

Audit and Standards Committee

Tuesday 20 July 2021 at 10.00 am

Meeting to be held: Banqueting Hall, Civic Centre, Newcastle, NE1 8QH

www.northoftyne-ca.gov.uk

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Audit and Standards Committee **20 July 2021**

Subject: 2020/21 Annual Governance Statement

Report of: Risk Advisor to North of Tyne Combined Authority (NTCA)

Report Summary

This report presents the outcome of the annual review of the Authority's governance and internal control arrangements.

Audit and Standards Committee approved the draft 2020/21 Statement at its April 2021 meeting and there have been no significant weaknesses identified since its approval.

The Chartered Institute of Public Finance and Accountancy (CIPFA) has introduced a new Financial Management Code which the Authority must comply with by 2021/22. The Code is based on a series of principles supported by specific standards which are considered necessary to provide a strong foundation to manage the short, medium and long-term finances of the Authority.

In preparation for the first full year of compliance NTCA have undertaken a self-assessment of the Code. The outcome of the self-assessment and associated action plans are now included in Section 14 of the Annual Governance Statement (area requiring improvement).

The draft Annual Governance Statement will be considered as part of the audit of the Authority's financial statements, before it is finalised and further approved by Cabinet. The final Statement will be signed by the Mayor, Head of Paid Service, Chief Finance Officer and the Chair of Audit and Standards Committee.

A copy of the draft 2020/21 Annual Governance Statement is provided at Appendix A.

Recommendations

The Audit and Standards Committee is recommended to approve the draft 2020/21 Annual Governance Statement and agree that it is considered as part of the audit of the Authority's financial statements (Appendix A).

1. Background Information, Proposals and Timetable for Implementation

- 1.1 The Combined Authority has a statutory duty under the Accounts and Audit Regulations 2015 to do the following on an annual basis:
- Conduct a review of the effectiveness of its governance framework, including the system of internal control;
 - Prepare an Annual Governance Statement; and
 - Through a relevant committee review and approve the Annual Governance Statement

1.2 The Chartered Institute of Public Finance and Accountancy (CIPFAs) publication “Delivering Good Governance in Local Government” (2016 Edition), sets a framework, and the standard, for local authority governance in the UK. The Framework sets out a set of principles which we test our governance arrangements against:

- Ensuring openness and comprehensive stakeholder engagement
- Developing the entity’s capacity, including the capability of its leadership and the individuals within it
- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Managing risks and performance through robust internal control and strong public financial management
- Defining outcomes in terms of sustainable economic social and environmental benefits
- Implementing good practices to transparency, reporting and audit to deliver effective accountability

2. Annual Governance Statement Assurance Framework– 2020/21

2.1 The approach to produce the 2020/21 Statement is based on a framework of assurance and in preparing it, it has been necessary to review evidence from the following sources. This approach complies with the CIPFA recommended practice:

- Governance Arrangements e.g. the Authority’s Constitution
- Assurance from the Statutory Officers, including the Monitoring Officer, Chief Finance Officer and Senior Information Risk Owner, through written statements
- Members - Views of Audit and Standards Committee
- Internal Audit Activity – including the Chief Internal Auditor’s annual opinion
- Risk Management – Strategic risk reviews
- Performance Management – outcomes reported during 2020/21
- Views of the external auditor and other external inspectorates
- Key partnerships, including the North East Joint Transport Committee
- Nexus, through an assurance statement signed by Nexus’ Director of Finance and Resources
- North East Local Enterprise Partnership, through a partnership assurance statement, signed by the Chief Executive

3. Outcomes of the Review of Assurances

The NTCA 2020/21 Annual Governance Statement fully complies with the CIPFA Framework and provides detailed evidence against each of the above principles highlighted in paragraph 1.2, to show how the Authority has adhered to its governance commitments as set out in the Constitution. The Statement includes hyperlinks to sources of further information detailed on the North of Tyne website, (for example the Authority’s 2021/22 Corporate Plan, our Freedom of Information Scheme and Annual Report), demonstrating how the Authority has implemented its commitments and complies with the governance standards and principles.

4. Area identified as requiring improvement – 2021/22

The Combined Authority must comply with the new CIPFA Financial Management Code by 2021/22. The Code is based on a series of principles supported by specific standards which are considered necessary to provide a strong foundation to manage the short,

medium and long-term finances of the Authority, manage financial resilience to meet unforeseen demands on services and manage unexpected changes in financial circumstances.

In preparation for the first full year of compliance with the Code (2021/22), the Authority has undertaken a self-assessment. The outcome of the self-assessment and associated action plans are now included in Section 14 of the Annual Governance Statement (improvements needed to governance and internal control) and will be monitored as part of the Annual Governance Statement review process.

Audit and Standards Committee fulfil an ongoing review, challenge and assurance role in relation to governance and internal control issues. They will receive reports throughout 2021/22 to allow them to monitor the implementation of the actions to ensure the Authority is fully compliant with the CIPFA Financial Management Code identified in the 2020/21 Annual Governance Statement.

5. Next Steps

The 2020/21 Annual Governance Statement will be considered and approved by Cabinet and signed by the Mayor, Head of Paid Service, (NTCA's Managing Director), Chief Finance Officer and Chair of Audit and Standards Committee, before being published with the Authority's 2020/21 final accounts at the end of November 2021.

6. Potential Impact on Objectives

6.1 No direct impact on objectives.

7. Key Risks

7.1 Risk management will be considered as part of the production of the Annual Governance Statement. There are no specific risk implications directly arising from this report.

8. Financial and Other Resources Implications

8.1 This work to develop the Annual Governance Statement has been carried out by Newcastle City Council's Internal Audit Service under the SLA.

9. Legal Implications

9.1 There are no direct legal implications arising from this report.

10. Consultation/Engagement

10.1 The Head of Paid Service, Monitoring Officer and Chief Finance Officer and NTCA Senior Management Team have been consulted on the draft Statement.

11. Appendices

11.1 Appendix A – Draft 2020/21 Annual Governance Statement

12. Background Papers

12.1 None

13. Contact Officers

13.1 Philip Slater, Chief Internal Auditor Newcastle City Council (acting as Risk Advisor to NTCA)
E mail: philip.slater@newcastle.gov.uk
Tel: 0191 2116511

14. Glossary

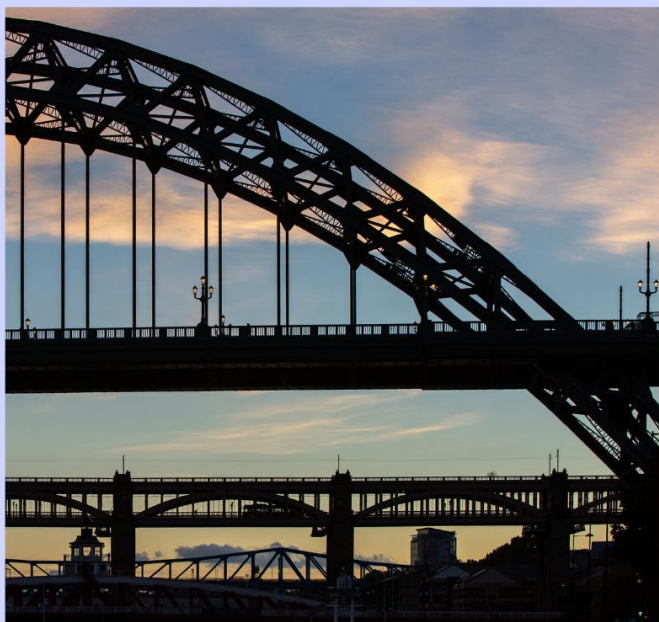
14.1 None

15. Sign-off

15.1 Head of Paid Service: Yes
Monitoring Officer: Yes
Chief Finance Officer: Yes



ANNUAL GOVERNANCE STATEMENT 2020/21



**NORTH
OF TYNE**



**COMBINED
AUTHORITY**

Section 1: Introduction

This Annual Governance Statement provides an overview of how the North of Tyne Mayoral Combined Authority's governance and internal control arrangements operated during 2020/21, including how they are reviewed annually to ensure they remain effective, as the North East responds to the impact of Covid-19.

Section 2: Scope Of Responsibility

NTCA was established on 2 November 2018 to give effect to a "minded to" devolution deal which was agreed between Newcastle, North Tyneside and Northumberland Councils, the North East Local Enterprise Partnership and Central Government. The devolution deal represents a significant shift of powers, funding and responsibility from central government to the local level. The deal enables the three councils to pursue through NTCA a shared ambition for an inclusive economy. NTCA does not replace the three constituent councils, nor does it take away any of their statutory powers.

Our vision is of a dynamic and more inclusive economy, one that brings together people and opportunities to create vibrant communities and a high quality of life, narrowing inequalities and ensure that all residents have a stake in our region's future.

We will work with the North East Combined Authority (NECA) on a number of areas to support the region, including transport. To oversee strategic transport functions a North East Joint Transport Committee has been established with members from both Combined Authorities.

All seven Local Authorities are members of the North East Local Enterprise Partnership (North East LEP) to support delivery of the objectives of the regions Strategic Economic Plan, which is the North East's plan for growing and developing a more productive, inclusive and sustainable regional economy.

On 1 April 2020 accountable body functions for the North East LEP were transferred to NTCA from NECA. As the accountable body or 'Host Authority' NTCA will support the North East LEP manage its resources with all funding decisions being held to account through the NTCA.

NTCA is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It is also responsible for ensuring that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised.

In discharging this overall responsibility, the Authority's Cabinet 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 developed 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 regularly at meetings of the Authority's Audit and Standards Committee. This information can be found under the [Audit and Standards Committee on the Authority's web-site](#).

Section 3: Purpose Of The Governance Framework

Corporate governance is a phrase used to describe how organisations direct and control what they do. The Chartered Institute of Public Finance and Accountancy (CIPFAs) publication "Delivering Good Governance in Local Government" (2016 Edition), sets a framework, and the standard, for local authority governance in the UK. The Framework sets out a set of principles which we test our governance arrangements against to consider the extent to which the Authority complies with the principles of good governance as set out in the Framework. This is reported through the Annual Governance Statement. It also enables us to monitor the achievement of the Authority's priorities and to consider whether those priorities 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 2021 and up to the date of approval of the Authority's Annual Report and Accounts.

This Annual Governance Statement meets the requirements of the Accounts and Audit Regulations 2015 (6) (1) to conduct a review of the effectiveness of the system of internal controls required by Regulation 3 and prepare an Annual Governance Statement.

Section 4: The Governance Framework

The core principles and outcomes of our Governance Framework are set out overleaf. This includes examples of how the Authority has adhered to its governance commitments set out in the Constitution and includes hyperlinks to sources of further information which include more detail about how NTCA has implemented its commitments.

Principles of Good Governance

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|--|--|
| A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law | E. Developing the entity's capacity, including the capability of its leadership and the individuals within it |
| B. Ensuring openness and comprehensive stakeholder engagement | F. Managing risks and performance through robust internal control and strong public financial management |
| C. Defining outcomes in terms of sustainable economic, social, and environmental benefits | G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability |
| D. Determining the interventions necessary to optimise the achievement of the intended outcomes | |

Section 5 – The Governance Framework

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

<i>The Authority's Commitment of Good Governance</i>	<i>How the Authority meets these principles</i>	<i>Where you can see Governance in action</i>
<p>Behaving with Integrity</p>	<p>The 2021 budget and our medium-term financial plan 2022-23/2024-25 has been developed within the context of the Authority's strategic priorities and policy decisions made by the Mayor and Cabinet. This ensures that the Combined Authority's strategic plans can be delivered within the financial resources available.</p> <p>A Deed of Cooperation was made on the 4 July 2018 between the seven Constituent Authorities in the area which outlines a framework for collaborative working across the region.</p> <p>A register of Members' interests (including gifts and hospitality) is also maintained. The register is reviewed on an annual basis.</p> <p>The Monitoring Officer advises on compliance with our Constitution, ensuring that decision making is lawful, fair and ethical.</p> <p>Our financial management arrangements conform to the CIPFA Statement on the Role of the Chief Finance Officer and are the responsibility of the Chief Finance Officer.</p>	<p>2021-2025 Budget Proposals (Agenda item 7a)</p> <p>Gifts and Hospitality Policy</p>
<p>Demonstrating Strong Commitment to Ethical Values</p>	<p>Our Constitution defines our standing orders, standing financial instructions, and scheme of delegation. These clearly define how decisions are taken and the processes and</p>	<p>The Constitution is available on the NTCA website.</p>

controls required to manage risks. We will ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.

The Monitoring Officer advises on compliance with our Constitution, ensuring that decision making is lawful, fair and ethical.

Codes of conduct are set out in the Constitution, defining standards of behaviour for Members and Officers working on behalf of the Authority. Audit and Standards Committee will deal with issues of conduct and generally promote high standards among officers and members.

Our Freedom of Information Scheme is published on our website

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. Whistleblowing policy and procedure is at Part 5.5 of our Constitution

The Authority appoints Statutory Officers who have the skills, resources and support necessary to ensure statutory and regulatory requirements are complied with.

On 2 June 2020 Cabinet agreed policies relating to: Data Protection and Confidentiality; Environmental; Equalities and Diversity; Modern Slavery; and Social Value.

We have worked with Cabinet and wider partners and stakeholders to develop a clear set of values by which we work which are outlined in our Corporate Plan.

Cabinet Rules of Procedure (“Standing Orders”) can be found at [part 3.1](#) of the Constitution

Codes of Conduct can be found at [Part 5.2](#) of the Constitution

[Freedom of Information Scheme](#)

[Whistleblowing Policy](#)

[Cabinet report – agenda item 9](#)

[Corporate Plan 2021/22 – How We Work \(page 7\)](#)

Respecting the Rule of Law

NTCA has measures to address breaches of its legal and regulatory powers. The Authority's Monitoring Officer has statutory reporting duties in respect of lawful decision and maladministration.

We review and update our standing orders, standing financial instructions, scheme of delegation and support procedure notes/manuals – these clearly define how decisions are taken and the processes and controls required to manage risks.

A revised scheme of officer delegations was approved by Cabinet on 29 September 2020. The proposed scheme identifies a number of officers as “designated officers” who can exercise the delegated functions allocated to them in the scheme. These designated officers are the Head of Paid Service, Chief Finance Officer, and Monitoring Officer, Director of Economic Growth and Director of Policy and Performance, as well as the Chief Executive of the North East LEP (whose delegation relates to North East LEP matters only).

Head of Paid Service designation to Managing Director (formerly Director of Economic Growth) was approved by Cabinet in June 2021

Our financial management arrangements conform to the CIPFA Statement on the Role of the Chief Finance Officer.

The Monitoring Officer is advised on compliance with our policy framework, ensuring that decision making is lawful and fair and ethical.

[revised scheme of officer delegations](#)

[Cabinet Agenda 8 June 2021- Agenda item 14](#)

B. Ensuring openness and comprehensive stakeholder engagement

The Authority's Commitment to Good Governance	How the Authority meets these principles	Where you can see Governance in action
<p>Ensuring Openness Engaging Comprehensively with Institutional Stakeholders</p> <p>Page 11</p>	<p>We are clear on delivering the objectives of the Combined Authority and intended outcomes of our vision. Our Corporate Plan outlines the things we are doing and will do in future – using the powers and resources from our Devolution Deal, and the rapid progress we have made since – to drive jobs, inclusion, new homes and positive economic change in our region</p> <p>Our Annual Report 'Working Together For You' sets out the Authority's achievements and the work of the Mayor and Cabinet over the last year.</p> <p>The Elected Mayor chairs the Cabinet and Cabinet decisions will be subject to scrutiny by the Overview and Scrutiny Committee. The Elected Mayor has a number of specific powers and financial resources which Cabinet can make representations on and which can also be subject to scrutiny by the Overview and Scrutiny Committee.</p> <p>Transport is of strategic importance to the North East and together with the North East Combined Authority a North East Joint Transport Committee has been established bringing together members from across the seven local authorities, allowing effective decision making across the region to ensure that the local needs and transport priorities are delivered.</p> <p>The NTCA updated Adult Education Strategic Skills Plan sets out our ambitious programme for skills development. It</p>	<p>Corporate Plan 2021/22</p> <p>Working Together For You – Annual Report</p> <p>Cabinet Scrutiny Protocol (Agenda item 6)</p> <p>North East Joint Transport Committee</p>

	<p>highlights strengths, opportunities and challenges across our region and sets out the NTCA key priorities to ensure our residents have the skills to get a good job, progress in work and that employers have people with the right skills.</p>	<p>Opportunity for All – North of Tyne Strategic Skills Plan 2021-2023</p>
<p>Engaging stakeholders effectively, including individual citizens and service users</p>	<p>Meetings, agendas and minutes are accessible via the website. All meetings are held in public (other than where consideration of confidential or exempt information). However, during the ongoing situation regarding Covid-19, Cabinet meetings and all other Committees were held virtually, in accordance with their usual timescales, and live streamed for the public to view.</p> <p>We publish a register of key decisions to notify the public of the most significant decisions the Combined Authority is due to take. Details of each decision are included on the Forward Plan 28 days before the report is considered and any decision is taken. This allows an opportunity for people to find out about major decisions that NTCA is planning to take.</p> <p>Our Freedom of Information Scheme is published on our website.</p> <p>The appointment of a Mayoral Ambassador for the Voluntary, Community and Social Enterprise Sector (VCSE) and supporting Accord, which sets out a framework for a new relationship between NTCA and the VCSE to deliver our shared vision of an inclusive economy.</p> <p>We have set up a dedicated Coronavirus webpage which provides support for our businesses and communities, providing the latest government advice and available support.</p>	<p>NTCA website</p> <p>Forward Plan</p> <p>Freedom of Information Scheme</p> <p>VCSE Accord Agenda item 4</p> <p>Coronavirus webpage</p> <p>Brexit Support webpage</p>

The website also signposts businesses to specialist sources of Brexit preparedness advice and support.

We continue to use Facebook and Twitter as primary social media platforms to provide information on news and events for residents, businesses and visitors.

Our website includes a transparency page where you will find the non-financial information the North of Tyne Combined Authority is required to publish under the Local Government Transparency Code 2015.

We have worked closely with our adult education providers providing stability and flexibility to ensure delivery is maintained throughout and beyond the Covid-19 pandemic. We have already received much feedback on how this funding is making a positive impact to people’s lives and we have case studies from a number of residents providing us with ‘their story’ on how the courses they are taking are building their confidence and skills, and supporting them on their next steps.

[Transparency Information](#)

[The Cedarwood Trust AEB case study \(Appendix 2 page 18\)](#)

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

<i>The Authority’s Commitment to Good Governance</i>	<i>How the Authority meets these principles</i>	<i>Where you can see Governance in action</i>
Defining Outcomes	Our Corporate Plan outlines the things we are doing and will do in future – using the powers and resources from our Devolution Deal, and the rapid progress we have made since	Corporate Plan 2021/22

	<p>– to drive jobs, inclusion, new homes and positive economic change in our region.</p> <p>The North East LEP works with its partners, which includes NTCA and NECA, to deliver the regions Strategic Economic Plan (SEP). The Plan reflects on recent changes to the global and national economy as well as the UK’s departure from the European Union. It also looks at how the North East can maximise opportunities around the UK’s Industrial Strategy.</p> <p>We incorporate good governance arrangements in our partnerships and reflect these in our overall governance arrangements.</p>	<p>Strategic Economic Plan</p> <p>UK’s Industrial Strategy.</p> <p>Significant Partnership Register</p>
<p>Sustainable, Economic, Social and Environmental Benefits</p>	<p>To build on the engagement that is already happening across the North of Tyne region regarding climate change, Cabinet has approved the creation of a Citizens’ Assembly to look at a specific set of issues relating to climate change.</p> <p>Our Social Value Policy sets out how the Authority will deliver social value through their commissioning and procurement activities and to set the Authority’s priorities in relation to social value.</p> <p>NTCA has developed a programme to understand what ‘Good Work’ should look like in the North of Tyne and how NTCA can promote and reward employers that are offering the elements of ‘Good Work’. This has included the development of a Good Work Pledge, which will enable employers to understand the key elements of ‘Good Work ‘ what they can do to achieve this for their employees and what support is available to help them get there.</p>	<p>North of Tyne Citizens’ Assembly on Climate Change</p> <p>Social Value Policy</p> <p>Good Work Pledge</p>

Adult Education Budget provision will support key elements of the North East Strategic Economic Plan, and the emerging Local Industrial Strategy and play a key role in NTCA's economic growth and reform agenda.

We will continue to engage with adult education providers working to respond to the Coronavirus pandemic looking for provision, which is responsive to the challenges the crisis brings, helping residents get on in work and life around the terms of Covid-19 recovery.

To support businesses during the Coronavirus pandemic we have made funding of £5m available with additional grant funding of around £1.5m to support businesses during the Coronavirus crisis.

We have established a digital equipment loan scheme to support residents across the region giving them access to digital services and opportunities. Encouraging digital inclusion for everyone will help our residents' access new opportunities and in turn support our inclusive economy.

Inclusive Economy Board was launched in March 2020 and advises the NTCA Cabinet on inclusive economy interventions across the North of Tyne area, championing the NTCA Vision and supporting the area to become a national exemplar in inclusive growth

The Housing and Land Board provides robust governance around an integrated strategic approach to improving the quality and quantity of homes in the North of Tyne area.

[Covid-19 Capacity Fund](#)

[Digital Inclusion Scheme](#)

	<p>A North of Tyne Poverty Truth Commission will bring together community, civic and business representatives with people with experience of living in poverty. It will aim to better understand the specific effects of the Covid -19 pandemic for people living in Newcastle, North Tyneside, and Northumberland and come up with practical solutions.</p> <p>Crown Fund North of Tyne will fund projects to help communities recover from the Coronavirus pandemic - its aim is to bring people together, create or improve green spaces, improve mental health, inspire creativity and opportunity for all, or support social enterprise and co-operative development.</p>	<p>Poverty Truth Commission</p> <p>Crown Fund North of Tyne</p>
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D. Determining the interventions necessary to optimise the achievement of the intended outcomes

<i>The Authority's Commitment to Good Governance</i>	<i>How the Authority meets these principles</i>	<i>Where you can see Governance in action</i>
<p>Determining Interventions</p>	<p>Cabinet approved its draft budget for 2021/22, and the medium-term financial plan for the period 2022/23 to 2024/25 at its January 2021 meeting.</p> <p>Our scrutiny arrangements enhance accountability and transparency of decision making. The Overview and Scrutiny Committee acts in accordance with the principles of decision making as set out in our Constitution and will call-in decisions where there is evidence which suggests that the decision was not taken in accordance with the principles.</p> <p>A Cabinet Scrutiny Protocol has been agreed which defines the relationship between Cabinet and Overview and Scrutiny Committee, providing a framework for disagreement and debate and a way to manage it when it happens.</p>	<p>Cabinet Report (Agenda item 7)</p> <p>Constitution (Part 1.2)</p> <p>Cabinet Scrutiny Protocol (Agenda item 6)</p>

	A Scrutiny Annual Report was presented to Cabinet at its Annual Meeting in June 2021.	Scrutiny Annual Report (Agenda item 12)
Optimising Achievement of Intended Outcomes	The strategic, crosscutting nature of much of the Authority's work means that delivery is often achieved through collaboration with NTCA partners and North of Tyne Council's. An example of this collaboration is in our Recover, redesign, reimagine plan which has been put forward to Government demonstrating our commitment to post-covid recovery and renewal.	Recover, Redesign, Reimagine

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

<i>The Authority's Commitment to Good Governance</i>	<i>How the Authority meets these principles</i>	<i>Where you can see Governance in action</i>
Developing the Organisation's Capacity	We have defined and documented in our Constitution the roles and responsibilities of Cabinet, 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 Cabinet, Members and Officers have been agreed by the Combined Authority.	
Developing the Capability of the Organisation's Leadership and Other Individuals	We identify and aim to address the development needs of members and senior officers through the annual appraisal process, in relation to their strategic roles, and support these with appropriate training.	

Values and behavior's workshops have been delivered to all staff, with staff appraisals undertaken with agreed targets and objectives linked to NTCA's work programme.

During the Coronavirus pandemic national updates and latest Government guidance has been regularly communicated to all our staff working remotely.

Staff are also reminded of our information governance/data security requirements whilst working remotely, to ensure they continue to work safely and securely. Additional health and safety modules have been made available on our Learning Management System alongside advice from the Health & Safety Executive to ensure all our staff work safely at home.

F. Managing risks and performance through robust internal control and strong public financial management

<i>The Authority's Commitment to Good Governance</i>	<i>How the Authority meets these principles</i>	<i>Where you can see Governance in action</i>
Managing Risk	Our Risk and Opportunity Management Policy and Strategy outlines our arrangements for managing risk. Risk management is an integral part of our decision-making processes. To inform decision making all committee reports include a section which highlights the key risks to the decisions or proposed recommendations and how they are being addressed.	
Managing Performance	Cabinet and Overview and Scrutiny Committees receive quarterly finance reports, monitoring the Authority's financial position and treasury management activity.	

	<p>Cabinet and Overview and Scrutiny Committees receive six monthly reports monitoring the financial position of the North East LEP and Invest North East England.</p>	
<p>Effective Overview and Scrutiny</p>	<p>Our scrutiny arrangements enhance accountability and transparency of decision making. The Overview and Scrutiny Committee acts in accordance with the principles of decision making as set out in our Constitution (Part 1.2) and will call-in decisions where there is evidence which suggests that the decision was not taken in accordance with the principles.</p>	
<p>Robust Internal Control</p> <p>Page 19</p>	<p>An Officer holds the position of Data Protection Officer and is responsible for overseeing the Authority's Data Protection and Confidentiality Strategy and its implementation to ensure compliance with the General Data Protection Regulations.</p> <p>The Authority regularly reviews policies relating to records management, data quality, data protection and information security.</p> <p>The Audit and Standards Committee acts as principle advisory committee to NTCA, providing independent assurance on the adequacy of the risk management framework and internal control environment.</p> <p>An assessment of the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the Authority's internal auditors. The Chief Internal Auditor will provide an annual opinion for 2020/21 to support this Annual Governance Statement.</p>	<p>Data Protection and Confidentiality Strategy</p>

	<p>A 2020/21 Strategic Audit Plan which was approved by Audit and Standards Committee on 28 July 2020, has been prepared to ensure Internal Audit resources are deployed in areas that will provide optimum benefit and value to the Authority. Progress against the 2020/21 Audit Plan was reported to Audit and Standards Committee at its January 2021 meeting.</p> <p>Audit and Standards Committee endorsed the Authority's Strategic Audit Plan for 2021/22 at its January 2021 meeting.</p>	<p>Internal Audit report January 2021 – Agenda item 4a & 4b)</p>
<p>Managing Data</p> <p>Page 20</p>	<p>All staff must undertake data protection e-learning training annually. The programme of training and awareness for all staff and members continues during 2021/22.</p> <p>The Authority makes information available to the public via the information access regimes provided for by the Freedom of Information Act 2000 and the Environmental Information Regulations 2004.</p>	<p>Freedom of Information Scheme</p>
<p>Strong Public Financial Management</p>	<p>The control and financial management arrangements are reviewed by internal and external audit throughout the year. The outcomes for 2020/21 are noted in Section 5 of this Annual Governance Statement – Annual Review of Effectiveness of Governance Framework.</p>	

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

The Authority's Commitment to Good Governance	How the Authority meets these principles	Where you can see Governance in action
Implementing Good Practice in Transparency	<p>Mayor's Question Time – Mayor Driscoll hosts regular themed online Mayor's question time, welcoming questions and comments on key issues.</p> <p>The Mayor updates the region weekly via his video blog and Facebook page, providing an insight into the working week of the NTCA Mayor and the Authority's key achievements.</p> <p>We publish details of delegated decisions on our website.</p>	<p>Mayor's Facebook Page - Mayor's question time</p> <p>YouTube - My week in a minute</p> <p>delegated decisions on our website.</p>
Implementing Good Practices in Reporting	<p>We ensure that our Audit and Standards Committee undertakes the core functions identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities and Police 2018.</p> <p>Internal Audit compliance with Public Sector Internal Audit Standards</p> <p>Production of the Authority's Annual Report and Accounts</p>	
Assurance and Effective Accountability	<p>The Assurance Framework explains the arrangements for NTCA to:</p> <ul style="list-style-type: none"> • Demonstrate that arrangements are in place to ensure accountable and transparent decision-making • Appraise projects and allocate funding; and 	

- Monitor and evaluate projects to ensure that they achieve value for money and projected outcomes

The Assurance Framework has been designed to meet the National Guidance for Single Pot Assurance Frameworks, issued by MHCLG for localities in receipt of a Single Pot as part of their Devolution Deals.

Section 5 of this Annual Governance Statement provides the views of our internal and external auditors. Auditors report regularly to Audit and Standards Committee and provide their annual opinion on the adequacy of the effectiveness of our governance, risk and control framework.

The Authority monitors the implementation of internal and external audit recommendations. Audit and Standards Committee receive regular reports summarising performance regarding implementation of recommendations.

Information on expenditure, performance and decision making is sited together on the Transparency page of the Authority's website and can be accessed quickly and easily.

Section 6: 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 Audit and Standards Committee who provide independence and challenge. The review is informed by:

- (a) An assessment of the Authority's Constitution, including its committee structure.
- (b) The views of Internal Audit. The Acting Chief Internal Auditor's report to the 20 July 2021 Audit and Standards Committee gives the following opinion on the adequacy and effectiveness of the framework of governance, risk management and control in place for the North of Tyne Combined Authority for 2020/21: *The opinion of the Acting Chief Internal Auditor is that the framework of governance, risk management and control is satisfactory overall, at this stage in the authority's development and given the range of responsibilities it is required to discharge. This is a positive assessment of the control environment of the organisation*
- (c) Assurance from Statutory Officers, including the Monitoring Officer, Chief Finance Officer and Senior Information Risk Owner, through written signed statements.
- (d) The views of External Auditors. The external auditors Annual Audit Letter and Audit Completion Report provides (Note: opinion will be included once provided)
- (e) The results of the Authority's self-assessment of compliance with the new CIPFA Financial Management Code
- (f) Activity of the Audit and Standards Committee, including ethical governance
- (g) Partnerships, including the North East Joint Transport Committee
- (h) The Risk Management process, particularly the Strategic Risk Register
- (i) Performance information which is reported to Cabinet and other meetings on a regular basis.

Section 7: North East Joint Transport Committee and North East Combined Authority

Regional transport is operated and governed by the North East Joint Transport Committee, bringing together the two Combined Authorities, which allows effective decision-making across the region to ensure that the local needs and transport priorities are delivered. The Committee receive regular updates on North East and Regional Transport Plans. The Committee also receive regular updates from the Managing Director, Transport North East, in respect of transport partnerships, including East Coast Mainline, HS2 and Northern Powerhouse Rail.

The Joint Transport Committee, Audit Committee is also a key component of the corporate governance arrangements and is an important source of assurance about the Joint Transport Committee's arrangements for managing risk, maintaining an effective control environment; and reporting on financial and performance matters.

The Joint Transport Committee also has an Overview and Scrutiny Committee to enable local councillors, on behalf of their communities, to scrutinise and challenge the Joint Transport

Committee, its committees and Nexus, and to investigate matters of strategic importance to residents with a view to influencing and adding value to the decisions.

Section 8: Investment Fund Programme & Brownfield Housing

Investment Fund Programme

Delivery of the Investment Fund Programme is well underway; £59.13m is committed against a wide range of projects and programmes, with project delivery well underway. Forecast expenditure for 2020/21 currently stands at c£10m. In addition, a healthy pipeline of high-quality projects is in place with several significant investments planned in the coming months. This includes investment in our digital and offshore sectors, enabling innovation in businesses, as well as broader programmes of support to our residents and communities. The Covid-19 pandemic has had an impact on North of Tyne residents and our economy. The Combined Authority has worked closely with project sponsors throughout the last year to provide additional support and enable the development of alternative delivery methods where appropriate to realise outcomes. The impact of Covid-19 continues to be monitored.

An evaluation framework to capture our achievements and learning is in development and aiming for consideration by Cabinet in June 2021. The approach taken has been a process of co-design, including representation across all work programmes. Performance is reported monthly, outcomes are slightly ahead of forecasts in terms of the creation of new jobs and attracting private sector leverage. A bespoke programme management system, shared with the North East LEP, was launched in April 2021 across all NTCA programmes. As a cloud-based system, this will improve the efficiency of managing and monitoring programmes across the Combined Authority and will streamline the interface with delivery organisations for claims and output reporting.

Brownfield Housing

In July 2020, the Combined Authority secured £23.850m from Government's £400.000m national Brownfield Housing Fund. The funding will be delivered over five years up to 31 March 2025, to support the development of at least 1,500 new homes, by remediating and revitalising brownfield sites across the North of Tyne area. The Brownfield fund is part of a broader housing programme and pipeline of sites, shaping a strategic delivery approach to supporting housing and economic recovery.

The Combined Authority has operationalised the programme at pace, working closely with Local Authorities to establish a pipeline of projects totalling £21.5m by October and legally committing £10m by March 2021.

Section 9: Adult Education Budget

In August 2020 the Combined Authority took control of a £23.145million Adult Education Budget (AEB), secured as part of the devolution deal. An additional allocation of £959,064 for one year only was received in September 2020 to invest in High Value Courses and sector-based work academy programmes as part of the Chancellor's announcement on the 'Plan for Jobs' to support young people during the COVID-19 crisis. For the period April-July 2021 NTCA have also received an additional £409,894 of 'delegated' funding for the delivery of the Level 3 Adult Offer of the Government's Lifetime Skills Guarantee.

With Cabinet approval, the devolved AEB has been allocated to 29 education providers across 10 Grant Agreements and 19 Contract for Services (via the establishment of a procurement framework).

NTCA have made use of the flexibilities afforded by devolution of AEB in relation to its funding rules, rates and eligibility criteria to ensure the funding can be targeted where it is needed

most. We have successfully secured provision which is based in the heart of our communities for innovative programmes that would not have been funded through non-devolved AEB.

The impact of Covid-19 is being closely monitored, both in terms of learner engagement during the pandemic and providers performance against delivery plans and payment profiles that were set out at the beginning of the academic year. Performance against delivery is reviewed at quarterly monitoring points.

Providers have implemented innovative plans to ensure delivery continues. This has included transferring provision on-line, supporting vulnerable learners through one to one video calls and where classrooms have been able to open delivering to groups of learners with effective safety measures in place.

NTCA implemented new funding flexibilities in January 2021 following consultation with providers on the impact of the crisis. These flexibilities included a fully funded non-accredited learning aim which can be utilised to provide informal activity to support learner engagement. A further flexibility removed the requirement for employed residents to contribute 50% towards the cost of their learning and enable fully funded accredited learning at Level 2 and Level 3 and non-accredited work-related training.

The AEB team are exploring a number of options for consideration in relation to the management of funding allocations for the remainder of this Academic Year (AY) 2020-21 and for AY 2021-22 to enable providers to respond quickly and flexibly when lockdown restrictions end.

Section 10: 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 2020/21.

Section 11: Covid-19 Response and Recovery

The region, via its Local Resilience Forum and a range of additional partners, continues to collaborate strongly in response (overseen by a Strategic Coordination Group) and recovery functions (through a Recovery Coordination Group) to Covid-19. The LA7 Local Authorities from Durham to Northumberland are actively collaborating at a political and officer level, and the NTCA has played an ongoing role supporting these efforts and leading elements of recovery planning.

The Combined Authority has taken a proactive approach to support for particular sectors impacted by the pandemic, including the continuation of support to enhance short-term skills, jobs and inclusive economy interventions such as Kickstart, Youth Hubs, Good Work Pledge, Culture and Tourism Recovery, Climate innovation and Growth of the Digital Sector.

North of Tyne's Digital Inclusion programme was piloted in June 2020, as part of the COVID-19 response. It sought to provide 2675 residents with technology to allow them to become more digitally included. Primarily, this focussed upon providing equipment to school children, adults enrolled in education and employability programmes and those in care homes across

the region. Through an investment of £686,000, the three constituent local authorities were able to provide resources and support to those that it targeted.

As a member of the North East Covid-19 Economic Response Group, NTCA has worked with regional colleagues to support the submission to government for recovery support and finance for the North East. The Group has published its North East Recovery and Renewal Deal, which asks government for investment to prioritise jobs and skills which will strengthen the economic recovery, as we invest in our people, alongside infrastructure and innovation.

The programme of activity is built around five themes:

1. **Job recovery:** Rapid and sustained interventions to help people into jobs and training, including a jobs recovery programme that will provide jobs and training for 20,000
2. **Building the economy of the future:** Maximising the potential of our existing assets and exploring opportunities to enter new markets and supply chains – powered by innovation
3. **Supporting businesses:** Rapid recovery of businesses and sectors
4. **Communities and place:** Creating resilient places and strong communities as they adapt to living with Covid-19, as well as other challenges and opportunities and supporting the cultural recovery
5. **Digital and connectivity infrastructure investment:** Building infrastructure to lead transformation and encourage future investment

In addition to this NTCA has allocated £10m of Investment funds to proceed with a North of Tyne Recovery Innovation Deal supporting businesses, social enterprises and Local Authorities to proactively innovate business models and sustain jobs in sectors that have been hit by the crisis. This funding could be used to help businesses adapt to digital ways of working, creating new Covid-19 secure spaces and supporting the development of stronger local supply chains.

Section 12: Improvements Needed to Governance and Internal Control

The review also identifies activities that may need improvement, but which do not constitute “significant weaknesses” in our governance and internal control arrangements. These are set out in Appendix A and will be monitored as part of the next review.

Section 13: Conclusion

We consider the governance and internal control environment operating during 2020/21, 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 for 2020/21 are in place and operating as planned.

We propose over the coming year to improve our governance and internal control arrangements and consider any lessons learnt during the period of the Coronavirus pandemic, as part of our next annual review.

**Mayor of the North of Tyne
Combined Authority**

Head of Paid Service

Full Name: Jamie Driscoll

Full Name: Henry Kippin

Signature:

Signature:

Date:

Date:

**Chair of Audit and Standards
Committee**

Chief Finance Officer

Full Name: Doug Ross

Full Name: Janice Gillespie

Signature:

Signature:

Date:

Date:

CIPFA Financial Management Code

Background Risk

The Financial Management Code (FM Code) is an additional requirement in 2020/21, mandatory from 2021/22. The Code is based on a series of principles supported by specific standards which are considered necessary to provide a strong foundation to manage the short, medium and long-term finances of a public authority, to manage financial resilience to meet unforeseen demands on services and manage unexpected changes in financial circumstances. Non-compliance with the Code could lead to ill-informed decision making which could adversely impact on the Combined Authority’s financial sustainability.

In preparation for the first full year of compliance with the Code (2021/22) the Combined Authority has undertaken a self-assessment to ensure that it complies with the FM code in line with guidance issued by CIPFA and in a way that is appropriate and proportional to its own circumstances reflecting the structure, function and size of the Combined Authority.

The overall conclusion of each Financial Management Principle has been assigned a red, amber, or green rating in line with the scale of the improvements required for full compliance. A red rating indicates that significant improvements are required, an amber rating indicates that moderate improvements are required, and a green rating indicates that no improvements or minor improvements may be required. The RAG assessment ratings against each Principle are noted below:

- Leadership – Green
- Accountability – Green
- Transparency – Green
- Standards – Green
- Assurance – Green
- Sustainability – Green

The overall results from the self- assessment was green, however, the code requires any areas for improvement to be disclosed within an action plan. The self-assessment identified 4 areas for improvement, which once implemented will ensure the Combined Authority fully complies with the Financial Management Code.

Accountable Officer: Chief Finance Officer

Action(s) required to enhance effectiveness

Implementation date

Assurance Principle – Standard (F) The authority has carried out a credible and transparent financial resilience assessment.

2022/2023

This requirement relates to whether the Combined Authority has undertaken an independent, credible, and

<p><i>transparent financial resilience assessment. Such a review has not been carried out, and consequently assessed this as Amber.</i></p>	
<p>Standards Principle – Standard (H) The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.</p> <p><i>A Capital Investment Strategy needs to be developed and borrowing powers obtained to enable the Combined Authority's longer-term ambitions.</i></p>	2022/2023
<p>Sustainability Principle - Standard (E) The Financial Management Style of the authority supports financial sustainability – Has the authority sought an external view on its financial style, for example through a process of peer review?</p> <p><i>Whilst a peer review is not a requirement for compliance with the FM Code, the benefit of doing so will enable:</i></p> <ul style="list-style-type: none"> • <i>The creation of an action plan for any areas of improvement.</i> • <i>Review adequacy of financial management support.</i> 	2022/23
<p>Transparency Principle - Standard (M) Does the authority have a documented option appraisal methodology that is consistent with the guidance set out in the International Federation of Accountants/Professional Accountants in Business Publication – Project and Investment Appraisal for Sustainable Value Creation: Principles in Project and Investment Appraisal?</p> <p><i>Although the Combined Authority have an Assurance Framework for appraising all projects, in line with the HM Treasury Green Book recommendations, a review is currently ongoing to further strengthen the requirements for options appraisals and relate this to the Business Case Guidance.</i></p>	2021/22

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Report Summary

This report (a) updates Committee on the constituent authorities' approach to the LGA model code of conduct, and (b) seeks Committee's agreement to grant dispensations to NTCA's Cabinet Members and substitute Cabinet Members in certain circumstances.

Recommendation

The Committee is recommended to:

- i. note the current position with regard to the LGA Model Code of Conduct as set out in section 1.2 below;
- ii. grant the dispensations to Cabinet Members (including substitute members) to participate in decisions of the Authority where they have an interest by virtue of being a member of a constituent authority and authorise the Monitoring Officer to issue similar dispensations to any new Cabinet Members (including substitute members); and
- iii. note the existing arrangements to deal with other requests for dispensations as described in section 2.2 of this report.

1. LGA Model of Conduct

1.1 At its meeting in January 2021, the Committee received a report regarding the LGA model code of conduct which was published in December 2020. As NTCA's own code of conduct is largely based on the codes of conduct which are already in place across the 3 constituent authorities, it was agreed that consideration of any potential changes to NTCA's code of conduct be deferred until the constituent authorities had considered their own responses to the LGA model code.

1.2 The current position across the 3 constituent authorities is as follows:

Newcastle – the Standards Committee considered the model code at its meeting on 23 April 2021. It was felt that there was not a significant amount of substantive difference between the LGA model code and the Council's current code, and that there was no immediate need to change the code, although this position would be kept under review.

North Tyneside – the Standards Committee considered the model code at its meeting on 8 April. They also agreed that there were many similarities with the Council's own code but noted that there were some differences. The Committee agreed to set up a working group to review the Council's code against the model code and report back to the Committee with recommendations on whether any amendments should be made.

Northumberland – the Standards Committee considered the model code at its meeting on 22 April. It was felt that discussions with neighbouring local authorities would be welcomed to have a consistent approach and so a further report would be presented to Members when officers had had the opportunity to consider the national and local picture further.

2. Dispensations

- 2.1 As Members are aware, this Committee has the power to grant dispensations to Members to allow them to take part in a decision where they would otherwise be precluded from doing so because of an interest they have in the matter being considered.
- 2.2 In April 2019, this Committee agreed that dispensations should be granted to Cabinet Members (and substitute Cabinet Members) to allow them to take part in decisions which related to the constituent authority which appointed them.
- 2.3 The dispensations were granted to cover the period until the annual meeting to be held in 20/21. Due to the coronavirus pandemic, the 20/21 annual meeting did not take place. It is recommended that the Committee grant dispensations in similar terms without any time limit and that the Monitoring Officer be authorised to issue similar dispensations to any new or replacement Cabinet member or substitute member.
- 2.2 At its meeting in April 2019, Committee also agreed to establish an ad-hoc subcommittee (comprising the non-voting Chair and 3 members of the Committee) to deal with any other requests for dispensations which arise between meetings of this Committee. Furthermore, the Committee also agreed that, in cases of urgency and where it was not practicable to convene a meeting of the subcommittee, the Monitoring Officer, in consultation with the Chair (or, in his/her absence, the Vice Chair) should be authorised to issue dispensations in order to allow a meeting of the Cabinet (or other Committee) to be quorate. It has not been necessary to utilise these arrangements to date, but they remain in place if required.

3. Potential Impact on Objectives

- 3.1 The proposals in this report are intended to facilitate effective decision-making by the Authority.

4. Key Risks

- 4.1 There are no key risks arising from this report.

5. Financial and Other Resources Implications

- 5.1 There are no direct financial or other resource implications arising from the recommendations set out in this report.

6. Legal Implications

- 6.1 The legal implications are set out in the body of the report.

7. Equalities implications

- 7.1 There are no direct equalities implications arising out of the recommendations in this report.

8. Inclusive Economy Implications

- 8.1 There are no direct inclusive economy implications arising out of the recommendations in this report

9. Climate change Implications

- 9.1 There are no direct climate change implications arising out of the recommendations in this report.

10. Consultation/Engagement

10.1 The granting of dispensations is a matter for this Committee and the power to set up a subcommittee for these purposes is set out in the Committee's Terms of Reference which are part of the Constitution originally approved by Cabinet at its meeting in November 2018.

11. Appendices

11.1 None

12. Background Papers

12.1 NTCA Constitution - Part 2.7 – Responsibility for Functions:
<https://www.northoftyne-ca.gov.uk/wp-content/uploads/2020/09/Part2-Responsibilityforfunctions.pdf>

13. Contact Officer

13.1 John Softly, Monitoring Officer, john.softly@northoftyne-ca.gov.uk

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