Sheffield City Region

MAYORAL
COMBINED AUTHORITY

Annual Governance Statement 2018-19

DRAFT

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1.   Introduction

What is the Annual Governance Statement?

The Accounts and Audit Regulations 2015 requires Combined Authorities to prepare an annual governance statement in order to report publicly on the extent to which they comply with their own code of governance, which, in turn, is consistent with good governance principles. This statement includes how the effectiveness of Mayoral Combined Authority governance arrangements have been reviewed during the year, and on any planned changes in the coming period. The process of preparing the governance statement should itself add value to the effectiveness of the governance and internal control framework.

What do we mean by Governance?

By governance, we mean the arrangements that are put in place to ensure that intended outcomes are defined and achieved. The Governance Framework comprises the systems and processes, cultures and values, by which the Sheffield City Region (SCR) Mayoral Combined Authority (MCA) directs and controls the activities it is accountable for. Good governance is about making sure the Mayoral Combined Authority does the right things, in the right way for the right people, in a timely inclusive, open, honest and accountable manner.

The MCA acknowledges that good governance arrangements are the basis upon which it is able to establish policies and ultimately the efficient delivery of its programme of work within the City Region. For good governance to be truly effective it must be robust yet permissive and be able to be adapted to changing circumstances. Public bodies such as the MCA must be responsive to developments in services, public expectations and the actions of other stakeholders.

2.   Scope of Responsibility

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 Authority has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness (value for money).

In discharging this overall responsibility, the MCA is responsible for establishing proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions including arrangements for the management of risk.

3.   About Sheffield City Region Mayoral Combined Authority and Local Enterprise Partnership

Role and Structure

Local Enterprise Partnership (LEP)

LEPs are private sector led voluntary partnerships between the private and public sector set up in 2010 by the Department of Business Innovation and Skills to help determine local economic priorities and lead economic growth and job creation within the local area.

The LEP is the originator of economic policy within SCR and is author and custodian of the Strategic Economic Plan (SEP). Since 2015 the SCR LEP has entered into three growth deals with government to deliver programmes which deliver the vision of the SEP, increasing jobs, improving GVA and growing business density. The LEP are responsible for decision making on the direction of the Local Growth Fund (LGF) programme and the outcomes this funding delivers.

The SCR MCA

The Authority was established on the 1st April 2014. The MCA footprint reflects the economic geography of the SCR and the SCR MCA comprises the SCR Mayor, the leaders and elected mayor (Doncaster) of each

of the nine councils which constitute the body. The MCA has a distinct and separate role from each of the individual local authorities it is comprised of. The remit of the MCA is to coordinate and drive forward economic development and transport initiatives for the benefit of citizens and the business community within its boundaries.

The MCA Constitution and operating arrangements, approved by the SCR Mayor and all nine member bodies, have been in place since April 2014. The Constitution sets out the powers and functions of the MCA, including financial procedures, Member Code of Conduct, the Scheme of Delegation to officers and arrangements for the operation of an Overview and Scrutiny and Audit and Standards committee function. The Scheme of Delegation provides for the day to day management and oversight of services provided by the Authority. These include the responsibilities of the Head of Paid Service, Finance Director and Monitoring Officer. The MCA is also the accountable body for funds awarded to the LEP.

MCA Group

The MCA Group includes an operational subsidiary, the South Yorkshire Passenger Transport Executive (SYPTE). SYPTE is the operational transport arm of the Mayoral Combined Authority, tasked with delivering the South Yorkshire Transport Plan. Within the Group structure there is also a limited number of other subsidiaries including the SCR Interventions Holding Company which supports delivery of the LGF programme.

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, Leaders and Chief Executives, the team pro-actively advances decision making processes for SCR.

Statutory Officers

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

4.   Governance Review Activity

During 18/19 SCR has continued to ensure that robust and transparent governance arrangements, aligned to deliver SCR's programme of work efficiently and effectively, are in place.

A number of activities have taken place in year to review and strengthen governance further including:

New governance arrangements for Boards

Led by the Mayor and members of the MCA and LEP new arrangements have been agreed during the year to strengthen governance processes in the SCR. Building upon existing arrangements, more efficient, effective and transparent decision-making processes have been approved, leading to the establishment of five thematic boards with appropriate financial delegations to complement their role in implementing policy and programmes more transparently.

LGF Programme Review

The LEP Board (March 19th 2018) requested that the Statutory Officers of the MCA, on behalf of the LEP, develop a clear plan to review the programme to ensure spend and outcomes were achieved. The Statutory Officers commissioned an independent deliverability review of the LGF programme, focussing on projects which have not commenced or are between phases of delivery. This review forensically assessed and reported on the potential of each project and sub programme to complete the planned delivery tasks, including securing all necessary powers / approvals / permissions, within the current LGF funding window.

Annual Performance Review by Government

In January the Ministry for Housing, Cities and Local Growth (MHCLG) undertook a review to look at the performance of each LEP. The review covered three themes: governance, delivery and strategy, with one of four markings: inadequate; requires improvement; good; or exceptional, available for each. Following the conclusion of the Annual Performance Review it was confirmed that the Sheffield City Region LEP is compliant with the National Assurance Framework and is considered to be 'good' in all areas of the review.

Annual Governance Review

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

5.   External Audit Recommendations 2017/18

The 2017/18 External Audit Report identified two areas for development and concluded that three of the five recommendations made in the 2016/17 audit had only been partially implemented and required further attention.

Table 1: Areas for development identified through the 2017/18 external audit

Area for development	Status at year end 2018/19
Given the delays in obtaining and consolidating data from November 2017 for SYITA Properties Ltd, we would recommend the Combined Authority further considers whether it has appropriate processes in place to both identify and account for instances where unusual accounting transactions may occur during the year and ensure they have appropriate resource in place to account for these according to statutory deadlines.	Accounting for the combination of assets and liabilities transferred from SYITA Properties Limited remains a "live" issue in 2018/19. This and other potentially significant accounting issues arising in 18/19 will be considered through early engagement with the new auditors EY.
As part of any future changes to key financial systems the Council (and in turn the Combined Authority) should consider the impacts upon the control environment and the capacity of existing resource to maintain the control environment effectively.	This was a transitional issue which arose as a consequence of a new financial system being implemented by Sheffield City Council in 2017/18. There were no system changes in 2018/19.

Table 2: Outstanding recommendations from 2016/17 external audit

The following recommendations were stated as 'partially implemented' at 2016/17 year end.

Area requiring attention	Status at year end 2018/19
Impairment Review The Group needs to review that the PTE has an effective control for monitoring possible impairment of its assets. This should include developing a revaluation policy, in line with accounting standards, that considers not just the assets appropriate for revaluation but also the remaining assets for signs of impairment. This should be done by as a desktop review of the estates and through a review of corporate decision making, looking at any future changes to be made to the assets.	Condition surveys have been undertaken of selected Group assets as part of phase 1 of the Strategic Asset Management Review. This has informed the carrying value of group assets in the 18/19 accounts where appropriate.
Review of Pensions Assurance The Group should ensure that PTE management have performed a review of the assumptions and can evidence that this has been done.	Recommendation was implemented in preparing the 2017/18 accounts.

6.   Progress against the 18/19 governance improvement plan

In addition to the recommendations made by external auditors, SCR Statutory Officers, through SCR's review of governance in 2017/18, identified three key areas for improvement during 2018/19. An action plan was included in the 2017/18 Annual Governance Statement. This plan has been monitored by Statutory Officers and members of the Audit and Standards Committee during the year.

Table 3: Progress against the 2018/19 governance improvement plan

Governance Area - Strategic	
Focus for 18/19	**Progress made in year**
Shared Strategic Intent Supporting the LEP and the Mayor in the development of a single, integrated set of policies and priorities that effectively deliver the economic, social and environmental ambitions of the City Region.	Further to the election of the first SCR Mayor in May 2018, the LEP Board, In January 2019, commenced the Strategic Economic Plan development process which had previously been on hold pending the election. Subsequent to the new LEP Chair taking up appointment in January, this work has developed at pace with a clear timeline for completion agreed. A revised SEP and a Local Industrial Strategy will be in place during 2019/2020. During 2018/19 the MCA approved the Mayor's Vision for Transport and SCR Transport Strategy. A divergence in views on devolution has continued to impact on SCR's ability to deliver the ambitions of the City Region.

Governance Area - Operational	
Focus for 18/19	**Progress made in year**
Financial Governance Ensuring that the LGF programme delivers the outputs and outcomes agreed as part of the Growth Deal in the final three years of the programme.	To ensure that the agreed outputs and outcomes of the LGF programme are delivered in the final three years of the programme an independent and forensic audit of all projects took place during 18/19. This has established firm milestones for each scheme in contract. Progress against these milestones has been closely monitored and, in some cases funding de-coupled. New schemes entering the pipeline have not receive assurance of funds until funding approval has been given by the MCA. Where appropriate, specific project and programmes risk have been considered by Statutory Officers. The independent audit process was fully scrutinised by the A&S committee in October 18 who agreed that the recommended actions gave sufficient assurance to ensure the Local Growth Fund (LGF) Programme was effectively managed.
Ensuring appropriate oversight and visibility of the South Yorkshire Transport Capital Programme to provide assurance that funding is utilised in a way that fully supports the ambitions of the City Region.	Monitoring and reporting to the MCA on the overall SY transport capital programme has been undertaken on a quarterly basis. The arrangements have also been subject to review by internal audit. The findings have concluded that the MCA require stronger internal controls over this funding. This action is included in the governance improvement plan for 19/20.
Information Governance & Decision Making Ensuring data is used effectively to create robust, meaningful information/evidence to inform priorities and courses of action and to underpin decision	Further to the agreement by the LEP Board to commence the refresh of the SEP and to develop a Local Industrial Strategy, objective evidence, consultancy research and in-depth analysis undertaken in house has been used to develop priorities and actions within the SEP and SCR LIS along with a framework that to help understand progress against the strategy.

making.	
Ensuring the performance of the organisation is measured appropriately so that the impact and effectiveness of courses of action are understood.	A number of activities have been undertaken during the year as part of the SEP development programme, to address the requirement to measure and understand the performance of the organisation, and the impact and effectiveness of our actions and activity, these include: the development a LEP Delivery Plan that sets out the key deliverables for the SCR LEP programme; the development of KPIs that support the organisation in telling the story of the impact of investments and interventions made; progressing work on developing personal objectives for all team members and; formalising the monitoring of the Mayoral Manifesto Implementation Plan and identifying activity that is mutually beneficial in terms of delivering SCR core strategic objectives.
Ensuring information assets (including any personal data) are managed appropriately and meet the requirements of relevant legislation or regulation.	The policies and processes developed to ensure GDPR requirements were met by 25th May 2018 and have been implemented. An internal audit and a self-assessment of opportunities to strengthen practices has been undertaken. The audit report and the assessment, will inform the 19/20 action plan to ensure continued GDPR compliance.
Ensuring that the MCA Group works efficiently and effectively and that the decision-making structure is fit for purpose.	The independent, formal review of the operations of the Group that took place in 17/18, identified a number of changes which would provide efficiencies and improve effectiveness. During 18/19 the recommendations of this review and also of the LEP Review Implementation plan, have begun to be implemented, most significantly the MCA becoming an employing body.

In December new governance arrangements for sub-boards were agreed. These boards, operational from 1st April 2019 have delegated decision making. The Constitution has been updated to reflect this. |
Asset Management Ensuring we have the information we need to manage the Groups assets including understanding where liabilities lie and developing a plan for any future acquisitions or divestment mapped against strategic ambitions.	The first phase of a detailed review of MCA assets was completed in November 2018. This included a mapping exercise to collate information on all assets owned by the MCA group and a review of existing systems and processes across the MCA Group to manage the asset portfolio. Phase 2 has included data collect and condition surveys, options appraisals and revaluations. The MCA Group will use the information to develop the MCA Group Strategic Asset Management Plan to inform future financial management.
Governance Area - Delivery	
Focus for 18/19	**Progress made in year**
Achieving Outcomes Ensure the appropriate support and advice is given to assist the process for agreeing the 2015 devolution deal.	Detailed discussions with government and the South Yorkshire Local Authority Leaders have continued to seek a way forward on the 2015 deal.
Ensuring the Mayoral Manifesto is implemented through the effective deployment of resources available and can be delivered alongside and integrated with Strategic Economic Plan priorities.	SCR has succeeded in receiving additional funds via the Government Mayoral Capacity Fund, to support the core operations of the Mayor's Office and other Mayoral priorities. Alignment of activity which mutually supports the SEP and Mayoral Manifesto has taken place e.g. Mayors Vision for Transport.

Ensuring the Local Industrial Strategy is informed by the integrated LEP and Mayoral policies and priorities that deliver the ambitions of the City Region.	SCR are in the third wave of areas to progress the development of the Local Industrial Strategy, and a timeline has been developed that will see a revised SEP and LIS produced within 2019/2020.

7. Governance issues during 2018/19

The review of the MCA's governance, risk and internal control measures led by Statutory Officers in 2018/19 has concluded that arrangements to deliver SCR's programme of work efficiently and effectively, have matured significantly and are embedded. This review, and other governance review activity undertaken during 2018/19, 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 is disagreement 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. In the absence of this funding and as a result of the potential loss of c£2m funding in 2019/20 existing resources will require restructuring in order to meet future challenges. The Mayor and Leaders, supported by the Executive team, continue to work together, and with government, to reach a position where devolution can be unlocked.

Whilst SCR has a clear strategic vision articulated through the SEP it isn't based on up to date evidence.

SCR's policy needs to be founded upon robust, up-to-date and independent evidence. Further to a decision taken by the LEP Board in September 2018, work to refresh SCR's evidence base recommenced in January 2019. A new Strategic Plan and Local Industrial Strategy will be launched by the end of the year.

There is a lack of assurance around the effectiveness of the governance arrangements for SCR's Transport Capital Programme.

The MCA require stronger internal controls over this funding in order to ensure that funding is spent in line with SCR's priorities.

SCR's appraisal process needed to be strengthened to provide sufficient assurance that decisions delegated through new governance arrangements would be based on expert, impartial advice.

At the request of Leaders, SCR Officers conducted a review of the current arrangements and, building on the strengthens of existing arrangements have agreed an enhanced approach which will be implemented during 2019/20.

The Governance Improvement Plan at section 8 identifies the actions during 2019/20 to address these issues.

8. Governance improvement plan 2019/20

In addition to the issues acknowledged in section 7, SCR has a clear understanding of the key areas of focus for strengthening governance in 2019/20 these include:

Table 4: Areas of focus for 2019/20

Governance Area	Focus for 19/20
Strategic	
Strategy Led Prioritisation	• Develop a refreshed Strategic Economic Plan and Local Industrial Strategy and identify innovative interventions that deliver the Region's ambitions. • 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.
Reputation & Influence	• Effectively communicate SCR's refreshed strategic ambitions securing stakeholder support and buy-in and successfully make our case for future funding.
Operational	
Financial Planning	• Develop and agree a Medium Term Financial Strategy and Reserves Strategy that support longer term ambitions and short term operational performance. • Undertake a full review of the governance arrangements of the Transport Capital Programme.
Monitoring & Evaluation	• 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.
Assurance Processes	• Embed the agreed arrangements to strengthen processes for the appraisal and assurance of schemes.
Delivery	
Programme Management	• Ensure the orderly conclusion of the LGF Programme during 19/20 and 20/21 • Further to the development and agreement of the refreshed Strategic Economic Plan, develop effective programmes to deliver new priorities. • Secure successor funding to continue with SCR's programme or work at pace and avoid disjointed delivery.
Organisational Capability	• Ensure the organisation has the capability and capacity to transition from programme delivery into a bidding cycle. • Ensure organisational vision and challenges are understood by workforce. • Identify training and development requirements.

9.   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 and 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, SCR MCA has had in place satisfactory systems of internal control which facilitate the effective exercise of the MCA's functions.

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

1. The Governance Framework

The governance framework evidences the systems, processes and the culture by which the Mayoral Combined Authority (MCA) directs and controls its activities to deliver the Sheffield City Region's (SCR's) intended outcomes. These are mapped against the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives (SOLACE) Framework *Delivering Good Governance in Local Government 2016.* These principles underpin the governance of the organisation and provide a framework against which to structure SCR's approach to governance. SCR's commitment to these principles is outlined in its Code of Corporate Governance.

The MCA, in delivering the Accountable Body function for the Local Enterprise Partnership (LEP), is obliged to consider the requirements of the National Assurance Framework in processes related to the delivery of the Local Growth Fund (LGF) programme.

2. Governance arrangements: their effectiveness

The scope of the governance and internal control framework spans the whole of SCR's activities and is described in the Code of Corporate Governance. The Constitution and policies of both the MCA and the LEP set out the requirement that the business of SCR is conducted in accordance with the [1]Nolan Principles. The following section considers the main components of the framework, their effectiveness during 2018/19, describes any improvements made in year and how SCR intends to strengthen arrangements into 2019/20.

2.1 Developing, communicating and embedding codes of conduct which define standards of behaviour for members and staff, and for policies dealing with whistleblowing and conflicts of interest.

The MCA Constitution

The Constitution defines the operating principles of the MCA and embraces a suite of policies including a Code of Conduct, which define the standards of behaviours for members and employees. Other Constitutional policies and procedures include:

- **Whistleblowing Policy** – this policy sets out the protocols to be followed in relation to any allegations of misconduct. The policy states that any allegations should be directed to the MCA's Monitoring Officer and that where a complaint cannot be resolved locally, and the matter relates to the use of public money, the issue can be escalated to a relevant Government department.

- **Gift and Hospitality Procedures**

- **Register and Declaration of Interest** – each member of the MCA is required to make a declaration of interest, pecuniary and non-pecuniary, for the purposes of their individual organisations. Registers are updated as necessary and reviewed annually, are available on the SCR website and compliant with the requirements of the Localism Act 2011. Members are also required to declare any interests they may have in any agenda items at meetings. Any interests are recorded in the minutes and published on the website after the meeting. Where a member declares and interest, clear protocols exist within the Constitution to ensure that members do not participate in any decision making related to that interest.

- **Financial Regulations** which include Anti Bribery, Fraud and Money Laundering procedures.

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

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[1] Selflessness, integrity, objectivity, accountability, openness, honesty, leadership

The SCR LEP

The SCR LEP policies have been revised and amended in year to ensure they are aligned to Government guidance. The reviewed policies were approved by the LEP Board at its meeting 20th May 2019 and are available on the SCR website. The LEP suite of policies include:

- **Code of Conduct** – it is a condition of appointment that all LEP Board Members adhere to the LEP Code of Conduct. This has been developed in accordance with the Nolan principles.

- **Terms of reference** – these set out the role and purpose of the Board and how it will operate to fulfil its role.

- **Declaration of gifts and hospitality** – this policy is aligned with existing local authority standards and Government guidance.

- **Whistleblowing and confidential complaints** – these polices set out the process by which individuals can whistleblow and raise confidential complaints about the work of, and decisions made, by the LEP. These policies are published on the SCR website and based on Government templates.

- **Register and declaration of interests** – each member of the LEP is required to declare and register any interest, pecuniary and non-pecuniary. These registers must be updated and published within 28 days of a change in a Members interest, all Members registers are available on the SCR website. Members are also required to declare any interests they may have in any agenda items at meetings. Any interests are recorded in the minutes and published on the website after the meeting. Where a member declares and interest, clear protocols exist to ensure that members do not participate in any decision making related to that interest. The National Guidance for LEPs requires that protocols for conflicts and declaration of interests for members extends to any officers advising on decision making and therefore senior officers of the SCR Executive team are also required to complete Registers of Interest.

- **Diversity and equalities** – this policy that sets out the LEP's commitment to promoting diversity, including through recruitment processes and other activities. The LEP is also required to nominate one of its members as an Equality and Diversity Champion and publicise this on the SCR website.

- **Gifts and hospitality** – identifies the LEP's policy on accepting gifts and hospitality offered as a result of being LEP Board member.

- **Expenses** – eligible claimable items and associated amounts are set out within this policy. LEP expenses claims are published on the SCR website.

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

The MCA's **Financial Regulations** determine how money can be spent and ensure that expenditure is lawful.

Contract Procurement Rules are in place and are aligned to Public Contracts Regulations 2015. These rules ensure that procurement processes are robust and designed to minimise risk.

An **Anti-Money-Laundering Policy** is also in place and the Deputy Finance Director is appointed as the 'Money-Laundering Reporting Officer' and has undertaken specific training during the year regarding this role.

A **Freedom of Information Publication Scheme** and related Guide to Information is published on the SCR website along with Data Protection and Privacy Notice compliant with Data Protection Act 2018 and General Data Protection Regulation.

Statutory Officers monitor the arrangements in place to ensure compliant and proportionate information governance though its **strategic risk management** processes.

All schemes seeking SCR funding are tested for **State Aid compliance** prior to being submitted to the MCA for a funding decision. The responsibility for obtaining a legal opinion formally resides with the Scheme Promotor however, this is tested prior to a legal opinion being provided to the MCA.

Freedom of Information Act 2000 and information law compliancy is co-ordinated by the SCR Governance Team and assured by the legal team and Statutory Officers.

During 2018, the SCR ran a Mayoral Election compliant with relevant legislation and within the agreed budget.

2.3 Demonstration of SCR's commitment to openness and acting in the public interest.

Unless there are good reasons to exclude the press and public, MCA meetings are held in public. In order to make meetings more accessible to the public, SCR has reconfigured the ground floor of its office at Broad Street West, Sheffield. This location is accessible by public transport and the facilities are Disability Discrimination Act 2010 compliant. All public meetings held at Broad Street West from the 1st April 2019 are webcast.

All agendas and reports for the MCA and its statutory committees are published online, in accordance with statutory access to information requirements. The paper publication approach is replicated for the LEP Board. New governance arrangements agreed by the MCA in December 2018, and the LEP in January 2019, created five thematic boards who have delegated authority to make investment decisions up to £2m. Agendas, papers and minutes for these meetings are also available on the SCR website.

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

SCR's Assurance Framework is reviewed annually to ensure compliance with any revisions to the National Assurance Framework requirements. This Framework, which is published on the SCR website, sets out how SCR will use public money responsibly and outlines the processes for ensuring openness and accountability for public funds.

All schemes seeking funding are independently appraised and objectively considered by the SCR Appraisal Panel. The Panel establishes whether the proposed scheme can be considered 'value for money' and produces a 'value for money statement' This statement forms part of the papers presented to the SCR MCA, and published on the SCR website, when seeking an investment decision. The statement is also published once approval has been granted.

Scheme Promotors are required to publish their business cases on their own websites to enable comments to be made. During 2018/19, the SCR Executive have also begun to publish the Business Cases to ensure consistency and provide opportunity for feedback from the public.

A 'LEP Governance and Transparency Policy Framework', which includes protocols regarding conflicts of interest and gifts and hospitality, and is aligned to Government guidance, is in place and is available on the SCR website.

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

Key documents and information are made accessible to SCR communities and stakeholders through the SCR website. Modern.gov, a meetings management system designed to help deliver good governance

and ensure transparency, has also been installed and integrated into SCR the website. This system has been introduced to ensure information that supports, and reports on SCR decision making, is accessible.

SCR has in place a communications and marketing strategy which sets out a number of actions to ensure effective engagement with communities, businesses, stakeholders and partners. This strategy, which involves communicating through several channels including social media, digital media, the press and a programme of events, has been refreshed in the context of a Mayoral Combined Authority, and is regularly updated.

Engagement with members of the public through the media has also grown. In 2018/19 the SCR issued 118 press releases, 253 newsletters and 84 press statements, resulting in 7,288 pieces of media coverage across online media, newspapers, magazines and specialist/trade media.

Statistics show significant and consistent growth across all the social media platforms used by the SCR, including Facebook, Twitter, Instagram and LinkedIn. In the 2018/19 financial year, the SCR gained more than 12 million impressions across 12 active social media accounts. The main SCR Twitter account remains the MCA's most active channel, with impressions in 2018/19 up more than 400,000 (19%) on the previous year. The number of followers on LinkedIn also doubled in the last year, indicating a growing engagement with the business community.

The SCR Executive, LEP and MCA also engage with partners through a range of Boards, Forums and events including, but not limited to, Executive Boards, Executive Directors Forums, Directors of Finance Groups and Business Membership meetings. This engagement provides clear channels of communication with local authority partners on a range of issues including economic performance, devolution, the LGF programme, transport strategy and priorities. Each forum is designed to ensure appropriate consultation and challenge.

During 2018/19 the Mayor, in order to deliver on his manifesto commitments and progress the ambitions of SCR, has engaged with stakeholders and the community on a number of key issues, including homelessness, active travel and the transport priorities for Sheffield City Region up to 2040. In addition, the Mayor has established a Youth Mayoral Combined Authority which provides a voice for young people across the SCR, providing opportunities for influencing and informing regional decision that affect young people's lives.

2.5 Developing and communicating SCR's vision which specifies intended outcomes for citizens and service users and is used as a basis for planning.

SCR's vision is contained within the 10-year Strategic Economic Plan (SEP) The SEP, which was approved in 2014, is a formal statement that captures the ambition, vision and strategic priorities of SCR.

In 2017 SCR's economic evidence base was updated and work with partners on refreshing the SEP commenced however, this work was paused pending the Mayoral election in May 2018. This issue is acknowledged at section 7.

The LEP Board, who lead on the development of the SEP, agreed at their meeting in September 2018 to kickstart the SEP development process. Work commenced in January 2019. The new SEP will reflect the latest evidence on the performance of the economy and will respond to the changed context in the wider UK economy. Alongside the SEP a "Local Industrial Strategy" (LIS) is being developed, led by the Mayor working in collaboration with the LEP. A Delivery Plan for the SEP and LIS will also be developed and performance against these reported on publicly. The development of the SEP and LIS, to ensure SCR's policy is founded upon robust, up-to-date and independent evidence, is a key focus for 2019/20 and is included in the Governance Improvement Plan.

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

SCR's current Strategic Economic Plan (SEP) articulates the need for a bigger, stronger private sector in order for SCR achieve economic growth. The Plan describes the strategic objectives required to deliver this and translates these into thematic priorities. The LGF programme and is directly linked to delivery of each of the SEP themes.

The Programme Commissioning directorate within the SCR Executive are responsible for the development of project and programmes, at scale, some of which are directly delivered by the SCR Executive however, the majority involve externally commissioned activity which is delivered by partners and outside agencies. Proposed projects and programmes are evaluated to ensure they contribute towards the SEP's economic objectives and to establish that they are good value for money. Once validated the Executive Team enters into contract with scheme promotors, coordinates activity in the programme and reports on performance. Remedial action is agreed by the LEP and MCA to improve delivery where necessary.

LGF funding ends in 2020/21 and a key focus for 2019/20 is to ensure the orderly conclusion of the LGF Programme over the remaining two years and to use the refreshed SEP to secure successor funding to continue with SCR's programme of work and avoid disjointed delivery. This is reflected in the 2019/20 Governance Improvement Plan.

2.7   Ensuring SCR's decision-making framework is effective, including delegation arrangements, decision-making in partnerships, information provided to decision makers and robustness of data quality.

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

SCR has robust processes in place for strategic decisions and prioritising investments. Evidence from various sources is considered including; economic analysis, the 2019 Transport Strategy and insights from the LIS process as well as other local and national intelligence.

SCR bases the Capital Programme decisions it makes on objective and robust information. Schemes are considered following an analysis of strategic alignment, options appraisal, potential impact and risk assessment to ensure any investment will deliver the outcomes required by the SEP and represent good value for money. This assurance process is mirrored for the elements of the LGF which until 31st March 2019, have operated under a scheme of delegation - namely the Business Investment Fund and the Housing Fund.

During 2018/19 SCR's Assurance Team developed new and updated existing appraisal models and tools used to inform decision making. These have been reviewed by the relevant governing bodies to ensure they would successfully inform sound judgements and decision making. This has reduced reliance on external consultants during the assurance process and ensured greater consistency of approach. In particular, the new strategic transport model, will allow SCR to appraise large schemes and secure the funding required to transform SCR's transport infrastructure in order to achieve SCR's economic objectives.

The Assurance Framework requires SCR to communicate clearly with partners through publication of any programme commissioning the decision-making criteria that will be used. This was evidenced in 2017/18 through the communication of criteria for the deployment of Skills Capital Fund, the Housing Fund and an open call for Expressions of Interest (EOIs) for acceptance onto a reserve pipeline of schemes funded by LGF. In 2018/19, a further Skills Capital Fund call was published. This was communicated to all partners and the requisite support was provided to aid project development.

Governance review activity in year has established that effectiveness of the governance arrangements for SCR's Transport Capital Programme need to be strengthened to ensure that funding is spent in line with

SCR's priorities. This issue is acknowledged at section 7 and included in the Governance Improvement Plan for 2019/20.

2.8   Measuring the performance of services and related projects and ensuring that they are delivered in accordance with defined outcomes and that they represent the best use of resources and value for money.

The Assurance Framework includes a comprehensive monitoring and evaluation framework for schemes which is designed to provide robust feedback on any lessons learned from individual projects and monitor and measure the success of LGF investments.

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

In response to National Assurance Framework guidance SCR's monitoring and evaluation framework will be reviewed during 2019/20 in order to strengthen project and programme evaluation and to strengthen future decision making. This is included in the Governance Improvement Plan for 2019/20.

New controls introduced during the year have maximised LGF spend meaning that 100% of the 2018/19 allocation has been invested. The review that led to these controls is referenced at section 4 of the Annual Governance Statement.

2.9   Defining and documenting the roles and responsibilities of members and management, with clear protocols for effective communication in respect of the MCA and partnership arrangements.

The broader context for the MCA's governance and internal control environment is provided by the Constitution (see section 2.1) which gives comprehensive information on how the MCA is organised, its decision-making processes, how its authority is delegated through its Scheme of Delegation, and how probity and due process are promoted.

2.10   Ensuring that financial management arrangements conform with the governance requirements of the CIPFA Statement on the role of the Chief Financial Officer in Local Government (2015) and, where they do not, explain why and how they deliver the same impact.

The MCA's Chief Finance Officer (CFO) is a Statutory Officer (Section 73) of the MCA and operates in line with the CIPFA Statement on the Role of the CFO (2015). The CFO is also actively involved in, and able to bring influence to bear on all material decisions to ensure that immediate and longer-term implications, opportunities and risks are fully considered. The CFO leads on the promotion and delivery of good financial management, which aims to ensure that public money is safeguarded and used in an appropriate, economic and effective manner.

To deliver these responsibilities, the CFO leads and directs the finance function to ensure it is resourced in such a way as to be fit for purpose and that staff are professionally qualified and suitably experienced.

SCR LEP has a close working relationship with the CFO and the Finance Team. This relationship provides a strong framework for managing LEP finances, including a role in ensuring propriety and regularity of spend. The CFO or their representative attends as an advisor on all decision-making boards as well as the Overview and Scrutiny Committee and Audit and Standards Committees.

The CFO's deputy is embedded in the SCR Executive Team and is therefore positioned to ensure financial risks and issues are managed on an operational level. The deputy also has overview and provides advice to projects and the programme in general. In addition, the deputy, until 31st March 2019,

had a delegation for approving project applications under £2m from the Business Investment Fund and Housing Fund. This delegation was agreed to ensure timely decision making.

2.11   Ensuring effective arrangements are in place for the discharge of the Monitoring Officer function and the Head of Paid Service function.

The MCA Constitution outlines functions and delegated responsibilities of the statutory officers, namely the Head of Paid Service (Chief Executive), the Chief Finance Officer and the Monitoring Officer. The Statutory Officer Group meets regularly and focusses on the specific statutory nature and responsibilities of their roles and the authorities delegated to them through the Scheme of Delegation. The Monitoring Officer and the Head of Paid Service have direct access to the Chair of the MCA and LEP with reference to their core statutory and professional roles.

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

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

Scrutiny Induction and workshop - An Overview & Scrutiny Committee toolkit is in place and ensures a consistent approach to scrutiny is taken by members and officers. This toolkit is used to structure the induction of new OSC members and is available to current members to support them in their strategic role. Workshops have taken place during the year to further enhance members skills and to establish the approach to scrutiny within a Mayoral Combined Authority.

LEP Induction - A formal programme of induction is in place for new LEP Board Members which covers the role and purpose of the LEP, economic performance and the opportunities and challenges facing the City Region, the Strategic Economic Plan, corporate affairs and governance. This is followed up by a 6-monthly review with the SCR Chief Executive and LEP Chair to identify any additional support or development.

SCR Executive - All team members have a corporate induction which covers statutory matters including health and safety at work, IT compliance and HR matters. In addition, organisational specific induction modules, such as the MCA and LEP governance, financial systems, programme management approach are also delivered to new team members. A suite of comprehensive online training resources are also available. During 2018 work has commenced to ensure all SCR Executive Team Members have clear, documented objectives and a personalised training record.

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

The MCA approach to Risk Management is embedded in working practices and Risk Management Action Plans, covering areas of strategic and operational significance, are in place and managed by Statutory Officers.

SCR's Risk Policy and Process are reviewed annually in conjunction with the Audit and Standards Committee and Risk Management Action Plans are reviewed and a statement of assurance provided to the Audit and Standards Committee by the Risk Owner on a regular basis.

The SCR Assurance Framework includes a comprehensive issue and risk management approach developed in accordance with the Green Book guidance and project management methodology. Project/scheme risks are recorded and managed by individual scheme promoters. Risks are referenced in the Business Case, appraised as part of the assurance process and are part of the scheme monitoring approach in the project delivery phase.

In relation to LGF investments, programmes of work are monitored throughout their lifespan. The Finance Team, who are embedded in the SCR Executive Team, work with the Programme Management Team to understand the overall scale of investment and the conditionality of constituent components of the funding. This ensures that there is ongoing assessment of the effectiveness of each type of investment in line with the expectation of funding providers.

2.14 Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).

The MCA Constitution includes a Fraud Response Plan, Whistleblowing Policy, Anti-Money-Laundering and Anti-fraud and Bribery Policy, which provides direction and guidance for dealing with suspected cases of theft, fraud and corruption. It also gives direction on reporting matters of concern.

Partners and all other stakeholders are expected to have strong anti-fraud and corruption measures in place. In the case of any investigation they are required to provide the MCA with full access to their financial records and staff. Agreements or contracts include these conditions, and appropriate due diligence is undertaken before entering into any agreement.

2.15 Ensuring an effective scrutiny function is in place.

The MCA has an established SCR Overview and Scrutiny Committee to exercise scrutiny functions over its activities and decisions (and those of formal committees and the LEP). This comprises 14 members and has a political balance. Each local authority appoints at least one elected member to the Overview and Scrutiny Committee – often this is the chair of each authority's own overarching scrutiny committee.

The MCA has a dedicated Scrutiny Officer which ensures the function of scrutiny within the organisation is effective and compliant with the 2017 Order. The Committee produces an Annual Report which is made available on the SCR website.

2.16 Ensuring that assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact.

Until 31st March 2019 the Internal Audit function for the MCA was provided by BMBC. This service has been re-procured, via an open tender process, for 2019-22 and Grant Thornton appointed.

The principles within the CIPFA Statement on the role of the HoIA in Local Government are embedded in the MCA's arrangements and Internal Audit providers are fully compliant with Public Sector Internal Audit Standards (PSIAS). The Head of Internal Audit (HoIA) role recognised as important in assisting SCR in delivering its strategic objectives.

The HoIA agrees the annual Internal Audit Plan with Statutory Officers and the Audit and Standards Committee and ensures that internal audit service is appropriately resourced, fit for purpose, professionally qualified and suitably experienced.

2.17 Ensuring the core functions of an audit committee, as identified in Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2013) are undertaken.

SCR has an established Audit and Standards Committee in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance. The Committee, chaired by an elected member, comprises 16 members, two of whom are independent and is responsible for providing independent assurance to SCR on the adequacy and effectiveness of the governance and internal control framework, which incorporates the arrangements relating to financial, risk and performance management. The Audit and Standards Committee terms of reference have been reviewed in year and a work plan is in place ensure the Committee is able to fulfil its remit.

Ernst and Young, who are appointed as external auditors for 18/19, also attend Audit and Standards Committee meetings. This process is in keeping with arrangements in place for a local authority. As the Accountable Body for all funds awarded to the LEP, the Audit and Standards Committee covers the requirements for both the LEP and the MCA.

The Committee receives regular reports relating to its remit, including issues arising from the work of Internal Audit, updates on the progress of implementing recommendations that have been made, updates on the risk management process, financial management reports, and reports from the external auditors.

As part of its governance remit, the Audit and Standards Committee have considered this AGS and, have provided challenge and comments where necessary. In addition, the Committee will monitor the progress of the Governance Improvement Plan developed as a result of the governance review process.

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

The Statutory Officers of the MCA maintain working relationships with the external auditors throughout the year to ensure that the auditors remain informed of changes to the MCA's business and processes. Officers collaborate with the external auditors on the annual audit plan, conduct a self-assessment review and liaise on any external audit recommendations and the management actions taken to affect them. External auditors are embedded within the organisations oversight functions through their attendance at the MCA's Audit and Standards Committee. All audit reports include management mitigation plans with named responsible officers, and these are followed up by both internal and external audit. Section 5 of this report provides an update against the external audit recommendations made in 2017/18 and those outstanding from 2016/17.

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

The Constitution determines how the MCA interacts with its subsidiary (SYPTE) and the financial regulations determine the limitations of their autonomy in relation to expenditure. The MCA's operating subsidiaries have also adopted Articles of Association that limit their operational independence, this effectively imposes MCA governance on them.

More broadly, the scale of ambition of SCR's Strategic Economic Plan (SEP) means that neither the LEP nor the MCA can deliver this alone. Collaboration and a true partnership approach has been a cornerstone of the SCR LEP and MCA achievements to date. This is not collaboration for its own sake, instead it is a focused programme of engagement which has been designed to accelerate the delivery of the SEP and harness the region's latent potential so that SCR can play a full role in the Northern Powerhouse. Examples of this include engagement with Transport for the North on their Strategic Transport Plan, the Department for International Trade on trade missions and, the Department for Work and Pensions on the Work and Health Unit trial 'Working Win'.

3.   Monitoring and evaluating the effectiveness of the governance framework

The MCA has responsibility for conducting a review of the effectiveness of its governance framework, including systems of internal control and risk management arrangements. The review of effectiveness is informed by the work of Statutory Officers who have responsibility for the development and maintenance of the governance environment, and are responsible for ensuring compliance with, as well as improvement against the governance, risk and internal control framework.

The MCA's review is also informed by the HoIA's annual report and also by comments made by external auditors and other regulators or inspectorates. The HoIA is responsible for providing assurances on the robustness of the MCA's internal control arrangements to the Audit & Standards Committee. The Head of Internal Audit's annual report on audit activity and the performance of the Internal Audit division was presented to the Audit Committee on 13th June 2019. Based on the systems reviewed and reported on by Internal Audit during the year, together with management's response to issues raised, the HoIA has provided an overall **adequate** (positive) assurance opinion for 2018/19.