

**South Yorkshire Mayoral Combined Authority**  
**Annual Governance Statement Year Ended 31<sup>st</sup> March 2022**

**Executive Summary**

**Scope of Responsibility**

The South Yorkshire Mayoral Combined Authority (“the Authority”) is responsible for ensuring that its business is conducted in accordance with law and that proper standards of governance are employed; that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The Authority has a duty under the Local Government Act 1999 to make proper arrangements for the governance of its affairs and to secure continuous improvement in how its functions are exercised.

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

**What do we mean by Governance?**

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

**What is ‘good governance’?**

Fundamentally, good governance is about making sure we do the right things, in the right way, for the right people. Our commitment to good governance is set out in our Code of Corporate Governance. This Code, aligned the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016, has been in place for the year ended 31<sup>st</sup> March 2022, and describes how we will carry out our functions in a way that shows accountability, transparency, effectiveness, integrity, and inclusivity.

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

**Summary of governance issues during 2021/22**

There have been a number of factors that have challenged and tested our governance arrangements during the year:

- Initially driven by a recommendation from the independent Bus Review, which concluded in 2020, 2021/22 has seen the Authority embark on a major change programme to integrate with South Yorkshire Passenger Transport Executive. This programme aimed to create a single entity responsible for bus strategy and delivery in South Yorkshire ensuring clear lines of accountability, alignment of strategic priorities and greater political oversight. It also provided the opportunity to assess and review how we are organised, and the way we need to work, to be able to deliver the sustainable economic change our region needs.
- The Covid-19 pandemic has continued to place significant demands on the Authority during the year with sustained pressure on the viability of the public transport network due to reduced or terminated recovery funding from central government, and lower levels of patronage.
- With the addition of new funding streams, and borrowing powers conferred from Government, the investment programme of the Authority provides a generational opportunity to innovate and do things differently. Work to scope out our Investment Strategy and the future regional long-term way of working has required substantial and sustained development.

Throughout this, the majority of the workforce continued to work remotely, until the latter part of the year, which has seen a return to the office environment and the adoption of hybrid working arrangements.

Our evaluation of the effectiveness of our governance arrangements in the context of these issues has concluded that arrangements were fit for purpose and robust yet flexible enough to respond to the challenges presented. The organisation has been able to undertake its day-to-day activities effectively and the systems and processes in place have provided a robust level of control.

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

On the basis of the sources of assurance set out in this statement, we are satisfied that, throughout the year 2021/22, and up to the date of the approval of the accounts, a satisfactory system of internal control has facilitated good governance of the Authority's affairs and the effective exercise of its functions.

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

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On behalf of the South Yorkshire Region Mayoral Combined Authority

## 1. Identification of key governance arrangements

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

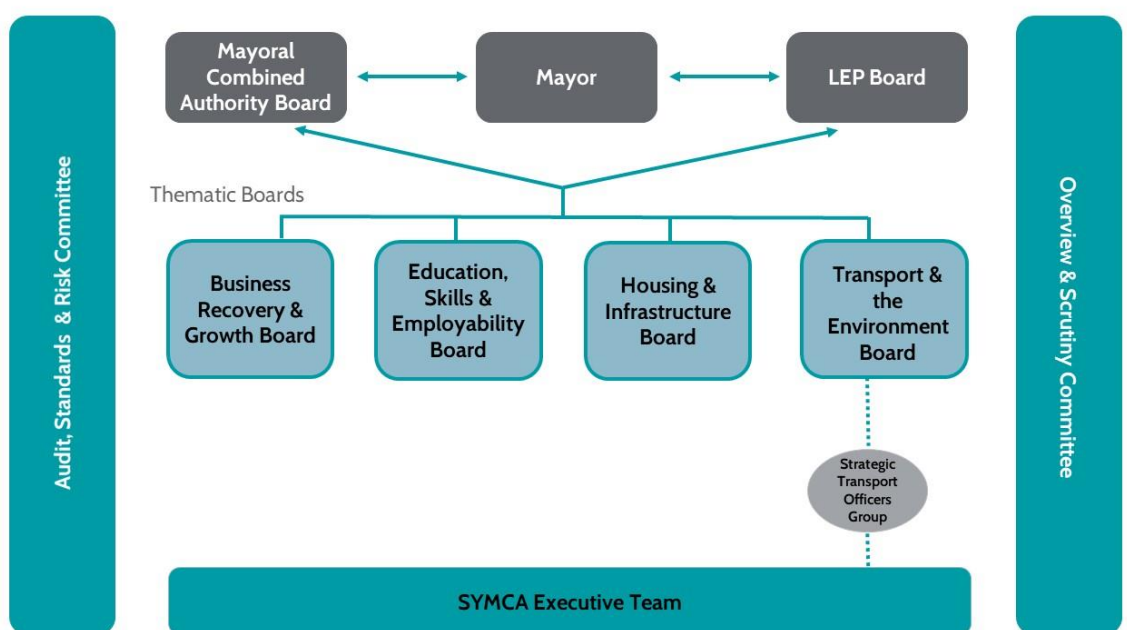


Fig 1: 2020/21 Governance Structure

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

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

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

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

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

The Audit, Standards and Risk Committee provide a high-level focus on assurance and governance arrangements. Their role is to ensure that the Authority fulfils its

legal obligations, complies with statutory requirements, is managing risk effectively and has robust control measures in place for all devolved powers and funding.

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

Our Strategic Economic Plan 2020-40 sets out our vision and policy objectives to grow the economy at pace and at scale, ensuring that all people and places have a fair opportunity to contribute to, and benefit from prosperity. Our Corporate Plan is focussed on the immediate term and identifies what we are going to do, how we are going to do it and what we aim to achieve over the next three years to achieve our objectives of growth, inclusion and sustainability.

## **2. Reviewing and evaluating of the effectiveness of the Governance Framework**

The review of effectiveness has been informed by:

- The Head of Internal Audit's Annual Report which provides an opinion on the adequacy and effectiveness of the MCA's risk management, control and governance processes
- The Strategic Risk Register which sets the culture and tone for the management of threats, concerns and assurances across the organisation
- The work of the Audit, Standards and Risk Committee which includes responsibility for monitoring the effectiveness of the Authority's governance arrangements and control environment
- Internal management processes
- The report of the MCA's External Auditor
- Recommendations from external bodies/government departments
- A series of interviews with officers and a Management Board workshop where we have assessed and evaluated our compliance with our Code of Corporate Governance and the effectiveness of our governance framework.

We are content that our system of internal control is satisfactory and has facilitated compliance with the principles of good governance during the year.

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

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

The Head of Internal Audit's Annual Report for 2021/22 has included the following **draft** opinion:

“My overall opinion for the period 1 April 2021 to 31 March 2022 is that based on the scope of the reviews undertaken and the sample tests completed during the period, ‘significant’ assurance with some improvement required’, can be given on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control.

In issuing my opinion, I have taken into consideration where reviews have concluded a ‘partial assurance opinion with improvement required’. We identified weaknesses in some areas which put objectives at risk. These included Asset Management, Supplier Resilience and Assessing the Risk of Fraud. We acknowledge that these are areas of known risk to the Authority and were included in our audit plan on this basis, however, the weaknesses identified lead us to conclude that only a ‘partial assurance with improvement required’ opinion can be given to the Framework of Internal Control. This does not prevent us from providing a ‘significant assurance opinion with some improvement’ required opinion overall as action is in progress to address issues raised.”

The most significant weaknesses identified through internal audit reviews are related to Asset Management and Supplier Resilience. Since the conclusion of these reviews, good progress has been made in determining and implementing the target operating models in each area. In addition, Supplier Resilience is monitored via the corporate risk register referred to as ‘supply chain failure’. The register captures the controls in place and further actions to be taken to mitigate or reduce the risk, and is monitored regularly through the agreed risk management approach.

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

During the year we have also continued to monitor our compliance with the new CIPFA Code of Financial Management. The Code includes six principles of good financial management:

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

The Code then translates these principles into an explicit set of standards (17 in total) which is re-assessed on an annual basis.

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

### **3.1 Progress against our Governance Improvement Plan for 2021/22**

Although no significant issues were identified in the previous financial year, we identified areas for improvement and put in place a Governance Improvement Plan. The plan, and our progress against, has been monitored by the Audit, Standards and Risk Committee at each of their meetings during the year. The Committee agreed to the conclusion of the plan at their meeting in March 2022, recognising that some

actions, whilst 'completed' would continue to be implemented or embedded into the new financial year and become part of business as usual.

Table 1: Progress against our Governance Improvement Plan for 2021/22

Focus for 2021/22	Progress to date
<b>Strategic</b>	
Continued implementation of operational improvements to public transport as a consequence of the Bus Review and subsequent national policy statements	<p><b>COMPLETED</b></p> <p>The actions agreed in year have been completed although many of the actions to deliver the Enhanced Partnership and to commence the work on franchising options, as agreed by the MCA in March 2022 will continue as part of business objectives in 22/23.</p>
Implementation of the assured plan for full integration of the PTE into the MCA	<p><b>COMPLETED</b></p> <p>The organisational structure and operating model were implemented by the end of the financial year. 2022/23 will see the next phase of organisational development work to transition to a single set of systems and processes and to fully embed a new single corporate culture.</p> <p><b>DELAYED</b></p> <p>The formal dissolution of the PTE has not taken place. There is a commitment by Government to ensure this takes place by the end of the financial year 2022/23. Having two legal entities in place requires a number of process work around arrangements, delaying the full realisation of many of the benefits of integration.</p>
Implementation of new decision-making arrangements e.g., broadening the scope of the Transport Thematic Board	<p><b>COMPLETED</b></p> <p>New Terms of Reference have been introduced and implemented. A supporting Officer Group, chaired by the lead Chief Executive has been established to inform and support decision makers.</p>
Development, agreement to and implementation of the Strategic Investment Framework	<p><b>COMPLETED</b></p> <p>Development of the framework for the Strategic Investment Framework has been undertaken through a phased approach, based on a set of agreed principles, taken forward by a collaborative officer working group with regular oversight by the MCA Board.</p>
<b>Operational</b>	
Development of new corporate structure and clearly defined responsibilities for the single integrated organisation	<p><b>COMPLETED</b></p> <p>The detailed structure and operating model were implemented 1<sup>st</sup> April 2022.</p>



Implementation phase	<b>COMPLETED</b> All ringfenced recruitment was completed in a timely manner which ensured officers of the MCA and PTE were able to commence 22/23 working in the new organisational structure.
Development of a target operating model for governance to be developed and implemented within the year	<b>COMPLETED</b> The detailed structure and operating model were implemented 1 <sup>st</sup> April 2022.
Development of a target operating model for risk management to be developed and implemented within the year	<b>COMPLETED</b> A new Risk Management Framework, Risk Register, Risk Appetite Statement and reporting and escalation framework has been agreed by Management Board and endorsed by the Audit, Standards and Risk Committee. The Framework is being tested and socialised with officers and is supporting the identification of risks in each Business Plan area. The Framework will go to the MCA Board for approval in July.
Development of a target operating model for financial management to be developed and implemented within the year	<b>COMPLETED</b> A target operating model for the integrated Group Finance Team has been adopted and is being implemented.
Development of a target operating model for procurement to be developed and implemented within the year	<b>COMPLETED</b> Work has progressed to revise the Contract Procedure Rules and to agree the workflows from business planning, through to a procurement pipeline and then, in practical terms, the interface between finance, procurement and decision makers.  This is partially implemented due to the failure to formally dissolve the PTE, consequently there are workarounds to bridge the gap and transition the PTE into the single approach. Work will continue into 22/23.
Development of a target operating model for programme management to be developed and implemented within the year	<b>COMPLETED</b> Work has progressed to stand-up a new corporate PMO function, with clarity of purpose and function. Work will continue in 22/23 to establish the team and embed the way of working.
Review, agree and implement a new officer scheme of delegation	<b>COMPLETED</b> Approved by the MCA in September.
Embedding of new Contract Procedure Rules and a Social	<b>COMPLETED</b>

Value Policy and officer briefing and training	Contract Procedure Rules have been refreshed in year and the MCA board approved the progressive procurement and social value eligibility criteria in March 2022.
Roll out of new corporate induction	<b>COMPLETED</b> Roll-out of all resources on the eLearning portal, supplemented by face-to-face office induction, Chief Executive meet and greet and organisational induction. Resources have been updated to reflect the single organisation.
Roll out and evaluation of single process for performance development reviews across the integrated organisation	<b>COMPLETED</b> Roll out of process commenced May 2021. Process is subject to review and re-design to fully reflect vision, values and ways of working changes that arise from the integration into a single organisation.
Implementation of new job evaluation system for the integrated organisation, including renewal of all MCA Executive job profiles to reflect new values etc	<b>COMPLETED</b> Work has concluded on the job evaluation and read across between MCA and PTE.
Implement arrangements for the monitoring of the Corporate and business plans. Including the introduction of new reporting arrangements	<b>COMPLETED</b> A new Corporate Plan, budget and business plan have been agreed
Introduce a new corporate assurance management board to review all aspects of corporate assurance oversight	<b>DELAYED</b> This remains part of the planning, but implementation has been delayed. This is not impacted on any decision making or governance improvement actions as all matters continue to be considered by the full Management Board, through governance focused workshops and Boards
Monitor and manage the impact of the integration on BAU strategic and operational risks	<b>COMPLETED</b> The review was completed and has influenced the new corporate risk management framework
Refresh core policy documents inc Assurance Framework, Monitoring and Evaluation Framework etc	<b>COMPLETED</b> Considered by the Audit, Standards and Risk Committee and approved by the MCA in March 22
Review learning from 2018 and implement a plan to run the 2022 Mayoral Election	<b>COMPLETED</b> Planning commenced in November 2021, to consider lessons from 2018 and from running elections in the pandemic. Update meetings were held with the Electoral Commission and a compliant election delivered in May 2022.
Develop an action plan to implement improvements to	<b>COMPLETE</b>



compliance with the Financial Management Code	The MCA is compliant with this activity and has embedded the core principles. Compliance will be re-assessed annually.
<b>Delivery</b>	
Embed cross organisational Collaboration Teams to improve the effectiveness of major programme delivery	<b>COMPLETE</b> The Organisational Operating Model is built around cross organisational collaboration / matrix teams, which will continue to be embedded in 22/23 and developed through lessons learned activity.
Full review of the lifecycle of programme development concluded and improvements made to inform continual development	<b>COMPLETE</b> The independent review phase of the Business Process Re-engineering work reported in July 21 to the regions Local Authority Chief Executives. A new phase was then led by the Director of Resources for Sheffield City Council and the MCA Deputy Chief Executive, to plan and implement actions arising from the review. There is no fixed end date on this work, the ambition is to have an initial implementation plan developed in 2022.

### 3.2 Audit Recommendations

There were two recommendations made as a result of the 2020/21 external audit. These were in respect of the control environment and are as follows:

1. Undertake a periodic and final review of the fixed asset register at year end to ensure that the register is being correctly updated and maintained as a supporting schedule to the final figures in the statements.  
**Status** – the fixed asset register has been reviewed as part of closing down the 2021/22 accounts.
2. Management to undertake a full review of the accounts and related disclosure notes to ensure that the disclosure notes agree to the main statements within the accounts and that they comply with the requirements of the code.  
**Status** – this recommendation has been included as an added process check in drafting out the Authority's 2021/22 Statement of Accounts.

There are no outstanding recommendations from any years prior. Whilst there was slippage on the implementation of some internal audit recommendations during the year all have been completed prior to the conclusion of the external audit.

### 4. Governance Improvement Plan for 2022/23

Although no significant issues have been identified as a result of this year's evaluation, we are committed to continually strengthening and improving our governance arrangements and, during 2022/23, will particularly focus on the following key activities.

The Governance Improvement Plan consists of actions identified from the Annual Governance Review 21/22 which will support the organisation's strategic priorities.

### **CIPFA/SOLACE Framework – Principle B - Ensuring openness and comprehensive stakeholder engagement**

- Improve the way we engage with and listen to our customers by actively pursuing their views through an agreed and published plan of consultations based on the priorities of the Corporate Plan, including the Bus Service Improvement Plan and franchising.
- Improve our responsiveness to customer enquiries and complaints by tracking and monitoring issues and making necessary process changes to improve customer experience at an operational level.

### **CIPFA/SOLACE Framework - Principle C - Ensuring our outcomes are defined in terms of sustainable economic, social, and environmental benefits**

- Improve our plans and strategies by ensuring they illustrate the contribution they will make to changing the regions' economic outlook.
- Improve how we design and develop our programmes of activity, by including a suite of economic indicators and outcomes that clarify the impact the activity needs to achieve to realise the economic growth required.
- Improve the understanding our internal teams and partners have of the impact we are seeking from our programmes and investments.

### **CIPFA/SOLACE Framework - Principle D - Planning interventions that optimise the achievement of intended outcomes.**

- Improve how we shape and challenge the options and strategies open to South Yorkshire decision makers by developing relationships with national academics, research and development leaders and policy makers across all our agendas.
- Improve our approach to stakeholder engagement seeking to broaden our stakeholder base and develop significant new relationships with the financial sector to lever far greater investment in South Yorkshire.

### **CIPFA/SOLACE Framework – Principle E - Developing the entity's capacity, including the capability of its leadership and the individuals within it**

- Improve the support given to our workforce by implementing the agreed Management Code, that sets out the management commitment to teams to ensure colleagues are supported and accountable, and receive feedback. To ensure a consistent and good experience of work and clear pathways to raise any issues.
- Improve our business operations by developing and agreeing a corporate development plan to embed, through a number of clearly defined business improvement projects, the vision of the integrated organisation and the core values into our ways of working and behaviour.

- Improve the physical environment of the workforce to enhance the employee experience and support a culture of collaboration and innovation.

**CIPFA/SOLACE Framework – Principle F - Risks and performance are managed through robust internal control and strong public financial management**

- Improve how we use management information to provide assurance on organisational performance.
- Improve the management of risks by embedding the new risk management framework.
- Improve the management of our corporate policies and procedures that provide a framework for our operating environment.

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