

Code of Corporate Governance

Document Properties

Change Record

Version	Revision	Author	Description	Date
2	0	C James	Annual Review	March 2019
2	1	C James	Amends further to feedback from SOG.	April 2019

Document Approval

Approving Body or Person	Role (review, approve)	Date
Audit Committee	Review and endorse	18 th April 2019
MCA	Approved	3 rd June 2019

1. Introduction

What is Corporate Governance?

'Corporate governance' describes how the Sheffield City Region (SCR) Mayoral Combined Authority (the MCA) directs and controls what it is accountable for. In order to fulfil its purpose and deliver better outcomes for City Region residents, businesses and visitors, the SCR MCA, working closely with the SCR Local Enterprise Partnership (LEP), needs to have a comprehensive governance and accountability framework in place to ensure it operates effectively, efficiently and ethically.

To demonstrate good corporate governance, the MCA and the LEP should carry out their functions in a way that demonstrates accountability, transparency, effectiveness, integrity, and inclusivity. Good governance will enable SCR to pursue its vision and secure its agreed objectives in the most effective and efficient manner.

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

Governance Principles

The systems and processes, and the culture nurtured to deliver the SCR's intended outcomes 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.

The Purpose of the Code

This Code is a public statement that sets out the way in which SCR will fulfil these principles in practice and demonstrate its commitment to good governance. The business of the SCR will also be conducted in accordance with the Seven Principles of Public Life identified in The Nolan Committee Report (1995)¹ and in accordance with the Cabinet Office Code of Conduct for Board Members of Public Bodies.

This Code fulfils three purposes:

- It sets out what corporate governance is in an MCA and LEP context
- It describes the recommended framework and detail to be followed
- It provides a statement of the principles of good corporate governance, and SCR's commitment to adopt and follow best practice, how it intends to do this, and demonstrate it.

The Code will be reviewed annually to ensure it continues to be relevant and fit for purpose. The effectiveness of SCR's governance arrangements and internal control systems will also be reviewed annually and the review outcomes published in an Annual Governance Statement (AGS). The AGS will describe the governance structures and arrangements in place and will report on their effectiveness, including performance against the Code. It will also highlight any significant areas for improvement and identify actions to be taken to address them in the forthcoming year.

Legislative Background

Whilst there is no specific duty for a Mayoral Combined Authority to prepare a local code of corporate governance, changes in Regulation 4(3) of the Accounts and Audit Regulations 2011 have placed a statutory duty on authorities to prepare an Annual Governance Statement (AGS) in accordance with 'proper practices'.

¹ selflessness; integrity; objectivity; accountability; openness; honesty; and leadership.

2. Role, & Structure of Sheffield City Region Mayoral Combined Authority & Local Enterprise Partnership

Role and Structure

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 comprises a private sector majority and the the nine leaders of the member local authorities plus the Mayor of Sheffield City Region. The LEP works in partnership with the MCA and ensures that SCR policy and decisions receive the input and views of key business leaders and the wider business community. The LEP is the originator of economic policy within SCR and is author and custodian of the Strategic Economic Plan (SEP).

MCA

The Combined Authority was established on the 1st April 2014 and following the election on the 3rd May 2018 became a Mayoral Combined Authority (MCA). Working closely with the LEP, the primary remit of the MCA is to provide strategic direction for SCR, and to coordinate and drive forward economic development and transport initiatives for the benefit of citizens and the business community within its boundaries. The MCA is the accountable body for funds awarded to the LEP.

The SCR MCA comprises the Mayor, plus the Leaders and Elected Mayor (Doncaster) of each of the nine councils which constitute the body. The MCA has a number of supporting committees which provide the expected degree of scrutiny and challenge in formulating policy and driving key strategic decision-making. The MCA comprises nine local authorities that collectively reflect the natural and economic geography of SCR. Between these partner authorities there has been a long-standing approach to collaborative working.

The MCA has a distinct and separate role from the local authorities it is comprised of, in that it provides leadership on those aspects that define the region, enables a regional identity and performs the strategy, policy, programme and assurance of SCR.

The MCA constitution and operating arrangements, approved by all nine member bodies, have been in place since April 2014, were reviewed in 2018 in preparation for a Mayoral Combined Authority and have undergone a further review in 2019 to reflect new governance arrangements agreed by the MCA. 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 an Audit and Standards committee function.

The Scheme of Delegation provides for the day to day management and oversight of services provided by the MCA. These include the responsibilities of the Head of Paid Service, Clerk, Finance Director and Monitoring Officer. Five thematic 'Boards' (Business Growth, Skills, Transport, Housing and Infrastructure) are have been established to support decision making and delivery. The purpose of the Thematic Boards is to provide adequate experienced leadership capacity to review projects and make investment decisions. These Boards bring together the public and private leadership of the MCA and LEP to drive the delivery of the SCR's programme of activity, ensuring that the focus remains on the outcomes being delivered. Each Thematic Board has a delegated authority to approve projects with a value of less than £2 million.

Collectively

The SCR's objective, working in tandem with central Government, is to grow the economy of the SCR noting that to do so requires greater devolution of funding, resources and functions to the City Region.

Executive Team

The MCA and LEP are supported by a dedicated Sheffield City Region Executive Team, who provide day-to-day support on policy, commissioning, project development, project appraisal, programme management

and meeting administration. Through close co-ordination with the Mayoral Office, member authorities, Leaders and Chief Executives, the team pro-actively advances decision making processes for SCR. Up to 31st March 2019 neither the MCA or LEP directly employed the Executive Team; therefore until 1st April 2019 the Executive Team was employed via Barnsley Metropolitan Borough Council. From the 1st April, the MCA became the employing body for the Executive Team.

3. Delivering Good Governance – The Principles

The systems and processes, and the culture nurtured to deliver the SCR's intended outcomes 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***.

This Code of Corporate Governance (the Code) is a public statement based on the six core principles defined with in this. These principles (below) provide structure and underpin the organisation's approach to governance.

3.1 Good governance means ensuring Officers behave with integrity, demonstrate a strong commitment to ethical values and respect for the rule of the law

The SCR MCA reflects the values and high standards of conduct and behaviour of its constituent and non-constituent local authorities. These high standards are supported by Codes of Conduct for Members and Officers, which are incorporated into the SCR MCA Constitution, and set out the standards required of all members, co-opted members and officers in carrying out their duties. These Codes include, as a general obligation, that members must have regard to the Principles of Public Life as identified in the Nolan Committee Report (1995). Protocols in relation to the disclosing of interests at meetings and the registering of interests both pecuniary and non-pecuniary are also included in this section of the Constitution. These declarations are published on the website.

These Codes of Conduct will be reviewed annually at the Authority's Annual General Meeting.

The Constitution also describes the delegations to the Monitoring Officer in relation to their contribution to the promotion and maintenance of high standards of conduct.

The Overview and Scrutiny Committee and Audit and Standards Committee hold SCR to account and provide a 'check and balance' in relation to the discharge of duties.

The Constitution outlines the approach taken by the MCA in dealing with the threat of fraud and corruption as well as detailing a Fraud Response Plan. In addition, the MCA's commitment to openness, probity and accountability is also outlined in its Whistleblowing Policy. The Constitution also outlines the responsibilities of members to notify the Monitoring Officer regarding the receipt of gifts or hospitality.

The LEP have in place a Code of Conduct and Declarations of Interest Policy which sets out the standards which are required of members of the LEP in carrying out their duties, and in their relationships with the MCA and its officers. In line with the MCA, the Code of Conduct includes a general obligation that members must have regard to the Principles of Public Life as identified in the Nolan Committee Report (1995) and also to the Cabinet Office Code of Conduct for Board Members of Public Bodies. The Declarations of Interests Policy also sets out protocols in relation to the disclosing of interests at meetings and the registering of interests both pecuniary and non-pecuniary. The LEP also has in place a Confidential Complaints Process and a Whistleblowing Procedure.

SCR are committed to ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.

Standard contract clauses stating compliance with applicable laws relating to anti-bribery, anti-corruption, human rights, human trafficking and counter terrorism, information laws and environmental regulations are included in contracts with all external providers of services.

SCR will strive to attain and optimise the use of full powers available for the benefit of citizens, communities and other stakeholders.

3.2 Good governance means ensuring openness and comprehensive stakeholder engagement

The SCR MCA and LEP recognise that they have been established for the public good and should therefore ensure openness in their activities. The MCA and LEP therefore aim to ensure clear, trusted channels of communication are used to engage effectively with its stakeholders.

The MCA and LEP will do this by:

- Documenting and demonstrating SCR's commitment to openness through, but not limited to, the publishing of agendas and minutes and of Codes of Conduct and through publicly held MCA meetings
- Establishing clear channels of communication and effective engagement with all stakeholders, encouraging consultation and collaboration.
- Incorporating good governance arrangements into partnerships and other joint working.
- Ensuring public records and explanations to stakeholders include clear reasoning and evidence for decisions made.
- Consulting appropriately to determine effective interventions and courses of action.
- Providing clear justification regarding any information or decisions that require confidentiality.

Where appropriate the MCA and LEP will seek to:

Encourage, collect and evaluate the views and experiences of communities, citizens and service users and organisations of different backgrounds.

Implement effective feedback mechanisms in order to demonstrate how views have been taken into account.

Balance feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity

3.3 Good governance means outcomes are defined in terms of sustainable economic, social and environmental benefits

The SCR MCA and LEP recognise that the long-term nature and impact of its actions means that it is vital that it should plan and define its outcomes and that these should be sustainable. It also recognises that decisions made should further the organisation's purpose and contribute to intended benefits and outcomes.

In order to ensure this SCR MCA and LEP will:

- Have in place a formal statement, in the form of a Strategic Economic Plan (SEP) and Local Industrial Strategy that describes the vision for the City Region and sets out purpose and intended outcomes of the MCA and LEP.
- Identify and manage the risks to the achievement of outcomes.
- Appraise schemes seeking investment against a robust set of criteria that consider and balance the combined economic, social and environmental impact of policies and plans where appropriate.

3.4 Good governance means determining the interventions necessary to optimise the achievement of the intended outcomes

The SCR MCA and LEP are committed to ensuring robust decision-making mechanisms and processes are in place that enable decision-makers to be fully informed and confident that decisions made take into account the needs and ambitions of the City Region, and that defined outcomes can be achieved.

In order to achieve this, as accountable body, the SCR MCA will:

- Ensure decision makers receive timely, objective and robust information on which to base decisions along with an analysis of a variety of options and an outline of the risks involved.
- Ensure, as appropriate, that the views of stakeholders are considered in the decision making process.
- Establish and implement robust planning and control cycles for strategic and operational plans.
- Ensure decision making arrangements are robust but flexible enough to adapt to changing circumstances.
- Ensure commissioned schemes/investments made are measured against defined outcomes and that they represent the best use of resources and value for money.
- Ensure there is sufficient capacity/resource to generate the information required to review and monitor the performance of schemes/investments made.
- Use realistic estimates of revenue and capital expenditure to inform medium and long term resource planning in order to develop a sustainable funding strategy.
- Ensure the achievement of 'social value' through planning and commissioning.
- Engage with internal and external stakeholders in determining how courses of actions should be planned and delivered.

3.5 Good governance means developing the entity's capacity, including the capability of its leadership and the individuals within it

The SCR MCA and LEP are committed to ensuring it has an appropriate structure and leadership in place to operate effectively and efficiently whilst having the capacity to fulfil its mandate. It is also committed to continuing to develop organisational capacity in preparation for further phases of devolution.

In order to do this, as the accountable body, the SCR MCA will:

- Ensure Statutory Officers have the skills, resources and support necessary to effectively perform their roles in a changing environment.
- Provide effective inductions and identify and meet any further development needs of members and officers, in relation to their strategic roles, and provide training and opportunities to increase skills and knowledge as necessary.
- Ensure effective arrangements and delegations are in place in order for the Head of Paid Service to discharge their functions.
- Ensure a clear protocol exists to support a constructive working relationship between Members and Officers and seek to develop partnerships and collaboration where most value can be added.
- Define the types of decisions that are delegated and those reserved for the collective decision making of the MCA.
- Develop and maintain an effective workforce plan to enhance the strategic allocation of resources
- Take steps to consider leadership effectiveness and ensure leaders are open to constructive feedback from peer review and inspections
- Hold staff to account through regular performance reviews which take account of training or development needs
- Ensure arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing

3.6 Good governance means risks and performance are managed through robust internal control and strong public financial management

The SCR MCA and LEP recognise that effective performance management underpins the effective and efficient delivery of its intended outcomes and that risk management is a vital and integral part of this. As accountable body the MCA is committed to ensuring a strong system of financial management is in place in order to enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability. Underpinning this are a culture and structure encouraging scrutiny and challenge.

To achieve this, the SCR MCA:

- Has in place an effective and active Audit and Standards Committee, who are accountable to the MCA and, amongst other responsibilities, lead on ensuring the SCR MCA have robust risk management arrangements in place, and that these are evaluated regularly
- Will review the effectiveness of its decision-making framework, including delegation arrangements regularly.
- Will ensure risk management is considered in all aspects of decision making.
- Will ensure commissioned schemes/investments made are measured against defined outcomes and that they represent the best use of resources and value for money.
- Has in place effective scrutiny arrangements.
- Has in place robust arrangements for internal and external audit to provide assurance over the effectiveness of systems of internal control.
- Will ensure effective arrangements and delegations are in place in order for the Chief Financial Officer to discharge their functions.
- Has in place a properly resourced and skilled Finance team with embedded processes compliant with best practice.
- Will ensure compliance with relevant laws and regulations, internal policies and procedures and that all expenditure is lawful. Ensure effective arrangements are in place regarding data, including personal data
- Ensure financial management supports both long terms achievement of outcomes and short-term financial and operational performance

3.7 Good governance means good practices in transparency, reporting and audit to deliver effective accountability are implemented

The SCR MCA and LEP are committed to ensuring good practice in transparency, reporting and audit arrangements in order to deliver effective accountability.

In order to achieve this, as accountable body, the SCR MCA:

- Has in place robust arrangements for internal and external audit to provide assurances over the effectiveness of systems of internal control. (also in 3.6)
- Ensures that the Authority's Annual Accounts are reviewed by external auditors and that their opinion together with the final accounts are published and are available for inspection.
- Holds all MCA meetings in public, unless there are good reasons to exclude the press and public.
- Publishes all agendas and reports for the MCA and its associated committees online in accordance with statutory access to information requirements, ensuring they are presented in a fair, balanced and understandable style
- Ensure effective arrangements and delegations are in place in order for the Monitoring Officer to discharge their functions.
- Is committed to openness and transparency in all its activities subject only to where there is a need to preserve confidentiality.
- Will review the effectiveness of its decision making framework including delegation arrangements and data quality regularly. (also in 3.6)
- Will ensure effective counter fraud and anti-corruption arrangements are developed and maintained. Keeps its governance arrangements under review and has in place an action plan for improvements, including responding to recommendations made by external audit
- Welcomes peer challenge, reviews and inspections from regulatory bodies

4. Monitoring and review of governance

The SCR MCA and LEP recognise the importance of good governance in maintaining and enhancing stakeholder confidence. Each year the Authority publishes an Annual Governance Statement (AGS) together with the Authority's Annual Accounts. This statement is prepared following an internal review of governance arrangements and outlines actions identified to strengthen them.

The review is informed by the work of:

- The Statutory Officers within the Authority who have responsibility for the development and maintenance of the governance environment.
- Internal Auditor's annual report and opinion, and also by comments made by the external auditors and other review agencies and inspectorates.
- The Chief Financial Officer who has statutory responsibility for ensuring the proper management of SCR MCA's financial affairs.

The framework for evaluating the effectiveness of internal control includes:

- An evaluation of progress against previously identified governance issues
- Reviews of
 - External Audit's Opinion
 - Annual Internal audit report and opinion
 - Strategic Risk Management Action Plans
 - Issues identified through business planning and performance management
 - Complaints
 - Freedom of Information requests
 - Data Protection and Information Governance issues

The AGS is discussed by the Audit and Standards Committee and examined by External Auditors and approved by the Mayoral Combined Authority.