

Tees Valley Combined Authority

Annual Governance Statement 2021/22

1. Introduction

Good governance continues to be key to the delivery of our organisational objectives.

In the past eighteen-months the Combined Authority Group's governance responsibilities have expanded in both scale and complexity. In addition to supporting TVCA Governance – which has been expanded by the Teesside Freeport Board and Committees – the centralised support is now provided to both Teesside International Airport and South Tees Development Corporation under the terms of a Service Level Agreement.

The effective and transparent oversight of our growing responsibilities are reliant upon maintaining robust governance arrangements which ensure the effective delivery of our activities, good decision making, transparency and the active identification and management of risk.

Our ambition remains to make the Tees Valley the best place to live in the UK by driving rapid and sustainable economic growth, delivering better life chances and a better quality of living for our communities. But these are not the limits of our ambition or our responsibilities.

Our goal is that the Tees Valley Combined Authority Group continues to be perceived to be at the forefront of the devolution revolution and recognised by its peers as the exemplar region for delivery and innovation in local government and economic development.

As part of the first wave of Mayoral Combined Authorities we are aware that we have a responsibility to prove that the best answers for local people come from local people and that devolution is the most effective way of driving regional economic development and creating vibrant, inclusive and prosperous communities throughout the United Kingdom. We have seen recent additional recognition from Government, most notably in being named the UK's first and largest Freeport as well as being home to the new Northern Economic Campus for HM Government.

These public investments and accolades are driving private sector development too with the likes of BP, SeAH, Sabic and Alfanar set to make billion-pound investments in our region. All these things are only possible because Government, our constituent Authorities and wider stakeholders trust our governance, decision making and ability to deliver. Recent government decisions and the evolving devolution agenda places further duties on us to ensure that our governance framework continues to be a model of best practice and has the flexibility to adapt to any new responsibilities and new challenges the coming period presents.

It is also our ambition that our Governance Framework continues to add genuine value to the decision and policymaking of the Combined Authority Group.

2. The Scope of Responsibility

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

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

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

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

3. The Purpose of our Governance Framework

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

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

These objectives, as laid out in our Strategic Economic Plan and Investment Plan, are:

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

A 10-year Investment Plan was agreed in January 2019 setting out how we will allocate resources to deliver these objectives. This plan is reviewed annually at Cabinet level, most recently in July 2021.

Our governance framework enables us to monitor the achievement of these strategic objectives, and the system of internal control which derives from it allows us to manage risk

at a realistic level. Although it is impossible to eliminate all risk, this structure is designed to identify and prioritise risks to the achievement of our objectives, evaluate the likelihood of those risks being realised and managing their impact should they be realised.

4. The Key Elements of our Governance Framework

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

The Constitution

The responsibilities of Combined Authority employees and members is clearly laid out in the Authority's Constitution. This document – subject to annual review – explicitly documents how the Authority operates, responsibilities for specific functions, schemes of delegation and how decisions are made. A new Scheme of Delegation was introduced in the Autumn of 2020 to deliver greater transparency and efficiency of the Combined Authority's day-to-day decision-making process and the constitution, including constitutional delegations was reviewed and updated in the 2021 Municipal year.

The Constitution – which can only be amended by the unanimous agreement of the Cabinet – also sets out expected standards of behaviour for both officers and members.

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

Statutory and non-Statutory Committees

The Combined Authority Constitution details a number of Statutory Committees.

- A statutory **Overview and Scrutiny Committee** of members appointed by each of the Constituent Authorities, reviews the policies and operations of the Combined Authority and ensures effective democratic scrutiny of decisions. This committee has the authority to 'call in' for review Authority decisions which have yet to be implemented and the power to prevent their implementation whilst under review. The committee has utilised this power on one occasion to date. The committee continues to conduct strong scrutiny of the Combined Authority's activities, including establishing a Task and Finish Group to conduct an in-depth investigation into the draft Combined Authority Budget for 2020/21, as part of the consultation process. The committee also receives reports detailing decisions taken under delegated powers for scrutiny and review.
- A statutory **Audit and Governance Committee**, assuring sound governance and financial management of the Combined Authority, with members appointed from each Constituent Authority working in tandem with appropriately qualified and experienced independent members. This committee oversees the operation of the Authority's risk management arrangements, considers and reviews its Internal Audit arrangements and reviews its Financial Statements.

- A statutory **Transport Committee**, reviewing transport strategy and policies and making recommendations to Cabinet. Members are drawn from the executive member with transport responsibilities from each Constituent Authorities and private sector representation.
- The **Local Enterprise Partnership (LEP)**, the principal forum for collaboration between the public and private sectors, is an integral part of the Combined Authority and its governance. A network of LEPs exists across England, but in the Tees Valley this partnership is strengthened by its clear governance integration and strong partnership working – both evidenced by LEP members holding the role of Associate Members of the Combined Authority Cabinet.
- **South Tees Development Corporation Board** is responsible for identifying any decision or issue which results or may result in a significant risk of a financial liability, a statutory liability or an environmental or criminal liability - a referral decision
- Following the announcement in March 2021 that Tees Valley would be the location of one of the first Freeports, the **Teesside Freeport Board** has been established for the purposes of making recommendations to Cabinet on Freeport strategy and policies, to review Freeport services, ensure compliance with Freeport legislation and to co-ordinate the interests of landowners and other key stakeholders.

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

- Education, Employment and Skills Advisory Group – beneath which sit several specialised workstreams addressing specific areas of operation.
- Creative Place Advisory Group
- Industrial Collaboration Group
- Transport Advisory Group
- Business Growth Steering Group

Monitoring Officer

We have arrangements to ensure compliance with relevant laws, regulations, internal policies and procedures, and that expenditure is lawful. The Combined Authority has appointed a suitably qualified Group Chief Legal Officer, who is the Authority's Monitoring Officer. They have a protocol in place with all directors that clear systems are operating to ensure the legality of all Authority activities. All Cabinet reports are considered for legal issues before submission to members. The Group Chief Legal Officer, is also the South Tees Development Corporation's Monitoring Officer ensures transparency on group legal, governance and probity matters

Internal Audit

The Combined Authority's Internal Audit function, undertaken by RSM Limited, ensures compliance with the relevant standards and statutory requirements. The service liaises with

relevant statutory and senior officers throughout the year to develop and maximise the effectiveness of the Authority's internal control systems and delivers an annual report on the quality of our processes.

External Audit

The purpose of the External Auditors, Mazars, is to provide an opinion on the accounts and Value for Money (VfM) conclusion.

Chief Financial Officer and Financial Arrangements

In accordance with the requirements of Section 73 of the 1985 Local Government Act, the Combined Authority has appointed a suitably qualified Chief Finance Officer - the Group Director of Finance and Resources. The Group Director of Finance and Resources also fulfils a similar role for South Tees Development Corporation ensuring transparency on group finance and resources issues.

This Chief Finance Officer is responsible for:

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

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

Assurance Framework

As part of the Devolution Deal signed with HM Government, a significant proportion of central government regional investment funding has been consolidated into a Single Pot, over which the Combined Authority has significant autonomy over allocation.

An Assurance Framework has been developed setting out how the Tees Valley will ensure accountable and transparent decision making with regards to this fund, appraise projects and monitor and evaluate schemes to achieve value for money and ensure that funds are spent lawfully.

The Assurance Framework is reviewed annually, most recently in July 2021.

South Tees Development Corporation (STDC)

The Mayoral Development Corporation has in place its own governance arrangements, constitution and statutory committees. The Tees Valley Mayor is chair of the STDC Board and TVCA and STDC share a Chief Executive Officer, Director of Finance & Resources and Monitoring Officer.

Regular updates are provided to TVCA Cabinet, Local Enterprise Partnership Board and Overview & Scrutiny Committee on the progress of STDC activities, and any significant decisions are brought to the TVCA Cabinet for decision through a referral mechanism.

The TVCA Group Governance Team assumed responsibility for the management of STDC's group governance arrangements in the Autumn of 2019, in order to strengthen the integration of decision-making across different aspects of the Combined Authority Group and to strengthen the governance arrangements of the Development Corporation.

The South Tees Development Corporation currently operates the following statutory committees:

- A **Board**, the ultimate decision-making body of the Development Corporation with a constitutional responsibility to guide and oversee delivery of the key objectives of STDC.
- An **Audit & Risk Committee** with oversight responsibilities in matters concerning risk, financial affairs and probity, overseeing STDC's internal audit and external audit arrangements.

The land at STDC (now operating under the trading name of **Teesworks**) was formerly managed by the South Tees Site Company Ltd (**STSC**), an interim government body established in December 2016 to ensure the safe, secure and cost-effective management of the former steelworks site. STSC was transitioned in the control of STDC in the autumn of 2020 and STDC and its subsidiaries have adopted the trading style 'Teesworks'.

By ensuring STDC Board Members or Officers of the Combined Authority serve as Directors on each of STDC's subsidiaries, the Group can be assured that all activities operate in accordance with the strategic direction and within the governance frameworks set by STDC.

STDC are 10% shareholders in Teesworks Ltd who have the responsibility for developing and marketing the site to for future tenants. The STDC Chief Executive Officer sits on the Board of Teesworks Ltd.

Goosepool

TVCA are 75% shareholders in Goosepool 2019 Ltd who in turn own 89% of the shares in Teesside International Airport.

Goosepool has its own Governance arrangements in place. Two senior officials of TVCA make up the board in addition to one official from its minority shareholder. The TVCA Governance team assumed responsibility for governance arrangements of the Goosepool Board in Spring 2020, in order to strengthen the integration of decision-making and governance across different aspects of the Combined Authority Group. The Governance team is also providing some oversight and support to the TIAL Board to ensure good governance, and company secretarial standards.

Regular updates on the progress against the Airport Business Plan are given to TVCA Cabinet and relevant committees.

Adult Education Budget Governance

Responsibility for post-19 education funding was devolved to Tees Valley Combined Authority in August 2019. An appropriate governance framework was developed alongside this process to ensure effective and appropriate decision-making, oversight and value-for-money assurance and this process has been incorporated into the wider Combined Authority Assurance Framework.

Corporate Risk Register

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

Declarations of Interest and Code of Conduct

All Combined Authority employees and members are subject to a formal Code of Conduct – forming part of the Authority's Constitution - and must complete, at least annually, a formal Declaration of Interest.

- An annual review of members' Declarations of Interest was completed in July 2020 and the 2021 review began in July 2021.
- An annual review of officers' Declarations of Interest was completed in December 2020.

In the interests of transparency, the member declarations are reviewed by both the Chief Executive and Monitoring Officer and published on the Authority's website. The Chief Executive's Employee Declaration of Interest is also published on the Authority's website.

Gifts and Hospitality

The Combined Authority maintains a register of offers of Gifts and Hospitality made to members and officers of the Combined Authority, even if these offers are declined.

Governance Arrangements

A dedicated Governance team is in place to ensure that the Combined Authority Group is compliant with its regulatory responsibilities and to advise both members, employees and partner organisations. The team oversees number of areas including transparent decision making, Declarations of Interest, whistleblowing and Freedom of Information request handling.

Freedom of Information and Environmental Information Regulation Requests

The Combined Authority is subject to the Freedom of information Act 2000 and the Environmental Information Regulations 2004. The Group Governance team processes such requests. Over the last financial year, the Combined Authority has received and responded to 86 such requests for information.

5. Review of Effectiveness

The Combined Authority is responsible for conducting, at least annually, a review of the effectiveness of its governance arrangements. Any areas for review are overseen and co-ordinated by the Group Chief Executive, Group Director of Finance & Resources and Monitoring Officer and any findings reported to the Audit and Governance Committee, as appropriate.

Internal Audit

A Draft Annual Internal Audit Report was received 28th June 2022 which concluded that:

“The organisation has an adequate and effective framework for risk management, governance, and internal control.

However, our work has identified further enhancements to the framework of our risk management, governance, and internal control to ensure that it remains adequate and effective”

The following opinions were provided in the Audit Report:

Governance

We have not performed a specific review of the organisation's governance arrangements during 2021/22 (a specific review of this area was carried out in 2019/20).

However, we have performed the following reviews which have looked at differing aspects of the organisation's governance arrangements:

- TIAL Reporting.*
- Effectiveness of Partnership Arrangements.*
- Portfolio Structure.*

We concluded that, in respect of each of these reviews, the Cabinet can take substantial assurance on these areas. We agreed a total of five low priority management action across these three reviews.

We found that control and processes in respect of each of these three reviews were robust, with the actions agreed being primarily focused on documenting or clarifying those controls.

Only one minor issue of non-compliance was found which related to documenting inductions received by members of the various management groups in place across the organisation.

Risk

We have not performed a specific review of the organisation's risk management arrangements during 2021/22 (a specific review of this area was carried out in 2019/20).

However, our risk management opinion was informed by the assessment of the risk mitigation procedures in place covered by our risk-based reviews in the following areas:

- HR: Recruitment and Selection (C07: Failure to provide sufficient capacity to deliver TVCA functions) – reasonable assurance.*
- Covid-19 Response (C22: Pandemic Illness Outbreak: Impact on delivery) – reasonable assurance.*
- Effectiveness of Partnership Arrangements (C09: Failure to build and maintain relationships with key partners) – substantial assurance.*

A total of two medium priority and 13 low priority management actions were agreed across these three reviews.

The issues identified largely concerned the documentation of control activities or the adequacy of information retained in support of decision-making, although it should be noted that we detected no instances where these issues had resulted in a direct cost implication or other manifestation of risk during the course of the audit work for these three reviews.

We have also attended all Audit and Governance Committee meetings throughout the year and confirmed the Group's risk management arrangements continued to operate effectively and were adequately reported and scrutinised by committee members; with regular updates provided and the risk register shared and reviewed, with appropriate oversight.

Control

We undertook seven audits (including the three risk driven reviews mentioned above) of the control environment that resulted in formal assurance opinions.








These seven reviews concluded that three reasonable(positive) opinions and four substantial (positive) assurance opinions could be taken by the Cabinet.

We identified the organisation had established control frameworks in place for a number of the audits undertaken, however improvements in their application were required in a number of areas.

Furthermore, the implementation of agreed management actions agreed during the course of the year are an important contributing factor when assessing the overall opinion on control.

We have performed a Follow Up review during the year which concluded that reasonable progress had been made towards the implementation of those actions agreed.

The following assignments were completed 21/22 which concluded:

Assignment	Assurance level	Actions agreed		
		L	M	H
HR: Recruitment and Selection		5	1	0
Covid-19 Response		4	1	0
Business Growth Hub		2	0	0
Follow Up of Previous Internal Audit Management Actions	Reasonable progress	1	1	0
HR: Payroll		4	2	0
Assignment	Assurance level	L	M	H
TIAL Reporting		0	0	0
Effectiveness of Partnership Arrangements		4	0	0
Portfolio Arrangements		1	0	0

To date (July 2022), all of these actions are being tracked and making good progress in delivery.

External Audit

The Audit Completion Report from the Combined Authority's external auditors for the financial year ending March 31st 2021 is not yet available

6. Conclusion

It is our conclusion – validated by external opinion – that the Combined Authority Group operates suitable, effective and robust governance framework which supports the achievement of its policies, aims and objectives and meets all statutory requirements.

7. Impact of COVID-19 outbreak

Although the COVID-19 outbreak in March 2020 presented significant challenges to local government as it did for the whole population, the nature of work of the Combined Authority, the resilience of its systems and robust pre-existing business continuity plans ensured it was possible to minimise the impact of disruption to the delivery of services and finances.

The outbreak did, however, present challenges to the Combined Authority Group's governance framework – not least ensuring appropriate and transparent decision-making and operations was maintained in a time of disruption and enforced social distancing. Although moving to remote working and remote meetings (in accordance with legislation), the system of oversight, control and decision-making continued, and we sought to maintain the same high standards throughout.

The Combined Authority responded to the situation by:

- Ensuring continuity of the governance framework by immediately re-arranging all non-statutory meetings to take place by video conferencing and preparing for statutory meetings to take place by video conferencing in advance of this power being granted to local authorities.
- Implementing power to temporarily hold statutory meetings remotely granted 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 from April 2020. This legislation ended in early May 2021 and the Authority has since ensured statutory meetings have taken place in a manner that maintained safety of its Members and Officers whilst maintaining opportunities for public and political scrutiny and met our obligations under the Local Government Act 1972.
- Conducting an internal review of the implications of the postponement of the scheduled Mayoral Election of May 2020. The Mayoral Election took place in May 2021.
- Implementing guidance from the relevant supervisory authority – the Information Commissioner's Office – relating to the treatments of Freedom of Information requests during the outbreak and informing request makers.

- Adjusting financial reporting schedules to reflect revised deadlines and communicating these changes to the appropriate committee members.

The Combined Authority also responded to the COVID-19 outbreak by establishing a call centre to support local businesses affected by the disruption.

As we progress to the recovery stage the Combined Authority Group will have a significant role to play in driving the region's economic revitalisation, which may involve the re-evaluation of long-term plans in light of altered circumstances. This re-evaluation will be conducted in conjunction with our established governance framework.

8. Progress

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

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

Action	Outcome
Review of Combined Authority Constitution	Constitution review completed and amendments approved and implemented, in July 2021.
Review of Assurance Framework	Revised Framework agreed by the Cabinet in July 2021.
Monitoring Officer role brought in house	Group Chief Legal Officer in post and appointed as Monitoring officer for TVCA and STDC in September 2020
Publication of Gifts and Hospitality offers to Members and Directors	Register of gifts and hospitality offered to Members and Directors now published on Authority's website in real time.

9. Action Plan

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

Action	Outcome	Responsibility	By When
Introduction of Governance Toolkit	Further embed governance framework across organisation.	Group Director of Finance & Resources/ Group Chief Legal Officer	31 st March 2023

Signed

Ben Houchen

Mayor of the Tees Valley
Combined Authority

Julie Gilhespie

Group Chief Executive,
Tees Valley Combined
Authority

Siobhan McArdle

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