

Audit & Governance Committee Agenda

Date: Tuesday 21st September 2021 at 10am

Venue: Tees Valley Combined Authority, Cavendish House, Teesdale Business Park,
Stockton TS17 6QY

Membership:

Councillor Paul Crudass (Darlington Borough Council)
Councillor Barry Woodhouse (Stockton-On-Tees Borough Council)
Councillor Chris Gallacher (Redcar and Cleveland Borough Council)
TBC (Hartlepool Borough Council)
Councillor Ashley Waters (Middlesbrough Borough Council)
Jonny Munby (Independent Member)
Angus Kidd (Independent Member)
James Stewart (Independent Member)

AGENDA

1. **Apologies for Absence**
2. **Declarations of Interest**
Attached
3. **Minutes of meeting held on 27th July 2021**
Attached
4. **Action Tracker 2021-2022**
Attached
5. **CEO Update including COVID 19 Update**
Attached
6. **Internal Audit Progress Report**
Attached
7. **External Audit Progress Report**
Attached
8. **Treasury Management Advisors**
Presentation
9. **Education, Employment & Skills Update**
Attached

10. **Forward Plan 2021-2022**
Attached
11. **Corporate Risk Register Update**
Attached
Under the terms of paragraph 3 of schedule 12a Local Government Act 1972, the presentation which will be provided during the meeting is confidential.
12. **Offshore Wind Thematic Update**
Presentation
Under the terms of paragraph 3 of schedule 12a Local Government Act 1972, this report and appendix are not for publication.
13. **Date and Time of Next Meeting:**
1st December 2021 at 10am
14. **FOR INFORMATION**
Group Governance Structure
Attached

Members of the Public - Rights to Attend Meeting

With the exception of any item identified above as containing exempt or confidential information under the Local Government Act 1972 Section 100A (4), members of the public are entitled to attend this meeting and/or have access to the agenda papers.

Persons wishing to obtain any further information on this meeting or for details of access to the meeting for disabled people, please contact: Nicola Dean by e-mail at nicola.dean@teesvalley-ca.gov.uk

Tees Valley Combined Authority Declaration of Interests Procedures

1. The purpose of this note is to provide advice and guidance to all members (the Mayor, elected and co-opted members, substitute members and associate members) of the Combined Authority Cabinet, Sub-Committees and Local Enterprise Partnership Board, on the procedure for declaring interests. The procedure is set out in full in the [Combined Authority's Constitution](#) under the "Code of Conduct for Members" (Appendix 8).

Personal Interests

2. The Code of Conduct sets out in full, the principles on the general conduct of members in their capacity at the Combined Authority. As a general principle, members should act impartially and should not use their position at the Combined Authority to further their personal or private interests.
3. There are two types of personal interests covered by the constitution:
 - a. "disclosable pecuniary interests". In general, a disclosable pecuniary interest will involve any financial interests, such as paid employment or membership of a body, interests in contracts, or ownership of land or shares. Members have a pecuniary interest in a matter where there is a reasonable likelihood or expectation that the business to be considered will affect your well-being or financial position, or the well-being or financial position of the following persons:
 - i. a member of your family;
 - ii. any person with whom you have a close association;
 - iii. in relation to a) and b) above, their employer, any firm in which they are a partner, or a company of which they are a director;
 - iv. any person or body in whom persons described in a) and b) above have a beneficial interest in a class of securities exceeding the nominal value of £25,000; or
 - v. any body as described in paragraph 3 b) i) and ii) below.
 - b. Any other personal interests. You have a personal interest in any business of the Combined Authority where it relates to or is likely to affect:
 - i. any body of which you are a member (or in a position of general control or management) and to which you are appointed or nominated by the Combined Authority;
 - ii. any body which:
 - exercises functions of a public nature;
 - is directed to charitable purposes;
 - one of whose principle purposes includes influencing public opinion or policy (including any political party or trade union) of which you are a member (or in a position of general control or management).

Declarations of interest relating to the Councils' commercial role

4. The constituent councils of the Combined Authority are closely integrated with its governance and financial arrangements, and financial relationships between the Combined Authority and Councils do not in themselves create a conflict of interest for Council Leaders who are also Combined Authority Cabinet members. Nor is it a conflict

of interest if the Combined Authority supports activities within a particular council boundary. Nevertheless, there are specific circumstances where the Cabinet is considering entering into direct contractual arrangements with a council, for example in relation to a particular commercial investment project, or in which that council is a co-funder. In these circumstances a non-pecuniary declaration of interest should be made by the Council Leader or their substitute.

Procedures for Declaring Interests

5. In line with the Code of Conduct, members are required to adhere to the following procedures for declaring interests:

Register of Interests

6. Each member is required to complete a register of interests form with their personal interests, within 28 days of their appointment to the Combined Authority. Details of any personal interests registered will be published on the Combined Authority's website, with the full register available at the Combined Authority's offices for public inspection. The form will be updated on an annual basis but it is the responsibility of each member to notify the Monitoring Officer of any changes to the register throughout the year. Notification of a change must be made to the Monitoring Officer within 28 days of becoming aware of that change.

Declaration of Interests at Meetings

7. The Combined Authority will include a standing item at the start of each meeting for declaration of interests. Where members are aware that any of their personal interests are relevant to an item of business being considered at a meeting they are attending, they must declare that interest either during the standing item on the agenda, at the start of the consideration of the item of business, or when the interest becomes apparent, if later.
8. Where members consider that their interest could be considered by the public as so significant that it is likely to prejudice the members' judgement then they may not participate in any discussion and voting on the matter at the meeting, but may attend the meeting to make representations, answer questions or give evidence relating to the business, before it is discussed and voted upon.
9. If the interest is a disclosable pecuniary interest (as summarised in paragraph 3a) then the member must leave the meeting room during discussion and voting on the item of business, but may make representations, give evidence and answer questions before leaving the meeting room. Failure to comply with the requirements in relation to disclosable pecuniary interests is a criminal offence.

Sensitive Information

10. Members can seek the advice of the monitoring officer if they consider that the disclosure of their personal interests contains sensitive information.

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

Tuesday 27th July 2021 at 10.00am

These Minutes are in draft form until approved at the next Audit & Governance Committee meeting and are therefore subject to amendments.

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 Stewart (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.

ITEM 4

TEES VALLEY COMBINED AUTHORITY AUDIT & GOVERNANCE COMMITTEE - ACTION TRACKER –2021-22

Meeting	Item	Action	Owner	Target Date	Update
27 th September 2018	Action Tracker	Committee requested that consideration be given of a formal introduction program for committee members, detailing TVCA audit framework.	TVCA	Winter 2020/21	COMPLETE Took place w/c 11th Jan 2021
29 th November 2018	Any Other Business	Committee be provided with briefing on TVCA Vision and Values exercise	TVCA	Winter 2020/21	COMPLETE Included in induction as above.
28 th February 2019	Treasury Management Strategy	External advisors Arling Close to be invited to a future meeting of the committee to brief members on methodology used with regards to treasury management.	TVCA	Summer 2021	Added to Forward Plan for forthcoming year.
15 th October 2019	Annual Financial Statements	Members to hold conference call to discuss statements following approval from External Auditors	TVCA		COMPLETE
23 rd January 2020	Corporate Risk Register	Members to be provided with briefing note on TVCA ask of government with regards to the UK Shared Prosperity Fund	TVCA		COMPLETE
23 rd January 2020	Internal Audit Progress Report	Members to be provided with regular progress report on TVCA response to recommendations made by Internal Auditors	TVCA		COMPLETE Report from auditors to be presented at May meeting. Further updates to be presented by TVCA officers at future meetings of committee.
28 th May 2020	Corporate Risk Register	Members to receive update on Impact of COVID-19 on Teesside International Airport and the South Tees Development Corporation	TVCA		COMPLETE Added to Forward Plan as standing item
28 th May 2020	Internal Audit Update	Members to receive draft Procurement Strategy for consideration at future committee meeting.	TVCA	28 th July 2020	COMPLETE
28 th May 2020	Internal Audit Plan	Members to receive draft Internal Audit Plan for forthcoming year for consideration.	TVCA	28 th July 2020	COMPLETE

28 th May 2020	Draft Risk Framework	Members to make annual review of Risk Management Framework, with recommendation for revision to be submitted to Cabinet.	TVCA	Summer 2021	COMPLETE - Added to Forward Plan for forthcoming year.
21 st July 2020	Draft Annual Financial Statements	Details of Officers earning over £50k to be shared with Committee	TVCA	Winter 2020	COMPLETE - Detailed in Annual Financial Statements once complete. On agenda for 28 th Jan 2021 meeting.
21 st July 2020	Corporate Risk Register	Timetable for Covid Business Survey analysis to be shared	TVCA	Autumn 2020	COMPLETE - Shared with Committee w/c 16 th November 2020.
19 th November 2020	Appointment of Chair and Vice Chair	Confirmation to be sought of Councillor Harrison's willingness to accept the position of Vice Chair prior to seeking Cabinet approval for this nomination	TVCA	November 2020	COMPLETE - Confirmation received and nomination approved at TVCA Cabinet 27 th November.
19 th November 2020	Corporate Risk Register	Draft Group Assurance Framework to be brought to future Committee meetings	TVCA	Summer 2021	COMPLETE - Added to Forward Plan for forthcoming year when available
28 th January 2021	Action Tracker	Discussion to take place between the Chair and the Monitoring Officer on potential for periodic assurance updates from STDC/Airport Boards	TVCA	Ongoing	Chair and the Monitoring Officer met to discuss periodic assurance updates. Paper and Indicative Timetable proposed to be produced for Committee endorsement
28 th January 2021	CEO UPDATE including COVID 19 UPDATE	Thematic Updates to be scheduled across the forthcoming year,	TVCA	Ongoing	COMPLETE - Added to Forward Plan for forthcoming year.
28 th January 2021	Corporate Risk Register	TVCA CSR Submission, Levelling Up Agenda response and UKSPF Consultation response to be shared confidentially with Committee	TVCA	May 2021	COMPLETE - Shared in advance of May Committee meeting
28 th January 2021	Corporate Risk Register	Agree mechanism for updating Committee on Brexit impacts	TVCA	May 2021	COMPLETE - To be shared with Members via Corporate Risk Register Updates

28 th January 2021	Forward Plan	External Audit Strategy Memorandum 2020/21 to be added to Forward Plan	TVCA	May 2021	COMPLETE – Added to Forward Plan for forthcoming year
25 th May 2021	STDC Regeneration Business Case Audit	Include in future meeting packs a visual structure of the Group	TVCA	July 2021	COMPLETE – To be a Standing Item at future meetings
25 th May 2021	Action Tracker	Freeports thematic update to be given to Members at July meeting	TVCA	July 2021	COMPLETE – Added to July Agenda
27 th July 2021	External Audit Strategy Memorandum	Papers be bookmarked as individual documents for ease of reference for future meetings	TVCA	Ongoing	COMPLETE – To be formatted in future meeting packs
27 th July 2021	Draft Annual Accounts 2020-2021 & Annual Governance Statement	Draft Group Accounts to be circulated to members when complete	TVCA	2 nd August 2021	COMPLETE
27 th July 2021	Draft Annual Accounts 2020-2021 & Annual Governance Statement	Analysis of reserves / ear marked reserves to be provided	TVCA	August 2021	COMPLETE
27 th July 2021	Draft Annual Accounts 2020-2021 & Annual Governance Statement	Share link to Investment Plan one year on report	TVCA	August 2021	COMPLETE
27 th July 2021	Freeports Thematic Update	Presentation to be circulated to members post meeting	TVCA	30 th July 2021	COMPLETE
27 th July 2021	Freeports Thematic Update	Update on skills strategy to be added to September meeting agenda – relevant officer to be invited.	TVCA	August 2021	COMPLETE
27 th July 2021	Forward Plan	Offshore Wind Thematic Update to be added to Forward Plan for September meeting	TVCA	August 2021	COMPLETE
27 th July 2021	Forward Plan	Review Risk Register format making top risks more visible and provide update at September meeting	TVCA	August 2021	

27 th July 2021	Forward Plan	Updated Forward Plan to be circulated	TVCA	August 2021	COMPLETE
27 th July 2021	Forward Plan	Provide TVCA Organogram	TVCA	August 2021	COMPLETE
27 th July 2021	Forward Plan	Pre-Meetings to be scheduled for Chair/Vice Chair and TVCA	TVCA	30 th July 2021	COMPLETE

AGENDA ITEM 5**REPORT TO THE TEES VALLEY COMBINED AUTHORITY
AUDIT & GOVERNANCE COMMITTEE****21st SEPTEMBER 2021****REPORT OF THE GROUP CHIEF EXECUTIVE****GROUP CHIEF EXECUTIVE UPDATE****SUMMARY**

This report provides a general update on the key activities of the Combined Authority since the last Committee meeting, which are not covered in other reports to this meeting.

RECOMMENDATIONS

It is recommended that the Committee notes the report.

DETAIL**COVID-19 RESPONSE**

1. As the economy continues to re-open, our Covid response is increasingly aligned with the mainstream delivery of plans designed to build resilience and support longer term growth. The latest Investment Plan refresh (agreed by Cabinet in July 2021) included changes to allocations to address the impact of Covid and ensure we provide the necessary investment to restart our economy.
2. Over £3.5m Covid-19 Recovery Funds have now been delivered including Welcome Back Fund, Back to Business Funds, Culture Innovation Fund, Festivals Recovery Fund, Mayor's Challenge, Education Recovery and Employer Grant for Apprenticeships:

Fund	Number of businesses supported	Funds delivered
Welcome Back Fund	333	£438,000
Back to Business (Visitor Economy)	73	£202,000

Back to Business (Wider Economy)	232	£778,000
Festivals Recovery Fund	24	£345,000
Cultural Development and Innovation Fund	21	£333,545.
Education Recovery	60 (schools)	£900,000
Apprenticeship Grants	86	£982,000

3. The Covid-19 Business Support Helpline has taken 1200 calls.
4. 104 applications were approved for the Apprenticeship Support Grant.
5. The Routes to Work pilot project, which engages those furthest from employment, was extended by one year and expanded to enable any unemployed person over 16 to access support to gain work and has now engaged over 3493 people with over 760 assisted into employment. This pilot will now end on 31st March 2022. The new Restart initiative will support 17,000 Tees Valley long term unemployed people over the next three years.
6. Tees Valley Combined Authority are working with the Learning and Work Institute as part of a Department of Education pilot to ascertain best practice in helping people whose careers are most affected by the pandemic.
7. The Combined Authority continues to provide weekly updates on the economic impact of Covid-19 to the government, including intelligence provided by the local business community and local authorities.
8. The Combined Authority responded to the Kickstart opportunity as part of the Governments Plan for Jobs, this programme offers 6 months paid work experience to young people aged 16-24 and on Universal Credit. As of 17th August. 707 placements have been created in 196 businesses equating to approximately £5.2m.
9. Tees Valley Business are supporting with delivery and promotion of the National programmes such as Help to Grow - Management, Help to Grow – Digital and the Peer to Peer Networks.
10. The Mayor's Challenge 'Digital Solutions to Support the Local Response to Covid-19 Challenge' was launched in June, offering grant funding for projects able to begin on a trial basis within 4 weeks of approval and supporting the reopening of the regional economy. 2 businesses were approved for funding totalling £49,688.

TEESSIDE INTERNATIONAL AIRPORT

11. Teesside international Airport has continued its domestic and international route development, with the first holiday flights to Corfu taking off in 12 years with Ryanair. TUI, the UK's biggest holiday company, has also announced and put on sale a second 2022 summer destination, to the popular region of Antalya on Turkey's south-west coast. This joins its weekly flights to Palma, Majorca, running every Thursday from 10 May next year. Loganair, the UK's biggest regional airline, has also confirmed it will fly from Teesside to Dublin four times a week between May and October next year.
12. Work on the final piece of the airport's terminal redevelopment has been undertaken, with the creation of Teesside International's new Duty-Free shop. Darlington-based Wharton Construction has been chosen to lead the work, joined by Powercare Electrical Services and RTS Joinery. The store will be operated by World Duty Free under a 12-year deal with the airport.
13. The first hydrogen vehicle projects as part of the Tees Valley Hydrogen Test Hub have been announced which will see a number of hydrogen vehicles tested at the airport. These include a ground support tug used to tow planes, two Toyota Mirai hydrogen fuel cell cars as well as a forklift truck.

TEESWORKS

14. On 2 August, work began to demolish the Redcar Blast Furnace, kick-starting an accelerated demolition schedule across each of the 11 major plants across the site. The first section to be demolished was the main charge conveyor, with other structures, such as the chimney stacks at the Basic Oxygen Steelmaking (BOS) Plant brought down. The £113million programme will free up 600 acres of land, paving the way for future investment. All of the major structures are expected to be down in the next 12 months.
15. Teesworks Heritage Taskforce has published its plans to celebrate the history of the site, with a collection of items carefully removed from key structures and buildings to form part of future exhibitions. The site has also been captured via videos, time lapse footage, drone footage, 3D modelling and high-resolution photography. The Combined Authority will now work with local authorities, museums and other groups to decide how to display the preserved items, including the last slab of steel cast in Teesside.
16. Coins which went on sale to commemorate the history of the site have raised more than £25,000 for two Redcar community groups. The Teesworks coins, forged from some of the last iron from the site, were sold with a suggested donation of £10, with £13,456 from their sale awarded to men's mental health group Walk N Talk and £12,687 for voluntary community group Ladies of Steel.

ONE PUBLIC ESTATE

17. The OPE programme is a national programme delivered in partnership by the Local Government Association and the Office of Government Property within the Cabinet Office. The programme provides practical and technical support and funding to deliver ambitious property-focused programmes in collaboration with central government and other public sector partners. It aims to generate efficiencies, create economic growth (including homes and jobs) and deliver better, more integrated customer services.
18. TVCA is the accountable body for the OPE programme in Tees Valley. The Programme is overseen by a Strategic Estates Group, which maintains operational co-ordination and implementation of programme activity. The Strategic Estates Group has been successful in securing £758,750 of resources for Tees Valley.
19. Work is ongoing with public sector partners to identify a pipeline of future projects in preparation for future OPE funding rounds and to explore alignment of the OPE programme with town centre regeneration programmes e.g. Future High Street Fund, Town Deals.

BUSINESS INVESTMENT

20. The Combined Authority Business Investment team is working with Department for International Trade (DIT) to prepare content for the upcoming Global Investment Summit and COP26 in October and November. This will include summary messages of both the Bio Manufacturing and Offshore wind high potential opportunities showcases for inward investment.
21. In addition, the team will be exhibiting at Chem UK, the UK Chemical Industries Supply Chain expo in Birmingham, on September 15th and 16th, and exhibiting as part of Energi Coast at Global Offshore Wind conference in London on September 29th & 30th.
22. Further exhibitions are planned to promote Tees Valley at Advanced Engineering 2021, a leading engineering and supply chain event being held in November and Offshore Wind North East 2021, a regional showcase for the offshore wind supply chain in December.

EDUCATION, EMPLOYMENT AND SKILLS

23. The Collaborative Skills programme that supports small and medium sized businesses to prepare their workforce for their future sustainability is going from strength to strength with 120 businesses engaged and 134 employees upskilled in relevant skills that businesses will need in the future.
24. The new academic year commenced and implementation of our Adult Education offer, including the newly devolved L3 training offer from the 31 successful training

providers, including Further Education colleges, 6th Forms, Independent Training Providers and Local Authorities is well underway with good levels of enrolments.

25. Tees Valley was announced as one of the 8 successful Local Skills Improvement Plan Trailblazer areas. The Chamber of Commerce will work with local partners and businesses to define the skills that are required for future economic growth and investment.

CITY REGION SUSTAINABLE TRANSPORT SETTLEMENT

26. The Government has committed to invest between £4.2 billion and £6.8 billion through City Region Sustainable Transport Settlements (CRSTS) for eight city regions, including Tees Valley. The funding will cover the five-year period from 2022/23. To succeed, bids must clearly show how they will deliver the following objectives:
- driving growth and productivity through infrastructure investment;
 - levelling-up services towards the standards of the best; and
 - decarbonising transport, especially promoting modal shift from cars to public transport, walking and cycling.
27. The Tees Valley bid was submitted in early September 2021 setting out how we need to deliver a world-class transport system at pace to underpin our transformative economic growth ambition. The bid makes the case to Government that securing the upper bound funding allocation from the CRSTS is critical to ensure that:
- everyone, no matter where they live in the Tees Valley, is connected to opportunity; and
 - business can grow and Tees Valley is able to continue attracting new businesses and inward investment.
28. It is anticipated that the Tees Valley funding allocation will be announced later in 2021.

TEES FLEX

29. The Tees Flex service continues to perform well and the 4-week period from 25/07/21 – 21/08/21 was the busiest since the service launched with 5,816 completed rides. Customer feedback remains very high and publicity activity is ongoing to promote further take-up of the service. Unlike more standard bus services, where older concessionary pass holders tend to make-up a significant proportion of passengers, Tees Flex is attracting a different demographic. In the same 4-week period 67% of passengers were fare paying adults and around 20% were under 19.

EAST COAST MAIN LINE MAY 2022 TIMETABLE CONSULTATION

30. The proposed changes to the East Coast Main Line (ECML) May 2022 timetable have been postponed until at least 2023. This follows a joint response from the Combined Authority and all local authorities making it clear that the proposed reduction in services, particularly at Darlington, was not considered acceptable. The postponement of the ECML timetable does not affect the LNER Middlesbrough to London service, which is still scheduled to commence in December 2021 with an initial one train per day in each direction. A major milestone was reached in relation

to this in August 2021 when tickets for the service went on sale. It is also understood that the proposed extension of the TransPennine Express from Manchester Airport to Saltburn will still commence from May 2022. Officers will continue to engage with train operating companies to ensure the best possible outcome for Tees Valley in future timetable changes.

BILLINGHAM STATION ACCESS FOR ALL PROJECT

31. A significant milestone was reached in early September when the business case was approved for the £1.0m contribution to the Billingham Station project and agreements signed with Network Rail for delivery. Billingham is the only station in Tees Valley which currently has no step-free access to any of its platforms.
32. The £3.59m project will be delivered with additional funding from Network Rail, the Department for Transport's Access For All fund and Stockton-on-Tees Borough Council. The project will replace the existing pedestrian footbridge, which is approaching the end of its life, with a new one served by lifts at both sides. This will provide step-free access making it suitable for wheelchair users. In addition, a series of car park and access route improvements will take place to make the station even better to use for all passengers.

CLEAN GROWTH AND INNOVATION

33. The North East and Yorkshire Energy Hub is delivering its £53 million allocation of the Green Homes Grant LAD2 programme in 27 of its 31 local authorities. Aligned to this, TVCA has led a bid into the Sustainable Warmth Competition for £6.8 million to improve the energy efficiency of low income homes across the region.
34. The Tees Valley Cluster Plan for Decarbonisation has begun engagement with businesses in the region's industrial cluster. The project, a partnership between BP, NEPIC and TVCA, now has a full time project manager and will deliver plan to reach Net Zero within the cluster by 2040.
35. TVCA will host a flagship event of the BEIS funded Zero Carbon Tour in October 2021, as part of the region's build up to COP26. This is supported by the North East and Yorkshire Energy Hub, which has been central to the planning and delivery of the tour in its region. Funding for regional 'green zones' has also been available via the energy hub for events delivering the COP26 message throughout the North East and Yorkshire.

CREATIVE PLACE

Cultural Industries and Visitor Economy Recovery Programme

36. Following the final meeting of the Independent Sector Recovery Task Force (a Creative Place Advisory Group has been established to inform longer-term activity), three elements of the Cultural Industries and Visitor Economy Recovery Programme remain in delivery:

- Cultural Development & Innovation Fund
- Festivals 2021 Recovery Fund
- Tees Valley Young Creatives

Key findings and evaluation of the programme will be shared once all programme elements are complete with learning being incorporated into future activity.

Beyond the work of the Task Force, a new Creative Place Advisory Group will ensure continued independent sector engagement with representatives working alongside Local Authority Officers and other national / regional agencies to advise and inform Creative Place activity.

Growth Programme for the Creative & Visitor Economies

37. The process of developing the four 'Foundation Frameworks' which will underpin the programme is nearing completion. The consultant teams have delivered an extensive stakeholder engagement process, including round table sessions with each of the Local Authorities; 1-to-1 interviews with professionals from across the creative and visitor economy sectors; workshops with a diverse range of stakeholders, including a dedicated session for young people; and resident, visitor and business surveys. This process, combined with extensive data gathering and analysis, will form a robust baseline from which will inform detailed programme objectives, intervention approaches and measuring of impacts.

RUGBY LEAGUE WORLD CUP

38. In August, it was announced that the Rugby League World Cup 2021 would be postponed until 2022. The Tees Valley was due to host a game between the Cook Island and Tonga, and also the Cook Islands national team, in November this year. The Combined Authority had anticipated that this would be the case in the face of the Covid pandemic, and there has not been, nor will there be, any additional financial impact due to the postponement or restaging. The dates for the 2022 tournament have been announced as 15th October to 19th November 2022, with the rescheduled Tees Valley match to be confirmed.

TEES VALLEY PLACE MARKETING PROGRAMME

39. Work is progressing with the development of a Destination Management Plan for the Tees Valley which will underpin the new Growth Programme for the Creative & Visitor Economies. This strategic document will focus on the development and marketing of the region over the next 4 years.
40. Enjoy Tees Valley summer campaign launched with a strategic focus on a target audience of a two-hour drive time across the North East and Yorkshire and domestic destinations linked to Teesside Airport. Focused on the reopening of businesses, in line with the Government roadmap, the campaign put the spotlight on businesses and captured members of the public 'enjoying' the Tees Valley on camera and in film.

41. A schedule of events and festivals taking place around the region displayed Enjoy Tees Valley branding and featured within a mix of film and photography for the summer campaign.

FINANCIAL IMPLICATIONS

42. There are no financial implications to this report.

LEGAL IMPLICATIONS

43. There are no legal implications to this report.

RISK ASSESSMENT

44. This report is an update and therefore is categorised as low risk.

Name of Contact Officer: Julie Gilhespie

Post Title: Group Chief Executive

Telephone Number: 01642 528834

Email Address: julie.gilhespie@teesvalley-ca.gov.uk



TEES VALLEY COMBINED AUTHORITY

Internal Audit Progress Report

21 September 2021

This report is solely for the use of the persons to whom it is addressed.

To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party.

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING





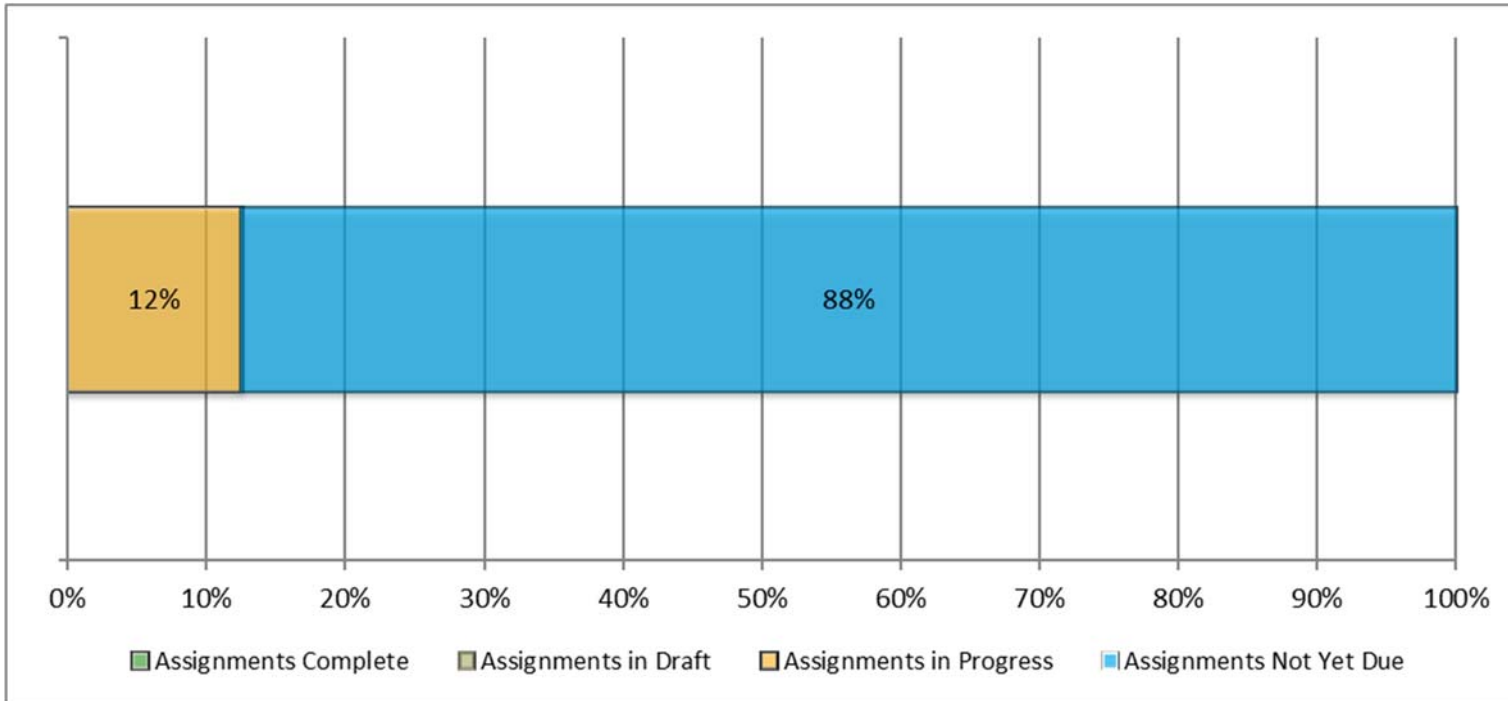
Contents

1	Introduction	3
	Appendix A – Progress against the internal audit plan	4
	Appendix B – Other matters	5

1 Introduction

The internal audit plan for 2021/22 was discussed and approved by the Audit and Governance Committee on 25 May 2021.

The graphic below provides a summary update on progress against the 2021/22 plan.



Appendix A – Progress against the internal audit plan

The current Covid-19 situation means that our clients and internal audit are working differently. We understand and recognise the organisation's strategic objectives, and that the developments around Covid-19 will continue to impact on all areas of the organisation's risk profile. We will continue to work closely with management to deliver an internal audit programme which remains flexible and agile to ensure it meets your needs in the current circumstances.

Assignment	Status	Proposed reporting to the Audit and Governance Committee
HR: Recruitment and Selection	Draft report issued 2 September 2021	December 2021
Covid-19 Response	Fieldwork in progress	December 2021
Business Growth Hub	Fieldwork scheduled for week commencing 13 September 2021	December 2021
Follow Up of Internal Audit Management Actions	Fieldwork scheduled for week commencing 27 September 2021	January 2022
Directorate Structure	Fieldwork scheduled for week commencing 1 November 2021	January 2022
TIAL Reporting	Fieldwork scheduled for week commencing 13 December 2021	January 2022
HR: Payroll	Fieldwork scheduled for week commencing 24 January 2022	May 2022
Effectiveness of Partnership Arrangements	Fieldwork scheduled for week commencing 14 February 2022	May 2022

Appendix B – Other matters

Changes to the audit plan

Detailed below is the change to the audit plan:

Note	Auditable area	Reason for change
1	TIAL Reporting	As part of the internal audit plan this review was scheduled to take place in week commencing 27 September 2021 but, at the request of management, this review has been swapped with the Follow-Up audit and will now take place in week commencing 13 December 2021. This is to allow for more time for KPI reporting to become established.
2	Follow-Up	As part of the internal audit plan this review was scheduled to take place in week commencing 13 December 2021 but, as noted above, this review will now take place in week commencing 27 September 2021.



For more information contact

Rob Barnett, Head of Internal Audit

RSM

1 St. James' Gate

Newcastle upon Tyne

NE1 4AD

M: 07809 560103

Robert.Barnett@rsmuk.com

rsmuk.com

The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

Our report is prepared solely for the confidential use of **Tees Valley Combined Authority**, and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to you on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

RSM Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.

Audit progress report

Tees Valley Combined Authority

August 2021



1. Audit progress
2. National publications

01

Section 01:

Audit progress

Audit progress

Purpose of this report

This report provides the Audit and Governance Committee meeting with an update on progress in delivering our responsibilities as your external auditors and also includes, at Section 2, for your information, a summary of recent reports and publications.

2019/20 audit

The majority of work has been completed at the time of writing this report. However, there have been delays in the completion of the audit for the Goosepool Group which have delayed the completion of our work on the consolidation. We have completed our review of the Tait Walker file relating to Teesside International Airport and of the goodwill in the Goosepool Group accounts.

2020/21 audit

We have been unable to complete our planning for 2020/21 as we have not completed our 2019/20 audit.

In this period we have:

- continued to liaise with officers in respect of planning the 2020/21 audit;
- considered the latest agendas and papers;
- completed our annual IT general controls work; and
- carried out early substantive testing.

02

Section 02:

National publications

National Publications

	Publication/update	Key points
Chartered Institute of Public Finance and Accountability (CIPFA)		
1.	CIPFA Bulletin 09: Closure of the 2020-21 Financial Statements	Guidance for local government bodies on a range of issues.
Ministry of Housing, Communities and Local Government (MHCLG)		
2.	Devolution Annual Report 2019-20	Annual report on devolution setting out progress on this agenda.
3.	Redmond Review response	Methodology for allocating £15 million to local bodies and review of Appointing Person regulations.
4.	Consultation on the local audit framework	Seeking views of organisations which form part of the local audit framework.
National Audit Office (NAO)		
5.	Managing operations – senior leaders guide	NAO guide to help senior leaders in government departments and wider public services to effectively manage and improve the way public services are delivered.
6.	Initial learning from the government’s response to the COVID-19 pandemic	Initial learning from the government’s response to the COVID-19 pandemic.
7.	Code of Audit Practice 2020: Changes to auditors’ work on vfm arrangements and reporting	Changes to auditors’ work on value for money arrangements and reporting mean for local bodies.
8.	Good practice guidance managing the commercial lifecycle	Findings and recommendations drawn from 209 reports concerning 350 commercial arrangements that it has published over the past 20 years.
9.	Climate change risk – A good practice guide for Audit and Risk Assurance Committees	Good practice guide for Audit and Risk Assurance Committees.

NATIONAL PUBLICATIONS

CIPFA

1. CIPFA Bulletin 09: Closure of the 2020-21 Financial Statements

CIPFA have published Bulletin 09: Closure of the 2020-21 Financial Statements [insert link below]. This bulletin provides guidance for local government bodies on a range of issues that may need to consider as part of their 2020-21 accounts preparation.

<https://www.cipfa.org/policy-and-guidance/cipfa-bulletins/cipfa-bulletin-09-closure-of-the-202021-financial-statements>

2. MHCLG's Devolution Annual Report 2019-20

The Secretary of State for Housing, Communities and Local Government (MHCLG) is required by the Cities and Local Government Devolution Act 2016 to publish an annual report on devolution setting out progress on this agenda.

The annual report, published on 16 March 2021, brings together information about devolution agreements reached or implemented between government and areas between 1 April 2019 and 31 March 2020 as well as financial resources devolved to mayoral combined authorities over the year.

NATIONAL PUBLICATIONS

MHCLG

3. MHCLG Redmond Review response

The Ministry of Housing, Communities & Local Government (MHCLG) announced as part of its response to the Redmond Review, that it would provide £15 million in additional funding in 2021/22 towards external audit fees and the development of the proposed new standardised statement of service information and costs.

The department launched a short, four-week consultation, seeking views on the methodology for allocating these funds to local bodies.

Running alongside this, the department also launched a separate six-week consultation on the implementation of changes to the fee setting process for principal bodies set out in the Local Audit (Appointing Person) Regulations 2015.

The consultation primarily sought views on amending the timescale for setting fee scales, enabling the appointing person to consult on and approve a standardised additional fee, and for such payments to be made in year rather than at the completion of the audit.

On 29 July 2021, the government published its response to the consultation on changes to the audit fees methodology for allocating £15 million to local bodies to meet the anticipated rise in audit fees in 2021/22. The consultation received responses from councils, fire and rescue authorities, local police bodies, national park authorities, audit firms and regulatory and accountancy bodies.

On 28 July 2021, the government published the summary of responses from councils, fire and rescue authorities, local police bodies, national park authorities, audit firms and regulatory and accountancy bodies, to the consultation on changes to the Local Audit (Appointing Person) Regulations 2015, and its response to the consultation.

The government has subsequently decided to allocate the additional fees based on audited bodies' existing scale fees.

NATIONAL PUBLICATIONS

MHCLG

4. MHCLG Consultation on the local audit framework

On 28 July 2021, the Ministry for Housing, Communities and Local Government (MHCLG) issued a technical consultation on proposals aimed at strengthening the local audit framework, in response to the Redmond Review. MHCLG is particularly seeking the views of organisations which form part of the local audit framework, including audit firms. The consultation includes 24 questions and is open until 22 September 2021. It covers:

- A new system leader for the local audit framework, proposing that a new regulator, the Audit Reporting and Governance Authority (ARGA), take on this role.
- Proposals to strengthen audit committee arrangements within councils.
- Measures to address ongoing capacity issues on the pipeline of local auditors.
- Action to further consider local audit functions for smaller bodies

NATIONAL PUBLICATIONS

National Audit Office

5. NAO Managing operations – senior leaders guide

The NAO has published Managing operations – senior leaders guide. Central government departments alone are expected to spend £456 billion on the day-to-day running of public services, grants and administration in 2020-21. Improving operational delivery is crucial to ensuring that taxpayers' money is spent as efficiently as possible. The NAO's guide will help senior leaders in government departments and wider public services to effectively manage and improve the way public services are delivered.

The guide:

- Shares insights on how to improve performance and priority areas to get right.
- Suggests practical actions senior leaders can take, and common pitfalls to avoid.
- Includes recent examples, including good practice, drawing on the NAO's analysis of government's operational management capability, which also covers its response to COVID-19.
- Highlights the specific skills and ways of working needed to translate policy into effective services for end-users.
- Describes a 'whole-system' approach that supports organisations to work together to deliver outcomes they cannot achieve alone.

NATIONAL PUBLICATIONS

National Audit Office

6. NAO Initial learning from the government's response to the COVID-19 pandemic

The NAO has recently published its Initial learning from the government's response to the COVID-19 pandemic report, which is part of a programme of work the NAO is undertaking to support Parliament in its scrutiny of government's response to COVID-19.

The report finds that the COVID-19 pandemic has stress-tested the government's ability to deal with unforeseen events and potential shocks. Government has often acted at unprecedented speed to respond to a virus which has caused dramatic disruption to people's lives, public service provision and society as a whole. Government had to continue to deliver essential public services, while reprioritising resources to deliver its response to the COVID-19 pandemic and supporting staff to work from home. In its response, government has had to streamline decision-making, work across departments and public bodies and use a range of delivery structures.

Departments will need to reflect on the lessons learned to ensure that they capitalise on the benefits and opportunities these new ways of working have brought.

This report draws out learning from the reports that we have published to date, as well as other work we have published that covered the COVID-19 pandemic. It sets out this learning across six themes:

- risk management;
- transparency and public trust;
- data and evidence;
- coordination and delivery models;
- supporting and protecting people; and
- financial and workforce pressures.

The NAO will continue to draw out learning from the government's response to the pandemic from our future work.

NATIONAL PUBLICATIONS

National Audit Office

7. NAO web-page announcement - Code of Audit Practice 2020: Changes to auditors' work on value-for-money arrangements and reporting

The NAO published an announcement on its Code of Audit Practice web pages about what the changes to auditors' work on value for money arrangements and reporting mean for local bodies.

This draws local bodies' attention to the fact that in 2020-21, the coronavirus pandemic (COVID-19) will significantly impact audited bodies and the financial reporting and auditing process, and may therefore affect the timing of when the work on VFM arrangements can be performed and reported. Therefore, for 2020- 21 deadlines have been extended for auditors to issue the new Auditor's Annual Report to the following:

- NHS – the publication date for the annual report and accounts (per NHSE&I timetable guidance). Auditors should note that NHSE&I has confirmed that the date for CCGs to publish their annual report and accounts is 20th September and will be communicated to CCGs imminently. This aligns CCGs to the same date as for NHS providers.
- Local government – no more than 3 months after the auditor has issued their opinion on the financial statements.

8. NAO Report: Good practice guidance managing the commercial lifecycle

The NAO has published Good practice guidance managing the commercial lifecycle which reflects upon findings and recommendations drawn from 209 reports concerning 350 commercial arrangements that it has published over the past 20 years – including recent examinations of commercial activities triggered in response to the global pandemic.

The guidance is presented in 10 sections, addressing both strategic and procedural considerations and supported by case studies from the NAO's reviews to provide relevant context.

9. NAO Climate change risk – A good practice guide for Audit and Risk Assurance Committees

The National Audit Office has produced a guide aimed at helping Audit and Risk Assurance Committees (ARACs) to recognise how climate change risks could manifest themselves and which seeks to support them in challenging senior management on their approach to managing climate change risks. Within the guide, the NAO has outlined the specific reporting requirements that currently apply.

Contact

Mazars

Partner: Cameron Waddell

Email: cameron.waddell@mazars.co.uk

Senior Manager: Cath Andrew

Email: cath.andrew@mazars.co.uk

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

www.mazars.com

Follow us:

LinkedIn:

www.linkedin.com/company/Mazars

Twitter:

www.twitter.com/MazarsGroup

Facebook:

www.facebook.com/MazarsGroup

Instagram:

www.instagram.com/MazarsGroup

WeChat:

ID: Mazars



Arlingclose Ltd:
Independent treasury management services

TVCA

35 Chiswell St London EC1Y 4SE
Tel +44(0)8448 808 200
Fax +44(0)8448 808 205
www.arlingclose.com

Registered Office Barclays Bank Chambers Stratford-upon-Avon CV37 6AH
Registered in England No 2853836
Authorised and Regulated by the Financial Conduct Authority No 417722
Arlingclose Limited provides independent advice

Agenda

-
- 1 What is Treasury Management?

 - 2 Legislation, guidance, roles and responsibilities

 - 3 Risks

 - 3 Investment portfolio

 - 4 Questions

What is Treasury Management?

Management of the Authority's

- Investments
- Cash flows
- Banking arrangements
- Money market transactions (short-term)
- Capital market transactions (long-term)

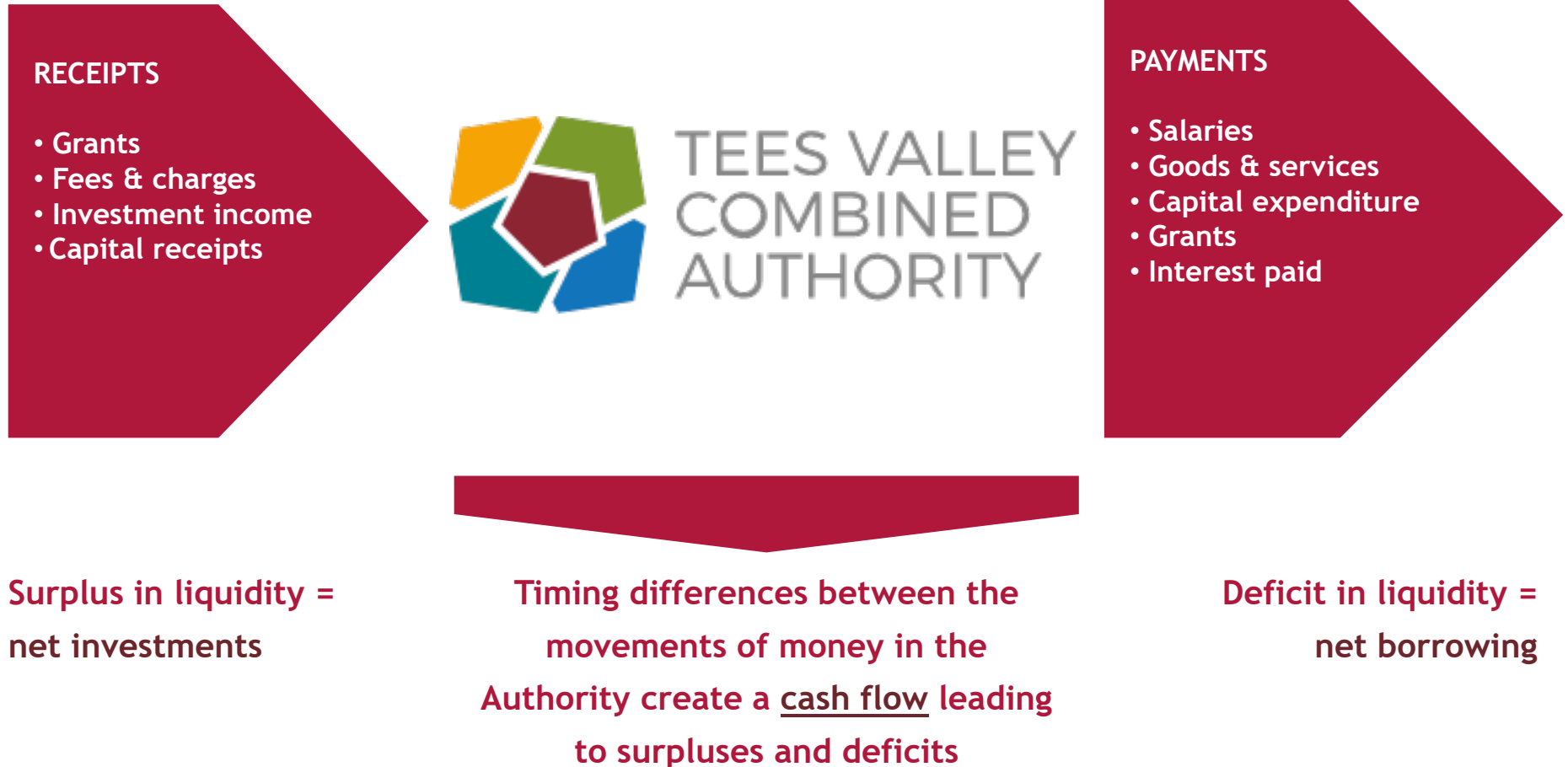
Identification, management and effective control of the associated risks

Pursuit of optimum performance

- Within the context of effective risk management
 - CIPFA Code of Practice
- Value for Money

Source: CIPFA Treasury Management Code 2017

Treasury Management



Legislation

Local Authorities MAY:

- invest money or borrow money:
 - for any purpose relevant to their functions
 - for prudent financial management

Local Government Act 2003 s1, s12

- do anything that individuals generally may do

Localism Act 2011, s1

Local Authorities MUST:

- set an affordable borrowing limit each year and keep it under review
- have regard to guidance published by CLG and CIPFA
- supply MHCLG with information requested

Local Government Act 2003 s3, s14, s15

MHCLG Department MAY:

- set borrowing limits for local authorities
 - individually or in aggregate
- issue regulations, guidance or directions

Local Government Act 2003 s4, s15, s20

Local Authorities MUST NOT:

- exceed their affordable borrowing limit
- borrow in foreign currency
- mortgage their property as security for loans borrowed

Local Government Act 2003 s2, s13

Statutory Guidance

CIPFA Prudential Code 2017

- Capital expenditure and borrowing should be prudent, affordable and sustainable
- Cabinet should approve:
 - Capital strategy
 - Prudential indicators

CIPFA Treasury Management Code 2017

- Focus on the identification, monitoring and control of treasury risks
- Local authorities should create and maintain:
 - Treasury management policy statement
 - Treasury management practices
 - Non-treasury investment practices
- A Cabinet should approve:
 - Treasury management strategy & indicators
 - Mid-year and out-turn reports

MHCLG Investment Guidance 2018

- Treasury management investments should prioritise security and liquidity over yield
- Other investments should be proportionate and contribute towards service objectives
- Authorities may not borrow purely to profit from investing the loan proceeds
 - But if they do, then they must explain why and how the risks will be managed

MHCLG Minimum Revenue Provision Guidance 2018

- Local authorities should set aside revenue to cover the cost of debt-funded capital expenditure, over the life of the assets

CIPFA Code Consultations - June 2021 Update

CIPFA Prudential Code

- “Local authorities must not borrow to invest for the primary purpose of commercial return”
- Commercial investment should be proportionate (even when not funded from borrowing)
- CIPFA will “provide additional direction to support sustainable behaviour in the guidance without prescription”
- New prudential indicator: income from commercial and service investments to net revenue stream

CIPFA Treasury Management Code

- Knowledge and skills framework to be included, but to be more flexible than in the consultation
- New treasury indicator: liability benchmark - plus substantial guidance on its calculation and use

Proposals not be implemented

- Including sustainability (i.e. climate change) as an objective of the Code
- New indicator for external debt to net revenue stream
- Removing the indicator on gross debt not to be above the CFR
- TMP 13 on ESG risk - instead, ESG issues to be a consideration within TMP 1 Risk Management
- Dedicated treasury management committee
- Removing the indicator on the maturity structure of debt

New Codes expected in December 2021

MHCLG Policy Paper

Possible changes to legislation

- Borrowing caps
- MRP clarification

Other possible changes

- Pre-emptive identification of risks in the LA sector
- Review of current governance and skills for investment and borrowing
- Training requirements
- Reviewing Investment Guidance for consistency with Prudential Code
- Review of capital plans for compliance with PWLB lending terms

Roles and Responsibilities

Cabinet

- Set the budget and capital programme
 - including debt and investment interest and Minimum Revenue Provision budgets
- Approve reports:
 - Capital strategy & prudential indicators
 - Investment strategy & indicators
 - Minimum Revenue Provision statement
- Approve treasury management strategy
- Approve division of responsibilities
- Approve selection of external providers
- Receive and review performance reports

Audit Committee

- Receive and act on audit reports
- Review policies, procedures and strategy
- Make recommendations to cabinet

Director of Finance

- Monitoring compliance with policy & strategy
- Submitting strategy and performance reports
- Ensuring the adequacy of treasury & audit staffing, resources, training and skills

Treasury Manager

- Execution of transactions
- Maintaining relationships with counterparties
- Monitoring day-to-day performance

The Authority's portfolio & risk and return considerations

Treasury Management Risks

Credit and counterparty risk: failure of a third party to meet its contractual obligations (investment, borrowing, capital, project or partnership financing)

Liquidity risk: cash will not be available when needed

Interest rate risk: interest movements that threaten affordability of capital plans or affect income received on investments

Refinancing risk: maturing borrowings, capital, project or partnership financings cannot be refinanced on suitable terms. This affects both capital and revenue

Treasury Management Risks

Inflation risk: destruction of the spending power of the authorities resources

Price risk: adverse market fluctuations impact on borrowing/investments (e.g. property prices)

Exchange rate risk: fluctuations create unexpected and unbudgeted burden

Legal and regulatory risk: failure to act in accordance with powers or regulatory requirements

Fraud, error and corruption, and contingency management: operational and reputational risk

Balance Sheet Projections

Balance sheet projections help develop a strategic view

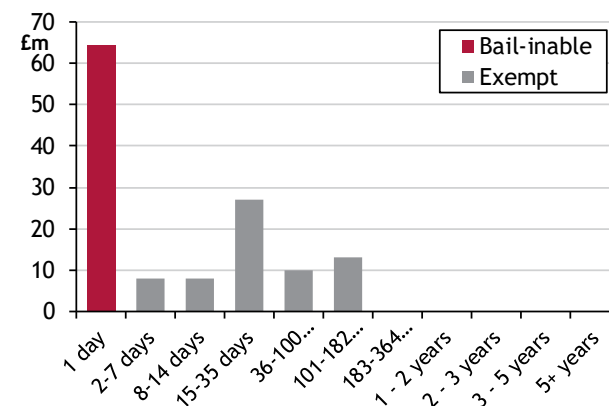
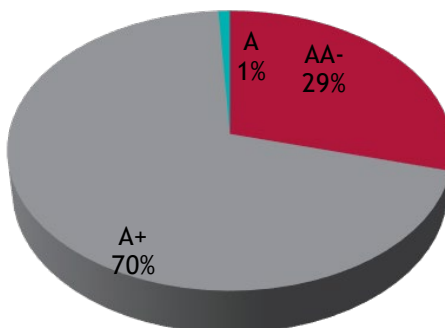
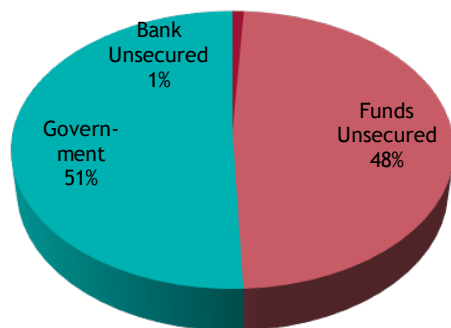
- Compare the Authority's planned need to borrow against its current debt portfolio
- Does the Authority need to borrow?
 - When, how much, for how long and in what structure?
 - Do we consider borrowing ahead of need?
- Does the Authority have long-term investment balances?
 - How should these be invested to balance risk/return over the long term?

The risks inherent in this analysis need to be understood

- Local authorities tend to over-estimate deliverable spending
 - And underestimate income
- While the low-risk approach is to match the liability benchmark, basing decisions on inaccurate forecasting can be costly
 - Borrowing too much in an inflexible structure can embed a long-term burden onto Authority finances

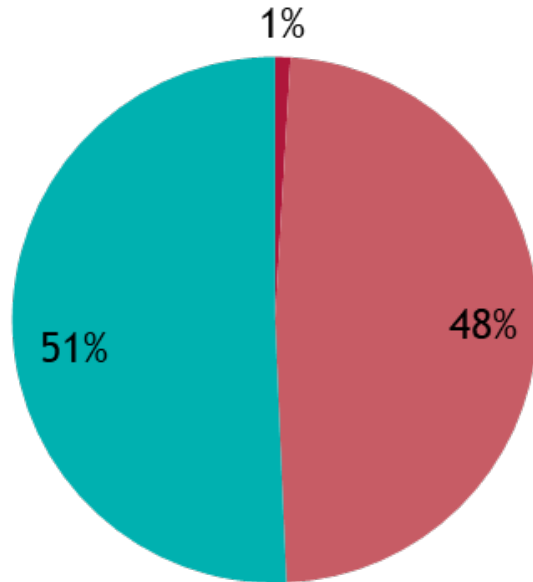
TVCA Investment Portfolio-30/06/2021

Summary of Investments - 30 June 2021									
Type of Investment	Number	Principal	Total Return	Income Return	Days to Maturity	Days to Next Rate Reset	Average Credit Rating	Average Credit Score	Volatility
Bank Accounts	1	£ 1,220,000	0.01%	-	1	1	A+	5.3	-
Bank Deposits	-	£ -	-	-	-	-	-	-	-
Money Market Funds	5	£ 63,000,000	0.01%	-	1	46	A+	4.9	-
Reverse Repo	-	£ -	-	-	-	-	-	-	-
DMO Deposits	9	£ 38,000,000	0.01%	-	15	15	AA-	3.7	-
Local Authorities	5	£ 28,000,000	0.09%	-	77	77	A+	4.6	-
Government Bonds	-	£ -	-	-	-	-	-	-	-
Covered Bonds	-	£ -	-	-	-	-	-	-	-
Corporate Bonds	-	£ -	-	-	-	-	-	-	-
Company Loans	-	£ -	-	-	-	-	-	-	-
Total Internal Investments	20	£ 130,220,000	0.03%	0.03%	21	43	AA-	4.5	-
Cash Plus and Short Bond Funds	-	£ -	-	-	-	-	-	-	-
Strategic Pooled Funds	-	£ -	-	-	-	-	-	-	-
Total Investment Portfolio	20	£ 130,220,000	0.03%	0.03%					

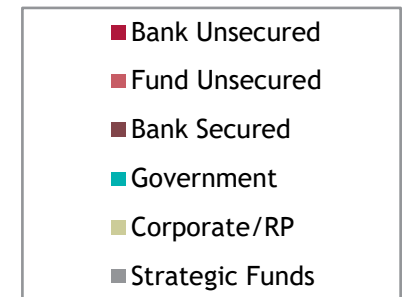
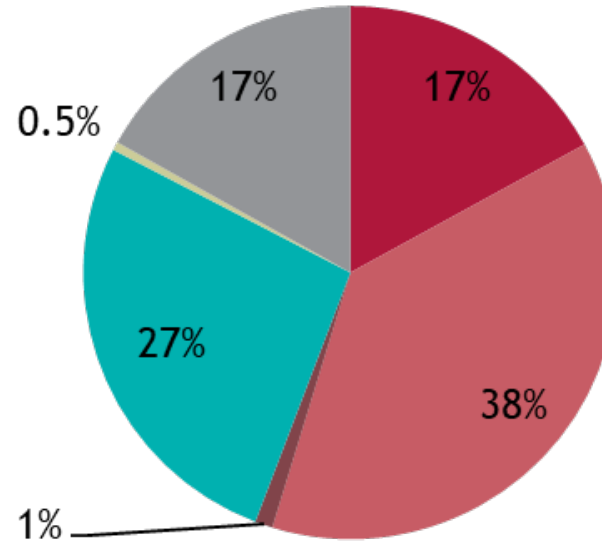


Local Authority Investments

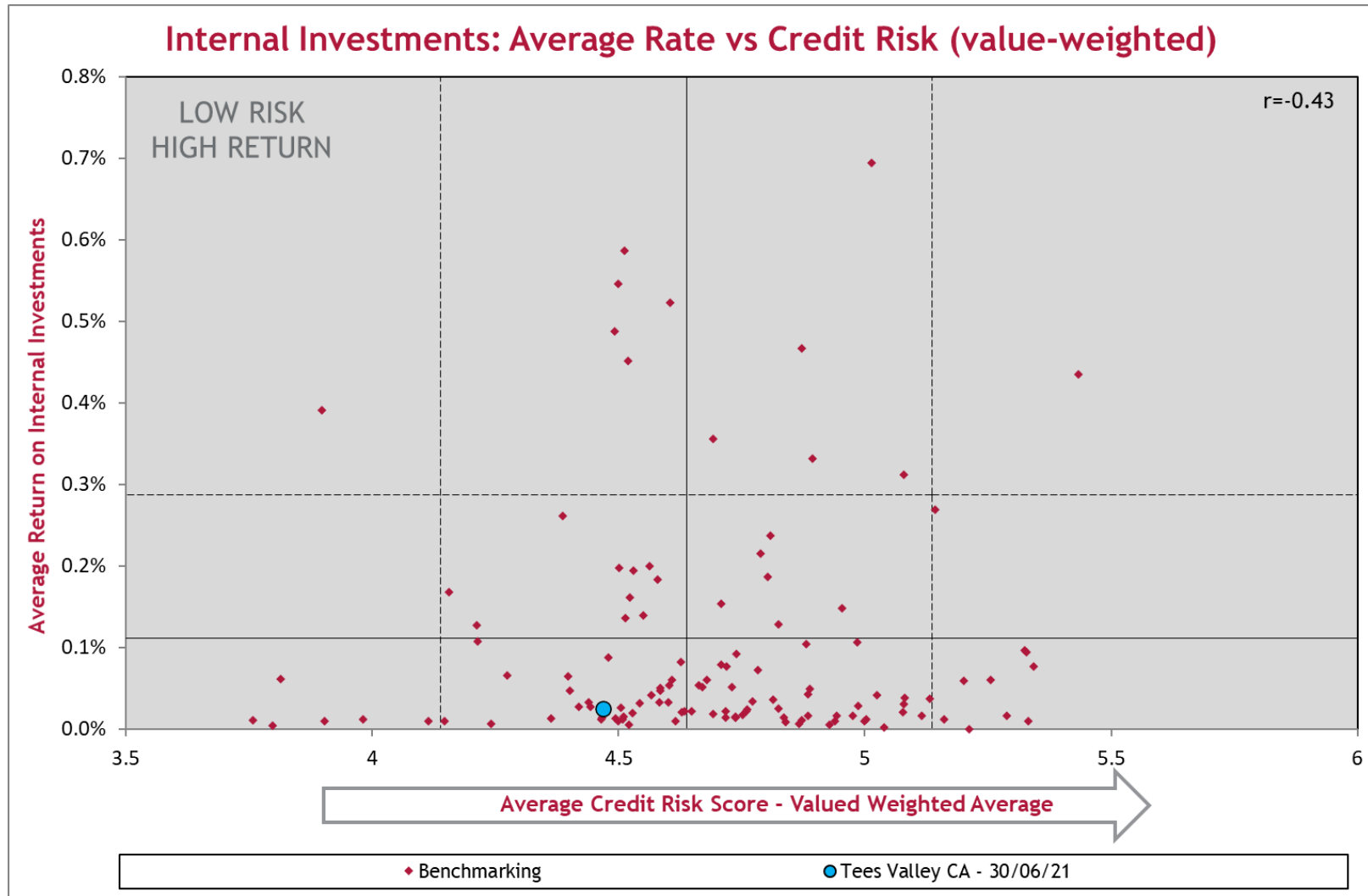
Tees Valley CA



All Arlingclose Clients



Local Authority Investments



AGENDA ITEM 9**REPORT TO THE TEES VALLEY
COMBINED AUTHORITY
AUDIT AND GOVERNANCE MEETING****21st September 2021****REPORT OF HEAD OF EDUCATION, EMPLOYMENT AND SKILLS****EDUCATION, EMPLOYMENT AND SKILLS UPDATE****SUMMARY**

This report provides a progress update of delivery of the current Education, Employment and Skills Strategy and an update on the work carried out to develop a new strategy for Employment and Skills for 2022-29.

This report provides:

1. A summary of current strategy delivery to date, and;
2. A summary of current progress with development of the future Strategy.

RECOMMENDATIONS

It is recommended that the Audit and Governance Committee note the report.

DETAIL**Summary of existing delivery**

1. The current strategy 2018-21 aims to deliver across a wide agenda. Project level evaluations have been carried out and conclude that the projects are delivering well and remain a priority to address the increasing unemployment and raise skill levels in the working age population.
2. Many of the projects should have concluded by March 2021 but due to Covid19 and the resultant underspend, all are continuing to deliver within the existing budget allocations. As a result, there is just over £9m of TVCA investment in place for direct delivery in 2021/22. This does not include the devolved Adult Education Budget (approx. £30m p.a.) nor Kickstart programme funding (Approx. £5m).

3. The following table is a summary of the current TVCA Investment in this portfolio area.

Area	Value of 21/22 delivery	Description	Comment
ESF Skills	£955k	Business workforce training	£3m to 2023 TVCA match funding
Education	£1.2m	Pupil support	Total allocation was £2m Delivers to July 2022 Education Improvement Board change requested and approved
Routes to Work	£3.2m	Unemployed support	Original project -£7.5m (£6m DWP) TVCA Match funded (£1.5m) Additional £955k TVCA Inv. Likely not to be required.
ESF YEI (Youth Employment Initiative)	£2m	Unemployed support to 16–29-year-olds.	£40m total project 2019-2023
Careers Education	£800k	Age 11-18 school/college funding	Allocated to schools Delivery to July 2022
Careers	£300k	Primary schools	Allocated to providers Delivery to July 2022
Apprenticeships	£695k	Business Grants	£397k left as at Aug 21, average expenditure £34k per month.
Total	£9.15m		

Key Project updates

Routes to Work

4. The Routes to Work pilot was implemented as part of the 2016 devolution deal following a successful application to the Department of Work and Pensions (DWP) for funding to support those most distant from the labour market to move towards gaining work. The pilot approved was to help shape future policy and programmes for the unemployed.
5. The project has surpassed its original targets of supporting 2,500 people and assisting 375 into work. To date nearly 3,500 Tees Valley residents have accessed the project of which 760 have gained sustained employment.
6. The pilot aim was to test a new way of providing a multi-agency support offer centred around the needs of the individual. A key worker for each person accessing the support provides the intensive mentoring to support the individual to navigate and access help when needed. The key worker also provides the necessary encouragement to maintain the motivation required to move towards gaining work. A flexible personal fund was also available to fund items that an individual required to remove their barriers to accessing work when no other project could do so. For many of the individuals engaged the support and responsiveness of the key worker and the flexible support available was critical to their success.
7. Individual case studies have been collated that demonstrate the impact on individuals lives and the most effective activities in assisting people with multiple barriers to accessing work. These case studies are available on the combined Authorities website. These include:
 - a. A no wrong door approach to gaining support
 - b. Consistent mentoring/key worker support
 - c. Flexibility and responsiveness
 - d. Provision of a safety net when an activity/project was not effective, or an individual had to disengage from support
8. The Department of Work and Pensions (DWP) have recently launched the new Restart programme for long term unemployed people that will assist 17,000 people in Tees Valley in the next three years to move towards work.
9. TVCA have worked closely with DWP to ensure that the model adopted for Restart builds upon the lessons learnt and therefore is very similar to the Routes to Work pilot.

Apprenticeship Grants

10. The TVCA Apprenticeship Support Grant programme from 2016 has been reviewed internally and provides evidence to consider when developing future apprenticeship support grants and offers.

11. In August 2016 the Department of Education devolved the Apprenticeship Grant for Employers (AGE) to TVCA for implementation. £1.5m was devolved for the purpose and an enhanced support offer for local employers was approved by Cabinet. The grant supported employers who created a new position for an apprentice aged 16-24, employers could claim a basic grant of £1,500 for up to 3 apprentices with an extra £1,000 for traineeships, high level apprenticeships and identified priority sectors. Training Providers promoted the grant to potential employers and support them to access the training needed. Providers utilised these grants as part of their marketing strategy to attract employers which was very successful.
12. A review completed in 2018 raised the concern that there was no targeting of the grant and therefore it was likely that many grants were provided to businesses that would have created the apprenticeship without them.
13. Subsequent to the review the programme was modified to provide Grants to small and medium sized businesses to assist in the creation of new apprenticeships. Two grants were made available and continue to be offered. These are up to £3,000 for apprentices aged 16+, working towards any qualification in priority sectors and for businesses with less than 50 staff and do not fall within a priority sector, a smaller grant of £500.

New Employer Grant for Apprenticeships – in response to Covid-19

14. This new grant was launched in June 2020 as a response to COVID and part of the regional recovery plan. This grant provided an incentive for priority sector businesses to take on an apprentice aged 16-20. The incentive provided the grant equivalent to 100% of apprentices wage for the first six months and 50% for the remainder of the apprenticeship employment, up to a maximum of 2 years. This grant was in high demand and has supported 100 apprentices.

Apprenticeships Summary to date

15. Since 2016 the Combined Authority has committed £3.7m to support the creation of apprenticeships within Tees Valley. To date, 1411 employers have accessed the grants which has resulted in supporting the creation of 1662 apprenticeships.
16. An external review of the successes of previous and current apprenticeship grants will be conducted in 2021. This will include an options analysis which will help to understand and define the most suitable offer of apprenticeship support to employers in Tees Valley.

Careers Education

17. The TVCA Careers strategy focus is to create a Tees Valley wide careers & enterprise initiative and improve and extend high quality careers education to all. Under the branding of Tees Valley Careers.com the initiative provides:
 - a. a single point of contact for all Tees Valley learning institutions and employers.
 - b. support to engage employers in careers education in schools.

- c. a vehicle to deliver the national careers Strategy as defined by the Department of Education, including the Careers Hub Pilots.
- d. funding and co-ordination of school and college careers education activities.
- e. specialist careers support for education institution's leaders and teachers to create a careers education focus across the whole curriculum.
- f. resources and tools to inform and connect with young people, parents/guardians, teachers, and employers.
- g. events and training to build capacity across the Tees Valley careers eco-system; and
- h. a primary schools careers education pilot.

18. The programme has been evaluated and the key points from this are:

- a. Tees Valley Careers.com is highly regarded by a wide range of stakeholders as an appropriate mechanism with which to continue driving improvement,
- b. Careers leaders praised the career hub workshops, informative emails and updates, and the individual support to help them make robust judgements when using the Careers and Enterprise Company 'Compass' tracking tool.
- c. The TVCA careers support provides a 'really-focused conversation' within schools and colleges.
- d. The TVCA careers team perform an important co-ordinating role in bringing together schools, colleges, and businesses.
- e. There is a clear mismatch between school's published careers policies and the work they carry out to achieve the Gatsby careers standards and pupil/school survey feedback
- f. Student occupation choices do not accurately reflect the wide spectrum of occupations likely to emerge in the evolving Tees Valley economy over the coming years. Also, the range of occupational choices appear narrow rather than expansive
- g. Work readiness' of the young people - employers expressed their satisfaction with 57% being satisfied with their graduate recruits and 46% expressing they were satisfied with college and school leavers respectively
- h. Careers interview capacity varies with some schools and colleges having a level of capacity able to meet the demands of their student cohort while others may not be able to satisfy that requirement.
- i. Employers view the Tees Valley employment landscape as 'exciting in the year(s) ahead but 'under-explored by young people and parents' and/or 'misunderstood by teachers.
- j. Careers support landscape is 'fragmented' and 'highly competitive –e.g., mentoring, STEM, work experience, work placements, recruitment to the university, further education colleges and/or training providers.

19. As a result, the key areas for the future careers strategy will include:

- a. increasing centrally procured activity to provide easier access for schools as opposed to simply providing funding.
- b. More work to bring alive the current and future local Labour Market Information for teachers to use in the classroom or online, including making this more attractive to young people.
- c. Greater targeting of provision to increase inclusivity, to 'ensure no-one gets left behind' and provide greater impact.
- d. Further development of careers education for young people who are not engaged once they leave statutory education. This could include providing more self-access information via a website revamp, increasing marketing of

the website to young people and their support agencies via improved tools, including appropriate social media.

- e. More generally responding to the increase in demand from schools, young people, employers, and parents to access and support careers education via virtual and online activities and communications.

Primary Schools Careers Education

- 20. TVCA launched a £750,000 primary careers pilot on 18th January 2021. There are 204 primary schools (including Special Educational Needs and Disability provision) in Tees Valley. An initial target of engaging 70 schools over 2 years was set but 121 primary schools have already engaged with this pilot.
- 21. Schools were consulted on what would be most beneficial for them and primary schools identified they would most value a structured, consistent, and centralised coordinated range of activities that all schools can access, and resources to enrich the curriculum that teachers could utilise as and when appropriate. As a result, a programme of activities and resources have been developed for Early Years, Key Stages 1; and 2. This comprises of 200+ links to videos, lesson plans, classroom activities, competitions/projects, a range of worksheets, booklets, posters, support to work with employers and parent and carer information. The toolkit is updated and signposted to schools monthly. The lesson plans include themes such as:
 - a. Career Exploration
 - b. STEM/STEAM
 - c. Gender Stereotypes
 - d. Enterprise and Entrepreneurship
 - e. Information and guidance for teachers
 - f. Employability
 - g. Parent and Carer
 - h. Transition
- 22. Many of the resources have been developed and shared by establishing links with employers supporting primary schools. These include Specsavers, Siemens, Barclays, Warburtons, Sir Robert McAlpine, NERAP, the NHS and the BBC.
- 23. We have also been working with Books Beyond Words who create award-winning wordless picture stories co-created with and for pupils who find pictures easier to understand than words. This includes pupils with learning disabilities and/or autism, younger students, people with cognitive or communication difficulties and people who have difficulty with reading. The books are:
 - 1) A Family at Work
 - 2) A Good Day's Work
 - 3) Choosing My First Job
 - 4) George Gets Smart
 - 5) Making Friends
- 24. Supporting decision making at key transition points to inform pupils pathways for particular careers from age 5 through to 16 is key for our primary schools. For the first time this academic year we funded a fantastic opportunity for 330 Year 5 and

year 6 pupils from 7 primary schools across Redcar & Cleveland and Middlesbrough to visit and participate in face-to-face curriculum focused activities at the College week commencing 12th – 16th July.

25. Exposure to further education allows pupils to understand the full range of learning opportunities available to them, including apprenticeships, academic and vocational qualifications. Introducing this in primary around key transition points helps raise aspiration, build resilience, and allows students to think about potential choices for them and how they can fulfil their potential.

Future Strategy Development

26. Development of the future Education, Employment and Skills strategy is underway. Ideas are being developed with the Education, Employment and Skills Advisory Group.
27. As part of the development process, we have reviewed and analysed the wide requirements of the labour market and the possible interventions required. Funding via TVCA will be able to support some of the interventions, however, as is currently the case, we will seek to secure additional investment from other funding sources, including UKSPF (the European Funding replacement).
28. The economic analysis has focused upon the detail provided in the annual Tees Valley economic assessment, Covid 19 Recovery and Impact research, Business surveys, national related reports and the monthly data reports which summarise the key challenges as:
 - a. Growing unemployment
 - b. Reducing number so apprenticeships being created
 - c. Rising vacancies, predominantly at lower skill levels
 - d. Underemployment - particularly for graduates
 - e. Resident skill levels remain behind the national average
29. The main workforce challenges faced by Tees Valley Businesses remain as:
 - a. Providing a suitably skilled workforce for the jobs of the future where 75% will require skills at L4 and above,
 - b. Providing recruits to address the high proportion of replacement jobs or churn in the current labour market that require L2 and L3 technical qualifications,
 - c. Increasing the number of residents with qualifications; including English and math; and
 - d. Closing the gap between the national employment rate and that in Tees Valley.
 - e. To promote and support employee progression to fill the higher-level jobs of the future.
 - f. The strategy will centre around bringing together three core assets: Individuals, Businesses, and the Skills Infrastructure to address the disconnect in the labour market between the:
 - i. Supply side-ensuring residents have access to the support they require to make informed decisions, and education and training

opportunities that will help them achieve their career and employment ambitions; and the

- ii. Demand side-ensuring every business has access to skills, recruitment, and workforce development support to develop an agile and competitive workforce to sustain and grow their business.

30. It will have three overarching themes:

- a. **Preparation** –supporting those in full time education to make informed career choices
- b. **Intervention**-providing skills development for the unemployed to gain work
- c. **Retention**-supporting employees to gain additional skills to progress their careers whilst supporting businesses to grow and develop their workforce.

31. The emerging general priorities include:

- a. Addressing unemployment
- b. Developing skills for the labour market
- c. Increasing the numbers of Jobs and work experience opportunities that are accessible to residents
- d. Providing relevant Careers Education and improving destinations of young people post statutory education.

32. The key principles driving these four priorities, will be to:

- a. Align national and local Employment and Skills delivery
- b. Maximise existing projects funded by external sources
- c. Simplify the support for people to navigate the system and increase collaboration between projects.
- d. Support businesses to upskill their workforce,
- e. Support business to create more jobs, especially at higher levels,
- f. Create more apprenticeships, especially in larger employers.
- g. Support inclusion for disengaged and disadvantaged people

33. Once the strategy has been agreed by Cabinet, we will use it to guide future funding decisions and responses to national funding opportunities. There are a number of new support programmes funded by central government, such as Kickstart and Restart, which address some of the issues identified in the strategy. TVCA will continue to assess the support required locally and focus available resources towards projects which compliment national support or fill specific local needs not covered by national programmes.

FINANCIAL IMPLICATIONS

34. There are no direct financial implications from this report as it is provided for information and as an update of work undertaken.

35. Any delivery within the existing and new strategy will be within cabinet approved and agreed budgets.

LEGAL IMPLICATIONS

36. There are no significant legal issues from this report.

RISK ASSESSMENT

37. There are programme and project level risk registers that are developed and monitored for all activities in the strategy.

CONSULTATION & COMMUNICATION

38. Development of the new Strategy will include extensive consultation with a wide range of stakeholders, including the Education, Employment and Skills Advisory Group, that is chaired by the cabinet Portfolio lead for Education, Employment and Skills.

39. Further consultation will be undertaken as the strategy is developed further, prior to publication and implementation.

EQUALITY & DIVERSITY

40. The Employment and Skills Strategy and resultant delivery programme fully supports equality and diversity challenges as the programme provides activities that are directly targeted those with protected characteristics.

Name of Contact Officer: Shona Duncan

Post Title: Head of Education, Employment and Skills

Telephone Number: 07881 617889

Email Address: shona.duncan@teesvalley-ca.gov.uk

Audit & Governance Committee Forward Plan 2021/22

Standing Items

- Minutes from the Previous Meeting
- Action Tracker
- Chief Executive Update to include COVID-19 Update
- Internal Audit Progress Report
- External Audit Progress Report
- Forward Plan
- Date and Time of the Next Meeting

Date	Venue	Items to be scheduled in year 2021/22
2 nd December 2021	Cavendish House	Risk Register Update Draft Group Assurance Framework Update on GDPR Remuneration & Decision Making Internal Audit - Business Growth Hub and Follow-Up Internal Audit - HR Recruitment and Selection and Covid-19 Response Deep Dive – subject area TBC
20 th January 2022	Cavendish House	Annual Financial Statements Internal Audit - Portfolio Structure External Audit - Annual Auditor's Report

		External Audit Completion Report Deep Dive – subject area TBC
--	--	--

AGENDA ITEM 11**REPORT TO THE AUDIT AND
GOVERNANCE COMMITTEE****21 SEPTEMBER 2021****REPORT OF THE GROUP DIRECTOR OF
FINANCE AND RESOURCES****CORPORATE RISK REGISTER****SUMMARY**

This report presents the Tees Valley Combined Authority Corporate Risk Register as at August 2021. The risk register is reviewed on a regular basis by senior management and sets out the key corporate risks that have been identified.

RECOMMENDATIONS

It is recommended that Audit and Governance Committee consider the risk analysis as set out in Risk Register.

DETAIL

1. This report presents the Tees Valley Combined Authority Corporate Risk Register as at August 2021. The risk register is prepared in accordance with the Combined Authority Risk Management Framework and Group Risk Management approach which is reviewed on a regular basis by senior management. The risk register sets out the:
 - key corporate risks that have been identified;
 - type of risk e.g. legal, reputational, financial;
 - consequences if the risk is realised;
 - risk owner;
 - controls or actions in place to manage the risk;
 - risk score determined by probability and impact;
 - additional controls to be put in place and tracking implementation.

FINANCIAL IMPLICATIONS

2. There are no direct financial implications arising from this report.

LEGAL IMPLICATIONS

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

RISK ASSESSMENT

4. This content of this report is categorised as low to medium risk.

CONSULTATION

5. None required.

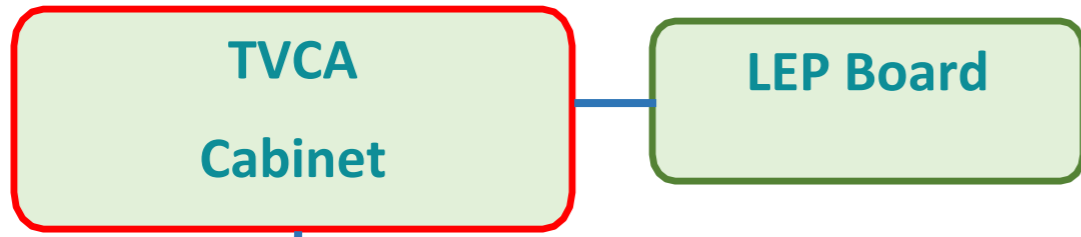
Name of Contact Officer: Gary Macdonald
Post Title: Group Director of Finance and Resources
Email: gary.macdonald@teesvalley-ca.gov.uk
Telephone Number: 01642 527707

Risk ID	Threat/Opportunity	Risk Title	Risk Description	Impact	Likelihood	Risk Category	Control Description		Action plan
							Level 1 - Risk Director	Control Description	
C02	Threat	Impact of EU Exit including financial uncertainty and economic instability that affects national policy in relation to devolution and impact on ability to progress TVCA devolution package in particular uncertainty on UK successor regime to ESF funding (UKSPF) and the loss of Local Growth Funding	Loss of funding for Tees Valley compared to previous ESF position Failure to maximise opportunities for funding for Tees Valley under UKSPF Increased funding to address economic shocks	12	6	Financial	Group Chief Executive/Group Commercial Director	<ul style="list-style-type: none"> Ongoing engagement with Leaders & Mayor, Chief Officers and Government departments Continued focus on TVCA delivery of objectives and SEP Secured ESF guarantee from Government 	<ul style="list-style-type: none"> Liaison with other CA/LEPs Regular liaison with Government on progress with UK Shared Prosperity Fund Internal projects for external bid information recently strengthened and
C03	Threat	Failure to secure sufficient additional resources to fund proposed activity	Impacts ability to deliver SEP targets and outcomes leading to reputational damage	12	6	Financial	Group Chief Executive/Group Finance & Resources Director/Chief Executive	<ul style="list-style-type: none"> Robust Budget, Investment Plan and Medium Term Financial Plan, Treasury Management Strategy to TVCA Cabinet each year Submission of High calibre bids for external funding Identifying opportunities for efficiency and greater impact 	<ul style="list-style-type: none"> Investment identified in Local Industrial Strategy need to feed into Investment Plan and other external sources Engaging via bidding process - approved to bid and actual bid sign off Business Case development and submissions to Government
C04	Threat	Transport specific funding secured from government is not sufficient to meet TVCA programme aspirations e.g. significant local contributions sought that are not affordable under/TF not awarded on ongoing annual basis	Not all planned transport projects can be delivered Unable to deliver future pipeline of projects currently in development Harder to leverage other funding	12	6	Financial	Group Chief Executive/Head of Transport	<ul style="list-style-type: none"> Transport programme approved by Cabinet January 2020 Programme shared with DfT Reporting to DfT on progress with TSP spending/delivery Ongoing liaison with DfT on specific projects e.g. New Tees Crossing, Darlington 	<ul style="list-style-type: none"> Discussions ongoing on specific project funding requirements. DfT funding for further development of Darlington I&M and Highthrough (E2-E4) station projects secured June 2020, seeking an early release of funding from DfT on Darlington Station in summer 2021.
C07	Threat	Failure to provide sufficient capacity to deliver TVCA functions	Delays in terms of TVCA business being transacted, decisions being made and funding being delivered Potential loss of investment into Tees Valley Delays in achieving SEP and Investment Plan outputs and outcomes	12	3	Strategic	Group Chief Executive	<ul style="list-style-type: none"> Overnight by Senior Management Team Business being implemented Recruitment under way in key areas (e.g. A&E devolution) Further reviews as part of annual medium term financial plan to go to January 2021 	<ul style="list-style-type: none"> Recruitment Workforce planning
C10	Threat	Uncertainty within the economy and/or the political environment	Potential delay to agreement of TVCA priorities and approval of any additional funding Potential delay in delivering SEP targets and outcomes Reputational damage	12	3	Strategic	Group Chief Executive	<ul style="list-style-type: none"> Engagement with local MPs Engagement with local authorities 	<ul style="list-style-type: none"> Engagement with national parties Developing relationships with new Ministers and Ministers Ongoing discussions between Mayor and Government Departments
C16	Threat	Failure to agree a local Industrial Strategy with Government	Failure or delay causes reputational damage Potential impact on ability to bid for national funding Potential impact on regeneration of STDC site Potential impact on SEP delivery as a consequence	12	6	Reputational	Group Chief Executive	<ul style="list-style-type: none"> Detailed timetable in place for the Local Industrial Strategy is being undertaken Partners to support development of Local Industrial Strategy identified Engagement events held with key sectors in Jan19 Thematic engagement events: H&B3 	<ul style="list-style-type: none"> Deliver TVCA Group monthly Performance Management reviews with Executive Team LIS progress being tracked by Executive Team
C01	Threat	Failure to secure agreement on new future investment priorities	Delay in agreeing and approving projects to go into investment Programme, potentially affecting spend Impacts TVCA reporting on progress to Government Adverse effect on 5 year Government funding conversation and ability to bid successfully for other funding	10	6	Financial	Group Chief Executive/Group Chief Executive	<ul style="list-style-type: none"> ATVCA Cabinet has overall responsibility for developing & delivery of SEP, Investment Plan and allocation of resources Proposals developed at early stage with Leaders & Mayor, LEP members, chief officers, partners and Government departments 	<ul style="list-style-type: none"> Ongoing dialogue with Mayor and Leaders on the Investment Plan Review Process under discussion for agreeing Culture programme, with a view to a report coming to Cabinet in November 2020 How Assurance Framework update approved by Cabinet in March, along with
C11	Threat	Failure to pass the first Gateway Review	Inability to deliver Ten Year Investment Plan and strategic investments and achieve SEP Outcomes Increased workload/resources required to address issues Risk to future funding of organisation	10	4	Financial	Group Finance & Resources Director	<ul style="list-style-type: none"> Bi-monthly meeting with Government officials and on-going dialogue Assurance Framework (monthly conversation with BE3) Internal Audit arrangements Business Case presentation to Government 	<ul style="list-style-type: none"> Quarterly reporting to Cabinet on investment outputs and outcomes to be introduced Annual Review to be undertaken Key to go process presentations to show teams in diary
C11-A	Threat	Failure to deliver the existing pipeline of funding commitments and achieve targeted spend	Impacts TVCA reporting on progress to Government Adverse effect on 5 year Government conversation & ability to bid successfully for other funding	10	4	Strategic	Group Commercial Director/Group Finance & Resources Director	<ul style="list-style-type: none"> Ministerial statement on Advanced Funding to provide upfront investment in feasibility work Programme monitoring and review Assurance Process in place 	<ul style="list-style-type: none"> Deliver TVCA Group structure implementation activity Deliver TVCA Group Performance Management and implementation Deliver TVCA Delivery Group Governance in line with Full Business Case Deliver TVCA Group Assurance Framework implementation
C12	Threat	Failure to detect fraud	Loss of funds that cannot be recovered and applied to required spend objectives Staff resources required to manage any instances Reputational damage	10	4	Financial	Group Director of Finance & Resources	<ul style="list-style-type: none"> Internal audit arrangements Internal audit arrangements External audit arrangements Internal expenditure approvals process Assurance Framework for investment 	<ul style="list-style-type: none"> Regular monitoring of claims via Finance and Resources team each month
C22	Threat	Pandemic illness outbreak impact on delivery	Widespread national delivery and economic impact inhibits organisational ability to deliver on key projects and outcomes	10	5	Strategic	Chief Executive/Senior Leadership Team	<ul style="list-style-type: none"> Response to current situation includes establishment of 24/7 Business Support Helpline. Launch of Bay Local Tees Valley website to connect local people with businesses and tradespeople that have remained open, or are operating differently during the outbreak. Survey of 900 businesses to increase understanding of effects of the outbreak 	<ul style="list-style-type: none"> Regular liaison with government. As we move towards the recovery phase, the Combined Authority is now developing approaches to support recovery and longer term resilience of the Tees Valley economy and working with our partners to develop a package of targeted measures to support recovery
C14	Threat	Failure to adequately communicate and explain the TVCA and Mayor functions and role may mean expectations are not managed. (REPUTATIONAL)	Confusion is possible in terms of relations with partners, businesses and residents Reputational damage	9	4	Reputational	Group Marketing and Communications Manager	<ul style="list-style-type: none"> Communications plan in place Regular liaison with Mayor's office on Comm issues & opportunities Communications Strategy agreed Working with SBC and other Local Authorities to promote the Mayor's election to 	<ul style="list-style-type: none"> Deliver TVCA Group structure implementation activity Deliver TVCA Group Performance Management and implementation Deliver TVCA Delivery Group Governance in line with Full Business Case Deliver TVCA Group Assurance Framework implementation
C06	Threat	Obligations undertaken by STDC have potential financial impact on TVCA	Strain on TVCA funding availability Potential impact on other TVCA funding programmes Reputational damage	8	4	Financial	Group Director of Finance & Resources	<ul style="list-style-type: none"> STDC contribution requires significant financial matters to be referred to TVCA Cabinet TVCA FD is also FD of STDC Development of a STDC programme management structures 	<ul style="list-style-type: none"> Securing successful CPO to consolidate land ownership and support comprehensive regeneration Manage any judicial review submissions effectively with specialist legal advice (Bath CPO confirmation stage and General vesting declaration)
C09	Threat	Failure to build and maintain relationships with key partners	Potential impact on SEP and its operation More difficult to maximise opportunities to access significant external funding which requires a partnering approach Delays to agreement and delivery of Investment Programme	8	4	Commercial	Group Chief Executive/Senior Leadership Team	<ul style="list-style-type: none"> Regular Cabinet meetings (including SEP Board members) Regular portfolio holders meetings and briefings 5 year Business Plan agreed annually MOU agreed with Teesside University 	<ul style="list-style-type: none"> Draft SOW received and under review, which focuses on this aspect of TVCA operation. Generally positive on this aspect.
C11-B	Threat	Failure to manage funding in order to deliver maximum value for money	Inability to manage funding will lead to inefficient and ineffective spend.	8	4	Financial	Group Director of Finance & Resources	<ul style="list-style-type: none"> Revised Assurance Framework approved by Cabinet on 13th March prior to submission to Government 	<ul style="list-style-type: none"> Review to ensure appropriate development, appraisal and assurance processes are operating effectively and efficiently Staff briefing sessions on the approach Develop Governance toolkits for TVCA Group - single source of truth for each
C15	Threat	Senior Officers leave the organisation	Insufficient senior resource to lead and manage the workload over a critical period Delays to delivery of Investment Programme Risk of not delivering against SEP targets and outcomes	8	8	People	Chief Executive	<ul style="list-style-type: none"> Regular STT meetings 5 year Business Plan agreed annually Director of Finance & Resources appointed Director Business & Skills appointed 	<ul style="list-style-type: none"> The Cabinet have received a full update on the proposals for TVCA Group arrangements including senior management structure to review the capacity and capability required to service the Group going forward. This is scheduled to be delivered by the end of the financial year 2020/21.
C19	Threat	Failure to operate TIAL successfully and turn around operation may require additional TVCA investment	Reputational damage Increased financial liabilities (see C13) Impact on economic growth potential impact on other projects/programmes	6	4	Strategic	Chief Executive/Group Commercial Director	<ul style="list-style-type: none"> Strategic partnership joint venture with Sobart Axiolon 5 year Business Plan agreed annually Agreed governance arrangements Monitoring & reporting to DTVA & Gosportport Ltd Boards 	<ul style="list-style-type: none"> Review of TIAL Business Plan 2020-21 in light of the impact of Covid-19 Business Plan shared and developed with Director Business Plan parameters remain as existing Business Case values approved by Cabinet
C17	Threat	Failure to operate within TVCA constitution	TVCA decisions are ultra vires Risk of legal challenges, leading to delay to delivery of TVCA programme(s) and costs Reputational damage	5	3	Legal	Group Chief Executive/Monitoring Officer	<ul style="list-style-type: none"> Updates and reports to TVCA Cabinet Communications Strategy agreed Public Consultation undertaken A&C Committee in place and meeting regularly 	<ul style="list-style-type: none"> Temporary legal support in place. Directors reviewing legal capacity requirements for TVCA and associated group. Recruitment of new head of legal under way July 2020 - now appointed and in place (Peter Judge)
C21	Threat	Pandemic illness outbreak - impact on organisation	Potential consequences of widespread national disruption include: Prolonged closure of offices. High levels of staff absenteeism - including senior staff.	5	5	SHE	Chief Executive/Senior Leadership Team	<ul style="list-style-type: none"> Existing Business Continuity Plans including use of Microsoft Teams and secure tablets for all staff staff were deployed to address prolonged inaccessibility of Cavendish House, facilitate prolonged periods of home working and to manage absence of senior staff members and high levels of staff absenteeism. Weekly STT meetings to manage ongoing development of outbreak and to ensure continuity of services 	<ul style="list-style-type: none"> Regular liaison with government. Adaptations to way of working and office space to deliver a safe socially-distanced working environment once a return to Cavendish House becomes viable. Daily communication from senior leaders.
C18	Threat	Failure to maximise influence at regional/national level	Missed opportunities to influence national and regional agendas to benefit Tees Valley Potential impact on ability to bid for and get additional funding Potential impact on delivery of SEP	4	4	Reputational	Chief Executive/Director of Business & Skills	<ul style="list-style-type: none"> LEP Network representation Mayor role Membership of Transport for the North 	<ul style="list-style-type: none"> Increased focus on developing in-house commercial responsiveness & resources to be able to maximise delivery of key opportunities. Procurement Team is testing new advice frameworks to enable effective access to supporting external consultancy support.
C23	Threat	Commercial investments don't produce return and meet objectives	Increased financial liabilities Impact on other projects/programmes Reputational damages	4	4	Commercial	Group Commercial Director	<ul style="list-style-type: none"> Monitoring of project and programme level, with escalation of any issues foreseen. 	<ul style="list-style-type: none"> Programme risk register developed
C24	Opportunity	Opportunity for significant investments	Opportunity to maximise financial growth through effective investments inline with 10 year business plan	4	4	Financial	Group Commercial Director	<ul style="list-style-type: none"> Business Directorate monitors and responds to inward investment opportunities. Development & Delivery team work on potential investment projects and analysis for priority/deliverability/potential outputs and outcomes/VM. Increased focus on developing in-house commercial responsiveness & resources to be able to maximise 	<ul style="list-style-type: none"> New protocol introduced for approaching bidding opportunities and managing the delivery of bids, led by the Group Commercial Director and Head of Development & Delivery. All bids need to be signed off by Director prior to submission.
C25	Threat	Senior Management resource is insufficient to manage emerging priorities/project work	Insufficient senior resource to lead and manage the workload over a critical period Delays to delivery of Investment Programme Risk of not delivering against SEP targets and outcomes	4	4	People	Chief Executive/Senior Leadership Team	<ul style="list-style-type: none"> Working with DfT to maximise opportunities Using Freoport designation to maximise inward investment Working with partners to make key investment sites Report regularly on investment progress 	<ul style="list-style-type: none"> Continue to develop IPO's with DfT Maximise Freoport opportunity Working with LTA to identify sites for new investments Continue to support "enablers" such as skills and innovation support
C26	Threat	Failing to deliver inward investment opportunities	Insufficient senior resource to lead and manage the workload over a critical period Inability to deliver Ten Year Investment Plan and strategic investments	4	4	Strategic	Director of Business & Skills	<ul style="list-style-type: none"> Restructure of Group Support Services Resource Planning 	<ul style="list-style-type: none"> Restructure of Group Support Services now complete.
C27	Threat	Don't have ability to deal with injected demands across group	Strain on staff Missed investment opportunities Impacts on delivering investment plan	4	4	Operations	Chief Executive/Senior Leadership Team	<ul style="list-style-type: none"> Restructure of Group Support Services Resource Planning 	<ul style="list-style-type: none"> Restructure of Group Support Services now complete.
C28	Threat	Resource availability for bidding	Insufficient senior resource to lead and manage the workload over a critical period Delays to delivery of Investment Programme Risk of not delivering against SEP targets and outcomes	4	4	People	Group Commercial Director	<ul style="list-style-type: none"> Develop in house resources to respond to bidding requirements. 	<ul style="list-style-type: none"> Increased focus on developing in-house commercial responsiveness & resources to be able to maximise delivery of key opportunities. Procurement Team is testing new advice frameworks to enable effective access to supporting external consultancy support.
C29	Threat	Failure to have Professional indemnity insurance in place	Loss of resources to fund projects To ensure maximum cover for employees who provide services/contractors where claims could be made in the event of Financial loss to that party, insurance must be in place to ensure funding in place to cover.	4	4	Legal	Group Finance & Resources Director	<ul style="list-style-type: none"> Insurances to be in place to cover such eventuality 	<ul style="list-style-type: none"> Liaison with Insurance Broker to ensure insurance policy covers required sums of money.
C30	Threat	Failure to deliver Freoport programme	Non delivery of programme will lead to Financial loss and Reputational damages	4	4	Project/Programme	Freoport Director	<ul style="list-style-type: none"> Regular liaison with stakeholders to ensure delivery to key milestones Appropriate decision makers involved in progress 	<ul style="list-style-type: none"> Governance board in place once a monthly basis to review progress and risk to delivery Programme risk register developed
C31	Threat	Failure to deliver GE site for facility build	As a result of failing to deliver GE site in an agreeable state, there is a threat that investors do not continue with deal which would lead to Financial loss and Reputational damage	4	4	Project/Programme	Group Commercial Director	<ul style="list-style-type: none"> Regular liaison with stakeholders to ensure delivery to key milestones Appropriate decision makers involved in progress 	<ul style="list-style-type: none"> Advisors engaged. Regular weekly Project Board meetings in diaries, attended by Mayor, Group CX, Group FD and Group CO, as well as external partners and advisers as appropriate. Group Commercial Director is co-ordinating public sector input into project.
C32	Threat	Insufficient Scheme of Delegation/ Statutory officers do not have delegate.	Insufficient senior resource to lead and manage the workload over a critical period	4	4	People	Chief Executive/Senior Leadership Team	<ul style="list-style-type: none"> All statutory officers to have delegates in place in the event of absence 	<ul style="list-style-type: none"> Advisors engaged. Regular weekly Project Board meetings in diaries, attended by Mayor, Group CX, Group FD and Group CO, as well as external partners and advisers as appropriate. Group Commercial Director is co-ordinating public sector input into project.

TVCA Governance

Group Entities Governance

Delivery



KEY

- Green Shade = (TVCA Assurance Framework)
- Amber Shade = Services provided by Group
- Blue = 75%+ JVs Grey = 50%50% JVs
- Red outline denoted Statutory Body
- Green Outline Constitutional Body

TEESWORKS

