

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

**Tuesday 21<sup>st</sup> July 2020 at 10.00am**

Under the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 this meeting took place via video link.

### **Attendees**

#### **Members**

Councillor Matthew Storey (Chair, Middlesbrough Council)  
 Councillor Barry Woodhouse (Stockton Borough Council)  
 Councillor Brenda Harrison (Hartlepool Borough Council)  
 Councillor Peter Berry (Redcar & Cleveland Borough Council)  
 Councillor Paul Crudass (Darlington Borough Council)  
 Paul Bury (Independent member)  
 Jonny Munby (Independent member)

#### **Apologies for Absence**

Christopher White (Independent member)  
 Councillor Sandra Smith (Redcar & Cleveland Borough Council)

#### **Officers**

Gary Macdonald (Group Director of Finance & Resources, TVCA)  
 Laura Metcalfe (Governance Manager, TVCA)  
 Sally Henry (Governance Officer, TVCA)

#### **Also in Attendance**

Cameron Waddell (Mazars – External Auditors)  
 Philip Church (RSM – Internal Auditors)  
 Rob Barnett (RSM – Internal Auditors)

<b>AGC 01/20</b>	<p><b>APOLOGIES FOR ABSENCE</b></p> <p>Apologies for absence were submitted as detailed above.</p> <p>The Chair noted that this was to be the last meeting for Independent Member, Christopher White, before he stands down. He placed on record his thanks for Christopher’s support and commitment to the Committee.</p> <p>Gary Macdonald added his thanks for Christopher’s work with the Committee and confirmed that a recruitment process for a new independent member would be begin next week.</p>
----------------------	---

<p><b>AGC 02/20</b></p>	<p><b>DECLARATIONS OF INTEREST</b></p> <p>No declarations of interest were received.</p>
<p><b>AGC 03/20</b></p>	<p><b>MINUTES OF MEETING HELD ON 28<sup>th</sup> MAY 2020</b></p> <p>The minutes were agreed as a true record.</p>
<p><b>AGC 04/20</b></p>	<p><b>ACTION TRACKER</b></p> <p>Gary Macdonald provided updates on outstanding actions:</p> <ul style="list-style-type: none"> <li>• A formal induction process for members will be devised after TVCA AGM where appointments to Committees are confirmed.</li> <li>• A briefing on TVCA Vision and Values will be included in the induction</li> <li>• TVCA Executive team have agreed to provide updates on the impact of COVID19 on Teesside International Airport and South Tees Development Corporation at future meetings.</li> </ul> <p>Jonny Munby highlighted that he would appreciate the previously offered training in relation to capital grants accounting and treasury management, possibly at the same time as a new independent member is inducted. Gary Macdonald agreed to arrange this training.</p>
<p><b>AGC 05/20</b></p>	<p><b>DRAFT ANNUAL FINANCIAL STATEMENTS</b></p> <p>Gary Macdonald provided a summary overview of the Combined Authority's Draft Annual Financial Statements for 2019/20 and confirmed that the final set will be provided to Auditors at the end of this week, which is in line with the schedule. Following Audit, the final annual financial statements will be on the agenda for the next committee meeting.</p> <p>Jonny Munby asked why borrowing has increased by £30m when there has been an increase in cash. Gary Macdonald confirmed that although the figure has increased, this is considerably lower than anticipated borrowing for 2020/21. He added that this has been carefully considered in consultation with our treasury management advisors and reflects the level investment required in the current financial year.</p> <p>Jonny Munby added that it was good to see an update on performance at the Airport noted.</p> <p>The Chair asked about planning in relation to the impact of Brexit and where funding will come from in place of European funding. Gary Macdonald stated that TVCA are planning for using the remaining the European funding until it comes to an end as well as other funding sources. He added that there has been no detail on the future national UK Shared Prosperity funding expected to replace current European funding streams, however he will to update the Committee once this is available.</p>

	<p>The Chair queried why TIAL Business Park Ltd and South Tees Enterprise Ltd were not listed on page 13. Gary Macdonald confirmed that these entities have not been formalised at Companies House as yet but will be included in the final version of the accounts. He agreed to update the committee once these elements are finalised.</p> <p>The Chair also asked why the number of officers earning over £50,000 has increased in the last year. Gary Macdonald confirmed this was due to the incorporation of the group structure and the resources brought in to deliver STDC activity. He agreed that he would provide a breakdown for members outside of the meeting.</p> <p><b>RESOLVED that: Members noted the Draft Annual Financial Statements.</b></p>
<p><b>AGC 06/20</b></p>	<p><b>DRAFT PROCUREMENT STRATEGY</b></p> <p>Gary Macdonald provided an overview of the Combined Authority’s draft Procurement Strategy. He highlighted that the strategy is to be implemented across the group and allows for greater social value being obtained from spend.</p> <p>Cllr Harrison noted that she liked the ethos of the strategy and asked for assurances that local people will be able to access jobs when projects are delivered in the area. Gary Macdonald confirmed that while public sector procurement rules mean that he cannot give 100% assurance that would be the case, the weighting of social value has been increased and the process allows local businesses to have a fair and balanced opportunity to bid for contracts. He added that this does not preclude businesses outside of the area from bidding and cost and quality are also considerations when procuring good and services.</p> <p>Cllr Crudass suggested that there can sometimes be a conflict between social value and procurement rules. Gary Macdonald confirmed that the strategy is compliant with public sector procurement regulations, using appropriate scoring including a significant weighting to social value that covers a number of factors.</p> <p>Jonny Munby noted the social value aspect as positive for the area. He queried how timelines will be implemented in relation to training detailed in paragraph 8.6. Gary Macdonald confirmed that TVCA are using a social value portal with a nationally recognised model. He will clarify how training will be rolled out with the facilitators at the next opportunity.</p> <p>The Chair added that social value is extremely important and that TVCA play an important role in driving economic development and regeneration in the area.</p> <p><b>RESOLVED that: Members endorsed the Draft Procurement Strategy</b></p>

**CORPORATE RISK REGISTER**

Consideration was given to the Corporate Risk Register.

Gary Macdonald confirmed that the TVCA Executive team have reviewed and updated the risk register. He added that the 'red' risks relate to the COVID19 outbreak and detail how TVCA are managing the implications with the Committee receiving a full briefing on the approach to economic recovery at the last meeting. He highlighted some of the activity being undertaken including:

- TVCA paying suppliers immediately
- Analysing the survey of 1000 businesses and considering economic analysis to determine key interventions in consultation with constituent local authorities.
- Continuing to work on the levelling up agenda to maximise support for the area
- Submission of full business case in relation to £71m agreed in principle for STDC. An announcement is expected soon.

Cllr Crudass asked about risk to adult education and support for the unemployed as this has previously been funded mostly by European funding. Gary Macdonald confirmed TVCA receive £30m per annum from government for Adult Education under devolution arrangements and are currently ensuring delivery mechanisms are in place for training providers to execute training remotely in the post-COVID world. He added that feedback has been positive, and providers are accelerating their online provision. In addition to this, the hardest to reach are a key priority for the EES team and the potential developments on the STDC site are also an opportunity for the skills agenda.

Cllr Harrison added that each local authority has their own way of working in relation to adult education and she is keen to know that TVCA are working with the local authorities in their approach. Gary Macdonald confirmed that TVCA Head of Education, Employment & Skills, Shona Duncan, is in regular contact with each local authority as well as holding regular working group meetings with local authority leads and training providers and that he would encourage all local authorities to engage with Shona and her team.

Cllr Woodhouse asked about the size of the business surveyed in relation to the impact of COVID19 and if there are any preliminary findings. Gary Macdonald stated that of the responses he is aware of so far, the makeup is reflective of the business population of Tees Valley i.e. mainly micro, small & medium sized enterprises. He confirmed that the analysis is still underway, and he would check the timescales for this with the team responsible. Cllr Woodhouse added that he would also be keen to learn about levels of unemployment once the furlough scheme comes to an end.

The Chair noted that the risk score of risk C02 has been reduced since the last meeting and asked the reasons for this. Gary Macdonald confirmed that from a financial risk perspective, TVCA can manage the potential reduction of funding through income and expenditure management.

	<b>RESOLVED that: Members noted the Corporate Risk Register.</b>
<b>AGC 08/20</b>	<p><b>DRAFT INTERNAL AUDIT PLAN 2020/21</b></p> <p>Rob Barnett (RSM) introduced the draft Internal Audit Plan for 2020/21 and asked for the Committees feedback.</p> <p>Gary Macdonald added the TVCA Executive team have carefully considered the move to the Group structure arrangements as reported to Cabinet and have considered the assurances needed in this period and have fed this back to RSM to ensure a good cross section of coverage across the group as it evolves.</p> <p>The Chair noted that the priorities make sense at this time and that the flexibility allowed in the plan is very important. He asked how Declarations of Interest in relation to Cabinet Members are sought. Gary Macdonald confirmed that TVCA seek declarations of interest annually from Cabinet Members. In addition to this process, Cabinet Members are asked to declare any interests in relation to agenda items at the start of each Cabinet Meeting.</p> <p>The Chair queried if it is the responsibility of the individual members to declare their interests. Gary Macdonald confirmed this is the case.</p> <p><b>RESOLVED that: Members noted the draft internal audit plan.</b></p>
<b>AGC 09/20</b>	<p><b>INTERNAL AUDIT TRACKER</b></p> <p>Gary Macdonald provided an overview of the internal audit action tracker noting that all actions are either complete or in the process of being completed. He added that Data Protection training has been rolled out to all TVCA and STDC staff since the last meeting.</p> <p><b>RESOLVED that: Members noted the internal audit tracker.</b></p>
<b>AGC 10/20</b>	<p><b>EXTERNAL AUDIT UPDATE</b></p> <p>Cameron Waddell (Mazars) briefed the Committee on the progress since the last meeting including:</p> <ul style="list-style-type: none"> <li>• The timetable has now been agreed with TVCA &amp; STDC and will commence in August;</li> <li>• Mazars are working closely with Tait Walker who provide the component external auditor arrangements for the Airport;</li> <li>• There are no significant matters arising from the conclusions of their value for money audit; and</li> <li>• Reassurance that Mazars are experienced in auditing remotely and are confident they meet the agreed timetable.</li> </ul> <p><b>RESOLVED that: Members noted the external audit plan.</b></p>

<b>AGC 11/20</b>	<b>FORWARD PLAN</b>  Gary Macdonald confirmed the Forward Plan is up to date apart from the addition of agreed updates relating to the impact of COVID19 which will be added following the meeting.
<b>AGC 12/20</b>	<b>DATE OF NEXT MEETING</b>  <ul style="list-style-type: none"><li>• Thursday 19<sup>th</sup> November 2020 at 10:00</li></ul>