

Report to: Governance and Audit Committee

Date: 16 October 2023

Subject: **Corporate Governance Update**

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Is this a key decision?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Does the report contain confidential or exempt information or appendices?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1:	
Are there implications for equality and diversity?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

1. Purpose of this Report

- 1.1. To provide the Committee with an update on revisions made to the Code of Corporate Governance for comment and endorsement.
- 1.2. To provide the Committee with a draft of the Annual Governance Statement and Governance Improvement Plan for comment and endorsement.

2. Information

Revisions to the Code of Corporate Governance

- 2.1. At its last meeting on 24 July, Members considered a report which provided an update on a number of revisions made to the Code of Corporate Governance as a consequence of changes in organisational arrangements and in particular, the shift away from a 'process' based model towards an 'outcome/mission' based model.
- 2.2. Members endorsed the proposed revisions and noted that a further revised draft would be presented at this meeting. Members also requested that in presenting the revised Code, there should be linkages made to the relevant evidence to indicate how effectively the aims of the Code are being met.

- 2.3. The updated revised Code is attached at Appendix 1. Only minor changes have been made on this occasion to bring the Code up to date and these are shown as tracked changes for ease of reference. These relate primarily to governance changes brought about by the integration of the LEP Board into the Combined Authority.

Compliance with the Code

- 2.4. There are a number of means by which compliance with the Code are currently and can, going forward, be measured. These include:
- The Annual Governance Statement
 - The Compliance Dashboard
 - The Assurance Framework
 - Internal Audit
 - External Audit

The Annual Governance Statement

- 2.5. The purpose of the Annual Governance Statement (AGS) is to set out the results of the annual review of the effectiveness of the Authority's internal controls and governance arrangements. This is a statement produced pursuant to the Accounts and Audit (England) Regulations 2015 and both looks backwards over the previous financial year and forwards to the new financial year, highlighting any significant governance implications and areas for improvement set against the context of the Code. In other words, this is in effect the annual tracker of compliance with the Code itself.
- 2.6. CIPFA guidance advises that the AGS should be a meaningful but brief communication set at a high level, strategic and written in an open and readable style. The AGS also includes a Governance Improvement Plan (GIP) which highlights any identified governance issues.
- 2.7. The draft AGS for 2022/23 is attached as Appendix 2. This has been produced by officers who have carried out an assessment of compliance with the Code of Corporate Governance, and considering in particular areas of change and the effectiveness and robustness of governance arrangements in dealing with these. The AGS highlights a number of key changes which have taken place over the last financial year. These includes the exit of regional policing procurement arrangements, the integration of the LEP and changes arising from internal organisational restructure. However, from the work undertaken during the financial year 2022/23 and taking into account other sources of assurance, the Head of Internal Audit has reached the opinion that, overall, the Combined Authority's framework of control and governance is operating adequately.
- 2.8. The proposed Governance Improvement Plan for 2023/24 can be found at section 7 of the draft AGS. It highlights key areas of focus and activities which will help improve our governance arrangements. These areas of focus are officer decision making, risk management, compliance, transparency and policing and crime. It is proposed that these activities are monitored by this

Committee with regular reporting as to progress over the remainder of this financial year, recognising that a number of these activities may extend into 2024/25.

The Compliance Dashboard

- 2.9. The Compliance Dashboard which is under development with an early draft elsewhere on today's agenda will also provide a data driven tool for assessing compliance with the Code, enabling the Committee to focus its scrutiny on areas for improvement as appropriate.

The Assurance Framework

- 2.10. The Assurance Framework governing investment decisions is reviewed annually and requires an annual return to government.

Audit

- 2.11. Regular reports are provided to the Committee from Internal Audit with External Audit providing the required annual opinion on the Authority's financial statements and arrangements for securing value for money.

Next Steps

- 2.12. Subject to any changes proposed by the Committee to the draft Corporate Governance Code of Conduct, this will be considered by the Combined Authority at its next meeting on 7 December.
- 2.13. The draft AGS will be finalised for publication as part of the annual accounts in due course, and will be subject to external audit as part of the audit of the financial statements.

3. Tackling the Climate Emergency Implications

- 3.1. The Code of Corporate Governance is in place to ensure that the Combined Authority is able to meet corporate objectives, including in relation to the environment.

4. Inclusive Growth Implications

- 4.1. The Code of Corporate Governance has inclusion at the heart of its function and objectives, as set out in the Code's introductory statement: "... it is about 'how bodies ensure they do the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner'".

5. Equality and Diversity Implications

- 5.1. Equality, Diversity and Inclusion is embedded in the Code of Corporate Governance as a reflection of the organisations objectives and commitment to championing the region.

6. Financial Implications

6.1. There are no financial implications directly arising from this report.

7. Legal Implications

7.1. Failure to comply with the principles of good governance could ultimately lead to an external audit opinion qualification.

8. Staffing Implications

8.1. There are no staffing implications directly arising from this report.

9. External Consultees

9.1. No external consultations have been undertaken.

10. Recommendations

10.1. That Members consider and endorse the proposed revisions to the Code of Corporate Governance and recommend its approval to the Combined Authority.

10.2. That Members consider and endorse the draft Annual Governance Statement including the Governance Improvement Plan for publication in due course as part of the annual accounts.

11. Background Documents

There are no background documents referenced in this report.

12. Appendices

APPENDIX 1	Draft Corporate Governance Code of Conduct
APPENDIX 2	Draft Annual Governance Statement including the Governance Improvement Plan