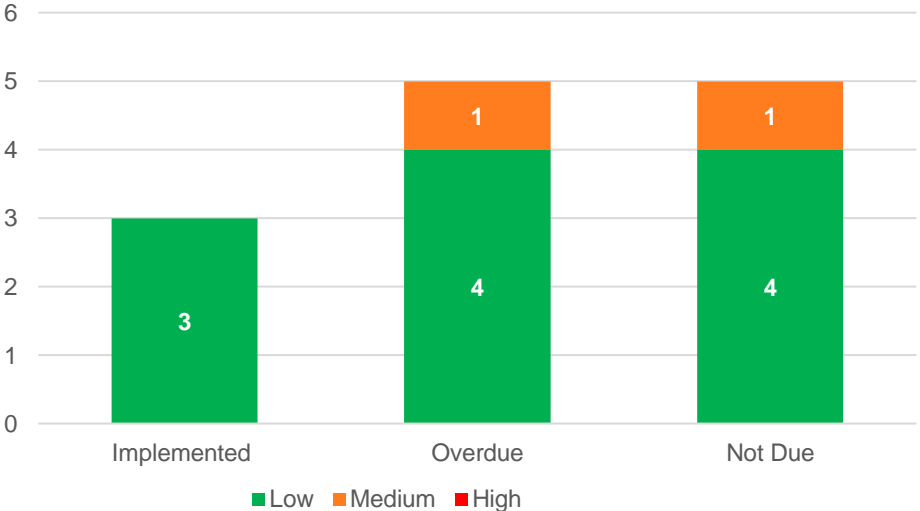
We follow up recommendations and report progress to the Audit Committee. It is the responsibility of management to implement audit recommendations on time and provide updates for the Action Tracker.

## Analysis of outstanding recommendations

As at the date of finalising this report, there were five overdue recommendations agreed with management which remain outstanding. Management confirmed three actions have been implemented since the last Audit Committee. Five recommendations are not yet due. The analysis on page three of this report shows the number of days that have passed from the original agreed implementation dates.

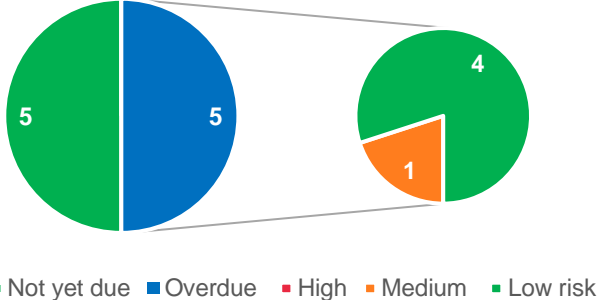
We acknowledge that progress with implementation may have been impacted due to the disruptions of COVID-19 and the Authority may wish to consider agreeing revised implementation dates.

We have summarised below the current status of all outstanding recommendations as at 31<sup>st</sup> May 2021.



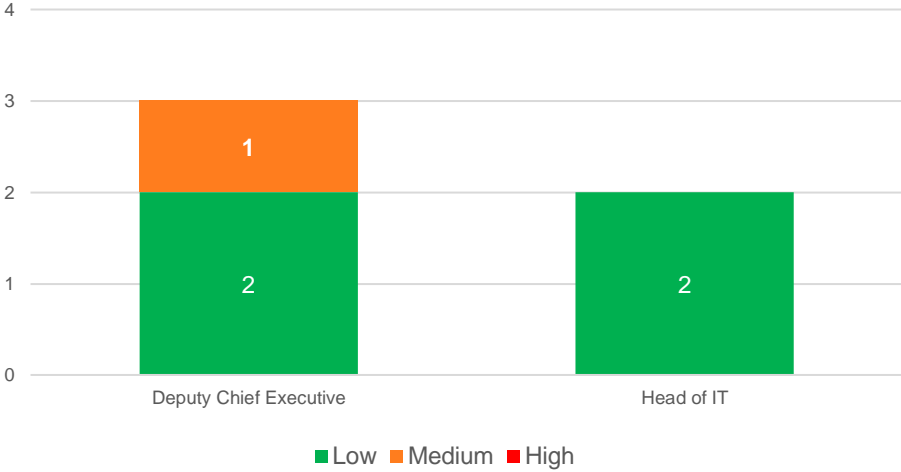
## Recommendations due for implementation

An analysis of the overdue recommendations is shown below. There are four low and one medium risk recommendations.

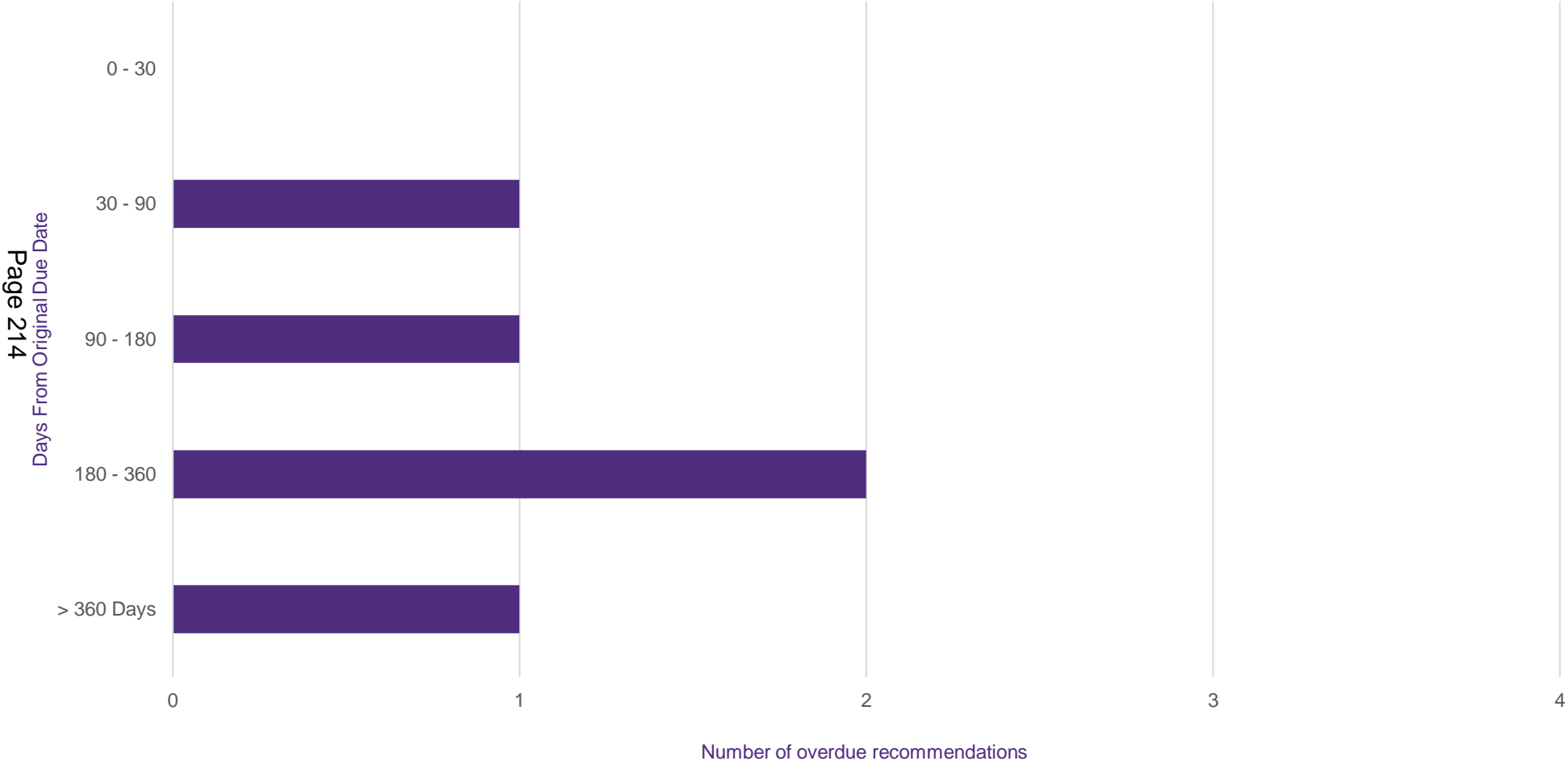


## Overdue recommendation by department

An analysis of the overdue recommendations by SMT owner is shown below. On the remaining pages of this report, we provide the responses provided by management in respect of progress with the implementation of actions.



Ageing of overdue recommendations – number of days since original due date



# Status of Overdue Recommendations.

Audit area	Risk rating	Agreed management action	Responsible officer	SMT Owner	Due Date	Days from original due date	Status	Management comment
GDPR (2019/20)	Low	Review the way in which the Information Asset Register is used across both organisations and look for an opportunity to standardise on a more consistent, comprehensive version that includes all key fields that should be tracked for both organisations in line with the requirements of GDPR/DPA2018.	Claire James, Senior Governance and Compliance Officer (MCA) & Andy Dickinson, Head of Information Technology (PTE)	Andy Dickinson, Head of IT and Stephen Batey, Director of Mayors Office Group	Original: 01/12/20  Revised: 28/02/21	181	In Progress	Progress update not received.
GDPR (2019/20)	Low	The public facing websites will be updated and a new IT Policy will be implemented in April 2020.	Christine Marriott, Scrutiny Officer	Andy Dickinson, Head of IT	01/04/20	426	In Progress	The new IT Policy has been published on the website. It is still in draft form awaiting union sign off.  A revised implementation date has not been proposed.

# Status of Overdue Recommendations.

Audit area	Risk rating	Agreed management action	Responsible officer	SMT Owner	Due Date	Days from original due date	Status	Management comment
Risk Management (2019/20)	Medium	The Authority to consider and agree its reporting format and expectations, including the frequency of reports and information required for example, top five risks, new risks, movement in risk etc.	Claire James, Senior Governance and Compliance Officer	Ruth Adams, Deputy Chief Executive	31/03/21	61	In Progress	This is being relooked at as part of the development of a revised TOM for risk management aligned to integration. Interim MCA Exec is establishing a Corporate Assurance Board and will consider risk movements for the red risks or ones moving to higher impact or likelihood.  A revised implementation date has not been proposed.
Risk Management (2019/20)	Low	Consider carrying out a review alongside SYPTTE with a view to aligning current processes and identifying the integration of roles, responsibilities and reporting requirements.	Claire James, Senior Governance and Compliance Officer	Gareth Sutton, Group Finance Director	30/06/20	335	In Progress	As part of Integration planning a revised TOM for risk management will be explored and considered to align to the MCA policy but that provides a single operating model  Management have requested to revise the implementation date to 31/12/21
Risk Management (2019/20)	Low	The Authority to consider and agree its reporting and oversight requirements at each level of its Governance process.	Claire James, Senior Governance and Compliance Officer	Ruth Adams, Deputy Chief Executive	31/12/20	151	In Progress	We are implementing in 2021/22 a cross cutting place based report which looks across all programme funds to see if there are risks linked to geography, we have embedded a risk champion alongside a business planning AD. We are in the early stages of formalising an internal Corporate Assurance Board to sit alongside the Management Board to ensure sufficient emphasis is provided to governance issues including risk in the annual calendar.  A revised implementation date has not been proposed.



# Status of Recommendations Not Yet Due.

Audit area	Risk rating	Agreed management action	Responsible officer	SMT Owner	Due Date	Days from original due date	Status	Management comment
Public Engagement and Consultation (2020/21)	Medium	<p>There are a number workstreams involved in the integration process and this is an area which would benefit from a joint approach between SYPTTE and SCRMCMA.</p> <p>Develop a joint Consultation Policy and Procedures which brings together the issues raised by this audit.</p>	Claire James, Senior Governance and Compliance Officer	Stephen Batey, Director of Mayors Office Group	31/12/21	N/A	In Progress	The External Affairs team are commencing on the policy document to set out the framework for public consultation.
Public Engagement and Consultation (2020/21)	Low	Policy and procedures will be developed to include guidance on having an overarching consultation plan which sets out the governance arrangements including TOR for working groups.	Claire James, Senior Governance and Compliance Officer	Stephen Batey, Director of Mayors Office Group	31/12/21	N/A		
Public Engagement and Consultation (2020/21)	Low	A checklist, covering consultation principles in current government guidance will be included in the procedures..	Claire James, Senior Governance and Compliance Officer	Stephen Batey, Director of Mayors Office Group	31/12/21	N/A		

## Status of Recommendations Not Yet Due.

Audit area	Risk rating	Agreed management action	Responsible officer	SMT Owner	Due Date	Days from original due date	Status	Management comment
Public Engagement and Consultation (2020/21)	Low	Guidance on what key supporting documents are required to demonstrate compliance (including a financial breakdown), will be set out in the Consultation Policy and Procedures.	Claire James, Senior Governance and Compliance Officer	Stephen Batey, Director of Mayors Office Group	31/12/21	N/A	Not Yet Due	No progress to date.
Public Engagement and Consultation (2020/21)	Low	A process will be developed to include and regularly review information on past and present consultations on the website.	Claire James, Senior Governance and Compliance Officer	Stephen Batey, Director of Mayors Office Group	31/12/21	N/A	Not Yet Due	No progress to date.



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## Audit and Standards Committee

10 June 2021

### Revised Work Plan

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<b>Is the paper exempt from the press and public?</b>	No
<b><i>Reason why exempt:</i></b>	Not applicable
<b>Purpose of this report:</b>	Discussion
<b>Funding Stream:</b>	Not applicable
<b>Is this a Key Decision?</b>	No
<b>Has it been included on the Forward Plan?</b>	Not a Key Decision

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#### **Director Approving Submission of the Report:**

Ruth Adams, Deputy Chief Executive

#### **Report Author(s):**

Claire James, Senior Governance and Compliance Officer

[Claire.james@sheffieldcityregion.org.uk](mailto:Claire.james@sheffieldcityregion.org.uk)

#### **Executive Summary:**

This report presents the Audit and Standards Committee work plan for 2020/21.

#### **What does this mean for businesses, people and places in South Yorkshire?**

Good governance enables the MCA to pursue its ambitions and objectives in the most effective and efficient way, bringing about better outcomes for residents and businesses in South Yorkshire.

#### **Recommendations:**

Members consider the work plan for 2020/21 and agree any changes or additional items to be scheduled.

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

Not applicable

**1. Background**

- 1.1 The Audit and Standards Committee work plan for 2020/21, is required to facilitate the Committee in meeting its accountabilities.
- 1.2 The work plan is reviewed at every meeting to ensure it remains on schedule.

**2. Key Issues**

- 2.1 The work plan is attached at appendix A. This document aims to ensure the Audit and Standards Committee are appropriately sighted on key governance issues and activities in a timely manner and ensure that items relevant to their statutory accountabilities are appropriately scheduled.

**6. Financial and Procurement Implications and Advice**

- 6.1 None

**7. Legal Implications and Advice**

- 7.1 None

**8. Human Resources Implications and Advice**

- 8.1 None

**9. Equality and Diversity Implications and Advice**

- 9.1 None

**10. Climate Change Implications and Advice**

- 10.1 None

**11. Information and Communication Technology Implications and Advice**

- 11.1 None

**12. Communications and Marketing Implications and Advice**

- 12.1 None

**List of Appendices Included**

- A Work Plan

**Background Papers**

None

**Appendix A**

<b>Date</b>	<b>Agenda items</b>
Thursday 15 <sup>th</sup> July 2021	AGR Findings and Draft AGS and GIP Draft Accounts IA Annual Report 2021/22 Internal Audit Plan Progress Report Internal Audit Reports - tbc Strategic Risk Monitoring Integration Update Annual Review of Code of Code of Corporate Governance
Thursday 9 <sup>th</sup> September 2021	Final AGS and GIP Final Accounts 2021/22 Internal Audit Plan Progress Report Internal Audit Reports - tbc Strategic Risk Monitoring Integration Update

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