

North East Combined Authority, Governance Committee

27 June 2014

(2.00 - 2.45 pm)

Meeting held North Tyneside Council, Quadrant, The Silverlink North, Cobalt Business Park, North Tyneside, NE27 0BY

Present:

M Scrimshaw (In the Chair)

Councillors: E Bell, H Franks, A McMillan, J O'Shea and H Trueman

Independent G Clark
Member:

Observing: Councillor B Coates

1 WELCOME AND INTRODUCTIONS

The Chair welcomed everyone to the meeting and brief introductions were provided.

2 APOLOGIES FOR ABSENCE

Apologies were received from Councillor A Dale.

3 DECLARATIONS OF INTEREST

The declaration of interest procedure was noted.

4 2013/14 OUTTURN AND DRAFT FINANCIAL STATEMENTS

Submitted: Report of Chief Finance Officer (previously circulated and a copy attached to official minutes) which provided a summary of the Tyne and Wear Integrated Transport Authority's financial results for 2013/14; the draft accounting statements and an overview of significant financial matters which occurred during the year.

Eleanor Goodman introduced the report, appraising Members of the background, proposals and next steps. During discussions the following points were made:

- Reference was made to the significant variance in the operating costs 2013/14 budget and actual in terms of the Tyne Tunnel with clarification being sought. It was explained that officers had been overly pessimistic with the traffic estimates. The £0.4m surplus had not been included in the budget. The main reasons for this were the improved traffic figures leading to higher toll income; reserves to make payments to the pension to reduce the deficit; and expenditure on the

North East Smart Ticketing Initiative (NESTI) finance in year from Tunnels Reserves.

- A question was asked about the cooperation received from the Bus Companies in terms of the Better Bus Fund Area project. It was explained that a Task and Finish Group had been set up, which included representatives from Arriva North East and Stage Coach etc. Throughout the project the bus operators had worked well with the local authority to improve journey time reliability on key bus routes to improve the attractiveness of buses.
- Reference was made to the surplus monies received from the Tyne Tunnel toll costs. A suggestion was made that it be reinvested into other areas. It was explained that the surplus was currently being used to support the financing and repayment costs of the new Tyne Tunnel; however, there would be an opportunity in the future, earlier than was initially expected, to give some consideration to reinvesting the funds.
- A question was asked about the monitoring arrangements. It was explained that a regular report would be presented to the Combined Authority, the next meeting being 15 July. The report being presented at this meeting could be made available to the Governance Committee.
- The Committee noted that the Full Audited Accounts would be considered at the September meeting prior to submission to NECA Leadership Board.

RESOLVED – That the report be received.

5 **ANNUAL GOVERNANCE STATEMENT 2013/14**

Submitted: Report of Chief Finance Officer (previously circulated and a copy attached to official minutes) which explained and presented the outcome of the annual review of governance and internal control arrangements conducted by officers working on behalf of the Combined Authority, known as the Annual Governance Statement.

Phil Slater introduced the report, appraising the Committee about the background, proposals and outcome of the review. He referred the Committee's attention to the appendices circulated separately to the agenda, stating that the two key documents to be considered were Appendix A: draft Annual Governance Statement 2013/14 and Appendix B: Draft Local Code of Corporate Governance. He reported that there were no areas of significant weakness identified in the review and no areas needing significant improvement. He indicated that the final Statement would be presented to the Committee in September prior to submission to the NECA Leadership Board.

During discussions, confirmation was given that there would be other areas of activity included in future Statement relevant to the Combined e.g. Economic Development and LEAP etc; that a framework had been established for seeking internal and external assurances; and that a timetable and the arrangements e.g. Sub Committee hearings and activities, would be drafted and submitted for consideration at the September meeting.

RESOLVED – That

- (i) That the draft annual Governance Statement provided in Appendix A be recommended for approval to the NECA Leadership Board in September 2014 as part of the Annual Report and Accounts for 2013/1.
- (ii) That the Annual Governance Statement would be updated, if necessary and submitted to the Committee for final consideration in September 2014.
- (iii) That the Local Code of Corporate Governance, provided at Appendix B be recommended to the NECA Leadership Board for approval in September 2014.

6 **EXTERNAL AUDIT ARRANGEMENTS FOR 2014/15 AND 2015/16**

Submitted: Report of Chief Finance Officer (previously circulated and a copy attached to official minutes) which explained the External Audit Arrangements for 2014/15 and 2015/16.

Paul Woods introduced the report explaining that the Combined Authority had agreed a preference for Deloitte to be the External Auditor for 2014/15. This was for continuity of knowledge and experience and for relationship in the transitional year. However, the Audit Commission had consulted on the appointment of Mazars as the Auditors, reflecting national new contractual arrangements. He reported that further discussions had been held with the Audit Commission, who had decided to take a revised proposal to its June Board meeting which was to retain Deloitte as the Auditors for 2014/15, deferring the change to Mazars as Auditors for a two year period until 2015/16.

RESOLVED – That the current position be noted.

7 **INTERNAL AUDIT ANNUAL PLAN**

Submitted: Report of Audit, Risk and Insurance Service Manager (Newcastle City Council), which was to provide members with a draft Internal Audit Annual Plan for the Combined Authority for 2014/15. A proposed plan was attached at Appendix 1.

Phil Slater introduced the report. He explained that existing arrangements would continue at a local level during the transitional year in as much as audit activities would be carried out by individual Authorities; however, Newcastle City Council's Internal Audit Service would be co-ordinating the Audit Plan and reporting progress to this Committee. He referred the Committee's attention to Appendix 1, summarising the proposed planned audit activities.

A discussion was held around the importance of being able to influencing what activities were to be reviewed; the need in establishing a timeline for this Committee to examine activities at the most appropriate stage, with comments being raised around the possible need for additional meetings particular between September and February; and to have a plan to include further details, such as when the activity was to occur; recommendations arising from the audits and the date this Committee would expect to consider the outcomes.

The Committee noted that there would be regular progress reports submitted as part of the monitoring process; although it was pointed out that there would be a need to discuss the use of language to develop some consistency throughout the various authorities.

In response to further comments highlighted around benchmarking, long term plans, keeping sight of performance and value for money, it was explained that consideration was being given to the different opportunities to work collaboratively and introduce more effective controls. Risk management was part of the audit plan and an integral part of the overall process.

RESOLVED – That

- (i) The proposed Internal Annual Audit Plan for 2014/15, attached at Appendix 1 be approved.
- (ii) The Committee agreed to receive regular reports on activity undertaken against the audit plan during the year.

8 CODE OF CONDUCT AND PROTOCOLS (FOR INFORMATION)

Submitted: An extract from the Constitution of the Combined Authority (previously circulated and a copy attached to official minutes) which provide information on the Code of Conduct and Protocols.

The Chair reported that the documents had been submitted for information. There was an opportunity to review the Code and Protocols but any recommendations for change would need to be ratified by the NECA Leadership Board who had scheduled an interim review in October.

The Committee noted that the Governance Committee had responsibility for recommending any changes to the Code and Protocols. It was agreed that if any Member had any suggestions to make on the documents then they should forward them to Viv Geary by end of August. This would ensure all suggestions were collated and presented for discussion at September meeting, prior to being passed into the interim review.

RESOLVED - That the information be received and noted.

9 DATE AND TIME OF NEXT MEETING

A discussion took place around the dates of future meetings. It was agreed that the next meeting be as scheduled, Friday 12 September 2014 at 2.00pm, venue to be confirmed.