

## North East Combined Authority, Governance Committee

5 July 2016

(2.00 - 3.45 pm)

Meeting held North Tyneside Council, Quadrant, The Silverlink N, Cobalt Business Park, Newcastle upon Tyne NE27 0BY

### Present:

Independent Chair	M Scrimshaw
Independent Vice Chair	G Clark
Councillors	E Bell (Durham), A Dale (Northumberland), G Hobson (South Tyneside), C Johnson (North Tyneside), M Talbot (Newcastle), M Speding (reserve/Sunderland)
Independent Person	S Gardner

### 1 APOLOGIES FOR ABSENCE

Apologies were received from Councillor Hughes (Gateshead) and Councillor Trueman (Sunderland).

### 2 DECLARATIONS OF INTEREST

Item 5 - George Clark declared an interest as a board member of Gateshead Housing Company.

### 3 MINUTES OF PREVIOUS MEETING HELD ON 1 APRIL 2016

The minutes of the last meeting held on 1 April 2016 were agreed as a correct record. Further amendments would be made to the attendees and, at the request of the Chair, additional information would be included in future minutes to illustrate which local authority elected members represented.

### 4 NORTH EAST LOCAL ENTERPRISE PARTNERSHIP UPDATE

Submitted: Report of Chief Operating Officer, North East Local Enterprise Partnership to update the Governance Committee on the role, operations and funding streams of the North East LEP, and the governance model and assurance framework in place, to provide the context to understand the financial transactions and associated risk (previously circulated and a copy attached to the official records).

In discussion the following comments/points were raised.

- Private sector membership of the LEP Board – Committee was informed that selection was carried out by public recruitment. NRG had advertised and recruited in 2011. Four members had been re-appointed this year. Interviews were conducted by the chair and two vice chairs.
- Further education colleges and higher education establishments nominated their own representatives to the board.
- Rural representation – the advertisement for board membership was open to everyone and efforts had been made to secure urban and rural representation. One board member also had lead responsibility on rural issues.
- Underspend – it was noted that underspend was transferrable and could be reallocated.
- National Careers Pilot – 17 schools and three colleges were taking part from a range of urban and rural areas across the LEP area. The project was monitored by the funder, the Gatsby Foundation. Details of the participant schools and colleges would be circulated to members by the LEP.

**RESOLVED** – That the contents of the report be noted.

## 5 **NORTH EAST COMBINED AUTHORITY - THE DEVOLUTION AGREEMENT**

Submitted: Report of Head of Paid Service to update the Governance Committee on progress made with implementation of the proposed Devolution Agreement, and next steps (previously circulated and a copy attached to the official records).

Adam Wilkinson advised that the Brexit decision to leave the European Union had caused uncertainty about the devolution deal regarding powers, responsibilities and funding. At yesterday's meeting of the Leadership Board it was agreed that a letter be sent to government requesting assurances that the intent of the devolution deal would be fulfilled. Subject to this assurance, plans were still on track for the election of a mayor in 2017.

Other elements of the deal remained in progress eg. for the NECA and the NHS to jointly establish a Commission for Health and Social Care Integration.

### **Comments and points raised by Committee**

- The local press had suggested that the appointment of a new prime minister and chancellor was not likely to happen until September. The North East had to be ready to take something to Parliament in November to hit the deadline for the May 2017 election. The Head of Paid Service stated that the letter to government requesting assurances was not caveated regarding the new prime minister; testing the strength of the assurances would be the next stage.
- The Monitoring Officer advised that Order 1 had already been given consent to proceed and laid before Parliament. Formally it could become law before the summer recess. In coming into law this would lead to an election in May 2017. Order 2 was to devolve responsibilities and process governance arrangements; it would come on stream at some point although there was a

disconnect at the moment. It was possible that the mayor could be elected before clarity regarding Order 2 was available.

- With regard to Gateshead MBC, as Order 1 had been made it was now a 'non-consenting authority'. Further through the process there would be an excluding government order.
- There was no proposals in Order 1 or in the proposed devolution deal with respect to the police forces or PCCs.
- North Tyneside Council could have two elected mayors – at council and regional level.

**RESOLVED** – That the contents of the report be noted.

## 6 **EXTERNAL AUDITOR PROGRESS REPORT**

Submitted: Mazars Audit Progress Report July 2016 to update the Governance Committee on progress in delivering responsibilities as external auditors (previously circulated and a copy attached to the official records).

Cameron Waddell and Jim Dafter informed Committee that the audit had started last week and that there was nothing further to report.

## 7 **2015-16 OUTTURN AND KEY FINANCIAL STATEMENTS**

Submitted: Report of Chief Finance Officer to provide the Governance Committee with a summary of the NECA's financial results for 2015/16, present the draft accounting statements and provide an overview of significant financial matters which occurred during the year (previously circulated and a copy attached to the official records).

The Chief Finance Officer introduced the report and informed Committee that the financial summary was very positive although there were some small issues eg. creating bad debt provision.

### **Comments and points raised by Committee**

- A Member raised the issue of the revenue impact on Tyne Tunnel tolls due to the recent A1 situation (although it was noted that this would not be included in the 2015-16 accounts).

As Highways England had requested the removal of the tolls to alleviate the situation the Tunnel would be reimbursed for two days income. As such, there would be nil impact overall.

- Responding to a query about the increase in the toll to £1.70, Members were informed that that costs were expected to rise in keeping with the retail price index and the financial model was predicate on this. The model had allowed for starting with a low level toll and it was important to keep the model in place to finance the life of the project.

- NECA engaged with the public via the website, the constituent authorities, the NECC, the Leadership Board and the Overview and Scrutiny Committee. Going forward there would be a requirement for the Outrun and Financial Statements to be submitted to the Overview and Scrutiny Committee.
- Transport levies – it had not been possible to set a single levy as the costs for Durham, Northumberland and Tyne and Wear were significantly different. Tyne and Wear had higher levels of concessionary travel and this was likely to go on for some time. Discussions were ongoing regarding future policy and operational issues were still to be worked out eg. the mayoral power of a franchising arrangement could be implemented across the entire area.

The Local Transport Plan was being developed and included moves towards more integrated regional transport. The Manifesto for Transport for the North was currently out to consultation. Nexus was also consulting in Tyne and Wear on issues and priorities regarding savings that have to be made.

- A Member commented that there was always an issue about rural deprivation.
- The Bus Services Bill about the provision of services was also going through Parliament.

**RESOLVED** – That Committee receive the report.

## 8 **ANNUAL GOVERNANCE STATEMENT 2015/16**

Submitted: Report of Audit, Risk and Insurance Service Manager (Newcastle City Council) for Members to consider the draft Annual Governance Statement and its inclusion in the accounts (previously circulated and a copy attached to the official records).

Members noted that the Assurance Framework for the 2015/16 Annual Governance Statement was agreed at the meeting on 1 April 2016. The Audit, Risk and Insurance Service Manager advised that no major issues had been identified within the Annual Governance Statement 2015/16 although the draft would return to Committee after audit, and be revised accordingly.

**RESOLVED** – That the NECA Governance Committee agreed the draft Annual Governance Statement (although this was subject to review in September 2016 before sign off by the Head of Paid Service and Leader of the Combined Authority).

## 9 **STRATEGIC RISKS AND OPPORTUNITIES REGISTER**

Submitted: Report of Audit, Risk and Insurance Service Manager (Newcastle City Council) to provide members with an update of the Strategic Risks and Opportunities for the NECA (previously circulated and a copy attached to the official records).

The Audit, Risk and Insurance Service Manager informed Members that the Strategic Risk Register had been updated to include the strategic risks identified as part of the Devolution Programme.

However, the Register had been written before the outcome of the EU referendum. Elements of the Register would be refreshed and work was ongoing to assess the impact of the loss of European funding. There was also a piece of work around capacity issues and the recruitment of permanent senior staff was still to be addressed.

The Chief Finance Officer confirmed that the current circumstances were fairly dynamic and that a further report would be presented to Committee in September.

## 10 **ANTI-FRAUD AND CORRUPTION POLICY**

Submitted: Report of Audit, Risk and Insurance Service Manager (Newcastle City Council) to enable Governance Committee to consider the effectiveness of risk management arrangements and oversee the anti-fraud and corruption arrangements, seeking assurances from Statutory Officers and Internal audit that the arrangements for the detection of fraud were effective (previously circulated and a copy attached to the official records).

The Audit, Risk and Insurance Service Manager advised Committee that no fraud has been identified since the North East Combined Authority was established. Policies and procedures would be kept up to date; any instances of fraud would be brought to Governance Committee.

### **Comments and points raised by Members**

- The Chair said he would be interested in the views of the trade unions regarding monitoring.

Phil Slater advised that the documents were written from an internal and external approach and that a whistle blowing procedure was included.

- There was some discussion regarding the work of the dedicated fraud team at Durham County Council.

Newcastle Council was at an early stage of mirroring the Durham practices and procedures, on a smaller scale. It was possible that NECA could buy into this.

- It was suggested that the policy be amended to include reference to 'reputational damage' and para 3.2 be changed to "after consultation with the designated officers and the Chair of the Governance Committee".
- General complaints were not the responsibility of Governance Committee; an annual report would be submitted to the Leadership Board.

- The Chief Finance Officer and the Chief Monitoring Officer would seek information on where Nexus fraud instances fit within governance arrangements.
- The Chair requested that the wording around whistleblowing be strengthened to empower staff to come forward.

**RESOLVED** – That Committee noted its responsibilities within the Authority’s Constitution to consider the control environment and anti-fraud and anti-corruption arrangements.

## 11 **INTERNAL AUDIT ANNUAL REPORT**

Submitted: Report of Audit, Risk and Insurance Service Manager (previously circulated and a copy attached to the official records).

The report provided Members with:

- A summary of outcomes from the delivery of the 2015/16 internal audit plan
- Information on the implementation of audit recommendations
- An opinion on the effectiveness of NECA’s control environment during 2015/16 as required by the Public Sector Internal Audit Standard (PSIAS) 2013.
- A revised 2016/17 internal audit plan.

The Audit, Risk and Insurance Service Manager’s opinion on the overall adequacy and effectiveness of NECA’s governance, risk and control framework during 2015/16 was that it was effective and provided a substantial level of assurance.

**RESOLVED** – That the contents of the report and the internal audit activity to date be noted.

## 12 **EFFECTIVENESS OF THE GOVERNANCE COMMITTEE**

Submitted: Report of Audit, Risk and Insurance Service Manager to introduce a self-assessment document based on a Chartered Institute of Public Finance and Accountancy (CIPFA) tool to review the effectiveness of an audit committee (previously circulated and a copy attached to the official records).

The Chair stated that the self-assessment tool needed to be developed to ensure the right questions were asked and the right language used. Arrangements would be made for a separate session to take this forward as the Committee had responsibility for quality assurance.

## 13 **DATE AND TIME OF NEXT MEETING**

Tuesday 13 September 2016 at 2.00pm, Newcastle City Council