

Annual Governance Statement 2017/18

Section 1	Scope of Responsibility
Section 2	The Purpose of the Governance Framework
Section 3	The Governance Framework
Section 4	Annual Review of Effectiveness of Governance Framework
Section 5	North of Tyne Devolution Proposals
Section 6	Significant Weaknesses in Governance and Internal Control
Section 7	Conclusion
Appendix A	Improvements needed to Governance and Internal Control

Section 1: Scope Of Responsibility

The seven local authorities of Durham, Gateshead, Newcastle Upon Tyne, North Tyneside, Northumberland, South Tyneside and Sunderland, as the already established North East Leadership Board came together in April 2014 to establish a Combined Authority for the area. Building on the track record of joint working, the Authority is an enabling body, which reinforces and strengthens existing partnership arrangements to collectively drive forward change and enable economic growth. It brings together the political leadership of the seven local authorities in the region to help co-ordinate strategic transport and economic planning for growth in the long term in a global context.

The Combined Authority works closely with the North East Local Enterprise Partnership, for which it is the accountable body, to deliver the objectives of the Combined Authority and the Strategic Economic Plan, which sets out our ambitious vision to strengthen the area's economy and provide more opportunities for businesses and communities.

We (the North East Combined Authority) are responsible for ensuring that our business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

We also have a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which we exercise our functions, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Authority's Leadership Board 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 put in place 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 to regular meetings of the Authority's Audit and Standards Committee (formally known as Governance Committee). This information can be found under the [Audit and Standards Committee on the Authority's web-site](#).

Section 2: Purpose Of The Governance Framework

In addition to the above the Authority's Governance Framework comprises the systems, processes, culture, values and activities through which we are directed and controlled and through which we account to, engage with, creating the conditions of economic growth and investment. It enables us to monitor the achievement of the Authority's objectives and to consider whether those objectives 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 2018 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 3: The Governance Framework

The core principals and outcomes of our Governance framework are set out below and through these we will aim to provide strong governance to achieve our objectives:

1 Ensuring openness and comprehensive stakeholder engagement

1.1 We ensure that we are clear on delivering the objectives of the Combined Authority and intended outcomes of our [Strategic Economic Plan](#), to create the best possible conditions for growth in jobs, investment and living standards, enabling residents to develop high-level skills so they can benefit long into the future.

1.2 We ensure we assess and review our vision and the implications for our governance arrangements through the budget and performance management framework.

1.3 Meetings, agendas and minutes are accessible via [NECA's website](#). A Forward Plan is available which contains matters which are expected to be the subject of key decisions taken by the Leadership Board.

1.4 Our [Freedom of Information Scheme](#) is published on our website.

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

2.1 We have defined and documented in our Constitution the roles and responsibilities of the Board, 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 Leadership Board, Members and Officers have been agreed by the Combined Authority.

2.2 We identify and aim to address the development needs of members and officers in relation to their strategic roles, and support these with appropriate training.

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

3.1 We review and update our standing orders, standing financial instructions, scheme of delegation and supporting procedure notes/manuals – these clearly define how decisions are taken and the processes and controls required to manage risks. We ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. The Monitoring Officer advises on compliance with our policy framework, ensuring that decision making is lawful, fair and ethical. 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.

3.2 We develop, communicate and embed codes of conduct set out in the Constitution, defining standards of behaviour for Members and Officers working on behalf of the Authority. Audit and Standards Committee deals with issues of conduct and generally promotes high standards among officers and members, reporting annually to Leadership Board. The [Constitution is available on the NECA website](#).

3.3 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.

3.4 The NECA Order specifies the membership and functions of the Combined Authority. The seven Councils in the Combined Authority entered into an Operating Agreement which details how work is carried out and underpins the operation of the Combined Authority.

3.5 A register of Members' interests (including gifts and hospitality) is also maintained.

4 Determining the interventions necessary to optimise the achievement of the intended outcomes

4.1 Our scrutiny arrangements enhance accountability and transparency of decision making, The Overview and Scrutiny Call-in Sub Committee acts in accordance with the principles of decision making as set out in our Constitution (Part 13.3) and will call-in decisions where there is evidence which suggests that the decision was not taken in accordance with the principles.

4.2 The Authority's procurement procedures are carried out in line with financial regulations set out in Part 5 of the Constitution through Service Level Agreements.

4.3 The [Accounts and Transparency](#) page of our website contains the most recent accounts of the North East Combined Authority, and includes monthly spending reports, procurement procedures, lists and registers.

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

5.1 Our Risk 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.

5.2 We have an information governance strategy and framework in place to ensure the effective safeguarding, collection, storage and sharing of the Authority's data. A Data Protection Officer has been appointed to oversee the data protection strategy and its implementation to ensure compliance with the General Data Protection Regulations.

5.3 The control and financial management arrangements are reviewed by Internal and External Audit throughout the year. The outcome for 2017/18 are noted in Section 4 Annual Review of Effectiveness of Governance Framework.

6 Defining outcomes in terms of sustainable economic social and environmental benefits

6.1 The North East LEP works with its partners to produce and deliver the Strategic Economic Plan (SEP). In March 2018 the North East LEP published its first annual '[Our Economy](#)' report, which provides an update on how the North-East economy is performing and provides an update on progress against SEP targets.

6.2 We incorporate good governance arrangements in our partnerships and reflect these in our overall governance arrangements.

7 Implementing good practices to transparency, reporting and audit to deliver effective accountability

7.1 Section 4 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 and effectiveness of our governance, risk and control framework.

7.2 We publish details of [delegated decisions on our website](#).

7.3 We ensure that our Audit and Standards Committee undertakes the core functions identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities 2013.

Section 4: 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 outcomes of the review were circulated informally to Leadership Board and will be considered further by the Audit and Standards Committee.

The review is informed by:

- (a) The views of our internal auditors, reported to Audit and Standards Committee through regular progress reports, and the Annual Internal Audit Opinion. The Audit, Risk and Insurance, Service Manager's report to the July Audit and Standards Committee gives the opinion that "the overall adequacy and effectiveness of NECA's governance, risk and control framework during 2017/18 was that there has been an effective system of control in place. No system of control can give absolute assurance against material misstatement or loss and, accordingly, this opinion does not provide such absolute assurance".
- (b) An annual review of the effectiveness of internal audit (as required by Public Sector Internal Audit Standards).
- (c) The views of our external auditors, reported to Audit and Standards Committee through regular progress reports, the Annual Audit Letter and Annual Governance Report. The external auditors Annual Audit Letter for 2017/18 provides an unqualified opinion on the financial statements. The report confirms that NECA has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.
- (d) The activities and operations of the themes (economic development and regeneration, employability & inclusion, and transport & digital connectivity) and significant partnerships through written assurance statements.
- (e) The views of the Authority's Monitoring Officer, Chief Finance Officer and Senior Information Risk Owner, through written statements.
- (f) The views of Members through the ongoing activities of Audit and Standards Committee (providing independent assurance on the effectiveness of the governance and internal control environment). And an Overview and Scrutiny Committee who review and scrutinise Leadership Board decisions as well as other Transport committee's decisions.
- (g) The Risk Management process, particularly the Strategic Risk Register.
- (h) Performance information which is reported to Leadership Board and other meetings on a regular basis.
- (i) The assurance framework that is in place to ensure Local Growth Fund monies are subject to appropriate levels of internal control and are focussed on the delivery of the Combined Authority's objectives and delivery of the Strategic Economic Plan.

Section 5: North of Tyne Devolution Proposals

The three North of Tyne Authorities (Newcastle, North Tyneside and Northumberland) have agreed to a 'minded-to' Devolution Deal with Government in November 2017. In order to implement this deal there is a requirement to establish a North of Tyne Mayoral Combined Authority, which requires the three Councils to withdraw from the existing NECA. A governance review was undertaken by the three authorities, which concluded that the creation of the proposed North of Tyne Mayoral Combined Authority would be likely to improve the exercise of statutory functions in relation to the area. NECA Leadership Board has given consent to the three local authorities leaving the current NECA and to the creation of a governance model for joint arrangements for transport matters across the area of the seven authorities. The Government has laid the Order to create the proposed North of Tyne Mayoral Combined Authority which will be enacted in Autumn 2018.

Section 6: 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 2017/18.

Section 7: Conclusion

We consider the governance and internal control environment operating during 2017/18 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. There are however area's that require improvement during 2018/19 as detailed in Appendix A.

Systems are in place to continually review and improve the governance and internal control environment. Mid-year checks are undertaken to provide assurance that improvements are being implemented and that the assessment is improving.

The annual review has shown that the arrangements for 2017/18 are in place and operating as planned.

We have been advised on the implications of the review by the Audit and Standards Committee and propose over the coming year to continue to improve our governance and internal control arrangements.


Head of Paid Service

Vice-Chair of the North East Combined Authority

Full Name:

Full Name:

Signature:



Signature:



Date:

Date:

Appendix A

SECTION 6: IMPROVEMENTS NEEDED TO GOVERNANCE AND INTERNAL CONTROL

Governance and Internal Control Item	
<p><u>Committee Quorum</u></p>	
<p><u>Background/Risk</u></p>	<p>During 2017/18 a number of committees of the North East Combined Authority have had insufficient Members in attendance to be quorate. This position runs the risk that important decisions and committee business cannot be fulfilled or is delayed.</p> <p>The Monitoring Officer, with full support from Committee Chairs, has during the year contacted members of the Overview & Scrutiny and Audit and Standards Committees directly regarding non-attendance, which has resulted in improved attendance.</p> <p>Following the annual review of the NECA Constitution proposals to reduce the quorums of both Committees will be considered by Audit and Standards Committee before being presented to the Leadership Board at their Annual meeting in June 2018.</p> <p>Accountable Officer: Monitoring Officer</p>
<p>Action(s) required to enhance effectiveness</p>	<p>Following the formal annual review of the Authority's Constitution, Audit and Standards Committee will be invited to endorse the proposed changes to the Constitution. This will include consideration being given to reduce the quorums of both Audit & Standards and Overview & Scrutiny Committees.</p>
	<p>Implementation date July 2018</p>

SECTION 6: IMPROVEMENTS NEEDED TO GOVERNANCE AND INTERNAL CONTROL

Governance and Internal Control Item	
<p><u>Tyne Tunnels</u></p> <p>Background/Risk The North East Combined Authority (NECA) own the Tyne Tunnels. TT2 Ltd are responsible for the operation and routine maintenance of all the tunnels including the pedestrian and cycle tunnels, however the major maintenance liability for the pedestrian and cycle tunnels is retained by the NECA. This is monitored by Newcastle City Council on behalf of NECA in accordance with the terms of the Concession Project Agreement.</p> <p>In March 2015 the contractor undertaking Phase 3 of the refurbishment works entered administration bringing the project to a halt. Following this NECA took over the role of Main Contractor on the refurbishment of the pedestrian and cyclist tunnels. This role is being undertaken by Newcastle City Council's Building and Commercial Enterprise Division. Bringing the project management in house has minimised further delays and cost risks. This arrangement will continue until the completion of the project.</p> <p>Effective arrangements need to be put in place to deliver the Client Role responsibilities of NECA.</p> <p>Accountable Officer: Chief Finance Officer</p>	<p>Implementation date 30 September 2018</p>
<p>Action(s) required to enhance effectiveness Formulate a proposal and obtain agreement to improve clarity, communications, accountability and officer capacity in respect to the governance and management arrangements for the Tyne Tunnels.</p>	<p>31 December 2018</p>
<p>Implement agreed governance and management arrangements for the Tyne Tunnels.</p>	<p>30 September 2018</p>
<p>Handover arrangements for the operation of the newly refurbished Pedestrian and Cycle Tunnels by TT2 need to be put in place this summer prior to the opening of the Tunnels later in the year.</p>	<p>30 September 2018</p>

