

Mayoral Combined Authority Board

07 June 2021

MCA / PTE integration programme overview and governance

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

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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

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.

3.8 **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.

3.9 **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.

- 3.10 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.

3.12 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.

3.13 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

- A Overview of integration Programme Plan
- B Integration progress update

Background Papers

Constitution

Finance Regulations