

**Annual Governance Statement 2019/20**

DRAFT

## Document Properties

### Change Record

| Date     | Version | Author     | Changes  |
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| 03/01/20 | 0.1     | C James    | First draft (final draft of 18/19 as a starting point) |
| 03/06/20 | 0.2     | Ruth Adams | Made some minor amends                                 |
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### Document Approval

| Approving Body or Person                       | Role (review, approve) | Date |
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| Statutory Officers                             | Review                 |      |
| Combined Authority Audit & Standards Committee | Review & approve       |      |
| S73 Officer, Head of Paid Service              | Approve                |      |
| Combined Authority                             | Approve                |      |

# 1. Background to the Annual Governance Statement

## Introduction

The Sheffield City Region Mayoral Combined Authority (“the MCA”) 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 MCA 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.

## What do we mean by Governance?

By governance, we mean the arrangements that are put in place to ensure that the MCA’s 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. The MCA recognises that to be truly effective, these arrangements must be robust but also adaptable to changing circumstances including the expectations of the public and the actions of other stakeholders.

## What is good governance?

The MCA’s commitment to **good** governance is set out in its Code of Corporate Governance. This Code, which is aligned to CIPFA Principles of Good Governance, describes how the MCA will carry out its functions in a way that shows accountability, transparency, effectiveness, integrity, and inclusivity. Fundamentally, good governance is about making sure we do the right things, in the right way, for the right people.

Working in this way will allow the MCA to pursue its vision and deliver its objectives in the most effective and efficient manner, bringing about better outcomes for the residents, businesses and visitors to the Sheffield City Region.

## What is the Annual Governance Statement?

The MCA is required, by the Accounts and Audit Regulations 2015, to prepare an annual governance statement.

This statement is a public report on the extent to which the MCA complies with its own Code of Corporate Governance. It outlines how the effectiveness of governance arrangements has been reviewed during the year, on any planned changes in the coming period and plans for continually improving arrangements. The process of preparing the governance statement has also added value to the effectiveness of our governance and internal control framework.

# 2. Who are we, how are we structured and what do we do?

## Sheffield City Region Mayoral Combined Authority

The Sheffield City Region Combined Authority was formally constituted in law in April 2014. It comprises the four constituent local authorities for South Yorkshire and five non-constituent local authorities. The constituent members are Barnsley, Doncaster, Rotherham and Sheffield. The non-constituent members are Bassetlaw, Bolsover, Chesterfield, Derbyshire Dales and North East Derbyshire. With the election of the SCR Mayor in May 2018, the Authority became a *Mayoral* Combined Authority (MCA).

The MCA has a distinct and separate role from each of the individual local authorities it is comprised of. The MCA’s remit is to coordinate and drive forward strategic economic development, housing, skills and transport initiatives for the benefit of citizens and the business community within its boundaries.

The MCA is responsible for setting the policy direction for the Sheffield City Region and for maximising financial investment to achieve economic growth. It is also responsible for making investment decisions on projects and ensuring that the policy and strategic objectives of its strategic economic plan are delivered.

The MCA is the legal and Accountable Body for funding devolved to it and to the Local Enterprise Partnership, including all money allocated to the City Region through the Growth Deal, and any devolution and transport funding. The MCA is also the Local Transport Authority for South Yorkshire. This role and its accompanying responsibilities are defined in the [MCA Constitution](#).

## **MCA Group**

The MCA **Group** includes an operational subsidiary, the South Yorkshire Passenger Transport Executive (SYPTe). SYPTe is the MCA's operational transport arm and is tasked with delivering the South Yorkshire Transport Plan. Though separate entities, the MCA and SYPTe work closely to ensure strategies, policies and resources are aligned deliver the priorities of the Group.

Within the group structure there are a limited number of other subsidiaries, including the SCR Interventions Holding Company, which supports delivery of the Local Growth Fund (LGF) programme.

## **Local Enterprise Partnership (LEP)**

LEPs are private sector led voluntary partnerships between the private and public sector set up in 2010 by the Department of Business Innovation and Skills.

The Sheffield City Region Local Enterprise Partnership ("the LEP") lead on strategic economic policy development within the Sheffield City Region and set the blueprint for how the Sheffield City Region economy should evolve and grow. Until the 1<sup>st</sup> April 2020 the membership of the Sheffield City Region LEP included the 4 constituent members and 5 non-constituent members or the MCA plus a majority of private sector representatives. Due LEP boundary changes, the non-constituent members, whilst still members of the MCA, left the Sheffield City Region LEP.

The LEP works closely with the MCA and is the developer, author and custodian of the Sheffield City Region Strategic Economic Plan. The LEP also bids for funding from Government and is responsible for delivering programmes of activity that drive economic growth across the Sheffield City Region.

The LEP is also responsible for ensuring that both policy and decisions receive the input of key business leaders, and by extension, reflect the views of the wider business community. The LEP fulfils this responsibility by leading on engagement with local businesses and policy makers at a regional, national and international level.

## **SCR Executive Team**

The MCA and LEP are supported by a dedicated, independent Executive Team, who provide day-to-day support on policy, commissioning, project development, project appraisal, programme management and governance. Through close co-ordination with member authorities, local authority Leaders and Chief Executives and private sector LEP Board members, the team pro-actively advances MCA and LEP decision making processes. From the 1<sup>st</sup> April 2019 the MCA became the employing body for the Executive Team.

## **Statutory Officers**

The Statutory Officers of the Authority lead the SCR Executive Team and have delegated powers as set out in the Scheme of Delegation. This includes, but is not limited to, ensuring good governance; monitoring operational and financial performance; agreeing executive team budgets; and providing overview and management of strategic and operational risks.

### **3. Governance Review Activity**

During 2019/20 the MCA has continued to ensure that governance arrangements are robust and transparent and are aligned to deliver the planned programme of work efficiently and effectively.

Several activities have taken place during the year to review and strengthen governance arrangements including:

#### **Annual Governance Review**

An assessment of compliance with the Governance Framework and compliance with the Code of Corporate Governance has been undertaken to gain assurance of the effectiveness of current arrangements and to identify any opportunities for improvement. The outputs from the Annual Governance Review process are summarised in annex A and have assisted in the preparation of this Annual Governance Statement and the development of our 2020/21 Governance Improvement Plan.

#### **Annual Performance Review by Government**

The MCA delivers the Accountable Body function for the Sheffield City Region LEP and in January the Ministry for Housing, Cities and Local Growth (MHCLG) undertook a review to look at the performance of our LEP. The review covered three themes: governance, delivery and strategy, with one of four markings: inadequate; requires improvement; good; or exceptional, available for governance and delivery and met or not met available for strategy. Following the conclusion of the Annual Performance Review it was confirmed that the Sheffield City Region LEP is compliant with the national guidance and is considered to be 'good' in all areas of the review.

#### **Programme Review**

Building on the work to assess the deliverability of the Local Growth Fund programme, that took place in 2018/19, a further forensic risk assessment of all schemes in delivery, pending contract and in the pipeline, has been undertaken during the year. This has informed decision making to address over-programming and headroom issues and has resulted in 2019/20 targets for scheme investment being exceeded. The LEP Annual Report, which is published on the website, goes into more detail about the LGF investments made.

#### **Employing Body**

The MCA became the employing body for the Executive Team on 1<sup>st</sup> April 2019 and Statutory Officers have led on reviewing the organisational structure and policies to ensure the organisation has the capability and capacity to deliver its objectives.

### **4. External Audit Recommendations**

No recommendations were made as a result of our 2018/19 external audit. There are no outstanding recommendations from any years prior.

### **5. Progress against the 2019/20 governance improvement plan**

Through the review of governance arrangements in 2018/19, improvements in three key areas were identified and an action plan was included in the 2018/19 Annual Governance Statement. This plan has been monitored during the year by Statutory Officers and members of the MCA Audit and Standards Committee. The table below reports on the progress of the governance improvement plan.

**Table 1: Progress against the 2019/20 governance improvement plan**

| <b>Governance Area - Strategic</b>  |   |
|---|---|
| <b>Focus for 2019/20</b>  | <b>Progress made in year</b>  |
| <p><b>Strategy Led Prioritisation</b><br/>Develop a refreshed Strategic Economic Plan and Local Industrial Strategy and identify innovative interventions that deliver the Region's ambitions.</p>                                  | <p>A draft SEP was presented to the LEP in March. A public consultation on the draft was scheduled for April but was delayed due to the Covid-19 pandemic. Consultation with key stakeholder organisations is continuing. Government have paused work on Local Industrial Strategies.</p>   |
| <p><b>Strategy Led Prioritisation</b><br/>Continue to support Leaders and the Mayor in developing an integrated set of priorities that effectively deliver the economic, social and environmental ambitions of the City Region.</p> | <p>A review of Mayoral priorities has taken place with the Mayor every quarter in order to ensure appropriate resources are deployed. A number of MCA workshops and one to one sessions with Leaders and CEX have taken place to agree priorities.</p>  |
| <p><b>Reputation &amp; Influence</b><br/>Effectively communicate SCR's refreshed strategic ambitions securing stakeholder support and buy-in and successfully make our case for future funding.</p>                                 | <p>Over 50 meetings with stakeholders, businesses and national bodies have been led by the LEP Chair and CEX to secure buy-in to the revised vision for growth. Within the year the MCA was awarded £166m of Transforming Cities Funding.</p>   |
| <b>Governance Area - Operational</b>  |   |
| <p><b>Financial Planning</b><br/>Develop and agree a Medium-Term Financial Strategy and Reserves Strategy that support longer term ambitions and short-term operational performance.</p>  | <p>The Medium-Term Financial Strategy was approved by the MCA in November. A detailed budget seminar to inform resource planning on was held in January and the final budget prepared for the MCA in March. Due to the cancellation of the meeting the budget was approved informally and re-scheduled for formal ratification 1<sup>st</sup> June.</p>                                   |
| <p><b>Financial Planning</b><br/>Undertake a full review of the governance arrangements of the Transport Capital Programme.</p>   | <p>In line with the transition to the revised governance approach for the MCA/LEP i.e. the introduction on Thematic Boards, arrangements for Transport Governance has been reviewed and refreshed. At a programme level, in view of award of TCF funding, operational programme governance arrangements have been amended to manage any delivery risks for this programme.</p>            |
| <p><b>Monitoring &amp; Evaluation</b><br/>In line with Government requirements review the monitoring and evaluation framework in order to strengthen project and programme evaluation and to strengthen future decision making.</p> | <p>Work is underway, and is a condition of government approving a revised Assurance Framework, to review our published framework. A number of programme / project evaluations have concluded in year, including a review of the Growth Hub performance and a local evaluation of Working Win. These evaluation reports are reported to the relevant Thematic Board for consideration.</p> |
| <p><b>Assurance Processes</b><br/>Embed the agreed arrangements to strengthen processes for the appraisal and assurance of schemes.</p>   | <p>The arrangements agreed with the LEP and MCA for 2019/20 were implemented to the agreed timeframe. Further work to refresh and update the Assurance Framework for 2020/21 commenced in Q4.</p>   |
| <b>Governance Area - Delivery</b>   |   |
| <p><b>Programme Management</b><br/>Ensure the orderly conclusion of the LGF Programme during 19/20 and 20/21</p>  | <p>A forensic risk assessment of all schemes in delivery, pending contract and in the pipeline was undertaken during the year and reported on to the Management Board on a fortnightly basis. This resulted in a number of schemes withdrawing from the programme.<br/>The LEP Board were updated on the position regularly and agreed remaining LGF allocations.</p>                     |

|   |   |
|---|---|
| <p><b>Programme Management</b><br/>Further to the development and agreement of the refreshed Strategic Economic Plan, develop effective programmes to deliver new priorities.</p>                   | <p>The LEP Board approves an annual delivery plan at the commencement of each year.</p>   |
| <p><b>Programme Management</b><br/>Secure successor funding to continue with SCR's programme or work at pace and avoid disjointed delivery.</p>   | <p>The MCA has been awarded £166m from the Transforming Cities Fund. However, Government has delayed decision making on other future funds including Shared Prosperity Funds and / or a further LGF round. Any future submission/funding bid will be supported by a robust, evidence led business case.</p>   |
| <p><b>Organisational Capability</b><br/>Ensure the organisation has the capability and capacity to transition from programme delivery into a strategic development and policy led negotiations.</p> | <p>The structure of the Executive Team has been reviewed, in the approved budget envelope for resources, to ensure the capacity and capability exists to achieve objectives and is best placed to secure additional resource.</p>   |
| <p><b>Organisational Capability</b><br/>Ensure organisational vision and challenges are understood by workforce.</p>  | <p>A revised suite of organisation values have been developed. These were rolled out to the organisation by the CEX, with the input of the Mayor and the LEP Chair, in January 2020. A number of staff briefings have been held on the economic evidence base and development of the Strategic Economic Plan and regular staff briefings take place to ensure staff understand priorities and challenges.</p>   |
| <p><b>Organisational Capability</b><br/>Identify training and development requirements.</p>   | <p>A range of organisational development activities have been delivered during the year, including:</p> <ul style="list-style-type: none"> <li>• An all staff development day;</li> <li>• Chief Executive staff briefings every fortnight;</li> <li>• A management development programme;</li> <li>• Better Business Case Training, in partnership with HMT, to staff and partner organisations;</li> <li>• A formalised organisational development plan commenced in March.</li> </ul> |

## 6. Governance issues during 2019/20

Financial year 2019/20 has seen some significant political and social events including a general election, Brexit uncertainty, environmental issues and latterly, the Covid-19 pandemic, all of which have impacted on the economy of the Sheffield City Region. These external issues, and the MCA's response to them, have tested the robustness and flexibility of governance arrangements.

A review of these arrangements and internal control measures, led by Statutory Officers, has concluded that arrangements are efficient, effective, robust and embedded. This review, and other governance review activity, whilst not identifying anything fundamental, has highlighted the following issues and challenges.

**SCR's fundamental challenge has been trying to deliver long term sustainable benefits in an environment where there lacks a consensus about the strategic direction of the organisation.** This has meant SCR has not been able to access the funding necessary to achieve the transformation change needed to meet the region's economic ambitions.

However, the Mayor and Leaders, supported by the Executive team, have continue to work together, and with government, to reach a position where devolution can be unlocked.

**The strategic vision, articulated through the 2014-24 Strategic Economic Plan, isn't based on up to date evidence.** A significant amount of work has been undertaken during the year, led by the LEP Board, to review economic evidence and develop a new Strategic Economic Plan. The Plan will be an overarching strategy which will set out how to grow the economy in a way that better includes and benefits all communities across SCR and improves natural capital.

The Governance Improvement Plan at section 7 identifies the actions during 2020/21 to address these issues.

## 7. Governance improvement plan 2020/21 – to be completed

In addition to the issues acknowledged in section 6, key areas of focus for strengthening governance in 2020/21 are outlined in the Governance Improvement Plan at table 2:

**Table 2: Areas of focus for 2020/21**

| Governance Area    | Focus for 2020/21 | Lead | Milestones/ Deadline |
|--------------------|-------------------|------|----------------------|
| <b>Strategic</b>   |                   |      |                      |
|                    |                   |      |                      |
|                    |                   |      |                      |
| <b>Operational</b> |                   |      |                      |
|                    |                   |      |                      |
|                    |                   |      |                      |
| <b>Delivery</b>    |                   |      |                      |
|                    |                   |      |                      |
|                    |                   |      |                      |

## 8. Conclusion

### Statement by the Chair of the MCA and the Chief Executive

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

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

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**On behalf of the Sheffield City Region Mayoral Combined Authority**