

**Notes of Inquorate meeting of  
North East Combined Authority, Governance Committee**

9 December 2014

(12.00 pm - 1.20 pm)

Meeting held Committee Room, Civic Centre, Barras Bridge, Newcastle upon Tyne NE1 8QH

**Present:**

Independent Chair: M Scrimshaw (Chair)

Councillors: A Dale, H Franks, and D Trueman

Independent Person: S Gardner

**20 APOLOGIES FOR ABSENCE**

Apologies were received from Councillors E Bell, B Coates, A McMillan, J O'Shea and G Clark

**21 DECLARATIONS OF INTEREST**

None

At this point the Committee was advised that the meeting was inquorate; however, it would still be useful to hold an informal meeting to discuss the items, in particular the NECA Budget to enable comments to be forwarded to the NECA Leadership Board in January 2015.

On a point of clarification, V Geary advised that the quorum for Governance Committee was 5, not including the co-opted Independent Members or the Independent Person. The NECA Leadership Board was actively considering the appointment of substitutes and once the detail was agreed the Constitution would be amended accordingly.

**22 MINUTES OF PREVIOUS MEETING HELD ON 12 SEPTEMBER 2014**

The Committee reviewed the Minutes of the previous meeting held on 12 September 2014 and those present agreed their accuracy.

**It was agreed:** that the Minutes would formally be approved and signed by the Chair at the next scheduled meeting on 27 February 2015.

## 23 **REQUEST FOR DISPENSATIONS**

**It was agreed:** that that the report would be re-submitted for approval at the next meeting scheduled to be held on 27 February 2015.

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## 25 **NORTH EAST COMBINED AUTHORITY BUDGET 2015/16**

P Woods introduced the report indicating that it provided up-to-date information about the financial position of the Combined Authority. Any comments and/or suggestions raised at this meeting would be taken into account when the budget was being finalised. He referred to the budget process, circulating a further copy of the timetable which he advised had not been printed correctly in the Agenda pack. The formal budget would be agreed by NECA Leadership Board on 20 Jan 2015; however, several things would be happening before reaching this stage. The Committee's attention was drawn to the main elements with details being reported on e.g. the budget preparation; the draft budget before consultation; the consultation on the draft budget and the consideration and agreement of the budget. A copy of the TNEC budget papers presented at their meeting on 4 December 2014 would be circulated so members would be fully briefed about the budget. Members were informed that the NELEP Board had been arranged for 15 January 2015 but had been postponed to 29 January 2015. This was later than NECA Leadership Board but it was considered that not having their final budgetary information was not necessary.

P Woods referred to the report, outlining the following key elements:

- A new process, which established an indicative transport budget levy for Durham County and Northumberland County.
- Provisional transport revenue budget and levies for 2015/16 were estimated at £89M; this was a small cash reduction compared with the current year.
- T&W transport budget and levy proposed at £67.2M; a reduction of £1.0M achieved through efficiency and ITA cost savings, thus protecting front line services.
- The national austerity measures and a budget being developed in the context of significant revenue funding cuts for local government.
- The Government's provisional revenue grant level funding announcements indicating significant extra cash cut for the seven Councils in 2015/16.
- Medium term financial strategy and the information required to develop this.
- There was a slight increase in budget levy for transport activity in Durham but this was being offset by continued pressure on concessionary fare reimbursement to operators and an increase in number of concessionary travel journeys.
- The NEXUS budget having a potential increase for 2015/16 resulting from Tyne Tunnel Tolls.
- Reserves to be drawn on, estimated to be around £200-£250K for 2015/16.
- NEXUS use of some general reserves to help balance their budget.

In concluding, P Woods referred to the fact that there was appropriate management arrangements being put in place to mitigate risk; officers were planning ahead but with the difficult times e.g. austerity being at the forefront of everyone's minds. It was anticipated that the impact to front line service users would be minimised and through the development of a successful strategy.

During discussions the following points were made:

- Reference was made to the revenue and corporate costs and how these related to NELEP. It was explained that in the transition year officers were keen to avoid putting these together. Since April 2014, a number of things had happened with more funding and more activity than had been expected but this had not been sufficient to meet corporate activity. Each local authority agreed in principle to fund these costs. In 2015/16, there was to be an increase from current monetary envelope of £140,000 to £300,000 to cover costs for legal, finance, audit, HR etc. Further conversations would be necessary around how the seven local authorities could better work together. NECA were looking at their own arrangements to see if improvements could add real value. The LEP and NECA together need to identify a range of opportunities for LEP capital resources to be converted to revenue.
- A question was asked about how the LEP was governed. It was explained that the governance arrangements were not quite the same as NECA. There was to be a national review of governance arrangements being undertaken. This should prevent any duplication of efforts.
- A question was asked about whether the LEP were on board with the accountancy and transparency issues. It was explained that the accountable body had been Sunderland. For audit purposes, LEP accounts were not required to be part of the process so had not appeared; however, in moving forward and as part of a step improvement change this current year, LEP transactions were now to be included into the annual accounts bringing matters back into proper governance arrangements e.g. accountable and more transparent. It was emphasised that it should be noted that there was nothing incorrect in terms of the previous arrangements. On a point of clarification, P Slater explained that in terms of internal audit, Sunderland had been reviewing the management arrangements and had come back with assurances on the new process.
- In response to a query around the LEP and the wider quality and shared workforce, it was explained that there had been a joint exercise, which resulted in much of the policy being developed which had formed this report.
- Reference was made to the governance framework and how all seven Councils, including the LEP were working together and sight of how the governance was being met through the LA7 would be useful.
- A comment was made about the importance in setting governance arrangements with all local authority partnerships.

At this point, representatives from NEXUS were invited to comment on their budget elements. The following summarised the points made:

- Reference was made to the old T&W ITA reserve funding remaining until the establishment of the Bus Quality Contract Scheme, which started in 2017/18 financial year.
- The budget 2014/15 forecast was better than deficit budget of ITA reducing from around £4.8M to just under £3M.
- The base deficit for 2015/16 was estimated to be just over £3.1M – this being consistent with earlier forecasts and that contained in the financial modelling for the Bus Quality Contracts Scheme.
- Commercial revenues estimated to be higher in 2015/16 largely due to Metro revenue e.g. Metro fare box
- Reference was made to the grant funding from NECA which was funding the costs of concessionary travel and supported Bus Services.
- The strategy being adopted in order to protect services outcomes in the medium term.

During discussions the following questions were asked:

- Whether the cuts would enable the services to continue to be sustainable? It was explained without the plan and reliance of reserves, the cuts were not sustainable. The Bus Quality Contract Scheme was hugely significant and would be carefully monitored and progress reported.
- What were the percentage statutory costs? It was explained that 2/3rds of the levy was on statutory schemes e.g. elements to fund the Gold Card; and Under 16 Travel etc.

At this point in the meeting, P Woods referred to the T&W fund scheme and the various pressures imposed. He also made reference to the failings by Government Departments in distributing monies fairly and to cash cuts of 14% to 25% for the statutory scheme.

- In response to queries around fares increases and concessionary fares, the operations and setting were explained. It was also explained that ¼ of journeys were concessionary travel. There were approximately 135million bus journeys in T&W with 40million using concessionary travel.
- Reference was made to page 36 paragraphs 3.9 - employability and inclusion and 3.10 - economic assets and infrastructure and a question asked about how the range of partners could be improved. It was explained that the local authorities were all taking a lead on the different NECA priority areas e.g. Sunderland was leading on economic development and Northumberland on skills and employability. NECA were reliant on a number of partners. A request was made for more information on this.
- Reference was made to the definite improvement in apprenticeship opportunities in the region. Opposing comments were raised about how schools and colleges did not appear to be preparing young people for the transition into employment e.g. interviewing skills. A suggestion was made about how this gap could be bridged. A request was made for an update on this.

At this point in the meeting, P Woods referred to the comments being made and indicated that as part of the LEP strategy plan, regular progress updates on the

various themes. There was one on the education focus challenge and this could be shared with Governance Committee.

A brief discussion was held around current apprenticeships offered in Newcastle City Council Audit and Risk team and the success of them.

**It was agreed:** that

- (i) The reports be received and noted.
- (i) That notes to be summarised in Budget Report to be submitted to NECA Leadership Board – 20 January 2015.
- (iii) NECA TNEC Budget reports to be circulate Governance Members for information.
- (iv) A progress report on the Education and Skills Focus Challenge to be submitted to next business meeting - Forward Plan deadline 28 January 2015.

## 26 **ANNUAL AUDIT LETTER 2013/14**

D Wilkinson, Deloitte introduced the report, referring to the key messages contained with page 82 of the agenda.

A vote of thanks was given to Deloitte for undertaking the work in respect of the audit of the financial statements and to Eleanor Goodman for her efforts in pulling together all the detail.

**It was agreed:** that the Annual Audit Letter for 2013/14 be noted.

## 27 **ANNUAL GOVERNANCE STATEMENT**

P Slater introduced the report and informed the Committee about the assurance framework. He advised that the draft Annual Government Statement and supporting evidence was anticipated to be submitted for approval May/June 2015.

In response to a questions asked, it was confirmed that in future the process of developing an assurance framework would be carried out in conjunction with the Governance Committee and that all partners were asked to give assurances and evidence of their operations; however, this was not in the form of a Governance Statement.

**It was agreed:** that the assurance framework be resubmitted for approval when seeking approval of the draft Annual Governance Statement and supporting evidence.

## 28 **STRATEGIC RISK APPROACH AND NEXT STEPS**

P Slater introduced the report and highlighted the following:

- Resulting from a workshop the biggest risks and opportunities facing the delivery of the NECA aims and ambitions were determined.
- Three key themes had evolved:
  - Devolutions – sharing economic development in North East
  - Partnership – strengthening partnerships via communication
  - Finances – delivery and if not delivered what impact would result. P Woods further clarified this as including resources e.g. human capacity and skills to deliver.
- A strategic risk register would be developed and presented back in February 2015.

In response to a question asked, it was pointed out that there was still a piece of work to complete around the development of a partnership register.

**It was agreed:** that a report be submitted on strategic risks and opportunities to next business meeting scheduled in February 2015.

## 29 INTERNAL AUDIT PROGRESS REPORT

P Slater introduced the report highlighting the following key elements:

- Reports relating to the risk management and strategic transport in County Durham were still in progress so would now be reported to February 2015.
- Referred to Appendix 2 – the Governance and Performance Arrangements, updating on the medium priority findings, as follows:
  - Senior Information Risk Owner was to be made in January 2015
  - Service level agreements would be finalised/agreed in April 2015
  - Register of partnerships arrangements to be established in January 2015.

During discussions, the following points were made:

- In response to a question, it was explained that although the Governance Committee was not specifically mentioned within the Audit Activity, it was inadvertently included as part of the NE Leadership Board and Committee responsibility for functions part of the review.
- Concerns expressed around the transparency and accountability of NELEP. It was explained that this was a piece of work still to be progressed.
- In response to a comment made about the review all risks together, it was explained that the action plan was not fixed and had scope for change. If additional work was required throughout the year then this could be included in the action plan.
- Comments were made to the grant funding from NECA to NEXUS; Durham County and Northumberland County and the additional safeguards and assurances being put in place to ensure the money was used properly.

**It was agreed:** that the progress report and comments be noted.

## 30 DATE AND TIME OF NEXT MEETING

Friday 27 February 2015 at 2.00pm at South Tyneside Council