

North East Combined Authority, Governance Committee

13 September 2016

(2.00 - 4.00 pm)

Meeting held Newcastle City Council, Civic Centre, Barras Bridge, Newcastle upon Tyne
NE1 8QH

Present:

Independent Member: M Scrimshaw (Chair)

Councillors: E Bell (Durham), A Dale (Northumberland), J Foreman (reserve/South Tyneside), H Hughes (Gateshead), and M Talbot (Newcastle).
Substitute members J Foreman (South Tyneside) and P Early (North Tyneside)

Independent Person: S Gardner

14 APOLOGIES FOR ABSENCE

Apologies for absence were received from G Clark (Vice Chair), Councillors G Hobson (South Tyneside), C Johnson (North Tyneside), and H Trueman (Sunderland)

15 DECLARATIONS OF INTEREST

None

16 MINUTES OF PREVIOUS MEETING HELD ON 5 JULY 2016

RESOLVED – That the Minutes of the previous meeting held on 5 July, 2016 circulated on a supplemental agenda in accordance with the provisions of the Local Government (Access to Information) Act, 1985 were agreed as a correct record and signed by the Chair.

Matters Arising

- Councillor A Dale indicated that her comments raised around ensuring there was a distinction shown in the minutes about responsibilities of the LEP and those of the combined authority had not been included. P Woods referred the committee's attention to Minute 37 (iii) from the meeting held on 1 April 2016, where the said member had previously raised the matter, advising that in moving forward, this action would be undertaken. He asked for a copy of Minute 37 (iii) to be sent to the member.

- The Chair requested P Slater to share the trade unions views regarding monitoring of anti-fraud and corruption policy with him once they were received (Minute 10 – Anti-Fraud and Corruption Policy referred).

At this point in the meeting, a member asked for an up to date position on the future of the combined authority and work of this committee, in light of last week's decision on devolution by the Leadership Board. P Woods advised the committee that irrespective of last week's decision not to proceed with public consultation on devolution, the work of this committee and the combined authority would continue; the combined authority having been established prior to the devolution deal. He explained that there would need to be some adjustments and changes made to some of the reports and documents produced for this meeting, as these had been circulated in advance of Leadership Board's decision. He agreed to highlight these changes when the items of business were being discussed.

17 **BUS SERVICES BILL - (NEXUS)**

Submitted: Report by Managing Director, Transport Operations NEXUS (previously circulated and a copy attached to official minutes), which provided an update on the Bus Services Bill; which also included an assessment of opportunities and risks that the Bill presented for the NECA area.

M Scott introduced the report and gave a brief presentation, updating the committee on the Bill's progress.

Durham and Northumberland members commented upon issues and concerns for their respective regions, emphasising the need for further information to fully understand the implications.

In responding to queries raised, M Scott confirmed that the Bill provisions applied to all local transport authorities. Bus franchising legislation improved on QCS legislation, notably the QCS 'public interest test' was no longer referenced. The Act would present opportunities to better integrate the metro, rail and bus services, including simplifying fares. The TNEC report presented at Appendix 1 provided high level objectives on bus services in region but further work on the deliverables was still required. Engagement with bus operators was happening to assess their appetite for using the new partnership provisions in the Bill, alongside existing provisions. M Scott explained the process for moving forward including the next steps.

The Chair thanked M Scott for his presentation asking for the committee to receive regular updates when there was progress to report. He suggested that a copy of the relevant report and minute extract following the TNEC meeting scheduled to be held on 3 November 2016 be circulated to the committee for information.

RESOLVED – That the Committee note the report.

18 **DRAFT BUDGET 2017/18 - PROCESS AND TIMETABLE AND TREASURY MANAGEMENT MID YEAR UPDATE - (NECA)**

Submitted: Report by Chief Finance Officer (previously circulated and a copy attached to official minutes), which set out the process and timetable for the preparation, consultation and approval of the 2017/18 budget and indicative medium term financial strategy, including consultation with Governance Committee. The report also contained a mid-year update on treasury management activity for the combined authority.

P Woods introduced the report, explaining the challenges the combined authority faced, appraising the committee about the timetable and process. He indicated that in light of the current position, the combined authority would only be preparing a one year budget, which met the minimum statutory requirement. The Leadership Board would be asked at their November meeting to consider how it would recover the costs around devolution, which had been utilised from reserves. As part of the consultation process, the budget proposals would be presented to committee at their December meeting, with results of all the consultation being reported back to the Leadership Board thereafter.

RESOLVED - That the committee receive the report for information.

19 **ANNUAL REPORT AND ACCOUNTS - (NECA)**

Submitted:

- (i) Report by Chief Finance Officer (circulated on a supplemental agenda in accordance with the provisions of the Local Government (Access to Information) Act 1985
- (ii) Amended page 13 of the Chief Finance Officer's Narrative report 2015/16 and a summary sheet and amended pages to the NECA accounts from the version circulated and published (tabled at the meeting)

P Woods introduced the report, which presented the final, audited 2015/16 accounts for review and approval for submission to the Leadership Board. The accounts were largely complete with the external auditor's report also being available later on the agenda for the committee to review. The committee was talked through the revised statements and notes, which related to the leasehold land associated with the new Tyne Tunnel Crossing construction, valued at £3.672M which was included with NECA's Property, Plant and Equipment figures in error; the lease having expired in 2013/14. The amount was below the Authority's materiality level as set by its external auditors so it had been accounted for by writing off in year rather than by a prior year restatement. The external auditor's report would be updated to reflect the fact that a reportable, though not material adjustment, had been made to the financial statements. Assurances were given that there was no impact on cash or useable reserves as a result of the revisions.

In response to queries raised, P Woods agreed to receive comments from the committee on the accounts up to and including 19 September 2016, verbally reporting them to the Leadership Board on 20 September 2016. The reasoning for including a bad debt provision in the accounts was explained in addition to the

issues on the outstanding loan with an assurance given that it was actively being pursued. He agreed to provide a regular update to the committee on bad debt provision.

At this point in the meeting, the committee agreed to consider the External Auditor's Report before approving the Annual Report and Accounts.

20 **EXTERNAL AUDITOR'S REPORT - (MAZARS)**

Submitted: Report by External Auditor (circulated on a supplemental agenda in accordance with the provisions of the Local Government (Access to Information) Act 1985), which summarised the findings of the year ending 31 March 2016 Audit.

C Waddell introduced the report and confirmed that subject to the satisfactory conclusion of the remaining audit work, which he appraised the committee about, it was anticipated that an unqualified opinion without modification on the statement of accounts would be issued.

In response to a queries raised:

- The committee was advised about the value of the small pieces of land around the Tyne Tunnel that at present had no alternative use but for accounting purposes was valued at £8M.
- Confirmation was provided that in 2015/16 an overall materiality of £4.606M (2% of Group gross revenue expenditure) was determined but was updated when the draft accounts were received and was set at an overall level of £5.956M.
- Work on the Asset Register was expected to start this winter and would be in place next year for closure of 2016/17 accounts.

C Waddell reported that the management representation letter would be sent to the NECA Chief Finance Officer to sign off, with a copy thereafter being circulated to the committee for information.

The Chair thanked the External Auditors for their work on the report.

RESOLVED - That the committee noted the External Auditor's report, which summarised their audit conclusions.

21 **ANNUAL REPORT AND ACCOUNTS - (NECA)**

Members' attention was then drawn back to the Annual Report and Accounts with P Woods asking the committee to recommend them for approval to the Leadership Board.

The Chair requested that the committee's appreciation for the hard work and effort by E Goodman, Senior Accountant and P Woods, Chief Finance Officer in producing the annual report and accounts be recorded.

RESOLVED – That the committee reviewed the Statement of Accounts for 2015-16 and recommended them for approval to the Leadership Board on 20 September 2016, subject to the amendments circulated and verbally highlighted by the Chief

Finance Officer at the meeting. Any comments received by the committee up to and including 19 September 2016 be verbally reported to the Leadership Board.

22 **ANNUAL GOVERNANCE STATEMENT - (NECA)**

Submitted: Report by Audit, Risk and Insurance Service Manager (Newcastle City Council), (previously circulated and a copy attached to official minutes), which provided the final Annual Governance Statement for consideration and approval to include in the accounts.

P Slater introduced the report explaining that before it was signed by the Leader of the Authority and Head of Paid Service, Section 5: Devolution would need to be revised in light of last week's decision by the Leadership Board. The committee agreeing to give devolved authority to the Chair and Chief Finance Officer to sign off the statement.

RESOLVED – That the committee agree the Annual Governance Statement attached at Appendix 1 for inclusion in the annual accounts, subject to Section 5: Devolution being re-worded and approved by the Chair and Chief Finance Officer then be recommended for signature by the Leader of the Authority and Head of Paid Service.

23 **ANTI-FRAUD AND CORRUPTION POLICY – (NECA)**

Submitted: Report by Audit, Risk and Insurance Service Manager (Newcastle City Council) (previously circulated and a copy attached to official minutes), which provided a revised version of the policy following consideration by the committee in June.

The Chair requested that Trade Union views be sought and taken into account.

RESOLVED – That the committee agreed the revised document for inclusion in NECA's Constitution.

24 **STRATEGIC RISKS AND OPPORTUNITIES REGISTER – (NECA)**

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

P Slater introduced the report explaining that the devolution risks had all been changed to red; although following the decision by the Leadership Board the risk level may change and a revised Risk Register would be provided at the December 2016 meeting.

P Woods briefed the committee around the Leadership's Board decision not to proceed with the devolution consultation and the Secretary of State's decision to withdraw the deal. The opportunities open to the combined authority in moving forward were reported, along with some of the associated risks. The importance and

process to secure European funding for committed projects before the autumn statement were explained.

In responding to a query, P Woods confirmed that the combined authority worked closely with the LEP and business partners, pointing out that some of those were members of the Economic Development and Regeneration Advisory Board (EDRAB).

RESOLVED – That the committee:

- i. Reviewed and challenged the outcomes of the strategic risk review.
- ii. Acknowledged the new risk around funding uncertainties.
- iii. Acknowledged the change in the devolution risk priorities from Amber to Red.
- iv. Noted that a senior officer would be assigned to each strategic risk and opportunity. They would become the risk action manager and be responsible for managing the risk and delivery of the mitigation activity on behalf of the Leadership Board.
- v. Received and noted a verbal update on Devolution from the Chief Finance Officer following the Leadership Board meeting on 6 September 2016.
- vi. A revised risk register to be submitted to the December 2016 meeting of this committee.

25 **INTERNAL AUDIT PROGRESS REPORT – (NECA)**

Submitted: Report by Audit, Risk and Insurance Service Manager (Newcastle City Council) (previously circulated and a copy attached to official minutes), which provided members with progress against the delivery of the 2016/17 internal audit plan; information on the implementation of audit recommendations and a revised 2016/17 internal audit plan.

P Slater introduced the report, pointing out that the audit of the Local Growth Fund Grant (LGF) had been signed off and submitted to the relevant department unqualified. Some of the outstanding actions would require revising and an update would be provided at December 2016 meeting.

RESOLVED – That the committee noted the internal audit activity to date.

26 **ANY OTHER BUSINESS - CURRENT MANAGEMENT ARRANGEMENTS – (NECA)**

At the Chair's request, P Woods gave a verbal update on the current position with regard to the current NECA management arrangements. He explained that for the interim period Helen Golightly, LEP Head of Paid Services had kindly agreed to take-up post as the combined authority's Head of Paid Services until clarity could be sought around a permanent appointment. Due to uncertainties around devolution, the appointment of a Chief Finance Officer had also proven difficult, so he had agreed to remain as the Interim Chief Finance Officer.

The Chair requested clarity to be sort on whether there may be any areas of conflict in relation to the appointment of the Head of Paid Services, with H Golightly being

the LEP, Head of Paid Services, in addition to requesting clarity around the appointment of a support officer for E Goodman, Senior Accountant.

P Woods explained although interviews for a support officer had taken place no appointment had been made. A recruitment Agency was to be engaged to support the combined authority, although there may be the possibility to second an officer from an External Auditor, other than Mazars. He agreed to provide an update at the December meeting about the progress on the appointments and on any potential areas of conflict with the Interim Head of Paid Service appointment.

27 DATE AND TIME OF NEXT MEETING

Tuesday 6 December 2016 at 2.00pm – South Tyneside Council, Jarrow Town Hall.