

**Tees Valley Combined Authority (TVCA) Audit and Governance
Committee**

Tuesday 27th July 2021 at 10.00am

Attendees

Members

Councillor Ashley Waters (Middlesbrough Council)
Councillor Paul Crudass (Darlington Borough Council)
Councillor Chris Gallacher (Redcar & Cleveland Borough Council)
Councillor Lauriane Povey (Substitute Member Stockton-on-Tees Borough Council)
Jonny Munby (Independent Member)
Angus Kidd (Independent Member)

Apologies for Absence

Julie Gilhespie (Group Chief Executive, TVCA)
Natalie Robinson (Group Risk Manager, TVCA)
Peter Judge (Group Chief Legal Officer, TVCA)
James Stuart (Independent Member)
Councillor Barry Woodhouse (Stockton-on-Tees Borough Council)
Philip Church (RSM – Internal Auditors)
Michael Gibson (RSM – Internal Auditors)
Robert Barnett (RSM – Internal Auditors)

Officers

Gary Macdonald (Group Director of Finance & Resources, TVCA)
Neil Cuthbertson (Finance Manager, TVCA)
Laura Metcalfe (Governance & Business Support Manager, TVCA)
Emma Simson (Legal Manager, TVCA)
Nicola Dean (Governance Support Officer, TVCA)

Also, in Attendance

Cath Andrew (Mazars – External Auditors)

AGC 01/21	APOLOGIES FOR ABSENCE Apologies for absence were submitted as detailed above.
AGC 02/21	DECLARATIONS OF INTEREST No declarations of interest were received.

<p>AGC 03/21</p>	<p>APPOINTMENT OF CHAIR AND VICE CHAIR</p> <p>Laura Metcalfe, TVCA Governance & Business Support Manager invited nominations for the position of Committee Chair for the forthcoming civic year:</p> <ul style="list-style-type: none"> • Councillor Chris Gallacher volunteered for the position, and this was seconded by Councillor Paul Crudass. <p>Members were then invited to give nominations for the position of Committee Vice Chair for the forthcoming civic year:</p> <ul style="list-style-type: none"> • Councillor Paul Crudass volunteered for the position, and this was seconded by Councillor Chris Gallacher.
<p>AGC 04/21</p>	<p>APPOINTMENT TO SOUTH TEES DEVELOPMENT CORPORATION AUDIT & RISK COMMITTEE</p> <p>The Committee took the view that this position should be fulfilled by the member representing Redcar & Cleveland Borough Council. The nomination is therefore Councillor Gallacher.</p>
<p>AGC 05/21</p>	<p>MINUTES OF MEETING HELD ON 25th MAY 2021</p> <p>The minutes of the previous meeting were agreed as a true record.</p>
<p>AGC 06/21</p>	<p>ACTION TRACKER 2021-2022</p> <p>Gary Macdonald, Group Director of Finance and Resources, updated Members that outstanding actions on the Tracker were on track to be completed in line with targets and the approach to the outstanding actions was confirmed as follows:</p> <ul style="list-style-type: none"> • Liaison between the Chair and Peter Judge, Monitoring Officer, to take place on how the Committee will receive updates on strategic areas such as South Tees Development Corporation and the airport. It was agreed that Peter Judge would contact the newly appointed Chair to discuss and then feedback to Committee. • Thematic updates were being incorporated into the Forward Plan with an update on Freeports taking place today and Offshore Wind to be added to the agenda for the next Committee Meeting in September. Members were asked to consider areas of interest for future thematic updates.
<p>AGC 07/21</p>	<p>EXTERNAL AUDIT STRATEGY MEMORANDUM 2020-2021</p> <p>Cath Andrews, Mazars, presented the 2021 audit plan but advised that some elements were subject to change on completion of the 19/20 audit. It was advised that timings had been pushed back due to resource issues but that updates to the plan will be brought to the Committee in future audit progress updates.</p> <p>Members asked:</p>

	<ul style="list-style-type: none"> • Why is the Fees for Audit & Other Services section not fully complete? Members were advised that there were further conversations to be had to work through the fees, but it was noted that it reflects that 19/20 has taken longer to complete than envisaged and auditors need to consider if anything needs incorporating into the 20/21 Audit Strategy Memorandum. • Have we a firm time when 19/20 will be released? Gary Macdonald, Group Director of Finance and Resources informed members that 20/21 financial year statements deadline is September ordinarily, but due to Auditor resourcing restraints, and the delayed completion of 2019-20, it has been set with a realistic timeframe. Internally TVCA are working to same deadlines for publication of draft accounts which is the end of this week and formal completion will be September. Cath Andrews, Mazars, advised that it had been difficult to plan 20/21 Audit with 19/20 outstanding and the hope is that 19/20 will conclude shortly. Further background was given on internal processes with the appointment of a group financial controller leading on 20/21 financial statements to remedy previous issues. • Could future papers be bookmarked as individual documents for ease of reference? It was agreed this would be the case for future Committee Meetings. <p>RESOLVED that: Members noted the External Audit Strategy Memorandum 2021-2021</p>
<p>AGC 08/21</p>	<p>DRAFT ANNUAL ACCOUNTS 2020-2021 & ANNUAL GOVERNANCE STATEMENT</p> <p>Gary Macdonald provided an overview of the Combined Authority’s Draft Annual Financial Statements for 20/21 and confirmed that the final accounts will be provided to auditors at the end of this week in line with the schedule. Members were informed that following audit, the final audited annual financial statements will be on the agenda for the December Committee Meeting and that the Draft Group accounts will be circulated to Members once ready.</p> <p>Members asked:</p> <ul style="list-style-type: none"> • Is £100m in reserves normal? Gary Macdonald informed members that most of the reserves are earmarked reserves and this is more a function of how government issue allocations for the year ahead. It was explained that performance has been good in the year and reserves have been utilised but have also the Authority has been receiving new allocations in the period, so the timing of how funding comes through impacts on the balance at the Balance Sheet date. • Do the 1year spending reviews from government impact on TVCA and are TVCA tied to spending certain amounts within specific financial years or can it go into reserves? Gary Macdonald explained there are hard deadlines for some areas and these are accounted for accordingly. There are also areas that can move depending on the project/area. Some funding such as that received due to Covid was time limited/one off funding, so spent in the year as a response to

	<p>Covid. However, it was advised that the majority of funding can be carried forward such as for capital projects delivered and spanning over multiple years. Devolution funding is an example of being flexible between years. Comprehensive Spending Review is in Autumn this year but confirmation has not been received for future periods, so the Authority need to work on the basis of a 10-year investment plan including funding targets to deliver that plan. It was confirmed that the spending review in Autumn 2021 is a significant milestone and is considered for financial planning. Government financial settlement allocations to Local Authorities follow this review normally late in the calendar year or early 2022.</p> <ul style="list-style-type: none"> • Are we happy funds are secure and continue to come through regarding education? Members were advised that the AEB (Adult Education Budget) devolved budget is secured for what is in the Investment Plan and until we see the detail of the Comprehensive Spending Review, we can't confirm everything until it comes through. • Is it a worry that we're in a net deficit in relation to cost of services? Gary Macdonald explained that the net position is the income expenditure, and some is funded from reserves brought forward. Members were assured that there is not a concern of the net cost as there is funding attached to all current items and this is more a function of how it is presented in the financial statements. • What is a true reserve, as opposed to an earmarked reserve? Gary Macdonald advised that earmarked reserves are where funding has been received and allocated for future projects at the balance sheet date. Earmarked reserves are a true reserve however in terms of what is available as a general reserve that is a much smaller sum required to be in place to support the general operational areas of the Combined Authority. The 10-year investment plan is published online and shows the funding sources for the investment plan including the use of earmarked reserves. It was recommended that Members are provided with the link to that reporting information as analysis. <p>RESOLVED that: Members noted the Draft Annual Accounts 2020-2021 & Annual Governance Statement.</p>
<p>AGC 09/21</p>	<p>CEO UPDATE INCLUDING COVID 19 UPDATE</p> <p>In the absence of Julie Gilhespie, Group Chief Executive, Gary Macdonald, provided the Committee with an overview of the various sections of the report, covering the following areas:</p> <ul style="list-style-type: none"> • COVID 19 Response Update • Teesside International Airport • Transport • Culture & Tourism • Business Investment • Teesworks Skills Academy • Education, Employment & Skills • Clean Growth & Innovation

	<ul style="list-style-type: none"> • Digital • Community renewal Fund <p>Members asked:</p> <ul style="list-style-type: none"> • What was the 'Welcome Back Fund'? Members were advised that this was designed to support those businesses that met certain criteria that had closed. This was complementary to what LA's administered. • Has allocated Covid 19 funding been distributed? It was advised that it was believed that all the funding has been issued for Covid 19 recovery. • Are TVCA monitoring the use of grants that were distributed to businesses? Gary MacDonald informed members that TVCA have a Claims & Monitoring Team who do sample checks periodically and monthly performance reviews to see the results of the money allocated as well as audit. • Have we uncovered any fraudulent activity? Members were assured that all requests have been compliant and eligible for the funding received based on the latest information provided to Senior Management. <p>RESOLVED that: Members noted the report.</p>
<p>AGC 10/21</p>	<p>CORPORATE RISK REGISTER</p> <p>Gary Macdonald, Group Director of Finance and Resources, discussed the next update to the Corporate Risk Register which would be available in September noting feedback from the last meeting regarding making the register clearer and the top risks more visible. Members were advised the next update to Members at their meeting in September would be timely as it would fall at the same time as the Comprehensive Spending Review.</p> <p>RESOLVED that: Members noted the Corporate Risk Report.</p>
<p>AGC 11/21</p>	<p>FREEPORTS THEMATIC UPDATE</p> <p>Gary Macdonald delivered a thematic presentation to the Committee on Freeports.</p> <p>The presentation included an overview of what a Freeport is, how it works and what it will mean for the region, as well as benefits to the businesses involved and the next steps.</p> <p>Members asked:</p> <ul style="list-style-type: none"> • Are there benefits for existing operators? Gary MacDonald explained the rules are that growth must be true growth and future opportunity and not displacement, and that this will be audited. • Are other freeports working to same timescales and are we competing against them? It was advised that each area has a specialism and were required to identify SIC (Standard Industrial Classification) codes to HMRC so not everyone has the same sectoral classifications.

Partnership working was noted as being in place as in some areas there are problems in supply to manage and achieve demand.

- What commitment will TVCA have in administering the whole of the freeport area? Members were informed there is a 3year resourcing plan and budget, with a match to what Government have given which equates to £2m. As time goes on businesses will be sustaining themselves so shouldn't need as much input but it was advised there will be element of involvement going forward.
- How do we ensure that businesses come with jobs rather than automated business? We set the scene of what the benefits are, what the sectors are, what we want to attract but commercially, businesses will look at what will further advance their own objectives. There are still quality control checks, research & development is still required, and the challenge is to work with the businesses on their future plans. The relationship with businesses needs to be a partnership to assist in identifying their labour force and future requirements.
- Could assurance be provided on how the Skills Strategy is being dealt with and managed for the future to ensure a joined-up approach? Gary Macdonald advised this will be fed in for development of the Strategy for Skills and Employment which is currently underway. The Committee proposed the integration of skills education and that TVCA take on a proactive and coordinating role. It was agreed an update on the Skills Strategy would be provided to the Committee at the next meeting.
- How do we measure success? Members were informed that the main measures of success will likely be jobs, gross value added and building a reputation for the area to encourage inward investment.

The presentation was agreed to be circulated post-meeting.

AGC 12/21

FORWARD PLAN 2021-2022

Laura Metcalfe, Business Support & Governance Manager advised on the content of the Forward Plan, noting that now future meetings are scheduled the dates would be added to the Forward Plan. Offshore Wind and Risk Register Update will be added to the September meeting agenda. Members were advised that there would be ongoing work with internal and external auditors to timetable relevant updates throughout the year and once updated, the Forward Plan would be re-circulated to members. Members asked for an interim update on Skills Strategy considering earlier discussion on getting the engineering industry involved with schools in the area. This would also be added to the Forward Plan.

It was agreed that pre-meetings would be scheduled with the Chair and Vice Chair for future Committee Meetings.

A request was made for an organogram so Members could familiarise themselves with the structure and officers. It was agreed this would be arranged.

RESOLVED that: Members noted the Forward Plan.

AGC 13/21	DATE OF NEXT MEETING The next meeting is 21 st September 2021 at 10am.