



Leadership Board

Tuesday, 20th September 2016 at 2.00 pm

Meeting to be held in a Committee Room, Sunderland Civic Centre, Burdon Road, Sunderland, SR2 7SN

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To All Members

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Annual Governance Statement 2015/16

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Section 1: Scope Of Responsibility

The seven local authorities of Durham, Gateshead, Newcastle Upon Tyne, North Tyneside, Northumberland, South Tyneside and Sunderland, as the already established North East Leadership Board came together in April 2014 to establish a Combined Authority for the area. Building on the track record of joint working, the Authority is an enabling body, which reinforces and strengthens existing partnership arrangements to collectively drive forward change and enable economic growth. It brings together the political leadership of the seven local authorities in the region to help co-ordinate strategic transport and economic planning for growth in the long term in a global context.

The Combined Authority works closely with the Local Enterprise Partnership, for which it is the accountable body, to deliver the objectives of the Combined Authority and the Strategic Economic Plan, which sets out our ambitious vision to strengthen the area's economy and provide more opportunities for businesses and communities.

We (the North East Combined Authority) are responsible for ensuring that our business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

We also have a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which we exercise our functions, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Authority's Leadership Board and Statutory Officers are responsible for putting in place proper arrangements (known as a Governance Framework) for:

- (i) the governance of our affairs and
- (ii) facilitating the effective exercise of our functions, including arrangements for the management of risk

In relation to (ii) the Authority has put in place a system of internal control designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to:

- a) identify and prioritise the risks to the achievement of our, aims and objectives; and
- b) evaluate the likelihood of those risks being realised, the impact should they be realised, and to manage them efficiently, effectively and economically.

The Combined Authority has developed a Risk Management Strategy and strategic risk register, which is reported to regular meetings of the Authority's Governance Committee. This information can be found under the Governance Committee on the Authority's website at: <http://www.northeastca.gov.uk/committee-meetings/governance-committee-background-information-papers>

Section 2: Purpose Of The Governance Framework

In addition to the above the Authority's Governance Framework comprises the systems, processes, culture, values and activities through which we are directed and controlled and through which we account to, engage with, creating the conditions of economic growth and investment. It enables us to monitor the achievement of the Authority's objectives and to consider whether those objectives have led to the delivery of appropriate services which represent value for money.

The Governance Framework has been in place for the year ended 31 March 2016 and up to the date of approval of the Authority's Annual Report and Accounts.

This Annual Governance Statement meets the requirements of Regulation 3 of the Accounts and Audit (England) Regulations 2015 which requires all relevant public bodies to prepare an annual governance statement, therefore in doing so complies with the principles of corporate governance set out in the CIPFA/SOLACE Good Governance Framework 2012.

Section 3: The Governance Framework

Our Governance Framework is developing, following the formation of the North East Combined Authority in April 2014 and is maturing with the organisation. As such systems, processes and controls are developing and adapting to meet the needs of the Combined Authority going forward, to ensure we are in the best position to achieve our objectives.

The core principals and outcomes of our Governance framework are set out below and through these we will aim to provide strong governance to achieve our objectives:

Focusing on our objectives and outcomes

1.1 We ensure that we are clear on delivering the objectives of the Combined Authority and intended outcomes of our Strategic Economic Plan, to create the best possible conditions for growth in jobs, investment and living standards, enabling residents to develop high-level skills so they can benefit long into the future.

1.2 We ensure we assess and review our vision and the implications for our governance arrangements through the budget and performance management framework.

Members and officers have clearly defined roles and responsibilities

2.1 We have defined and documented in our Constitution the roles and responsibilities of the Board, Scrutiny and 'proper' officer functions (Head of Paid Service, Monitoring Officer, Chief Finance Officer), with clear delegation arrangements and protocols for effective communication. The collective and individual roles and responsibilities of the Leadership Board, Members and officers have been agreed by the Combined Authority.

We promote high standards of conduct and behaviour

3.1 We develop, communicate and embed codes of conduct set out in the Constitution, defining standards of behaviour for Members and officers working on behalf of the Authority. Governance Committee deals with issues of conduct and generally promotes high standards among officers and members, reporting annually to Leadership Board. The Constitution is available on the NECA website. [NECA Constitution](#)

Transparent decision making subject to scrutiny and risk management

4.1 We review and update our standing orders, standing financial instructions, scheme of delegation and supporting procedure notes/manuals - these clearly define how decisions are taken and the processes and controls required to manage risks. We ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. The interim Monitoring Officer (Head of Law and Governance, North Tyneside Council) advises on compliance with our policy framework, ensuring that decision making is lawful and fair. Our financial management arrangements conform to the CIPFA Statement on the Role of the Chief Finance Officer and are the responsibility of the interim Chief Finance Officer.

4.2 We ensure that our Governance Committee undertakes the core functions identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities 2013.

4.3 We ensure that there are effective arrangements for "Whistle-blowing" and for receiving and investigating complaints from the public. Administration of the Authority's policies on anti-fraud and corruption is undertaken by Internal Audit.

Developing the capacity of members and officers to be effective

5.1 We identify and aim to address the development needs of members and officers in relation to their strategic roles, and support these with appropriate training.

Engaging with local people and stakeholders

6.1 We have established channels of communication with the community and other stakeholders, ensuring accountability and encouraging open consultation. Meetings are held in public unless there are good reasons for confidentiality.

6.2 We incorporate good governance arrangements in our partnerships and reflect these in our overall governance arrangements.

Section 4: Annual Review Of Effectiveness Of Governance Framework

We have a legal responsibility to conduct an annual review of the effectiveness of our governance framework, including the system of internal control. The review is led by officers and Members of Governance Committee who provide independence and challenge. The outcomes of the review are considered by the Governance Committee.

The review is informed by

- (a) The views of our internal auditors, reported to Governance Committee through regular progress reports, and the Annual Internal Audit Opinion.
- (b) An annual review of the effectiveness of internal audit (as required by Public Sector Internal Audit Standards).
- (c) The views of our external auditors, reported to Governance Committee through regular progress reports, and the annual Internal Audit Opinion, adhering to the principles in CIFPA Statement 2010 on the role of the Head of Internal Audit.
- (d) The activities and operations of the themes (economic development and regeneration, employability and inclusion, and transport) and significant partnerships through written assurance statements.
- (e) The views of the Authority's Monitoring Officer, Chief Finance Officer and Senior Information Risk Owner, through written statements.
- (f) The views of Members through the ongoing activities of Governance Committee (Governance Committee includes the activity of an Audit Committee and a Standards Committee, providing independent assurance on the effectiveness of the governance and internal control environment). And an Overview and Scrutiny Committee who review and scrutinise Leadership Board decisions as well as other Transport committee's decisions.
- (g) The Risk Management Process, particularly the Strategic Risk Register.
- (h) Performance information which is reported to Leadership Board and other meetings on a regular basis.
- (i) The assurance framework that is in place to ensure Growth Fund monies are subject to appropriate levels of internal control and are focussed on the delivery of

the Combined Authority's objectives and delivery of the Strategic Economic Plan.

Section 5: Looking Ahead

In the absence of a devolution deal for the North East, the authority will continue to seek external funding such as Local Growth funding; infrastructure funding for major transport projects; and will seek to maximise European funding and the replacement of Europe regional funding following Brexit for the North East.

Over the last few months the Authority has carried out recruitment processes with the aim of appointing a permanent Head of Paid Service and Director of Resources however these have proved unsuccessful and interim arrangements have been put in place including the appointment of the Chief Operating Officer of the North East LEP as the interim Head of Paid Service of the Combined Authority, which will run in 2016/17.

Section 6: Significant Weaknesses In Governance and Internal Control

The system of governance (including the system of internal control) can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, that material errors or irregularities are either prevented or would be detected within a timely period, that value for money is being secured and that significant risks impacting on the achievement of our objectives have been mitigated.

The review highlighted no significant weaknesses in governance or internal control during 2015/16.

Section 7: Conclusion

We consider the governance and internal control environment operating during 2015/16 to provide reasonable and objective assurance that any significant risks impacting on the achievement of our principal objectives will be identified and actions taken to avoid or mitigate their impact.

The annual review has shown that the arrangements are in place and operating as planned.

We have been advised on the implications of the review by the Governance Committee. We propose over the coming year to continue to improve our governance and internal control arrangements.

Interim Head of Paid Service
Full Name: Helen Golightly

Chair of the Combined Authority
Full Name: Paul Watson

Signature:

Signature:

Date:

Date:

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North East Combined Authority

Leadership Board

Date: 20th September 2016

Subject: North East JEREMIE 2 Fund – Supplemental Report

Report of: Interim Chief Finance Officer

Executive Summary

The Leadership Board has received a report elsewhere on the Agenda setting out in detail the proposed delivery of the JEREMIE 2 scheme in the North East.

That report contains draft Recommendations as set out therein. This supplemental report sets out below the final recommendations that the Leadership Board is being invited to agree.

Recommendations

The Leadership Board is recommended to:

- 1) Agree to the establishment of the Special Purpose Vehicle, as set out in the report 'North East JEREMIE 2 Fund';
- 2) Agree the principles on which the governance of the Special Purpose Vehicle is proposed as set out in the report and delegate authority to the Head of Paid Service in consultation with the Interim Chief Finance Officer, Monitoring Officer and the Chair of NECA and working with representatives of the Constituent Authorities (as members of the Special Purpose Vehicle) to finalise the Governance arrangements for the Special Purpose Vehicle including the Articles of Association;
- 3) Agree, subject to a successful European Regional Development Fund application, that the funding received from the Department for Communities and Local Government is passported to the Special Purpose Vehicle;
- 4) Agree to support the Leaders (or their nominees) of the Constituent Authorities in overseeing the establishment and activity of the Special Purpose Vehicle and agree that an officer of NECA or its Constituent Authorities may be members of the shadow Special Purpose Vehicle Board, together with the appointment of a suitably experienced Board member as a 'key responsible person' to satisfy funder requirements, until the full board of the SPV can be appointed;

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- 5) Agree to delegate the implementation arrangements to the Interim Head of Paid Service in consultation with the Interim Chief Finance Officer, the Monitoring Officer and the Chair of NECA.

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1 Background Information

The background in relation to the North East JEREMIE 2 Fund is set out in full in the substantive report on the Agenda relating to JEREMIE 2.

2 Proposal

The proposal is that the Leadership Board agrees to the recommendations set out in this report and not those set out in the substantive report appearing on the Agenda.

3 Next Steps

The next steps are set out in the substantive report.

4 Potential Impact on Objectives

The potential impact on the objectives is set out in full in the substantive report.

5 Finance and Other Resources

The financial implications relating to this matter are set out in the full in the substantive report.

6 Legal

The legal implications in relation to this report are set out in full in the substantive report

7 Other Considerations

7.1 Consultation/Community Engagement

As set out in the substantive report

7.2 Human Rights

There are no specific human rights implications arising from this report.

7.3 Equalities and Diversity

There are no specific equalities and diversity implications arising from this report.

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7.4 Risk Management

The risk in relation to this matter is dealt with in full in the substantive report.

7.5 Crime and Disorder

There are no adverse impacts

7.6 Environment and Sustainability

There are no direct implications.

8 Background Documents

8.1 None

9 Links to the Local Transport Plans

9.1 There are no specific links to the transport plan.

10 Appendices

10.1 None

11 Contact Officers

11.1 Paul Woods, Chief Finance Officer paul.woods@northeastca.gov.uk Tel : 07446936840

12 Sign off

- Head of Paid Service ✓
- Monitoring Officer ✓
- Chief Finance Officer ✓

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