

## **Draft Governance Statement 2017/18**

### **1. Introduction**

The election of Ben Houchen as the Tees Valley's first mayor in May 2017 marked a major landmark in the development of the Tees Valley Combined Authority. It was the point at which powers over investment, economic development, transport and culture and tourism were formally transferred to our region. One year on, our responsibilities and ambitions continue to grow.

The Tees Valley Combined Authority aims to deliver 25,000 new jobs and £2.8bn of investment into our local economy by 2026.

Pivotal to this was the launch of the South Tees Development Corporation in August 2017 - the first Mayoral Development Corporation to be set up outside of London overseeing the biggest development opportunity in the UK, with the potential to inject an additional £1billion a year into the local economy.

Our growing responsibilities require a robust framework for ensuring the effective delivery of activities and the management of risk.

Our ambition is to make the Tees Valley the best place to live in the UK by driving rapid and sustainable economic growth, bringing with it better life chances and a better quality of life for our communities.

But these are not the limits of our ambition or our responsibilities.

As part of the first wave of Mayoral Combined Authorities we know we have a duty to prove that the best answers for local people come from local people and that devolution is the most effective way of driving regional economic development and creating vibrant, inclusive and prosperous communities throughout the United Kingdom.

Our goal is for the Tees Valley Combined Authority to be at the forefront of this devolution revolution and recognised by our peers as a role model when it comes to delivery and innovation in local government.

Good governance is key to delivering both of these objectives.

### **2. The Scope of Responsibility**

The Tees Valley Combined Authority is responsible for ensuring that our operations are conducted in accordance with the law and appropriate standards. We are also responsible for making sure public money is used effectively and appropriately, and is properly accounted for. We have a responsibility to ensure we have proper arrangements in place for the governance of our affairs and effective exercise of our functions, including the management of risk. We also have a duty under the 1999 Local Government Act to make continuous improvements to the way we operate.

Our [Constitution](#) sets out how we operate, how decisions are made, what our governance arrangements are and what processes are followed to ensure these are effective, transparent and accountable.

These arrangements are designed to be consistent with the principles and best practice outlined in the CIPFA guidance on good governance.

This Annual Governance Statement details how we have complied with this framework and also how we meet our responsibilities under the Local Audit and Accountability Act 2014 and Accounts and Audit Regulations 2015.

### 3. The Purpose of our Governance Framework

Meaningful and dynamic corporate governance establishes the conditions and culture for us to work effectively, economically and ethically.

Our governance framework comprises the systems and procedures we believe will achieve our strategic objectives and deliver our activities in an appropriate and cost-effective way.

These objectives, as laid out in our [Strategic Economic Plan](#) and [Investment Plan \(SEP\)](#) are:

- Driving **business growth** to increase job numbers and business density.
- Enhancing the **productivity** in key industrial sectors through the commercialisation of knowledge.
- Establishing a local labour market with the **skills** to meet local business needs.
- **Attracting and retaining innovative local, national and international businesses and individuals**, with an emphasis on vibrant town centres.
- **Changing perceptions** of the Tees Valley through its cultural and leisure offer, and making our area an attractive place to work, visit and live.
- Facilitating local, regional, national and international **connectivity** through investment in road, rail, air and broadband infrastructure.

An investment plan was initially agreed in March 2017 setting out how we will allocate resources to deliver these objectives. This plan is reviewed annually.

Our governance framework enables us monitor the achievement of these strategic objectives, and the system of internal control which derives from it allows us to manage risk at a realistic level. Although it is impossible to eliminate all risk, this structure is designed to identify and prioritise risks to the achievement of our objectives, evaluate the likelihood of those risks being realised and managing their impact should they be realised.

### 4. The Key Elements of our Governance Framework

The following arrangements are in place to quantify the quality of our services, ensure that they are delivering our objectives and make certain that we are providing value for money.

The responsibilities of Combined Authority employees and members is clearly laid out in the Authority's Constitution. This document – subject to annual review – explicitly documents how the Authority operates, responsibilities for specific functions, schemes of delegation and how decisions are made. The Constitution – which can only be amended by the unanimous agreement of the Cabinet – also sets out expected standards of behaviour for both officers and members.

The Constitution clearly sets how both the activities of the Mayor, Cabinet and Senior Officers will be subject to a robust set of check and balances, and details how this scrutiny process will be delivered:

#### Statutory and non-Statutory Committees

- A statutory **Overview and Scrutiny Committee** of members appointed by each of the Constituent Authorities, designed to review the policies and operations of the Combined Authority, ensuring effective democratic scrutiny of decisions. This committee has the authority to 'call in' for review Authority decisions which have yet

to be implemented and the power to prevent their implementation whilst under review. The committee has not utilised this power to date, but continues to conduct strong scrutiny of the Combined Authority's activities, including establishing a Task and Finish Group to conduct an in-depth investigation into the draft Combined Authority Budget for 18/19, as part of the consultation process.

- A statutory **Audit Committee**, assuring sound governance and financial management of the Combined Authority, with members appointed from each Constituent Authority working in tandem with appropriately-qualified and experienced independent members. This committee oversees the operation of the Authority's risk management arrangements and considers and reviews its Internal Audit arrangements.
- A statutory **Transport Committee**, reviewing transport strategy and policies and making recommendations to Cabinet. Members are drawn from the executive member with transport responsibilities from each Constituent Authorities and private sector representation.
- The **Local Enterprise Partnership (LEP)**, the principal forum for collaboration between the public and private sectors, is an integral part of the Combined Authority. A network of LEPs exists across England, but in the Tees Valley this partnership is strengthened by LEP members holding the role of Associate Members of the Combined Authority Cabinet.

The work of both these committees and the wider Combined Authority is given strategic support and oversight by a series of non-statutory and advisory groups, made up of experts from the private, public and third sector and designed to create channels of communication with stakeholders and add value to the Combined Authority's wider community consultation and engagement efforts, including but not limited to the:

- Education, Employment and Skills Partnership Board
- Culture and Tourism Partnership Board
- Innovation Task Group
- Transport Advisory Group
- Business Compass Steering Group

### **Monitoring Officer**

We have arrangements to ensure compliance with relevant laws, regulations, internal policies and procedures, and that expenditure is lawful. The Commercial and Legal Manager at Redcar and Cleveland Borough Council is the Authority's designated Monitoring Officer and a protocol is in place with all directors, to safeguard the legality of all Authority activities. All Cabinet Reports are considered for legal issues before submission to members.

### **Internal Audit**

The Combined Authority's Internal Audit function, undertaken by Stockton on Tees Borough Council, ensures compliance with the relevant standards and statutory requirements. The service liaises with relevant statutory officers throughout the year to develop and maximise the effectiveness of the Authority's internal control systems and delivers an annual report on the quality of our processes.

### **External Audit**

Independent oversight and challenge of our Internal Audit service is provided by external auditors Mazars, as well as government departments - primarily the National Audit Office and the Ministry of Housing, Communities and Local Government – and the Local Government Ombudsman.

## **Chief Financial Officer and Financial Arrangements**

Under the requirements of Section 151 of the 1972 Local Government Act the Combined Authority has appointed a suitably-qualified Chief Finance Officer, the Finance Director.

This officer, who is part of the Combined Authority's Senior Management Team, is responsible for:

- The operation of a robust system of budgetary control, including quarterly and annual financial reports indicating financial performance against forecasts.
- Ensuring that the Authority's finance function is appropriately resourced.
- Assessing the short, medium and long-term implications of all material business decisions, and identifying and mitigating financial and organisational risks arising from them.
- Aligning the Combined Authority's business and financial planning processes.
- Promoting good financial management throughout the organisation.

There are comprehensive budgeting systems in place and a robust system of budgetary control, including quarterly and annual financial reports, which indicate financial performance against forecasts. The authority's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

## **Corporate Risk Register**

The Combined authority operates a comprehensive and proactive Risk Management Strategy outlining its approach to Risk Management. Central to this strategy is a Corporate Risk Register which details what risks have been identified, the probability and impact of these risks being realised and which controls are in place to mitigate against these risks. This report is periodically presented to the Senior Management Team and scrutinised on a quarterly basis by the Audit and Governance Committee.

## **Declarations of Interest and Code of Conduct**

All Combined Authority employees and members are subject to a formal Code of Conduct – forming part of the Authority's Constitution - and must complete, at least annually, a formal declaration of interest. In the interests of transparency these declarations are reviewed by both the Managing Director and Monitoring Officer and published on the Authority's website.

## **Governance Arrangements**

A dedicated Governance team is in place to ensure that the Combined Authority is compliant with its regulatory responsibilities and to advise both members, employees and partner organisations. The team oversees number of areas including transparent decision making, Information Governance and Data Security, Health and Safety and Whistle-blowing and complaints handling.

## **Assurance Framework**

We have agreed with Government our Assurance Framework which sets out how we will ensure accountable and transparent decision making, appraise projects and monitor and evaluate schemes to achieve value for money and ensure that funds are spent lawfully. Government are currently in the process of updating their assurance framework guidance and once this is done we will revise our framework in line with this.

## **5. Review of Effectiveness**

The Combined Authority is responsible for conducting, at least annually, a review of the effectiveness of its governance arrangements. Any areas for review are overseen and co-ordinated by the Managing Director and Finance Director and any findings reported to the Audit and Governance Committee, where appropriate.

### **Internal Audit**

The Internal Audit service compiles an annual report on its Internal Audit arrangements, which forms an integral part of this Annual Governance Statement.

This report, carried out by an arms-length Audit and Risk Manager, incorporates an audit plan detailing timescales for assurance work relating to specific activities. High priority is given to significant corporate projects and key financial systems, as well as other specific areas requested by the Senior Management Team.

The most recently published Report concludes:

*“It is my opinion that the Combined Authority continues to have an appropriate and overall effective system of internal control, upon which it can place reasonable reliance to deliver its objectives and detect fraud and other malpractice”.*

### **External Audit**

The 2016/17 Audit Completion Report from the Combined Authority’s external auditors concludes:

*“We are satisfied that in all significant respects, Tees Valley Combined Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year”*

*“We have reviewed the Authority’s accounting policies and disclosures and found these to be in line with the requirements of the Code of Practice on Local Authority Accounting.*

*“We received draft financial statements from management ahead of the deadline, and found them to be of good quality.”*

## **6. Progress**

At this time the Combined Authority has not identified any significant governance issues. The following actions have been proactively taken, however, since the publication of the previous Annual Governance Report in order to mitigate against future risks and continue to strengthen our arrangements.

## Progress made on implementing Improvement Plan from previous Annual Governance Report

Action	Outcome
Review and update of the Authority's Constitution	The Constitution has been amended to increase the capacity and expertise of the Audit and Governance Committee by appointing an additional independent member
LEP Buddy Review	The review is now complete and focused on ensuring key information was easily accessible on the website.
Update Risk Management Strategy	An updated Strategy has been agreed by the Audit and Governance Committee.

### Strengthening the Local Enterprise Partnership Membership

A recent round of recruitment has taken place with a view to increasing additional expertise in the digital and culture and tourism sectors of the Local Enterprise Partnership members. A further recruitment round will take place later this year with a focus on increasing the diversity of the group. The role and capacity of the wider business engagement that we undertake is also being reviewed with a view to enabling greater engagement with the wider business community.

### Addressing the impact of GDPR

May 2018 saw the introduction of the General Data Protection Regulations, the biggest single change in a generation to the regulatory framework governing personal data, with the risk of significant fines and reputational damage for non-compliance. A wide-ranging review of Combined Authority data protection procedures has been undertaken by the Governance team to ensure compliance with the new regulations and to amend, where necessary, the necessary policies. The Combined Authority has appointed a Data Protection Officer in line with the regulations.

### Appointment of permanent Head of Communications

The Combined Authority has appointed its first permanent Head of Communications, with a responsibility for leading communications and marketing for the Combined Authority and the South Tees Development Corporation.

## 7. Action Plan

The following actions are envisaged for the future development of our governance and risk management systems.

Action	Outcome	Responsibility	By When
Review and update the Authority's Constitution including scheme of delegation	Reviewed constitution	Managing Director	31 <sup>st</sup> March 2019
Review of Assurance Framework	Updated Framework	Investment Director	September 2018

Signed

Date

**Ben Houchen**

Mayor of the Tees Valley  
Combined Authority

**Julie Gilhespie**

Interim Managing Director,  
Tees Valley Combined  
Authority

**Paul Booth**

Chair of the Tees Valley  
Local Enterprise Partnership  
and Member of the Tees  
Valley Combined Authority  
Cabinet

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