



**North Tyneside Council**

**DRAFT**

**Annual Governance Statement**

**2017/18**

**23 May 2018**

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## 2017/18 Annual Governance Statement

### 1.0 Scope of Responsibility

North Tyneside Council is responsible for ensuring that its business is conducted in accordance with the law and proper accounting standards. It must make sure that public money is safeguarded and properly accounted for, and is used economically, efficiently and effectively. North Tyneside Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, North Tyneside Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

North Tyneside Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE framework “Delivering Good Governance in Local Government”. A copy of the Code can be found on our website or can be obtained from Legal Services. This Statement explains how North Tyneside Council has complied with the code and also meets the requirements of regulation 6(1)(a) of the Accounts and Audit Regulations 2015 in relation to the publication the Annual Governance Statement (AGS).

### 2.0 The purpose of the governance framework

The governance framework comprises the systems, processes, culture and values by which the Authority is directed and controlled. It sets out the activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of North Tyneside Council’s policies, aims and objectives. By evaluating the likelihood of those risks being realised and the impact should they be realised, it allows the Authority to manage them efficiently, effectively and economically.

An Annual Report is produced by the Chief Internal Auditor, part of which provides an opinion from Internal Audit on the overall adequacy and effectiveness of the Authority’s control environment. This Statement includes any control issues that the Chief Internal Auditor has deemed significant and should be included within the AGS. These are identified where appropriate, and referenced to the Annual Audit Report.

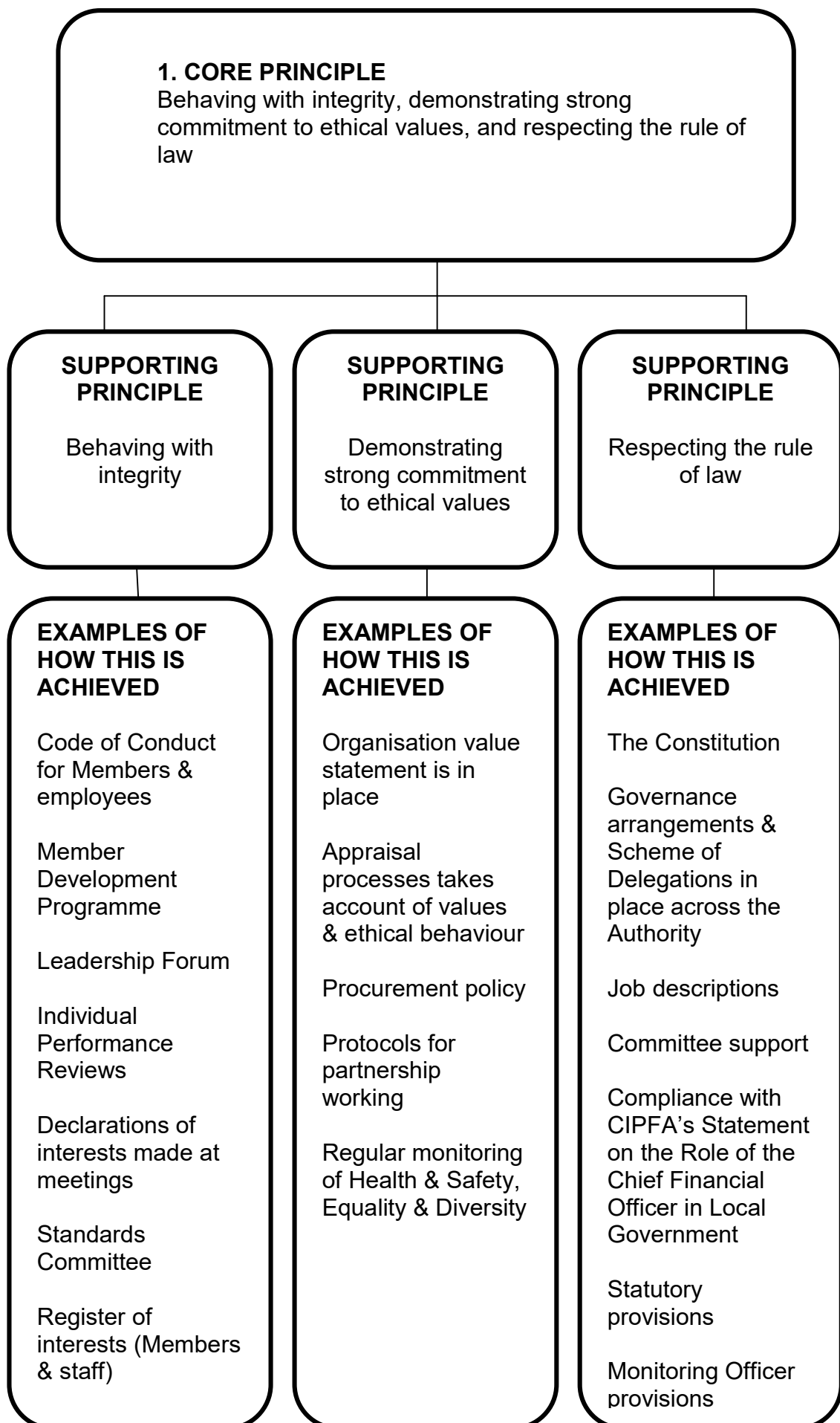
The governance framework has been in place at North Tyneside Council for the year ended 31 March 2018 and up to the date of approval of the Annual Financial Report.

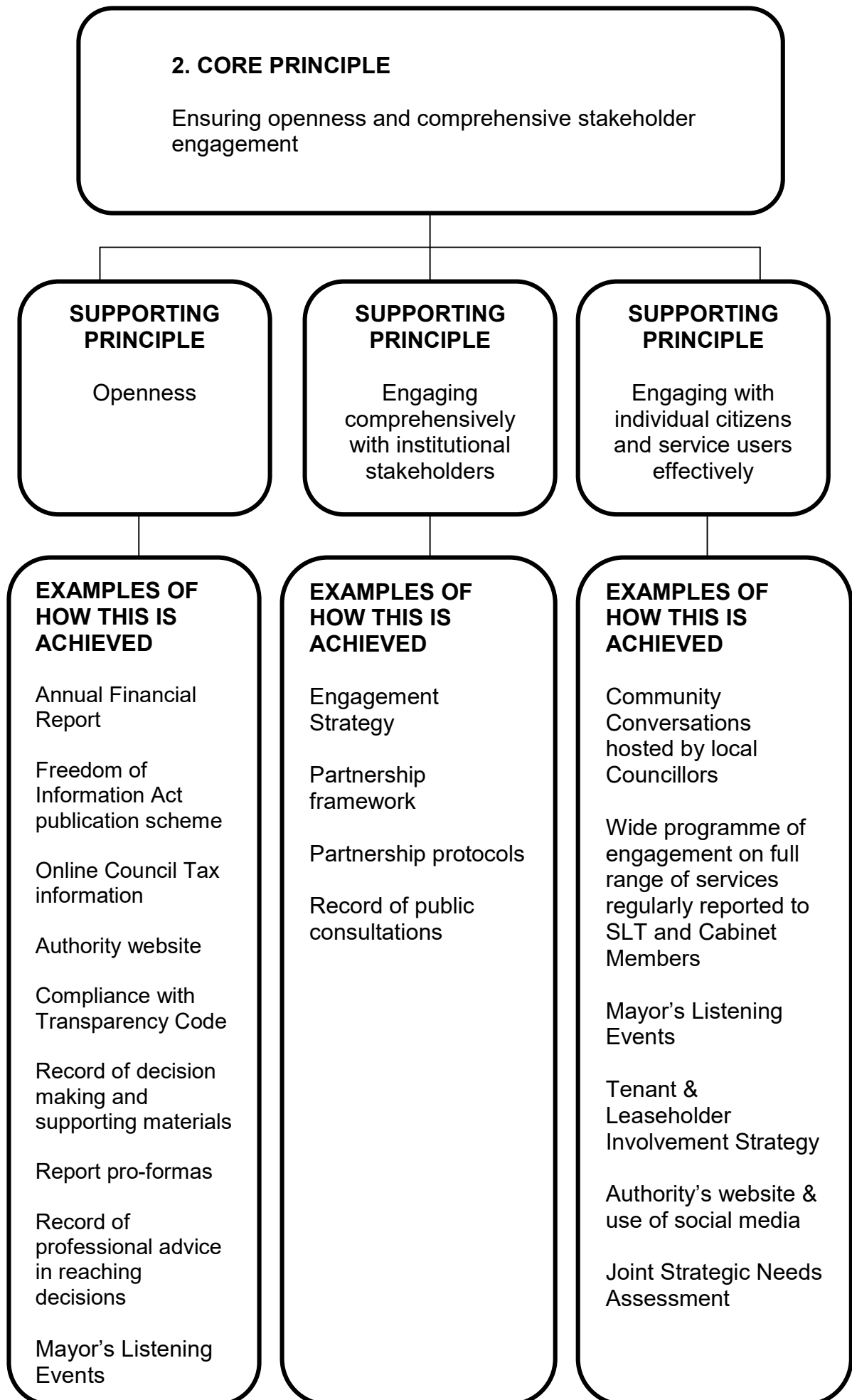
### 3.0 The governance framework

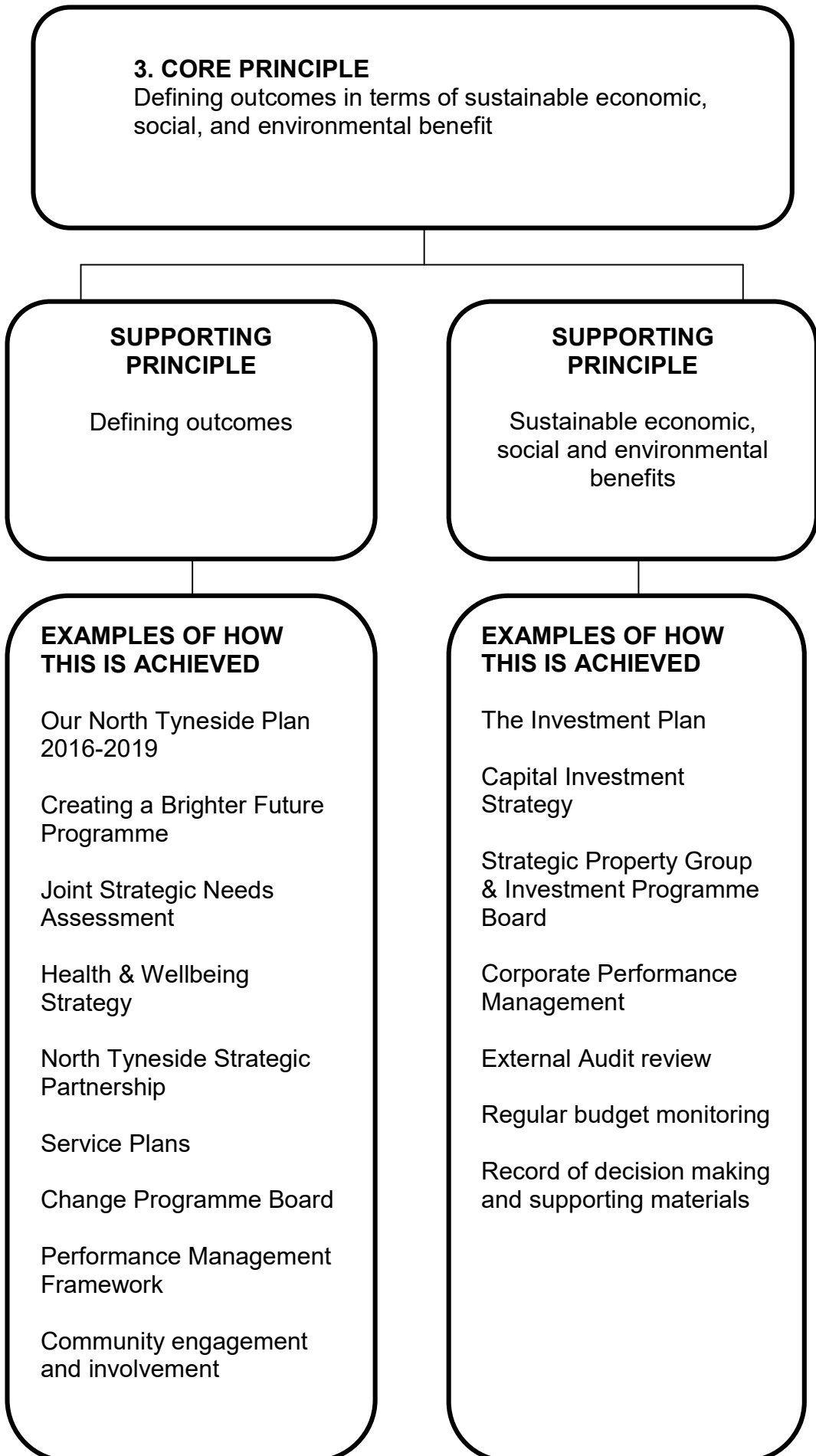
The governance framework is based on the core principles of corporate governance included in the CIPFA/SOLACE Framework. These principles are underpinned by key features that need to be in place to allow an Authority to demonstrate that they comply with these principles. The diagram below sets out the seven fundamental principles:

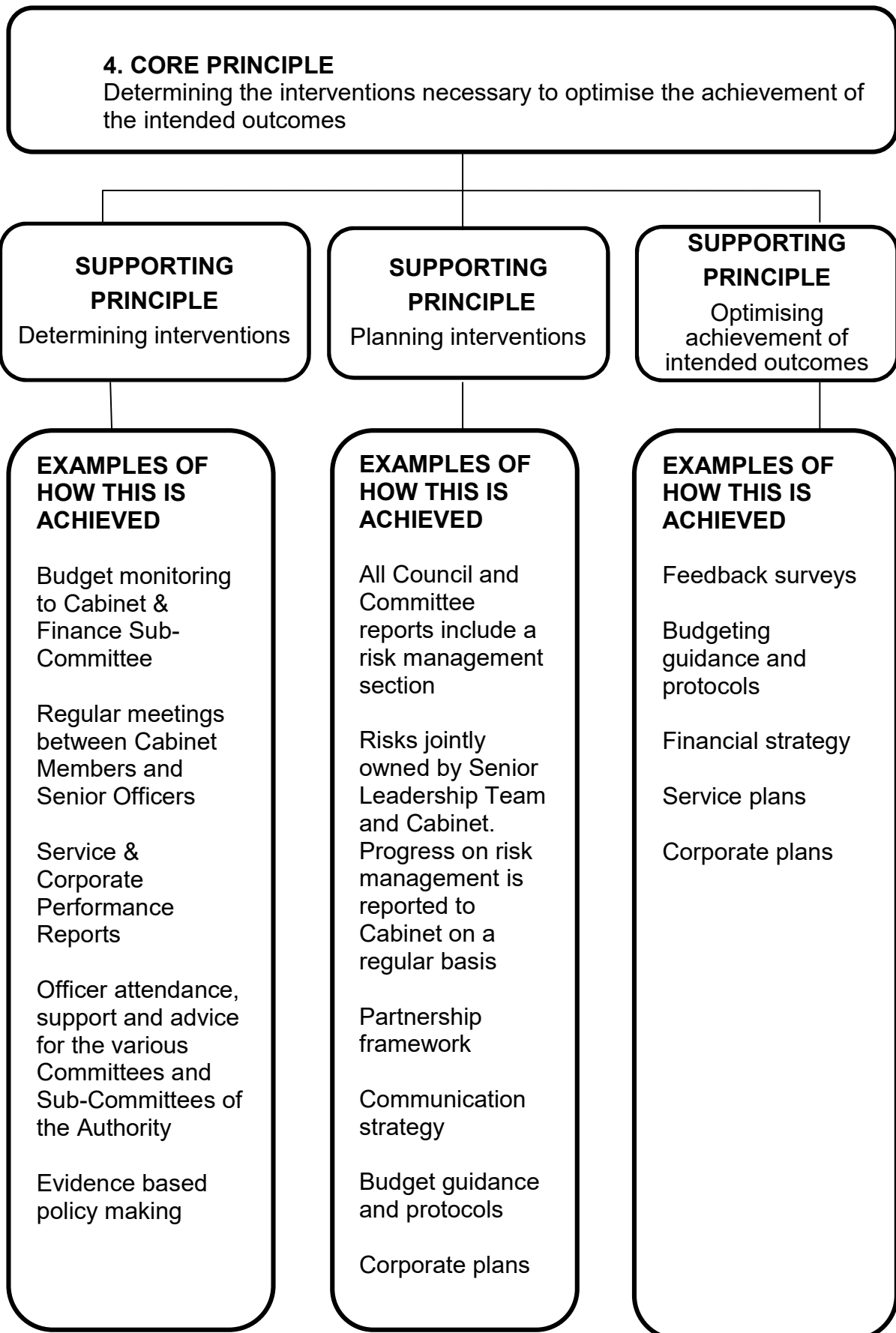


The key features that underpin each of the core principles, together with examples of how the Authority achieves them are outlined in the following diagrams.

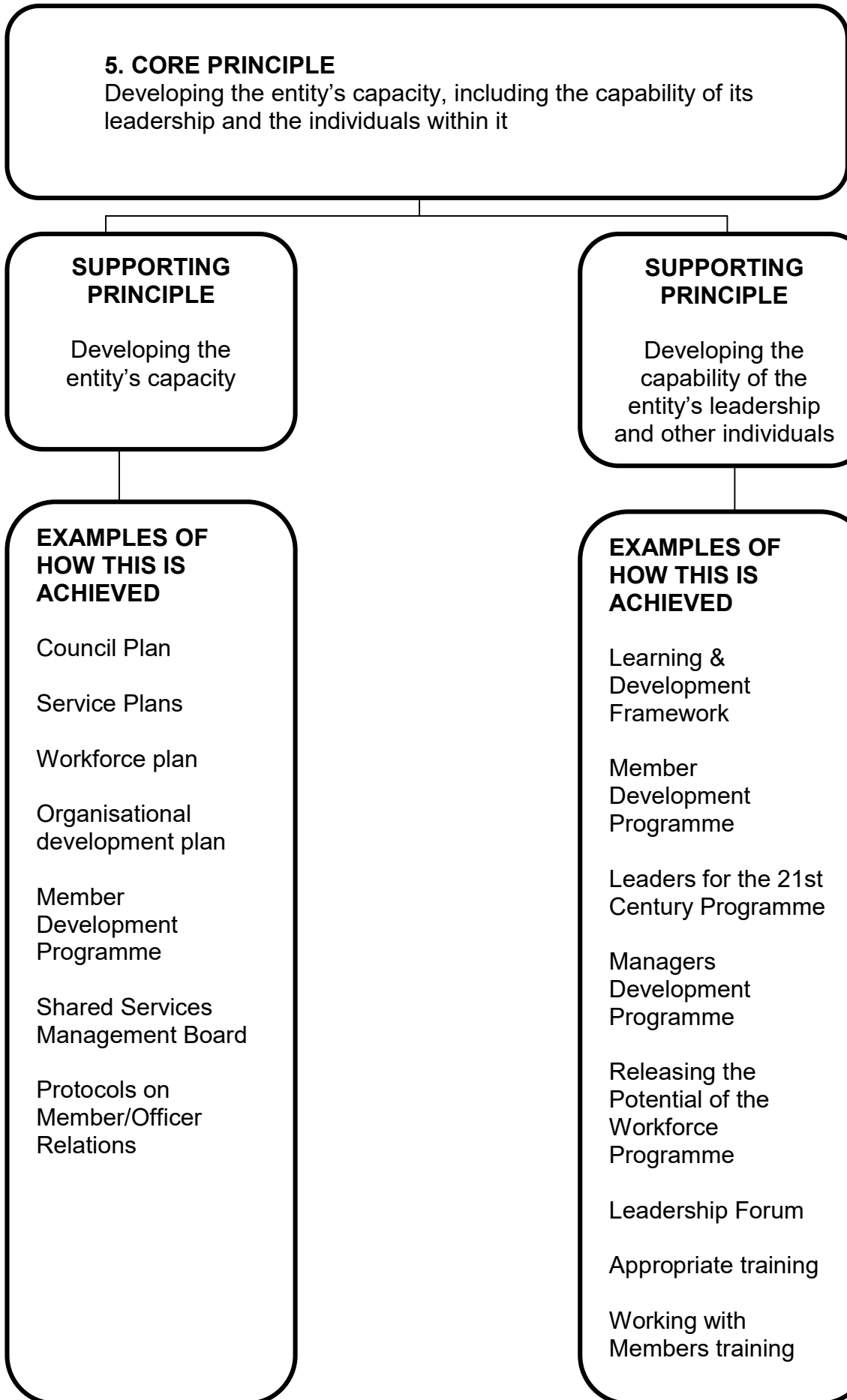


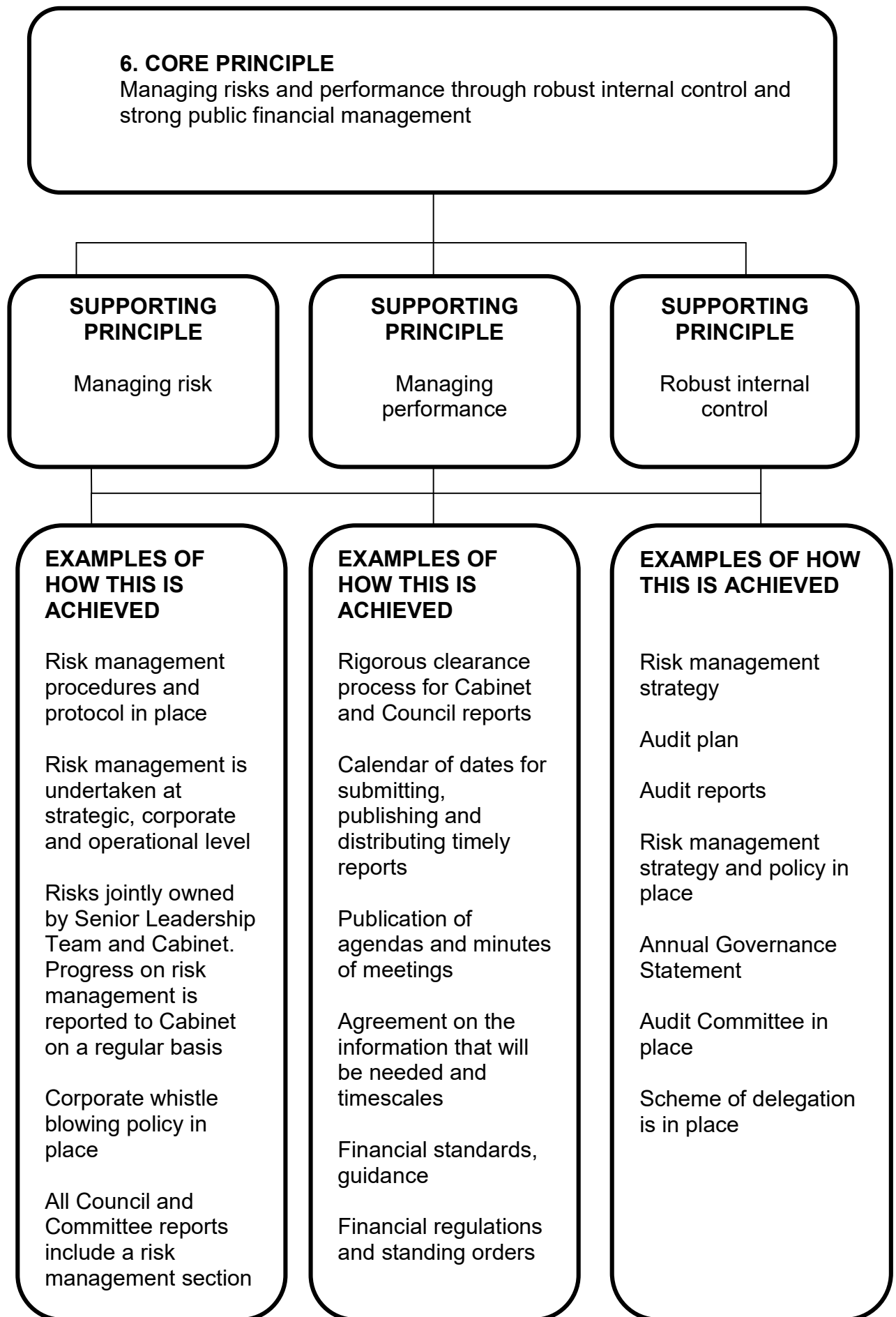


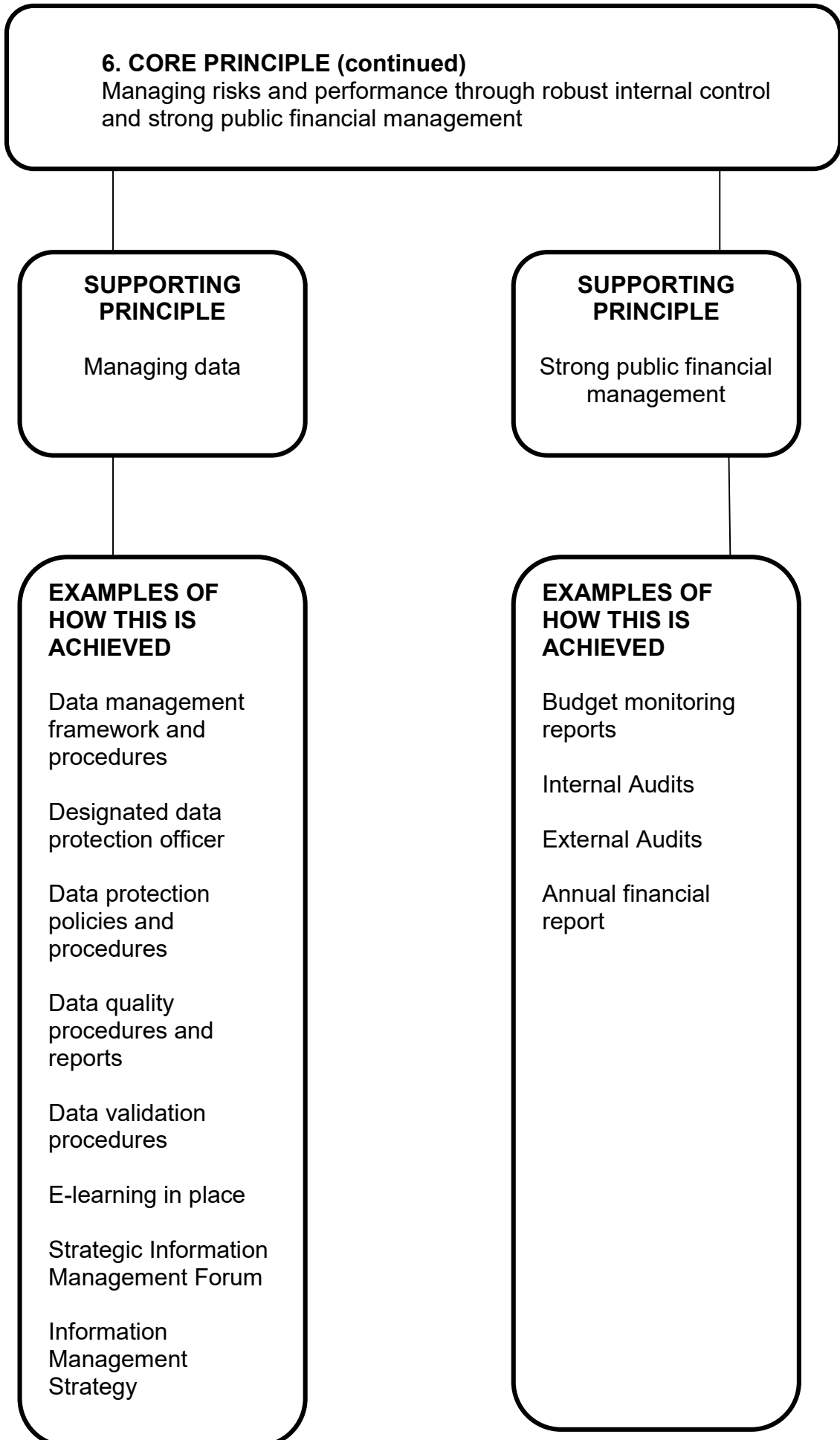


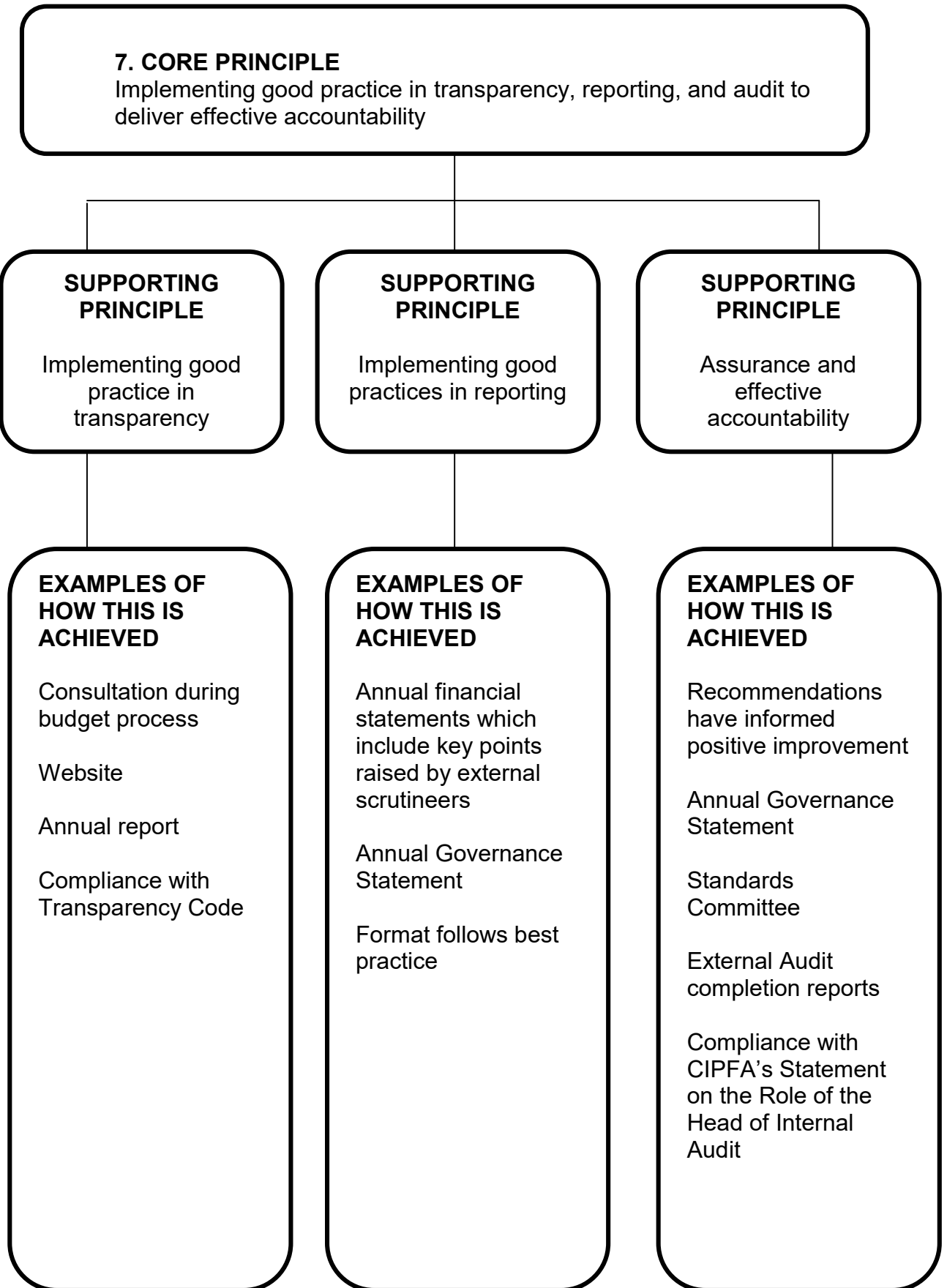












#### 4.0 Review of effectiveness

North Tyneside Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Chief Executive, Deputy Chief Executive, Director of Public Health and Heads of Service within the Authority who have responsibility for the development and maintenance of the governance environment.

Listed below are the processes that are applied in maintaining and reviewing the effectiveness of the governance framework on a continuing basis:

- **The Full Council** – The Full Council is responsible, within the scope of its responsibilities under law, for ensuring that the Authority’s business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, effectively and efficiently. All reports to Full Council document the financial, legal and operational implications of the decisions to be made. Reports are reviewed to ensure there are no governance issues identified or, where such an issue is identified, to ensure that it is appropriately addressed. The Elected Mayor, the Chief Executive and Chair of Council have signed this document;
- **The Council’s Executive** – The Council’s Executive comprising the Elected Mayor and Cabinet is responsible, within the scope of its responsibilities under the law, for ensuring that the Authority’s business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, effectively and efficiently. All reports to Cabinet document the financial, legal and operational implications of the decisions to be made. Reports are reviewed to ensure there are no governance issues identified or, where such an issue is identified, to ensure that it is appropriately addressed. The findings of the AGS are reported to, and discussed with, the Elected Mayor;
- **Head of Paid Service** – The Head of Paid Service is responsible for the corporate and overall strategic management of the Authority’s staff in accordance with Section 4 of the Local Government and Housing Act 1989;
- **Chief Finance Officer** – The Chief Finance Officer (CFO) has statutory duties in relation to the financial administration and stewardship of the Authority arising from Section 151 of the Local Government Act 1972. The CFO has completed a governance statement which outlines the arrangements that are required to ensure that the CFO duties can be carried out effectively. The statement is based on “The Role of the Chief Finance Officer” published by CIPFA;
- **Monitoring Officer** – The Monitoring Officer has responsibility for promoting and maintaining high standards of conduct and reporting any actual or potential breaches of the law or maladministration to the full Council and/or to the Cabinet as set out in Section 5(2) of the Local Government and Housing Act 1989;
- **The Senior Leadership Team** - The Senior Leadership Team acts as the organisation’s overall ‘management board’, providing strategic direction to

enable the business of the Authority to be undertaken. The Team provides ultimate assurance to the Cabinet and non-executive Members in relation to the governance arrangements in place. The AGS is reviewed by the Senior Leadership Team as part of the production of the Statement;

- **The Audit Committee** - The Audit Committee improves corporate governance by reviewing the stewardship of the Authority's resources. The Audit Committee enhances the profile of audit throughout the Authority and enables it to be strong and effective. The findings of the annual governance review are reported to the Audit Committee. The terms of reference of the Audit Committee state that they receive the information necessary to undertake an annual review of the effectiveness of the Authority's system of internal control, will agree the methodology for the preparation of the AGS and will monitor the action plan prepared to address the issues identified in the AGS;
- **Overview, Scrutiny & Policy Development** - The Overview, Scrutiny & Policy Development Committee is about improving services for the people of North Tyneside by influencing decision makers. This is achieved by: acting as a critical friend to the Elected Mayor and Cabinet, investigating issues of interest and concern to communities within North Tyneside, involving communities in its work and making recommendations to decision makers on how services can be improved. There are currently seven Overview, Scrutiny & Policy Development sub-committees which cover all Authority services:
  - Finance;
  - Adult Social Care, Health and Well Being;
  - Children, Education, and Skills;
  - Environment;
  - Economic Prosperity;
  - Housing; and
  - Culture & Leisure
- **Standards Committee** - The Standards Committee is responsible for the promotion and maintenance of high ethical standards within the Authority, helping to secure adherence to the Members' Code of Conduct, monitoring the operation of the Code within North Tyneside, the provision of training to members in relation to the Code and to requirements for disclosure of interests. The Committee also promotes and reviews the Whistleblowing Policy for Members and conducts hearings following investigation and determines complaints made against Councillors in respect of alleged breaches of the Code of Conduct (including following requests for review);
- **Health & Wellbeing Board** - The Health & Wellbeing Board is in place to ensure that there is an integrated approach to the provision of health and social care services in the area. The Board is responsible for: encouraging the commissioners of health and social care services to work in an integrated manner to improve the health and wellbeing of people in the area, including the making of joint arrangements; preparing a Joint Strategic Needs Assessment, Joint Health and Wellbeing Strategy and Pharmaceutical Needs Assessment; and encouraging the commissioners of health-related services, such as housing, to work closely with the Board and the commissioners of health and social care services. The Council's Director of Public Health and statutory

Director of Adult Social Services and Children's Services form part of the Health & Wellbeing Board;

- **Corporate Assurance Group** – The Corporate Assurance Group consists of the Chief Executive, Deputy Chief Executive, statutory Director of Adult Social Services and Children's Services. The Group not only provides adequate and regular assurance for the statutory functions for Adult and Children's Services, but enables a strategic discussion of trends, pressures, special measures for specific establishments/service areas or client groups. It also enables the performance, engagement and resource commitment of partners to be kept under review, as well as providing a regular link with the Safeguarding Board Chairs. A primary function of the Group is to provide the evidence by which the Chief Executive, Elected Mayor and Cabinet Members fulfil their statutory responsibilities to adults and children within the borough – in both a retrospective scrutiny of performance and a forward view of pressures and challenges facing the services – which will inform corporate decisions on resources and capacity;
- **Internal Audit** – Internal Audit plays a key role in the assessment of the control environment. Although part of the Authority's overall control framework, Internal Audit is not a substitute for effective internal control. The Chief Internal Auditor provides an annual summary of the results and conclusions of the year's work, this report includes an opinion on areas included within the AGS;
- **Risk Management Groups** – Risk Management is undertaken at operational, strategic and corporate level and is also a main element of managing our key projects and partnerships. The Authority's Senior Leadership Team takes an active part in ensuring that strategic risks are identified and managed taking into consideration the Authority's priorities. Those strategic risks that are exceptional in nature are managed at corporate level and are jointly owned by the relevant member of the Senior Leadership Team and Cabinet Member. All risks are reviewed on a regular basis by the relevant risk management group and governing body to ensure that they are being managed effectively, with progress reported to Senior Management, relevant Board, Senior Leadership Team, Cabinet, and the Audit Committee;
- **External Audit** - Officers meet regularly with the External Audit team, who also attend key Council meetings. Action plans are formulated to address any formal recommendations raised by external inspectors. The views of our external auditors are expressed through the Annual Audit Letter and the Audit Completion Report; and
- **Partnerships** - a monthly Operational Partnership Board (OPB) is attended by key officers within the Council and the Partner. The Cabinet Member for Finance and Resources (for ENGIE) and the Cabinet Member for Housing and Transport (for Capita and Kier) also attends the relevant meeting. The OPB is the main interface between North Tyneside Council and ENGIE/Capita/Kier. It provides a forum for the day-to-day management of the Partnership and is responsible for ensuring that performance targets are met, that the payment and performance mechanism operates correctly, that a high-performance relationship and culture is developed and that problems or issues and contract variations are resolved. The OPB reviews performance and budget reports from the relevant Partner and any risks or issues escalated to it by

ENGIE/Capita/Kier or the Commercial Services Team. The OPB escalates risks and issues to full Council, Cabinet or ENGIE/Capita/Kier as appropriate.

All of the above work has been used in compiling this Statement and arriving at an assessment of the internal control arrangements in place within the Authority.

**5.0 Overall assessment of Governance Arrangements in place**

Any system of internal control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, that material errors or irregularities are either prevented or would be detected within a timely period and that significant risks impacting on the achievement of the Authority’s objectives have been mitigated.

The annual report produced by the Chief Internal Auditor has been reviewed and there are no significant governance issues that were identified. See “Annual Governance Statement 2017/18” section of the Internal Audit Service report “2017/18 Opinion on the Framework of Governance, Risk Management and Control”.

As a result of reviewing the evidence outlined, the Senior Leadership Team has taken the view that as a whole, the governance arrangements in operation during 2017/18 within the Authority were adequate.

**5.1 Outlook**

As a result of reviewing the evidence outlined in sections 3 and 4, together with the Authority’s assurance statement, some issues were identified that will need to be monitored during 2018/19. These issues relate to the changing nature of the Authority and local government as a whole. If the Authority failed to address these challenges properly it may result in future governance issues. Outlined below is a summary of these key challenges:

<b>Potential Governance Issue</b>	<b>Factors Driving the Governance Issue</b>	<b>Controls Identified in May 2018 Audit Committee Report</b>
<p><b>Housing Revenue Account (HRA)</b> – there is a risk that the Authority will be unable to protect its housing asset and services to tenants as a result of reduced income to the HRA.</p>	<p>Government policy on Welfare Reform has resulted in a number of direct challenges to rent collection, for example the Spare Room Subsidy and the Benefit Cap.</p> <p>Further Welfare Reform changes, including the implementation of Universal Credit and its revised payment period, and changes contained in the Housing &amp; Planning Act 2016; reducing social housing rents by 1% each year for the next 4 years, mean that there will be less income and that income will be harder to collect.</p>	<ul style="list-style-type: none"> <li>• Any impact from changes in Government legislation is reflected in the HRA plan and approved by Cabinet as part of the annual review of the HRA.</li> <li>• Revised 30 year Capital Investment Plan is in place.</li> <li>• The Authority has representation on the MHCLG (Ministry for Housing, Communities &amp; Local Government) and the CIPFA HRA</li> </ul>



Potential Governance Issue	Factors Driving the Governance Issue	Controls Identified in May 2018 Audit Committee Report
	<p>The Government's White Paper, Fixing Our Broken Housing Market, was published on 7 February 2017. The White Paper sets out the government's plans to boost the supply of new homes in England. As part of the White Paper, it seeks views on changes to planning policy and legislation in relation to planning for housing, sustainable development and the environment.</p>	<p>working groups. Specific issues can be raised through these forums and the Authority can also comment and influence changes on HRA regulations.</p> <ul style="list-style-type: none"> <li>• The Financial Inclusion Strategy sets out how the Authority and its partners will support its residents to better manage their finances and maximise their income.</li> <li>• Self-service/agile working, through the implementation of self service and agile working overall costs should be reduced.</li> <li>• A watching brief will be kept on the implications of the White Paper and representations to Government will be made as appropriate.</li> </ul>
<p><b>HRA (Repairs &amp; Maintenance)</b> – there is a risk that NTC will not be in a position to deliver R&amp;M services to tenants by 01/04/2019.</p>	<p>The Kier contract will cease at the end of 2018/2019 and NTC will be required to deliver the services previously undertaken by Kier.</p>	<ul style="list-style-type: none"> <li>• Kier North Tyneside Review, Cabinet has established a steering group to oversee the project and consider options post 2019 in respect of the contract.</li> </ul>
<p><b>Implementation of Universal Credit Full Service</b> – there is a risk on resident's finances both in them receiving the payment and their ability to manage their finances on a monthly basis. Risks also exist</p>	<p>Universal Credit (Full Service) will be implemented on 2 May 2018 by Job Centres in North Tyneside. This brings families with children into scope.</p> <p>The potential impact on resident's finances and the delay in receiving initial payment is a concern. Resident's ability to make and maintain claims online and their ability to manage</p>	<ul style="list-style-type: none"> <li>• Mayors Task Group on Welfare Reform established for a number of years and has focused on Universal Credit for last 18 months.</li> <li>• Partnership working with Community and Voluntary Sector and Job Centre Plus</li> <li>• Referral mechanisms</li> </ul>

<b>Potential Governance Issue</b>	<b>Factors Driving the Governance Issue</b>	<b>Controls Identified in May 2018 Audit Committee Report</b>
<p>around the HRA if rent arrears increase as a result.</p>	<p>finances on a monthly basis is also a challenge.</p> <p>The impact on the HRA, as claimants receive their Housing element of UC directly and have to make payment to the authority (currently Housing Benefit paid direct to Local Authority) is a challenge to maintain rent collection levels.</p>	<p>established to support residents with ICT Skills to claim and update UC claims as well as managing budgets</p> <ul style="list-style-type: none"> <li>• Promotion of Direct Debit. Also use of alternative payment arrangements where appropriate to support vulnerable residents.</li> </ul>
<p><b>Creating a Brighter Future Programme (CBF)</b> – there is a risk that if the CBF programme/Target Operating Model (TOM) are not successfully implemented the Authority may be unable to deliver improved services and meet the increased demand on Council services within reducing resources.</p> <p>There is a risk that budget monitoring does not fully align with the CBF and TOM.</p>	<p>Reductions in central government funding combined with increasing demand levels for council services has required the council to develop new ways of working. The council is aiming to deliver high quality services with fewer resources at its disposal.</p> <p>Any required savings are therefore required to fit with the CBF/TOM to ensure the council is still in a position to deliver the quality of services its residents expect.</p> <p>To enable the objectives of the CBF to be met it is important that the current monitoring processes that are in place will enable robust financial and service challenges to continue throughout the year.</p>	<ul style="list-style-type: none"> <li>• Governance framework – there are monthly Programme Board meetings via Senior Leadership Team (SLT). This ensures that there is visibility and accountability.</li> <li>• Regular updates are reported to Lead Member Briefings. This informs Cabinet Members of progress and of any issues.</li> <li>• The TOM addresses the financial challenge whilst enabling the Authority to deliver Our North Tyneside Plan and CBF priorities. A number of business cases have been put in place to support the delivery of the TOM and reduction of cost.</li> <li>• A refreshed Joint Strategic Needs Assessment (JSNA) is in place which provides a new approach to needs assessment to provide an improved foundation for the CBF.</li> <li>• The CBF Programme</li> </ul>

Potential Governance Issue	Factors Driving the Governance Issue	Controls Identified in May 2018 Audit Committee Report
		<p>Risk Register highlights and reports key risks attached to the strategic aims of the CBF programme. The CBF Board receive this report enabling informed decisions to be made.</p> <ul style="list-style-type: none"> <li>• The development and acceptance of the Efficiency Plan will secure the Revenue Support Grant (RSG) (subject to Central Government change) which will give a degree of certainty for the next 3 years.</li> </ul>
<p><b>Impact of the Northumberland, Tyne &amp; Wear and North Durham (NTWND) Sustainability &amp; Transformation Plan (STP)</b> –there are concerns about the extent to which the Authority has been a true partner in the development of the STP. The concern centres on the lack of engagement with local authorities and understanding the financial implications of the plans upon the ability of the Authority to deliver services to residents, such as, adult social care, children’s services and public health.</p>	<p>The purpose of the STP in the NHS is to ensure that health and care services are based upon the needs of local populations in order to support the successful implementation of the NHS 5 Year Forward View (5YFV). STPs are intended to bring together key partners across Clinical Commissioning Groups (CCGs), Foundation Trusts, local authorities and other health and care service providers organised as STP ‘footprints’. A footprint is the geographical area in which people and organisations are working together to develop plans to transform and sustain the delivery of health care services.</p> <p>North Tyneside CCG is required to develop a 2 year operational plan consistent with the local STP and the 5YFV, delivering core access and quality standards for patients and restoring and maintaining financial balance.</p> <p>The NTWND STP identifies a number of key transformational areas (improve health</p>	<ul style="list-style-type: none"> <li>• The Chief Executive has written to NHS England on behalf of the chief executives of all NECA (North East Combined Authorities) local authorities about the process of developing the STP.</li> <li>• The Head of Health, Education, Care and Safeguarding and the Chair of the Health and Wellbeing Board have been authorised by Cabinet to seek more detail on the plans for the NHS and to monitor the progress of the STP in North Tyneside.</li> <li>• A report was taken to Council on 23 March 2017 ‘Response to the Council motion on reduction of NHS services &amp; implications of the STP in North Tyneside’. The report was agreed by Council</li> </ul>

Potential Governance Issue	Factors Driving the Governance Issue	Controls Identified in May 2018 Audit Committee Report
	<p>inequalities, improve the quality and experience of care, out of hospital collaboration, optimal use of the acute sector, transforming mental health and closing the financial gap). The financial gap could be as large as £641m by 2021 across Northumberland, Tyne &amp; Wear and North Durham.</p> <p>NHS Planning Guidance 2016 requires CCGs to produce an Operational Plan 2016/17 to 2018/19 to cover the first 2 years implementation of the STP.</p>	<p>and details the review of the STP and service reductions that has been undertaken.</p> <ul style="list-style-type: none"> <li>• STP related health matters continue to be discussed at Council.</li> <li>• A watching brief will be kept on the implications of the Governments' Green Paper on Care and Support for Older People, due in summer 2018 and considerations will need to be made to any changes coming as a result.</li> </ul>
<p><b>Business Rates -</b> There are a number of risks with new Government proposals to move to a 75% or 100% retention policy.</p>	<p>There are on-going discussions and moves by Central Government to implement 100% Business Rate Retention for Local Authorities. This initiative has been delayed in this parliament and latest position is a consideration of 75% retention by local authorities by 2020/2021.</p> <p>Increased retention will potentially give local authorities greater ability to plan for the long term, more financial independence and an increased incentive to generate growth as a greater % of business rates will be retained.</p> <p>However a lack of business growth or the shutting of a business will have a negative impact on the Authority's revenues.</p> <p>The Authority will also have to bear an increased % of business rates appeals, this was previously 50%.</p>	<ul style="list-style-type: none"> <li>• A Task &amp; Finish Group, Business Rates Retention, has been set-up to influence central government direction on the proposed Business Rates Retention system. This has involved the establishment by the Local Government Association (LGA) and MHCLG of an officer-level steering group and 3 working groups. The working groups meet regularly and cover service responsibilities, needs &amp; redistribution, system design, accounting &amp; accountability and business interests.</li> <li>• Presentations have been received from MHCLG both to the region and jointly to the Local Government Association.</li> <li>• The Authority considers</li> </ul>

Potential Governance Issue	Factors Driving the Governance Issue	Controls Identified in May 2018 Audit Committee Report
	<p>The current business rates system has a safety net in place for those local authorities that see a reduction in business rate income by more than 7.5%. It is anticipated that this will stay in place, but this hasn't been confirmed.</p>	<p>and responds to consultations issued on the proposed changes to business rates.</p> <ul style="list-style-type: none"> <li>• Regular meetings are held with the Valuation Office. These meetings highlight any significant changes to the ratings list and the implications of the 2017 revaluations.</li> <li>• Weekly monitoring of the Valuation Office appeals data is carried out to gain an understanding of the Authority's position.</li> <li>• MHCLG continue to consult on business rate retention as it links in with Governments Fair Funding Review and devolution of further responsibilities.</li> <li>• Proposals to change risk on appeals, Central Government bearing cost, with top slice to each authority's funding.</li> <li>• Valuation Office Agency have introduced new appeals process from 1 April 2017 called check, challenge, appeal which introduces additional processes to reduce the number of appeals made. Large reduction in number of appeals has been seen in first year of scheme. Council have made prudent judgement on potential impact of appeals on the collection fund accounts</li> </ul>

Potential Governance Issue	Factors Driving the Governance Issue	Controls Identified in May 2018 Audit Committee Report
		and monitor this on a monthly basis.
<p><b>Information Governance</b> – there is a risk in relation to information governance that unless there are robust policies and systems in place and implemented there is a possibility that sensitive data may be lost. If the Authority fails to have robust policies in place there is a risk that the Data Protection Act could be breached leading to fines and compensation claims.</p>	<p>Some information held by the Authority is extremely sensitive in nature which requires robust policies and systems to be in place to ensure that it is as secure as possible, and that staff are fully aware of the procedures that they need to follow when dealing with such information.</p> <p>From May 2018 the General Data Protection Regulation (GDPR) will come into force. The GDPR sets out a number of new requirements for organisations. The new regulation places greater emphasis on accountability, for example informing residents in more detail about how the Authority will handle their data, shorter timescales for dealing with subject access requests and breaches, increased fines for non-compliance, data protection impact assessment (DPIA) must be carried out prior to commencing new processing activities, considering data privacy and protection at the start of a project (also known as Privacy by Design).</p>	<ul style="list-style-type: none"> <li>• Compulsory e-learning in respect of information sharing and information governance awareness training. It is mandatory for all staff handling information to undertake e-learning.</li> <li>• Strategic Information Management Forum. This is an assurance group which consists of Heads of Service and Senior Managers. Their role is to help to ensure that the Authority's information governance, IT systems and processes are fit for purpose. The Group enables Senior Managers to ensure that consistency is applied to the approach to information governance and sign off of referrals to the Information Commissioner's Office.</li> <li>• Information Management Strategy, this sets out how the Authority will manage its information going forward.</li> <li>• Information governance standards for the sharing of information with partners. Data sharing was included in the contractual arrangements with both the Business and Technical Partners. An additional data sharing agreement has been</li> </ul>

Potential Governance Issue	Factors Driving the Governance Issue	Controls Identified in May 2018 Audit Committee Report
		<p>produced for the business partner to reflect ICT services. It sets out procedures that staff need to follow in order to obtain access to information systems. A Data sharing Agreement is also in place for the Trading companies.</p> <ul style="list-style-type: none"> <li>• Strategic Information Governance Officer – providing a corporate approach working with day to day managers of the information governance processes and procedures, ensuring a training plan is in place and implemented.</li> <li>• In preparation for the introduction of the GDPR requirements the Authority reviewed its approach to governance and how it manages Data Protection as a corporate issue. GDPR training sessions are currently being held with staff, privacy impact assessments are happening and will continue to be embedded and a review of the documents held in the achieve is underway reducing the older documents being retained.</li> <li>• Implementation of ICT Tolling which will include SharePoint will introduce a Records Management System which will include robust</li> </ul>

Potential Governance Issue	Factors Driving the Governance Issue	Controls Identified in May 2018 Audit Committee Report
		document retention and disposal systems. Currently due to be rolled out in summer 2018.
<p><b>Partnerships –</b> There is a risk that partner organisations governance arrangements and service plans do not align with the Authority's.</p>	<p>The Authority needs to continue to manage and review governance arrangements that are in place in respect of all partnerships to ensure required services are continued to be delivered against agreed service plans whilst demonstrating value for money.</p> <p>In addition the Authority needs to ensure that boundaries and responsibilities remain clear and are robustly managed, recognising that operations and staffing in both partner organisations and the Authority change over time.</p>	<ul style="list-style-type: none"> <li>• The Governance structure that is in place ensures that the governance to manage partnerships is in place, e.g. Strategic Partnering Boards, Operational Partnering Boards, Senior Client Groups and a Commercial Group.</li> <li>• The performance payment mechanism ensures that the correct payments are made in relation to the partners.</li> <li>• Alignment of CBF with ENGIE strategic plans will ensure all parties are aware of how the business partnership is working towards developing the Authority's priorities and ENGIE business plan.</li> <li>• ENGIE and Capita are working with the Authority to deliver 'Our North Tyneside Plan' along with CBF/TOM objectives. The aim is to ensure that partnership delivery plans are in line with policy objectives. This is reflected in their annual service plans.</li> <li>• The Capita Deed of Variation has now been agreed and implemented.</li> </ul>



Potential Governance Issue	Factors Driving the Governance Issue	Controls Identified in May 2018 Audit Committee Report
		<ul style="list-style-type: none"> <li>As part of the [partnership with Capita, during 2017/18, two service reviews (Property &amp; Highways) have taken place and action plans have been developed with progress being fed back through OPBs and SPBs. A review of schedule 9 (Benchmarking) is due to be submitted to SPB on 29<sup>th</sup> March 2018.</li> </ul>
<p><b>National Education Policy</b> – there is a risk that national policy direction will disrupt the partnership between schools and the Authority.</p>	<p>A new funding formula proposed for 2018, together with the Fostering &amp; Adoption Act passed in 2016, could result in schools judged as inadequate or coasting converting to academy status.</p>	<ul style="list-style-type: none"> <li>Information has been sought from the Department for Education on how the Authority should respond to national changes and contribute even more to North East education. The Cabinet Member for Children, Young People and Learning has written to the Secretary of State for Education seeking clarification on a number of points relating to high performing local authority areas. This has been reinforced by the Mayor who has asked both MPs to do the same.</li> <li>A review of 0-19 Services is due to take place. The redesign of the 0-19 Services (including Prevention and Early Help) will enable the Authority to deliver appropriate services, resulting in the needs of our vulnerable children and families being met.</li> </ul>

Potential Governance Issue	Factors Driving the Governance Issue	Controls Identified in May 2018 Audit Committee Report
		<ul style="list-style-type: none"> <li>• The Authority, in working towards achieving excellence, is considering what contribution it can make to the emerging proposal for Achieving Excellence Areas.</li> <li>• A solution is being developed on how the Authority and schools will respond in the event of a school being judged as inadequate following an OFSTED inspection, and how that school will be continued to be managed within the Borough. The conversion of some of our best schools to academies has been complicated by pension liability and as such alternative solutions are being considered.</li> <li>• An annual report is presented to Cabinet outlining the Authority's priorities on Education in North Tyneside.</li> </ul>
<p><b>Exit from the European Union</b> – there is a risk that the Authority may be placed at a disadvantage following the decision to leave the European Union (EU) in both financial and economic growth terms.</p>	<p>The decision to leave the EU has resulted in a number of uncertainties including whether central Government will fill the gap left by European Funding on a like for like basis. There is also the potential impact on businesses within North Tyneside which will vary depending on their reliance on Europe as a market and their sensitivity to fluctuations in monetary value. The full extent of the impact will not be clear until the precise trade terms are known which will apply once the UK formally leaves the EU.</p>	<ul style="list-style-type: none"> <li>• The potential impact from leaving the EU has been included in the Authority's Financial Strategy. This will help to ensure that potential areas of impact following EU exit will be highlighted and included (where relevant) in budget planning.</li> <li>• Keep a watching brief, this will ensure that any changes whether to funding or legislation will</li> </ul>

Potential Governance Issue	Factors Driving the Governance Issue	Controls Identified in May 2018 Audit Committee Report
	<p>Opportunities will also arise covering:</p> <p>An opportunity for partnership between businesses and the Council to work together more effectively to stimulate and support economic growth opportunities;</p> <p>An opportunity for a comprehensive approach to establish the River Tyne as a hub for offshore and renewable energy investment;</p> <p>There is an opportunity for local authorities to work more collaboratively with wider business partners through the Combined Authority and the North East Local Enterprise Partnership (NELEP).</p>	<p>be identified and acted upon.</p> <ul style="list-style-type: none"> <li>• The Authority is a member of various regional groups. This will help the Authority to keep up-to-date on progress and have the opportunity to exert influence via these groups, for example the Local Government Association.</li> <li>• Explore alternative funding opportunities. This will enable the Authority where possible to secure future funding that is not reliant on the EU.</li> </ul>
<p><b>Devolution</b> – There is a risk that the Authority may not be able to maximise the opportunities presented by securing a devolution deal for North of the Tyne (NOT).</p>	<p>The North of Tyne authorities are seeking to establish a North of Tyne Mayoral Combined Authority following a Devolution deal from Central Government and will as a result require the existing arrangements with the North East Combined Authority (NECA) needing to change. The Authority will need to be mindful on any governance issues this may bring, specifically around their impact on North Tyneside Council.</p>	<ul style="list-style-type: none"> <li>• A governance review for Devolution to North of Tyne was completed and submitted before Cabinet in December 2017 and passed to full Council in January 2018.</li> <li>• Public Consultation took place between December 2017 and February 2018.</li> <li>• The North Tyneside Working Group has been established while there is also North Tyneside representation on the North of Tyne Steering Group.</li> <li>• These groups ensure involvement from all parties and include Council staff and elected members.</li> </ul>

**6.0 Signatures**

We, the undersigned, propose to ensure the areas identified above are monitored during the coming year in order that the governance arrangements within the Authority remain effective. These will be reviewed throughout the year.

**Signed:**

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**Elected Mayor**

**Chief Executive**

**Date:** .....

**Date:** .....

.....

**Chair of Council**

**Date:** .....

I confirm that the Audit Committee (at its meeting 23 May 2018) was satisfied on the basis of the information available to it, that the Annual Governance Statement 2017/18, which is required, under the Regulations governing the audit of local government accounts, has been prepared and approved after due and careful enquiry.

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**Chair of the Audit Committee**

**Date:**.....