



North East Combined Authority

**DURHAM • GATESHEAD • SOUTH TYNESIDE • SUNDERLAND**

## Leadership Board

Tuesday 6 June 2023 at 2.00pm

Meeting to be held at: Committee Room 1A, Durham County Hall, DH1 5UL

[www.northeastca.gov.uk](http://www.northeastca.gov.uk)

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# AGENDA

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1. **Apologies for Absence (Members)**

2. **Declarations of Interest**

Please remember to declare any interest where appropriate. Please also remember to leave the meeting where any disclosable pecuniary interest requires this.

3. **Membership of the Leadership Board, Appointment of Chair and Vice-Chair and Designation of Thematic Leads** 1-8

4. **Minutes of the Previous Meeting held on 4 April 2023** 9-12

For approval as a correct record.

5. **Announcements from the Chair and/or the Head of Paid Service**

6. **Appointment of NECA's Committees and Sub-Committees, including Confirmation of Membership and appointment of Chairs, Vice-Chairs and Independent Persons, Appointments to the North East Joint Transport Committees and Appointment to Outside Bodies for the Municipal Year 2023/24** 13-32

<b>7. Programme of Committee Meetings Municipal Year 2023/24</b>	<b>33-38</b>
<b>8. Review of the Constitution</b>	<b>39-226</b>
<b>9. Chair's Thematic Portfolio Update (Verbal Item)</b>	
<b>10. Economic Development and Digital Theme Update</b>	<b>227-236</b>
<b>11. Transport Thematic Portfolio Update</b>	<b>237-242</b>
<b>12. North East Devolution</b>	<b>243-316</b>
<b>13. Audit Completion Report 2020/21</b>	<b>317-380</b>
<b>14. Statement of Accounts 2020/21</b>	<b>381-533</b>
<b>15. Date and Time of Next Meeting: 28 November 2023 at 2.00pm</b>	

Contact Officer: Toby Ord Tel: 0191 424 7541  
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### Leadership Board

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**Date:** 6 June 2023

**Subject:** Membership of the Leadership Board, Appointment of Chair and Vice-Chair and Designation of Thematic Leads

**Report of:** Monitoring Officer (Core)

#### Executive Summary

The purpose of this report is to invite the Leadership Board to:

- I. Confirm its membership for the municipal year 2023/24.
- II. Re-appoint its Chair and Vice Chair for the municipal year 2023/24.
- III. Re-appoint Thematic Leads for the municipal year 2023/24 for the following Thematic Lead Areas: (i) Chairs Thematic Portfolio, (ii) Economic Development and Digital, (iii) Finance and Skills & Employability and (iv) Transport.
- IV. Confirm the appointment of the current representative and an alternative substitute member from the North East Local Enterprise Partnership (North East LEP) on the Leadership Board as a non-voting Member and a Substitute Member for the municipal year 2023/24.

#### Recommendations

It is recommended that:

- A. The membership of the Leadership Board for the municipal year 2023/24 be confirmed as set out in Appendix A.



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## **Leadership Board**

- B. The Leadership Board confirms the re-appointment of Cllr Graeme Miller as its Chair and Cllr Tracey Dixon as its Vice-Chair for the municipal year 2023/24.
- C. The Leadership Board confirms the continued appointment of Ms Lucy Winskell as the non-voting Member of the Leadership Board representing the North East Local Enterprise Partnership during the municipal year 2023/24.
- D. The Leadership Board appointment Mr. Mark Thompson as the Substitute non-voting Member of the Leadership Board representing the North East Local Enterprise Partnership if Ms Winskell were unable to attend during the municipal year 2023/24.
- E. The Leadership Board re-appoints Thematic Leads for the following Thematic Lead Areas: (i) Chairs Thematic Portfolio, (ii) Economic Development and Digital, (iii) Finance and Skills & Employability and (iv) Transport as set out in Appendix A.

## Leadership Board

### 1. Background Information

- 1.1 The North East Combined Authority (NECA) was created pursuant to the Local Democracy, Economic Development and Construction Act 2009 and by the Durham, Gateshead, Newcastle upon Tyne, North Tyneside, Northumberland, South Tyneside and Sunderland Combined Order 2014, which came into force on 15 April 2014.
- 1.2 On the 2 November 2018, the boundaries of NECA were amended to cover the Local Authorities of Durham, Gateshead, South Tyneside and Sunderland and on 13 November 2018, NECA was reconstituted accordingly.

### 2. Confirmation of Membership of the Leadership Board

- 2.1 Under NECA's Constitution, the Leadership Board is the principal decision-making body of NECA, which can delegate authority to other decision-making bodies (committees and constituent authorities), Officers and Chief Officers.
- 2.2 Each of the constituent local authorities is required to appoint its Leader to be a Member of the Leadership Board and another Member to act in the absence of the appointed Member as their substitute. This is usually the Leader of the Council and the Deputy Leader or relevant Cabinet Member by position. The appointments of the constituent authorities to the Leadership Board for the municipal year 2023/24 are set out in Appendix A.
- 2.3 The Leadership Board is required to confirm its membership for the municipal year 2023/24.

### 3. Appointment of the Chair and Vice-Chair of the Leadership Board

- 3.1 The Leadership Board is required to appoint its Chair and Vice-Chair from amongst its Members for the municipal year 2023/24 and it is understood that appointments made for the municipal year 2022/2023 are to continue for the this forthcoming municipal year.

### 4. Confirmation of Appointment of a Member and a Substitute Member from the North East Local Enterprise Partnership (North East LEP)

- 4.1 The North East LEP is required to nominate one Member as a non-voting Member of the Leadership Board and another Member to act as that Member's Substitute Member.
- 4.2 The North East LEP nominations have been received and are set out in Appendix A.

## Leadership Board

4.3 In accordance with Part 1, Paragraph 3 of the NECA Constitution, the Leadership Board has committed to appoint those nominated by the North East LEP to be non-voting members of the Leadership Board, with the substitute to act in the absence of the principal North East LEP nominee.

### 5. Appointment of Thematic Leads

5.1 The Thematic Lead Areas were created by the Leadership Board to enable the functions of NECA to be undertaken more effectively. The designation of Thematic Leads is a majority decision of the Leadership Board pursuant to Part 3.1, Paragraph 30 of the NECA Constitution.

5.2 The Leadership Board is invited to agree to continue with the existing Thematic Lead Areas, which were agreed by the NECA Leadership Board on 5 February 2019, and to re-appoint the existing Thematic Leads for the municipal year 2023/24.

5.3 The Thematic Leads are currently as follows:

- Chair – Councillor Graeme Miller (Sunderland)
- Economic Development and Digital – Councillor Tracey Dixon (South Tyneside)
- Finance and Skills & Employability – Councillor Amanda Hopgood (Durham)
- Transport – Cllr Martin Gannon (Gateshead)

5.4 Whilst it is proposed that the Thematic Leads should remain the same for the 2023/24 municipal year, the Leadership Board is of course free to appoint alternative leads, should they wish to do so.

### 6. Proposals

6.1 The Leadership Board is invited to agree the recommendations set out above, A to E.

### 7. Reasons for the Proposals

7.1 The proposals will enable NECA to operate effectively and in accordance with NECA's Constitution and applicable law.

### 8. Alternative Options Available

8.1 There are no alternative options available.

## Leadership Board

### 9. Next Steps and Timetable for Implementation

- 9.1 Information on the appointment will be communicated to all stakeholders involved and published on NECA's website as soon as it is practicably possible.

### 10. Potential Impact on Objectives

- 10.1 The appointments will enable NECA to properly discharge its functions, thereby assisting in delivering its objectives.

### 11. Financial and Other Resources Implications

- 11.1 There are no specific financial implications arising from these recommendations. There are no allowances paid for any Thematic Lead roles.

### 12. Legal Implications

- 12.1 NECA is required to confirm its membership and appoint its Chair and Vice-Chair at its annual meeting. In accordance with the Local Government Act 1972, Schedule 12, paragraphs 1 and 6A, NECA is required to appoint its Chair and Vice Chair at the annual meeting for the forthcoming municipal year. The designation of the Thematic Leads is also a matter reserved to the Leadership Board.

### 13. Key Risks

- 13.1 There are no risks arising as a result of the proposals.

### 14. Equality and Diversity

- 14.1 There are no specific equality and diversity implications arising from this report.

### 15. Other Impact of the Proposals

- 15.1 The proposals comply with the principles of decision-making. The proposals would enable NECA to properly discharge its functions, therefore assisting NECA in delivering on its objectives.

### 16. Appendices

- 16.1 Appendix A: North East Leadership Board, Membership, Municipal Year 2023/24

### 17. Background Papers



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## **Leadership Board**

17.1 The Constitution of the North East Combined Authority  
<https://northeastca.gov.uk/about-us/neca-order-and-constitution/>

### **18. Contact Officers**

18.1 Nicola Robason, Monitoring Officer (Core)  
E-mail: [nicola.robason@southtyneside.gov.uk](mailto:nicola.robason@southtyneside.gov.uk) Tel: 0191 424 7050

### **19. Sign off**

- Head of Paid Service: ✓
- Monitoring Officer: ✓
- Chief Finance Officer: ✓

### **20. Glossary**

- NECA - North East Combined Authority
- North East LEP or LEP - North East Local Enterprise Partnership





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# Appendix A

## Appendix A: North East Leadership Board, Membership, Municipal Year 2023/24

**Membership:** 5 (one Member from each constituent authority and one non-voting Member from the North East Local Enterprise Partnership).

Constituent Authority/Organisation	Member	Substitute Member
Durham County Council	Councillor Amanda Hopgood	Councillor Elizabeth Scott
Gateshead Council	Councillor Martin Gannon	Councillor Catherine Donovan
South Tyneside Council	Councillor Tracey Dixon	Councillor Margaret Meling
Sunderland City Council	Councillor Graeme Miller	Councillor Claire Rowntree
North East Local Enterprise Partnership (non-voting)	Ms Lucy Winskell	Mr. Mark Thompson

Chair - Councillor Graeme Miller

Vice-Chair – Tracey Dixon

### Thematic Lead Areas and Thematic Leads

- Chairs Portfolio – Councillor Graeme Miller
- Economic Development and Digital – Councillor Tracey Dixon
- Finance and Skills & Employability – Councillor Amanda Hopgood
- Transport – Councillor Martin Gannon



### Leadership Board

#### DRAFT MINUTES TO BE APPROVED

4 April 2023

(2.00pm – 2.25pm)

Meeting held at: Saltwell Room, Gateshead Civic Centre, NE8 1HH

#### Present:

**Councillors** Miller (Chair), Dixon, Gannon, Hopgood

Lucy Winskell (North East LEP)

**Officers** Nicola Robason (Monitoring Officer, NECA), John Hewitt (Chief Executive, Durham County Council), Patrick Melia (Head of Paid Service, NECA), Eleanor Goodman (Finance Manager, NECA), Peter Udall (on behalf of Chief Executive, Gateshead), Jonathan Tew (Chief Executive, South Tyneside Council), Lucy Winskell and Toby Ord (Strategy and Democratic Services Asst., NECA)

#### 1 APOLOGIES FOR ABSENCE

Apologies for absence were received from David Taylor-Gooby, Gavin Armstrong, Mike Barker, and Sheena Ramsey.

#### 2 DECLARATIONS OF INTEREST

None.

#### 3 MINUTES OF THE PREVIOUS MEETING HELD ON 24 JANUARY 2023

The minutes of the previous meeting held on 24 January 2023 were approved as a correct record.

#### 4 ANNOUNCEMENTS FROM THE CHAIR AND/OR HEAD OF PAID SERVICE

None.

## 5 CHAIR'S THEMATIC PORTFOLIO UPDATE (VERBAL ITEM)

Submitted: Report of the Chair (verbal item, not previously circulated nor attached to official minutes).

The Chair delivered his verbal update, providing a brief update on the status of the recent North East devolution deal.

Members were made aware that the 8 week consultation concluded on the 23 March 2023, and that the level of engagement at both the online and in person consultation events were encouraging. Officers will now work through an analysis of responses and produce a summary for the Secretary of State.

The process is presumed to take until the end of 2023, with work being conducted in cooperation with all LA7 authorities. Mayoral elections will be held in May 2024, followed by the creation of the new Combined Authority on 1 June 2024, which will, given all work progresses smoothly, replace NTCA and NECA.

### **RESOLVED that: -**

- i. the update be noted.

## 6 ECONOMIC DEVELOPMENT AND DIGITAL THEME UPDATE

Submitted: Report of the Economic Development and Digital Thematic Lead (previously circulated and copy attached to the official minutes).

The Thematic Lead for Economic Development and Digital provided a brief overview of ongoing concerns regarding the economy, labour market and points of interest regarding the Chancellor's Spring Budget.

The Board was informed that the region is still facing the same challenges and patterns, with regional and national businesses reporting the high cost of energy, as well as staffing and supply chain issues creating uncertainty in all areas. Reduced vacancies and high redundancy are apparent, while pay rises fail to meet inflation in many sectors. Regional employment was stated to have edged up recently, though the stability of these numbers were said to be doubtful due to many leaving the labour market due to personal health.

It was noted that the country is expected to narrowly avoid a recession, with inflation forecasted to drop to 2.9% by the end of the year - growth is expected to be sluggish. The Chancellor had announced continued support on energy and the cost of living, and new childcare support though this isn't

expected to be enacted until 2024/25. The energy price guarantee has received an extension into June, being capped at 2.5k annually. Corporation tax will also be raised from 19% to 25%, with soft business incentives also to come into play to boost investment.

There was also an announcement of 12 new investment zones across the country, with one located in the North East. It was added that South Tyneside was named by the Chancellor in a 'Levelling Up Partnership', and that round 3 of the Levelling Up Fund will be undertaken later this year.

In closing, it was noted that the region is still in a tight spot economically and we must continue support to local businesses in communities to assist where possible.

**RESOLVED that: -**

- i. the report be noted.

## 7 **TRANSPORT THEMATIC PORTFOLIO UPDATE**

Submitted: Report of the Transport Thematic Lead (previously circulated and copy attached to the official minutes).

The Thematic Lead for Transport delivered a brief comment on regional bus services, expressing concerns over the precarious nature of short term funding. COVID support to bus operators was expected to run out at the end of March 2023, however following contest from Local Authorities and service providers, funding has been extended until the end of June. Without funding, bus services were said to be at risk of being cut by 20-30%.

It was noted that all NECA Authorities have a shared aim to improve public transport, it must become a more attractive option for travel to negate reliance upon personal vehicles. Although the region has made good progress, short term funding was said to risk said progress. Long term funding must be secured to increase public confidence.

£19.7m was secured from the Levelling Up Fund to support improvements in active travel and the EV charging network. £17m is also expected from the Local Electric Vehicle Infrastructure (LEVI) Fund to improve the local EV network.

**RESOLVED that: -**

- i. the report be noted.

## 8 FINANCE, SKILLS AND EMPLOYABILITY THEMATIC PORTFOLIO UPDATE

Submitted: Report of the Finance, Skills and Employability Thematic Lead (previously circulated and copy attached to the official minutes).

The Thematic Lead for Finance, Skills and Employability delivered a brief update, noting that increased spending power is expected following an increase in Council Tax, though budget pressures remain significant, particularly in regard to transport.

It was noted that NEET levels are still an issue; we remain 8% below the national average for apprenticeship levels. 16-18 year olds are the main concern, though the cause is currently unknown, though it was noted that we do have successes when engaging. In light of these concerns, Members were made aware of funding available, including the '#ApprenticeReadyStrategy'.

There was also demonstrable concern regarding the reduction of jobs due to the significant loss of funding from the EU Solidarity Funding (EUSF). Councillor Gannon added that the North East was second only to Wales in support received from the EUSF, to the tune of £500m. The amount received from the UK Shared Prosperity Fund (UKSPF) was said to be fractional. It was added that there are two main issues affecting economic growth; quality of transport infrastructure and skills. The North East was said to be known for it's highly motivated, skilled workforce causing a business migration in the 80's, therefore an investment in both transport and skills will elevate the region once more. The new North East Mayoral Combined Authority's (NEMCA) governing structure was noted as having great potential in this regard - Local Authorities working together in a positive manner can greatly affect skills development in the region.

The Thematic Lead continued, noting that there is a stigma surrounding apprenticeships that they are not as valuable as other career or educational paths. Lucy Winskell added that degree apprenticeships are lucrative avenue for young people and employers behind these schemes are great also. She continued, noting that this is a partnership piece; it's important that we work together with the LEP business board also.

### **RESOLVED that: -**

- i. the report be noted.

## 9 DATE AND TIME OF NEXT MEETING

Tuesday 4 April 2023 at 2.00pm.

### Leadership Board

**Date:** 6 June 2023

**Subject:** Appointment of NECA's Committees and Sub-Committees, including Confirmation of Membership and appointment of Chairs, Vice-Chairs and Independent Persons, Appointments to the North East Joint Transport Committees and Appointment to Outside Bodies for the Municipal Year 2023/24

**Report of:** Monitoring Officer (Core)

### Executive Summary

This report seeks agreement to the continued establishment of the committees of the North East Combined Authority (NECA) and the appointment of Members, including Chairs and Vice-Chairs, to those NECA's committees. The report also seeks appointment of Members to outside bodies, including appointment of Members to the North East Joint Transport committees and the Transport for the North committees.

The report also seeks agreement to the continued appointment of the Independent Person for the purpose of Standards Regime and provides information on the continued appointment of the External Auditor.

### Recommendations

The Leadership Board is recommended to:

- i. Appoint committees for the municipal year 2023/24, as set out in Appendix A (Parts A to D).
- ii. Accept the nominations for the membership of the committee and sub-committees, which have been received from the constituent authorities for the municipal year 2023/24, as set out in Appendix A (parts A to D).
- iii. Extend the term of office of the Independent Chair of the Audit and Standards Committee, Mr Mark Scrimshaw, and appoint Stuart Green as Vice Chair for a further one-year term.

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- iv. Extend the term of office of the Independent Members of the Overview and Scrutiny Committee, and its Chair and Vice-Chair respectively, Mr David Taylor-Gooby and Mr Simon Hart for a further one-year term.
- v. Appoint, or confirm the continued appointment of, Chairs and Vice-Chairs of the committees for the municipal year 2023/24 or, in the absence of an appointment, agree to delegate the appointment to the relevant committees where and appropriate.
- vi. Appoint Members and substitute Members to the North East Joint Transport Committee, as set out in Appendix A (Part E).
- vii. Nominate Members and substitute Members to the committees and sub-committees of the North East Joint Transport Committee, for consideration by the Joint Transport Committee as set out in Appendix A (Part F to H).
- viii. Appoint a Member and substitute Member and nominate a Member and substitute Member to represent NECA on the Transport for the North Board and Scrutiny Committee respectively, as set out in Appendix A (Part I).
- ix. Confirm the three nominated Members to the North East LEP Board for 2023/2024 and confirm the observer Member for 2023/24, as set out in Appendix A (Part I).
- x. Note the position in relation to the continued appointment of Mazars as the External Auditor for 2023/24; and
- xi. Note that the Independent Person for the purpose of Standards Regime is currently vacant and agree to delegate the appointment of an Independent Person to the Monitoring Officer (Core) in consultation with the NECA Chair.



## Leadership Board

### 1. Background Information

- 1.1 The North East Combined Authority (NECA) was created pursuant to the Local Democracy, Economic Development and Construction Act 2009 and by the Durham, Gateshead, Newcastle upon Tyne, North Tyneside, Northumberland, South Tyneside and Sunderland Combined Order 2014, which came into force on 15 April 2014.
- 1.2 On the 2 November 2018, the boundaries of NECA were amended to cover the Local Authorities of Durham, Gateshead, South Tyneside and Sunderland and on 13 November 2018, NECA was reconstituted accordingly.
- 1.3 NECA's Constitution prescribes the committee structure, which complies with the legal requirements including the Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017 (the Overview and Scrutiny Order).
- 1.4 Complying with requirements of the Overview and Scrutiny Order, NECA implemented the following arrangements, and these should continue:
  - A call-in of decisions;
  - Overview and Scrutiny Committee and Audit and Standards Committee reflecting the political balance across the NECA area;
  - The Chairs of the Overview and Scrutiny Committee and Audit and Standards Committee are independent persons. Alternatively, these could be Members who are not from the majority political party; and
  - Appointment of a Scrutiny Officer who is not employed by a constituent authority.
- 1.5 The legislation creating the North of Tyne mayoral combined authority for the areas of Newcastle upon Tyne, North Tyneside and Northumberland required the establishment of a Joint Transport Committee by the two combined authorities to discharge certain transport functions.
- 1.7 NECA is required to appoint four Members, and four further Members (Substitute Members) to act as Members in the absence of the first Member to the Joint Transport Committee. Such Members must be Members or substitute Members of the Combined Authority excluding the Local Enterprise Partnership Member.

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- 1.8 NECA is also required to appoint a Member (and a Substitute Member) to represent it on the Transport for the North Board. On 1 April 2018, Transport for the North became a Sub-National Transport Body. It has a local government-type governance structure comprising a Board, one operational committee, Scrutiny Committee and Audit Committee. NECA should also nominate a Member and a Substitute Member to the Transport for the North Scrutiny Committee. Membership to the Transport for the North Board's other committees – the Rail North Committee and the Audit Committee – is determined by the Transport for the North Board from amongst its members.

## 2. NECA Committees, Municipal Year 2023/24

- 2.1 Listed below are the committees for the municipal year 2023/24:

- 1) Leadership Board, NECA's principal decision-making body.
- 2) Audit and Standards Committee, a committee to discharge responsibilities in relation to matters concerning standards, risk management and audit (previously titled Governance Committee).
- 3) Economic Development and Digital Advisory Board (EDDAB), a committee to advise the Leadership Board on matters arising in relation to economic development and regeneration.
- 4) Overview and Scrutiny Committee, a committee to scrutinise and challenge all matters within the remit of the Combined Authority and to investigate matters of significant importance to residents within the NECA areas.

- 2.2 The above committees may also constitute sub-committees in accordance with their terms of reference set out in the NECA Constitution.

- 2.3 NECA is also required to appoint to the Joint Transport Committee and make nominations in respect of the Joint Transport Overview and Scrutiny and Joint Transport Audit Committees and Tyne and Wear Sub-Committee.

- 2.4 Members of the Overview and Scrutiny Committee, Audit Committee and Tyne and Wear Sub-Committee are appointed by the Joint Transport Committee as follows:

- 1) JTC Overview and Scrutiny Committee – at least two Members from each of the constituent councils of both NECA and the North of Tyne mayoral combined authority and an independent person to be the

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Chair. The membership should reflect the political balance amongst Constituent Authorities.

- 2) JTC Audit Committee – at least one Member from each Constituent Council of each of the Combined Authorities. The appointments must reflect political balance and independence from the Joint Transport Committee or the Leadership Boards of either Combined Authority or the Leadership of any Constituent Authority.
- 3) JTC (Tyne and Wear) Sub-Committee, a sub-committee of JTC to include one Member from each Tyne and Wear Authority with a quorum of four.

2.5 It is recommended that the committees referred to above should be appointed, or where appropriate re-appointed, for the municipal year 2023/24.

### 3. Appointments to Outside Bodies

3.1 Appointments will also be required to the following committees of Transport for the North (TfN):

- 1) Transport for the North Board; and
- 2) Transport for the North Scrutiny Committee.

3.2 Functions of Transport for the North are set out in The Sub-national Transport Body (Transport for the North) Regulations 2018.

3.3. Appointments public sector nominations for the North East LEP board and sub boards for 2023/24.

### 4. Committee Membership, Municipal Year 2023/24

4.1 The Leadership Board is invited to confirm the appointments of the NECA Leadership Board, and its committees as set out in Appendix A (parts A to D inclusive). In confirming the appointments, the Leadership Board is invited to note that it is a requirement under the Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017 that the Audit and Standards Committee and the Overview and Scrutiny Committee reflect the political balance of the North East Combined Authority area. Appendix A sets out this position. The Constituent local authorities have been invited to submit their nominations in accordance with the requirements of political balance. In the event that these nominations are not received before

## Leadership Board

the meeting they can be confirmed as in-year nominations by the Monitoring Officer under constitutional delegations in the normal way.

### 5. **Appointment to North East Joint Transport Committee, its committees and sub-committees**

5.1 The Leadership Board is also invited to appoint Members and substitute Members to the North East Joint Transport Committee as set out in Appendix A (Part E).

5.2 To nominate Members and substitute Members to the committees and sub-committees of the North East Joint Transport Committee for the consideration of the Joint Transport Committee as set out in Appendix A (Parts F to H inclusive).

### 6. **Appointment to Outside Bodies**

6.1 To nominate Members and substitute Members to the Transport for the North Board and Scrutiny Committee as set out in Appendix A (Part I).

6.2 Members will note that appointments to the TfN Audit Committee and the TfN Rail North Committee are determined by TfN Board and are drawn from among the TfN Board Members and Substitute Members.

6.3 To nominate public sector nominations from the NECA Board membership for the North East LEP board and sub boards for 2023/24 as set out in Appendix A (Part I).

### 7. **Chairs and Vice-Chairs of Committees**

7.1 The Thematic Lead for Transport fulfils the role of the Chair of the Joint Transport Committee, although it is for the Joint Transport Committee to make this appointment.

7.2 The Thematic Lead for Economic Development and Digital fulfils the role of Chair of EDDAB.

7.3 With regard to Vice-Chairs of EDDAB, previously the Leadership Board delegated these appointments to EDDAB. The Leadership Board has previously agreed that the second Vice-Chair of EDDAB should be appointed from the business representative Members. The Leadership Board may wish to continue with these arrangements.

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- 7.4 At the Leadership Board meeting held on 21 March 2017, the Leadership Board agreed that the Chair and Vice-Chair of the Overview and Scrutiny Committee will be independent persons. The roles are currently held by Mr David Taylor-Gooby (Chair, appointed for an initial term at its meeting on 21 November 2017) and Mr Simon Hart (Vice-Chair, appointed for an initial term at its meeting on 21 November 2017). An annual remuneration of £2,000 to the Chair and £1,000 to the Vice-Chair is paid for these roles. It is proposed that these arrangements remain unchanged and are extended for a one year term.
- 7.5 At the Leadership Board meeting held on 21 March 2017, the Leadership Board agreed that the Chair and Vice-Chair of the Audit and Standards Committee will be independent persons. The roles are currently held by Mr Mark Scrimshaw, Chair, appointed for an initial term one year term at its meeting on 19 June 2018, and Mr Stuart Green, Vice-Chair, appointed for an initial term one year term at its meeting on 19 June 2018, extended for one year in June 2019 and carried over in 2020 as no annual meeting took place in accordance with COVID legislation. An annual fee of £2,000 for the Chair and £1,000 for the Vice-Chair is paid for the roles. It is proposed that this arrangement remains unchanged and is extended for a further one-year term.
- 7.6 The Independent Person for the purpose of Standards Regime is currently vacant. An annual fee of £1,000 is paid for this role. It is proposed that NECA Leadership Board delegate the appointment of an Independent Person to the Monitoring Officer (Core) in consultation with the NECA Chair, to ensure an appointment is made as quickly as possible in the municipal year 2023/2024.

## 8. External Auditor

- 8.1 On 7 March 2017 the Leadership Board had agreed to opt into the national scheme for the appointment of external auditors. The External Auditor for NECA for 2022/23 will continue to be Mazars, who were appointed under the national appointment scheme.

## 9. Proposals

- 9.1 The Leadership Board is invited to approve the proposed committee structure and nominate or confirm membership; appoint, confirm and / or extend the appointment of Chairs and Vice-Chairs or, alternatively to delegate the responsibility for such Chair or Vice-Chair appointments to the committees; note and confirm the position with regard to the term of office of independent persons and independent members or delegate the responsibility as set out in the report; appoint Members to outside bodies including the appointment of Members to the Joint Transport Committee, and to nominate Members to

## Leadership Board

committees and sub-committees; nominate a Member and substitute Member to Transport for the North Board and the Transport for the North Scrutiny Committee and the North East LEP; and note that there is no change in relation to the appointment of the External Auditors.

### 10. Reasons for the Proposals

10.1 The proposals will enable NECA to operate effectively and in accordance with all applicable law and NECA's Constitution.

### 11. Alternative Options Available

11.1 **Option 1:** The proposals as set out in the recommendations and appendices.

**Option 2:** To nominate alternative Members and Substitute Members.

### 12. Next Steps and Timetable for Implementation

12.1 The committee structure will be published on NECA's website, and all stakeholders informed, as soon as practicably possible. The NECA appointments to the Joint Transport committees will be submitted to the Joint Transport Committee.

12.2 An induction programme and training will be offered to any new Members.

### 13. Potential Impact on Objectives

13.1 The appointments will enable NECA to properly discharge its functions, thereby assisting in the delivery on its objectives

### 14. Financial and Other Resources Implications

14.1 The provision of the support arrangements for NECA is contained within the existing financial resources available to NECA. Any allowances paid to Members from the constituent local authorities in attending a committee will be a matter for each of the constituent local authorities and their respective remuneration panels.

14.2 NECA is responsible for the fees paid to the Independent Members of the Audit and Standards Committee and the Overview and Scrutiny Committee. The Independent Members and Independent Persons of these committees receive an annual fee of £2,000 for undertaking the role of Chair and £1,000 for the role of Vice-Chair, with the fees being paid in monthly instalments. This is within the existing budget.

## Leadership Board

- 14.3 NECA is also responsible for the fees paid to the Independent Person who is appointed for the purpose of standards regime (although the post is currently vacant). The annual fee for undertaking this role is £1,000. This is within the existing budget.
- 14.4 There is no specific provision in the budget to support expenses associated with membership of outside bodies and it is anticipated that these will be met by their constituent authority.
- 14.5 There is no specific provision in the budget to support expenses associated with membership of outside bodies. Membership of transport related outside bodies would be charged to the transport budget and any membership of non-transport bodies would need to be met from the corporate general budget of NECA.

## 15. Legal Implications

- 15.1 NECA is required to make arrangements to enable relevant decision-making responsibilities, overview and scrutiny arrangements and associated functions to be fulfilled. These responsibilities arise under The Local Government Act 1972, in addition to various aspects of finance and audit legislation and the Localism Act 2011, as well as the provisions of the Order creating NECA and the recent Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority (Establishment and Functions) Order 2018, the Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017 and the Openness of Local Government Bodies Regulations 2014. The proposals set out in the report comply with these requirements.
- 15.2 The arrangement for the appointment of an External Auditor is in accordance with the Audit Commission Act 1998.
- 15.3 Appointment of Chairs and Vice-Chairs of any committee or sub-committee fall to the Leadership Board under Part 3.1, paragraph 25 of the NECA Constitution.

## 16. Key Risks

- 16.1 There are no specific risk management implications arising from this report.

## Leadership Board

### 17. Equality and Diversity

- 17.1 There are no specific equality and diversity implications arising from this report, however, the Leadership Board will be mindful of the advantages of gender balance on boards and committees.

### 18. Other Impact of the Proposals

- 18.1 The proposals comply with the principles of decision-making. The proposals would enable NECA to properly discharge its functions, therefore assisting NECA in delivering on its objectives. Relevant consultation processes have been held where applicable.

### 19. Appendices

- 19.1 Appendix A: Committees and Membership 2023/24

### 20. Background Papers

Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017 <http://www.legislation.gov.uk>

Openness of Local Government Bodies Regulations 2014  
<http://www.legislation.gov.uk>

The Constitution of the North East Combined Authority  
<https://northeastca.gov.uk/about-us/neca-order-and-constitution/>

Reports to, and the Minutes of, the annual meetings of the Leadership Board in the previous municipal years  
<https://northeastca.gov.uk/decision-making/north-east-leadership-board/>

The Sub-national Transport Body (Transport for the North) Regulations 2018  
<http://www.legislation.gov.uk/ukxi/2018/103/contents/made>

### 21. Contact Officers

- 21.1 Nicola Robason, Monitoring Officer (Core)  
E-mail: [nicola.robason@northeastca.gov.uk](mailto:nicola.robason@northeastca.gov.uk) Tel: 0191 424 7050

### 22. Sign off

- Head of Paid Service: ✓
- Monitoring Officer: ✓





North East Combined Authority

**DURHAM • GATESHEAD • SOUTH TYNESIDE • SUNDERLAND**

## **Leadership Board**

- Chief Finance Officer: ✓

### **24. Glossary**

EDDAB – Economic Development and Digital Advisory Board

JTC – North East Joint Transport Committee

NECA – North East Combined Authority



## Committees and Membership

### Municipal Year 2023/24

#### A. Leadership Board

**Membership:** 4 (one Leader/Elected Mayor from each constituent local authority and a non-voting North East Local Enterprise Partnership Member).

Authority/Body	Member	Substitute Member
Durham	Councillor Amanda Hopgood	Councillor Elizabeth Scott
Gateshead	Councillor Martin Gannon	Councillor Catherine Donovan
South Tyneside	Councillor Tracey Dixon	Councillor Margaret Meling
Sunderland	Councillor Graeme Miller	Councillor Claire Rowntree
North East Local Enterprise Partnership (non-voting)	Ms Lucy Winskell	Mr Mark Thompson

#### Thematic Lead Areas:

- Chairs Portfolio – Councillor Graeme Miller
- Economic Development and Digital – Councillor Tracey Dixon
- Finance and Skills & Employability – Councillor Amanda Hopgood
- Transport – Councillor Martin Gannon

## B. Economic Development and Digital Advisory Board (EDDAB)

**Membership:** 4 (one Member from each constituent local authority), 1 non-voting Member from the North East Local Enterprise Partnership (NELEP) and 4 Co-opted Members representing the following organisations (one from each organisation): the North East England Chamber of Commerce (NECC), Confederation of British Industry (CBI), Federation of Small Business (FSB) and Trade Union Congress (TUC).

<b>Authority</b>	<b>Member</b>	<b>Substitute Member</b>
Durham	Councillor Elizabeth Scott	Councillor Amanda Hoggood
Gateshead	Councillor Malcolm Brain	Councillor John Adams
South Tyneside	Councillor Tracey Dixon	Councillor Margaret Meling
Sunderland	Councillor Graeme Miller	Councillor Claire Rowntree
<b>Also:</b>		
<b>Organisation</b>	<b>Co-opted Member (non-voting)</b>	
North East Local Enterprise Partnership	Ms Helen Golightly	
North East England Chamber of Commerce	Mr Jonathan Walker	
Confederation of British Industry	Ms Sarah Glendinning	
Federation of Small Business	Mr Ted Salmon	

### C. Audit and Standards Committee

**Membership:** 6 (one Member from each constituent local authority and two non-voting Co-opted Independent Members who will act as Chair and Vice-Chair), and also 1 Independent Person for the purpose of the Standards Regime, who is invited to observe meetings.

**Political balance:** 4 (3+1)

Authority	Political Affiliation (Member)	Political Affiliation (Substitute Member)
Durham	Councillor Mark Abley	Councillor Tony Stubbs
Gateshead	Councillor Leigh Kirton	Councillor Rachel Mullen
South Tyneside	Councillor Ken Dawes	Councillor Shane Smith
Sunderland	Councillor Niall Hodson	Councillor Stephen O'Brien
<b>Non-voting Co-opted Independent Member</b>		
Independent Member, Chair	Mr Mark Scrimshaw <b>(Chair)</b>	
Independent Member, Vice-Chair	Mr Stuart Green <b>(Vice-Chair)</b>	
<b>Independent Person</b>		
Independent Person	<i>Vacant</i>	

## D. Overview and Scrutiny Committee

**Membership:** 8, and also 2 non-voting Independent Members who will act as Chair and Vice-Chair (two Members from each constituent local authority, who are not Members of the Leadership Board or any other committee of the Combined Authority, plus a non-voting Independent Co-opted Member who will be the Chair and a non-voting Independent Co-opted Member who will be the Vice-Chair).

**Political balance:** 8 (6+1+1)

Authority	Political Affiliation (Member)	Political Affiliation (Substitute Members)
Independent Person (non-voting), Chair	Mr David Taylor-Gooby ( <b>Chair</b> )	Not applicable
Independent Person (non-voting), Vice-Chair	Mr Simon Hart ( <b>Vice-Chair</b> )	Not applicable
Durham	Councillor Chris Lines	Councillor Joyce Charlton
	<i>Pending nomination</i>	<i>Pending nomination</i>
Gateshead	Councillor John Eagle	Councillor Maria Hall
	Councillor Ron Beadle	Councillor Christopher Ord
South Tyneside	Councillor Liz McHugh	Councillor Eileen Leask
	Councillor Anne Walsh	Councillor Alex Donaldson
Sunderland	Councillor Katherine Mason-Gage	Councillor Tracy Dodds
	Councillor Lyall Reed	Councillor Chris Burnicle

### E. Joint Transport Committee (JTC)

**Membership:** 7 (4 Members from North East Combined Authority and 3 Members from the North of Tyne Combined Authority)

Authority:	Member	Substitute Member
<b>Appointments from the North East Combined Authority</b>		
Durham	Councillor Elizabeth Scott	Councillor Amanda Hopgood
Gateshead	Councillor Martin Gannon	Councillor Catherine Donovan
South Tyneside	Councillor Tracey Dixon	Councillor Margaret Meling
Sunderland	Councillor Graeme Miller	Councillor Claire Rowntree
<b>Nominations from North of Tyne Combined Authority</b>		
Newcastle	Councillor Nick Kemp	Councillor Karen Kilgour
North Tyneside	Councillor Carl Johnson	Mayor Norma Redfearn
Northumberland	Councillor Glen Sanderson	Councillor Richard Wearmouth

### F. Joint Transport Committee Overview and Scrutiny Committee

**Membership:** 14 (8 Members from North East Combined Authority and 6 Members from the North of Tyne Combined Authority)

**Provisional political balance:** 14 (10+2+2)

Authority:	Political Affiliation / Member	Political Affiliation / Substitute Member
<b>Appointments from the North East Combined Authority:</b>		
Durham	Councillor Chris Lines	Councillor Joyce Charlton
	Councillor Jake Miller	Councillor Kevin Shaw
Gateshead	Councillor John Eagle	Councillor Maria Hall
	Councillor Amanda Wintcher	Councillor Dawn Welsh

South Tyneside	Councillor Angela Lamonte	Councillor Stephen Dean
	Councillor David Herbert	Councillor Sue Stonehouse
Sunderland	Councillor Katherine Mason-Gage	Councillor Tracy Dodds
	Councillor Antony Mullen	Councillor Lyall Reed
<b>Appointments from the North of Tyne Combined Authority:</b>		
Newcastle	Councillor Thom Campion	Councillor Philip Browne
	<i>Pending nomination</i>	<i>Pending nomination</i>
North Tyneside	Councillor Jane Shaw	Councillor John Harrison
	Councillor Rebecca O’Keele	Councillor Louise Marshall
Northumberland	Councillor Cliff Humphrey	Councillor John Beynon
	Councillor Les Bowman	Councillor Brian Gallacher

## G. Joint Transport Committee Audit and Standards Committee

**Membership:** 7 (4 Members from North East Combined Authority and 3 Members from the North of Tyne Combined Authority)

**Provisional political balance:** 7 (5+1+1)

Authority:	Political Affiliation / Member	Political Affiliation / Substitute Member
<b>Appointments from the North East Combined Authority:</b>		
Durham	Councillor Alex Watson	Councillor Joan Nicholson
Gateshead	Councillor Leigh Kirton	Councillor Rachel Mullen
South Tyneside	Councillor Ken Dawes	Councillor Alex Donaldson
Sunderland	Councillor Katherine Mason-Gage	Councillor Tracy Dodds
<b>Appointments from the North of Tyne Combined Authority:</b>		
Newcastle	<i>Pending nomination</i>	<i>Pending nomination</i>
North Tyneside	Councillor Anthony McMullen	Councillor Tommy Mulvenna
Northumberland	Councillor John Beynon	Councillor David Bawn



## H. Joint Transport (Tyne and Wear) Sub-committee (JTWSC)

**Membership:** 5 (1 Member from each Tyne and Wear constituent local authority from the North East Combined Authority area and North of Tyne Combined Authority area).

Authority	Member	Substitute Member
<b>Appointments from the North East Combined Authority:</b>		
Gateshead	Councillor John McElroy	Councillor Malcolm Brain
South Tyneside	Councillor Fay Cunningham	Councillor Stephen Dean
Sunderland	Councillor Graeme Miller	Councillor Claire Rowntree
<b>Appointments from the North of Tyne Combined Authority:</b>		
Newcastle	Councillor Jane Byrne	Councillor Alex Hay
North Tyneside	Councillor Carl Johnson	Councillor Sandra Graham

## I. Outside Bodies

### Appointments to the Transport for the North committees:

**(a) Transport for the North Board** (1 Member and 1 Substitute Member with responsibility for Transport)

**(b) Transport for the North Scrutiny Committee** (1 Member and 1 Substitute Member but not the appointees to the Transport for the North Board)

Committee	Member	Substitute Member
Transport for the North Board	Councillor Martin Gannon	Councillor Graeme Miller
Transport for the North Scrutiny Committee	Councillor Tracey Dixon	Councillor Margaret Meling

**Appointments to the North East Local Enterprise Partnership boards:**

**(a) LEP Board** (3 Members, one of which being elected as Vice Chair and 1 separate Board Observer)

**(b) Investment Board, Business Growth Board, Innovation Board, Skills Advisory Panel** (1 Member for each)

<b>Committee</b>	<b>Member of Committee</b>	<b>Committee</b>	<b>Member of Committee</b>
Main LEP Board	Councillor Tracey Dixon	Investment Board	Councillor Tracey Dixon
	Councillor Graeme Miller	Innovation Delivery Advisory Board	Patrick Melia
	Councillor Amanda Hopgood	Skills Advisory Panel	Councillor Amanda Hopgood
Main LEP Board Vice Chair	Councillor Tracey Dixon	Business and Sector Growth Advisory Board	Councillor Graeme Miller
Main LEP Board Observer	Councillor Martin Gannon		

### Leadership Board

**Date:** 6 June 2023

**Subject:** Programme of Committee Meetings, Municipal Year 2023/24

**Report of:** Monitoring Officer (Core)

#### Executive Summary

The purpose of this report is to invite Members to agree a programme of committee meetings for the Municipal Year 2023/24, starting from the Annual Meeting of the North East Combined Authority (NECA).

To discharge its functions effectively, NECA and its committees are advised to meet according to the programme set out in Appendix A. The programme has been developed in consultation with the constituent authorities and is mindful of the ongoing work associated with the 'mindful to' devolution deal for the North East.

#### Recommendations

It is recommended that the Leadership Board

- I. Agrees the proposed programme of committee meetings, as set out in Appendix A.
- II. Notes the proposed programme of Joint Transport Committee meetings, which will be considered for approval at the Annual Meeting of the Joint Transport Committee on 20 June 2023.



North East Combined Authority

**DURHAM • GATESHEAD • SOUTH TYNESIDE • SUNDERLAND**

## **Leadership Board**

### **1. Background Information**

- 1.1 The North East Combined Authority (NECA) was created pursuant to the Local Democracy, Economic Development and Construction Act 2009 and by the Durham, Gateshead, Newcastle upon Tyne, North Tyneside, Northumberland, South Tyneside and Sunderland Combined Order 2014, which came into force on 15 April 2014.
- 1.2 On the 2 November 2018, the boundaries of NECA were amended to cover the Local Authorities of Durham, Gateshead, South Tyneside and Sunderland and on 13 November 2018, NECA was reconstituted accordingly.
- 1.3 NECA's responsibilities for functions are set out in its Constitution, together with details of the committee structure to assist with the discharge of those functions effectively. A programme of committee meetings supports that structure and is helpful in the planning of diaries to ensure effective participation.
- 1.4 In accordance with the joint transport governance arrangements for NECA and North of Tyne Combined Authority, transport powers are exercised through a Joint Transport Committee for both combined authorities, which is supported by a sub-committee for Tyne and Wear and functions delivered by County Councils under delegated authority. It is understood that work on drafting a programme of committee meetings of the Joint Transport Committee is in progress, and both constituent combined authorities having been consulted as part of that work.
- 1.5 The proposed programme of NECA committee meetings was developed in consultation with the constituent local authorities within NECA taking into consideration various aspects, including the timetable of the key areas of work, effective reporting structure, efficiency, consistency and requirements of internal and external audit.

### **2. Proposals**

- 2.1 NECA and its committees are advised to meet according to the programme of meetings set out in Appendix A.

### **3. Reasons for the Proposals**

- 3.1 NECA is required to have an effective committee structure. The proposals would help NECA to discharge its functions effectively.

## Leadership Board

### 4. Alternative Options Available

4.1 Whilst the programme of committee meetings was developed to ensure efficiency and effectiveness and no alternative options are proposed at this stage, a level of flexibility is required to enable the committees to add, re-arrange or cancel meetings in accordance with the demands of the organisation.

### 5. Next Steps and Timetable for Implementation

5.1 If agreed, the programme of meetings will be published on NECA's website and shared with key stakeholders as soon as practicably possible.

### 6. Potential Impact on Objectives

6.1 As part of decision-making processes, NECA is required to have an effective committee structure. Having a programme of meetings will assist in the delivery of NECA's objectives.

### 7. Financial and Other Resources Implications

7.1 The proposed programme of meetings was designed to minimise costs whilst supporting effective governance.

### 8. Legal Implications

8.1 There are no specific legal implications arising from this report.

### 9. Key Risks

9.1 The proposed programme of meetings is aimed at assisting NECA with the operation of an effective governance structure. It should, therefore, have a positive effect on NECA's ability to manage risks.

### 10. Equality and Diversity

10.1 There are no specific equality and diversity implications arising from this report.

### 11. Other Impact of the Proposals

11.1 The proposals comply with the principles of decision-making.



North East Combined Authority

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## **Leadership Board**

11.2 The proposals were designed in consultation with the constituent local authorities.

### **12. Appendices**

12.1 Appendix A: Programme of Committee Meetings, Municipal Year 2023/24

### **13. Background Papers**

13.1 The North East Combined Authority Constitution  
<https://northeastca.gov.uk/about-us/neca-order-and-constitution/>

### **14. Contact Officers**

14.1 Nicola Robason, Monitoring Officer (Core)  
E-mail: [nicola.robason@southtyneside.gov.uk](mailto:nicola.robason@southtyneside.gov.uk) Tel: 0191 424 7186

### **15. Sign off**

- Head of Paid Service: ✓
- Monitoring Officer: ✓
- Chief Finance Officer: ✓

### **16. Glossary**

- NECA – North East Combined Authority

**North East Combined Authority  
 Draft Programme of Committee Meetings  
 Municipal Year 2023/24**

Committee	Day / Time	June 2023	July 2023	Aug 2023	Sept 2023	Oct 2023	Nov 2023	Dec 2023	Jan 2024	Feb 2024	Mar 2024	April 2024	May 2024
Leadership Board	Tue 2pm	6					28		23				
EDDAB	Tue 2pm				26						5		
Audit and Standards Committee	Tue 10am	27					21						
Overview and Scrutiny Committee	Thur 2pm		27					14					

**Venues:** Meetings will rotate amongst the Local Authorities of the North East Combined Authority.





### Leadership Board

**Date:** 6 June 2023  
**Subject:** Review of Constitution  
**Report of:** Monitoring Officer (Core)

#### Executive Summary

The report invites the Leadership Board to consider the outcome of the Monitoring Officer's routine annual review of the North East Combined Authority's (NECA) Constitution and agree and appropriate or recommended changes or updates, if required.

#### Recommendations

The Leadership Board is recommended to:

- i. Note that no changes are proposed to the Constitution for NECA for the municipal year 2023/2024.
- ii. Delegate authority to the Monitoring Officer to finalise the wording of any amendments to the Constitution that may arise as a consequence of the NECA Annual Meeting discussion, in consultation with the Chair and Head of Paid Service; and
- iii. Note that the Constitution for 2023/2024 will be published on the NECA website.



North East Combined Authority

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## Leadership Board

### 1. Background Information

1.1 The North East Combined Authority (NECA) was created pursuant to the Local Democracy, Economic Development and Construction Act 2009 and by the Durham, Gateshead, Newcastle upon Tyne, North Tyneside, Northumberland, South Tyneside and Sunderland Combined Order 2014, which came into force on 15 April 2014.

1.2 On the 2 November 2018, the boundaries of NECA were amended to cover the Local Authorities of Durham, Gateshead, South Tyneside and Sunderland and on 13 November 2018, NECA was reconstituted accordingly.

1.3 Also on 13 November 2018, NECA adopted a Constitution (version 7). At this time the Constitution (Version 7) was widely consulted upon over several months, following the Leadership Board's decision to support the making of the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority (Establishment and Functions) Order 2018. Consultation included all Local Authorities Chief Legal Officers, Nexus and other officers across the seven Local Authorities and reflected the results of that consultation and the changes to the boundaries of NECA.

1.4 On 4 June 2019 NECA Annual meeting changes were made to the Thematic Lead areas as well as the designation of a new principal office for NECA for the service of notices and legal documents and wording changes associated with the NECA seal.

1.5 In May 2020, the North East Combined Authority (NECA) took the decision to postpone its Annual Meeting. The decision to postpone the meeting, which was due to be held on 9 June 2020, was taken after new regulations came into force, giving local authorities and combined authorities more flexibility regarding when they hold their meetings, in the current situation. Under the new regulations, which are part of the Coronavirus Act 2020, the requirement to hold an Annual Meeting was relaxed until 7 May 2021.

1.6 In accordance with the NECA Constitution, the Monitoring Officer is required to keep it under review with a formal review on an annual basis. This report sets out the results and any recommendations of that annual review.

## Leadership Board

### 2 Proposals

2.1 There are no proposed changes to the Constitution of NECA for 2023/24.

### 3. Reasons for the Proposals

3.1 The annual review of the Constitution is a requirement set out in the NECA Constitution.

3.2 The proposals are informed by comments and decisions made by the Committees during the course of the previous year, and changes in the law or best practice since the relevant section was last updated. There are no proposed changes to the structure of NECA and its supporting committees and boards, or to the Thematic Portfolios of NECA that need to be reflected and accounted for within the Constitution.

3.3 Maintaining an up-to-date Constitution and rules of procedure supports effective governance and thereby good decision making practices.

### 4. Next Steps and Timetable for Implementation

4.1 If the Leadership Board approves the Constitution the Monitoring Officer will publish the Constitution for 2023/2024.

### 5. Potential Impact on Objectives

5.1 Maintaining good governance and effective decision making ultimately supports the achievement of objectives.

### 6. Financial and Other Resources Implications

6.1 Updates to the Constitution can be done using existing resources without material additional costs. In any event, there are no recommended changes.

### 7. Legal Implications

7.1 Any changes to the Constitution can be agreed by the Leadership Board by way of simple majority as this is not a matter requiring unanimity. However, there are no recommended changes.

## Leadership Board

### 8. Key Risks

- 8.1 Maintaining an up-to-date Constitution limits the risk of any suggestion that a decision has been made in less than the appropriate way. There is a small risk that Officers do not heed the changes to the Constitution and careful monitoring is required to ensure up-to-date procedures are followed. However, this risk is almost mitigated by systems of control and oversight by the NECA Statutory Officers of the Committee processes and constitutional matters.

### 9. Equality and Diversity

- 9.1 There are no known equality and diversity implications arising from the contents of this report.

### 10. Crime and Disorder

- 10.1 There are no known crime and disorder implications arising from the contents of this report.

### 11. Consultation/Engagement

- 11.1 Chief Legal Officers of the constituent authorities, the NECA Policy and Scrutiny Officer and the NECA Statutory Officers have all been consulted, including the Chief Finance Officer to ensure the Financial Procedures are accurate.

### 12. Other Impact of the Proposals

- 12.1 None

### 13. Appendices

- 13.1 Appendix A – NECA Constitution Version 6 June 2023

**14. Background Papers**

14.1 Previous Constitutional review papers.

**15. Contact Officers**

15.1 Nicola Robason  
Monitoring Officer (Core)  
[nicola.robason@southtyneside.gov.uk](mailto:nicola.robason@southtyneside.gov.uk)  
Tel: 0191 424 7050

**16. Sign off**

- Head of Paid Service: ✓
- Monitoring Officer: ✓
- Chief Finance Officer: ✓

**17. Glossary**

**NECA** – North East Combined Authority



# **The Durham, Gateshead, South Tyneside and Sunderland Combined Authority**

## **Constitution**

**June 2023**

These are Standing Orders made in accordance with Section 6 of the Durham, Gateshead, South Tyneside and Sunderland Combined Authority Order 2014 (Statutory Instrument 2014 No. 1012) as amended.

## Version Control Sheet

This document (version 10, June 2023) is the Constitution of the Durham, Gateshead, South Tyneside and Sunderland Combined Authority adopted, by the Leadership Board on 6 June 2023.

To maintain effective version control, this version control sheet will accompany any future issue of the Constitution.

The version number is shown in the bottom left hand corner of each page of the Constitution.

An up to date version of the Authority's Constitution will be available on the Combined Authority's web site.

Description	Date	Most Recent Version
Constitution	April 2014	Version 1
Includes the establishment of the EDRAB and provides for the provision of substitutes to committees.	April 2015	Version 2
Various changes including the establishment of Governance Sub-Committee and working groups, with new information for petitions and extraordinary meetings.	June 2015	Version 3
Various amendments to incorporate the changes made to the overview and scrutiny arrangements of Combined Authorities by legislation	March 2017	Version 4
Various updating amendments including changes to the Fraud and Anti-Corruption Policy and Whistleblowing Policy	June 2017	Version 5
Various amendments approved by the Leadership Board on 19 June 2018 to add clarity in terms of delegation to officers and to voting arrangements.	June 2018	Version 6
Amendments to reflect the change in the NECA Order as a consequence of the New Order.	November 2018	Version 7
Various updating amendments including changes to Thematic Lead areas	June 2019	Version 8
Change of Economic and Regeneration Advisory Board (EDRAB) to Economic and Digital Advisory Board (EDDAB)	June 2021	Version 9
Inclusion of delegations for Proper Officer of Transport	June 2021	Version 9
Amendment to the Delegations for the Head of Paid Service to enable them to make or amend	June 2021	Version 9



appointments to committees and outside bodies, in consultation with the Chair of the Leadership Board.		
Amendment to delegations for Proper Officer of Transport	June 2022	Version 10

## **Making Changes to the Constitution**

The Monitoring Officer is required to continuously review the operation of the Constitution and update the Constitution at least annually. For details of how a Member or Officer can propose a change and the approval process please contact the Monitoring Officer.

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## Part 1 Introduction

This document sets out the standing orders of the Durham, Gateshead, South Tyneside and Sunderland Combined Authority pursuant to Section 6 of the Order.

### 1. The Constitution

In this Constitution:

“Combined Area” means the area consisting of the areas of the constituent authorities.

“Constituent Authorities” means the Local Authorities of Durham, Gateshead, South Tyneside and Sunderland, referred to in the Order as Constituent Councils.

“Delivery Agencies” means Durham County Council and Nexus.

“EDRAB” means the Economic Development and Regeneration Advisory Board.

“Joint Transport Committee” or “JTC” means the joint transport committee established by NECA and NoTCA and pursuant to Section 9 of the Second Order.

“LA7 area” means the Local Government areas of Durham, Gateshead, Newcastle upon Tyne, North Tyneside, Northumberland, South Tyneside and Sunderland.

“Leadership Board” means the Leadership Board of NECA.

“NECA” means the North East Combined Authority and is the operating name of the Durham, Gateshead, South Tyneside and Sunderland Combined Authority.

“Nexus” is the Tyne and Wear Passenger Transport Executive for Tyne and Wear and the executive body of NECA in relation to transport functions in Tyne and Wear.

“NoTCA” means the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority established by the Second Order.

“Order” means The Durham, Gateshead, South Tyneside and Sunderland Combined Authority Order 2014 (SI 2014 No. 1012) as amended by the Second Order.

“Proper Officer for Transport” means the principal officer to assist the Joint Transport Committee designated from time to time by that committee in accordance with Section 9(5) of the Second Order.

“Second Order” means the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority (Establishment and Functions) Order 2018.

This Constitution sets out how the North East Combined Authority operates, how decisions are made and the procedures that are followed to ensure that NECA operates efficiently, effectively and is both transparent and accountable.

The Constitution is made up of 7 parts.

NECA will exercise all of its powers and duties in accordance with the law and this Constitution.

A reference to a statute or statutory provision is a reference to it as amended, extended or re-enacted from time to time.

The Leadership Board will monitor and evaluate the operation of the Constitution as set out in paragraph 18 below.

## **2. The North East Combined Authority (NECA)**

NECA was established pursuant to the Order and came into existence on 15 April 2014 as the Combined Authority for the LA7 area. By the Second Order the boundaries of NECA were changed to cover the combined area.

NECA was established with the aim of improving:-

- a) the exercise of statutory functions relating to transport in the Combined Area
- b) the effectiveness and efficiency of transport in the Combined Area
- c) the exercise of statutory functions and general powers relating to economic development and growth in the Combined Area; and
- d) economic conditions in the Combined Area.

NECA is responsible for a number of transport functions and economic development and growth across the Combined Area. The functions of NECA conferred or imposed upon it by the Order or any other enactment are set out in Part 2 of this Constitution. Together with NoTCA, NECA has appointed a Joint Transport Committee for the purpose of discharging certain transport functions in accordance with the obligations set out in Article 8 of the Second Order.

## **3. Members of the North East Leadership Board (Leadership Board)**

Each of the Constituent Authorities' shall appoint its Leader to be a Member of the Leadership Board and another Member to act in the absence of the appointed Member (the substitute member).

The North East Local Enterprise Partnership (LEP) will nominate one of its Members to be a Member of the Leadership Board and another Member to act in the absence of the appointed Member (the substitute Member). The Leadership Board will appoint the LEP member, who will be a non-voting member of the

Leadership Board and the LEP substitute member, who will also be a non-voting member when acting in the absence of the LEP Member.

A person will cease to be a Member or a substitute Member of the Leadership Board if they cease to be a Member of the Constituent Authority that appointed them or the LEP that nominated them.

All Members of the Leadership Board will:-

- a) collectively be the policy makers of the Leadership Board, after taking account of the advice of Chief Officers;
- b) bring the views of their respective communities into the decision making process; and
- c) maintain the highest standards of conduct and ethics.

Members will act in the best interests of the Combined Area taking into account all relevant matters.

Members will at all times observe the Code of Conduct for Members as set out in Part 6.1 of this Constitution.

Members will be entitled to receive travel and subsistence allowance in accordance with the Members' Allowance Scheme set out in Part 7 of this Constitution.

#### **4. Chairing the Leadership Board**

The Leadership Board will appoint a Chair and a Vice Chair from amongst its Members.

The procedure for the appointment of the Chair and a Vice Chair is set out in the Rules of Procedure at Part 4.1 of this Constitution.

#### **5. Thematic Leads**

The four Thematic Lead areas are:

Chair Portfolio  
Economic Development and Digital  
Finance and Skills & Employability  
Transport

A further Thematic Lead area of Culture and Tourism continues to be scoped and developed and a Thematic Lead will be appointed by the Leadership Board from its membership at the appropriate time.

Thematic Leads will be appointed by the Leadership Board from its membership, usually at its Annual Meeting, and will:

- Preside as Chair, or nominate or agree a Member of NECA to preside as Chair, over any sub-committee/group established to support strategy development and delivery within their allocated theme.

- Provide a strategic lead in supporting and constructively challenging on their theme in the development of strategies and plans and contribute towards the strategic direction of the combined authority, within the authority's overall vision and policy objectives.
- Take part in the collective decision-making of NECA and ensure any theme sub-committee/group is accountable to the Leadership Board.
- Engage with business and other key stakeholders on issues within the theme to deliver the shared agenda for growth.
- Act as a 'sounding board' for senior officers (and in the case of transport the Proper Officer for Transport) on issues within the theme, and be supportive in dealing with any problems at a strategic level.
- Keep abreast of developments and policies at national, regional and local level related to the theme.
- Take the strategic lead in advising and reporting to the Combined Authority, its sub-committees or groups on issues within the theme.
- Participate in Overview and Scrutiny arrangements for the combined authority in connection with any issues associated with the theme(s) which are the subject of scrutiny.
- Represent the Combined Authority as appropriate at events related to the theme and to feedback to the Leadership Board any issues of relevance / importance.
- Act as a spokesperson for the Combined Authority on issues within the theme in accordance with agreed protocols.

## **6. Meetings and Procedure**

The Leadership Board will meet approximately bi-monthly but additional meetings may take place should the need arise.

There are three types of meeting:

- a) The Annual Meeting
- b) Ordinary meetings; and
- c) Extraordinary meetings

All meetings will be conducted in accordance with the Rules of Procedure set out in Part 4 of this Constitution.

## **7. Responsibility for Functions**

The functions of NECA are those conferred upon it by the Order or any other enactment. Only the Leadership Board will exercise the functions set out in Part 3.1 of this Constitution.

The Leadership Board has the power to delegate its functions, which are not reserved to it, to committees, sub-committees, officers, joint committees or other local authorities pursuant to section 101 of the Local Government Act 1972, section 9EA of the Local Government Act 2000 and regulation 5 of the Local Authorities (Arrangements for the Discharge of Functions) (England) Regulations 2012.

The Leadership Board has delegated responsibility for the discharge of its functions to committee and officers, in accordance with Parts 3.2, 3.3, 3.4, 3.5, 3.6 and 3.7 of this Constitution. In addition, the Leadership Board may delegate functions in accordance with a standing scheme of delegation (adopted and updated from time to time by the Leadership Board) and by specific delegations given in relation to certain matters.

The Leadership Board will review its delegations annually.

## **8. Nexus (The Tyne and Wear Passenger Transport Executive)**

Nexus is to be an executive body of NECA for the purposes of Part 5 of the Local Transport Act 2008 and Part 6 of the Local Democracy, Economic Development and Construction Act 2009.

Nexus has power to discharge any function that is the subject of arrangements entered into with NECA.

In the application of section 101 of the Local Government Act 1972 (arrangements for the discharge of functions), Nexus is an officer of NECA.

## **9. The North East Local Enterprise Partnership (LEP)**

The LEP is a cross-sector partnership with membership drawn from the public sector (the 7 Local Authorities of the LA7 area), the private sector, as well as higher and further education, whose vision is to promote and develop economic growth in the North East. In addition, it seeks to rebalance the economy and create Europe's premier location for low carbon, sustainable, knowledge-based private sector-led growth and jobs.

The key roles of the LEP are:

- Supporting enterprise and private sector business growth;
- Building on key economic strengths;
- Improving skills and performance; and
- Strengthening transport, connectivity and infrastructure.

The Leadership Board will appoint the LEP Member and substitute Member as set out in paragraph 3 above.

The LEP may at any time terminate the appointment of a member or substitute member nominated by it to the Leadership Board and nominate another of its members in that person's place.

In accordance with Section 101 of the Local Government Act 1972, NECA may delegate final decision making authority on certain matters to the North East Local



Enterprise Partnership Board and the LEP Board Constitution was endorsed by the Leadership Board for these purposes on 13<sup>th</sup> November 2018.

## 10. Committees of NECA

NECA has established:

- an Economic Development and Digital Advisory Board (“EDDAB”) to discharge the roles and functions set out in Part 3.2 of this Constitution.
- an Audit and Standards Committee to discharge the roles and functions set out in Part 3.3 of this Constitution
- an Overview and Scrutiny Committee to discharge the roles and functions set out in Part 3.4 of this Constitution
- a Joint Transport Committee discussed in paragraph 11 below.

The Leadership Board may establish such other committees (or sub committees) as it thinks fit to discharge its functions.

## 11. Joint Arrangements

NECA has power pursuant to section 101 and 102 of the Local Government Act 1972 to make arrangements with other local authorities to discharge their functions jointly and to form joint committees for the purposes of discharging such functions.

Such arrangements may also involve the discharge of those functions by an officer of one of them.

Together with NoTCA, NECA will establish a Joint Transport Committee for the purpose of exercising the functions prescribed by Section 9 of the Second Order and as set out in Part 3.5 of this Constitution.

## 12. Officers

### Chief Officers and Proper Officers

NECA will engage persons who will be designated as Chief Officers and Proper Officers in accordance with Part 3.6 of this Constitution.

Appointments to Chief Officer and Proper Officers positions will be conducted in accordance with the Officer Procedure Rules of this Constitution (Part 4.5). It is noted however that this is differentiated from the procedure for the Proper Officer for Transport which will be appointed by the Joint Transport Committee in accordance with Section 9(5) of the Second Order.

The Head of Paid Service, on behalf of NECA, may engage staff (referred to as officers) as it considers necessary to carry out its functions.

Officers will comply with the Code of Conduct for Officers set out in Part 6.2 of this Constitution.

## **13. Decision Making**

### **13.1 Responsibility for decision making**

NECA will issue and keep up to date a record of what part of NECA or which individual has responsibility for particular types of decisions or decisions relating to particular areas or functions. This record is set out in Part 3 – Responsibility for Functions of this Constitution.

### **13.2 Budget and Policy Framework**

The Budget and Policy Framework includes the Budget and those plans and strategies which cannot be decided upon by the Leadership Board without having complied with the Budget and Policy Framework Rules of Procedure set out in Part 4.4 of this Constitution. These rules of procedure ensure consultation with Councillors who are not members of the Leadership Board (mainly the members of the Overview and Scrutiny Committee) on initial proposals for these plans so that their views can feed into the development of these plans and strategies.

The Monitoring Officer will maintain a publicly accessible list of all of those plans and strategies contained in the Policy Framework.

### **13.3 Principles of decision making**

All decisions of NECA will be made in accordance with the following principles:

- a) Proportionality (meaning that the action must be proportionate to the desired outcome).
- b) Consideration of professional advice from officers.
- c) Due consultation.
- d) Consideration of the legal and financial implications.
- e) A presumption in favour of openness.
- f) Consideration of available options and outlining reasons for decisions.
- g) Respect for human rights.
- h) Promoting equality.
- i) Preventing crime and disorder
- j) Environment and sustainability.
- k) Risk management.
- l) The purpose of the Constitution.

### **13.4 Decisions reserved to the Leadership Board**

Decisions relating to functions listed in Part 3.1 of this Constitution will be made by the Leadership Board will not be delegated. The Leadership Board meetings will follow the Leadership Board Rules of Procedure set out in Part 4.1 of this Constitution when considering any matter.

### **13.5 Decision making by Committees and Joint Committees established by NECA**

Committees and Joint Committees established by NECA will follow the Procedure Rules set out in Part 4 of this Constitution.

### **13.6 Decision Making by Officers**

Officers will exercise their delegated authority in accordance with the Scheme of Delegation to Officers set out in Part 3.7 of this Constitution and other provisions of this Constitution, and in particular will have regard to the relevant principles of decision making set out at paragraph 13.3 above.

## **14. Costs**

In accordance with the terms of the Deed of Co-operation signed between NECA and the seven Local Authorities of the LA7 area:

- Costs attributable to the delivery of transport functions in the LA7 area will be met by the Constituent Authorities, primarily from the three separate levies determined by the Joint Transport Committee and otherwise in the proportions specified in the Deed of Co-operation. This will include the costs of NECA acting as accountable body for the Joint Transport Committee and the Regional Transport team for so long as it holds this responsibility; and,
- The costs attributable to the delivery of North East Local Enterprise Partnership functions or the functions of Invest North East England will be met by the Constituent Authorities of the LA7 area in equal proportions. This will include the costs of NECA acting as the accountable body for the North East Local Enterprise Partnership and Invest North East England functions for so long as it holds these responsibilities.

The amount payable by each of the Constituent Authorities in relation to the costs of NECA's other functions will be apportioned between the Constituent Authorities by agreement but in default of such agreement in equal shares between the Constituent Authorities.

Any change in the contributions paid by the Constituent Authorities to NECA will be agreed between the Leadership Board and the Constituent Authorities.

## **15. Financial Management**

The management of NECA's financial affairs will be conducted in accordance with the Financial Procedures set out in Part 5 of this Constitution.

## **16. Legal proceedings**

The Monitoring Officer is authorised to:

- a) institute, defend or participate in any administrative action and/or in any legal proceedings;

- b) sign any document in any case where such action will facilitate the carrying out of decisions of NECA; or in any case where the Monitoring Officer considers that such action is necessary to protect NECA's interests, or to further or achieve the objectives of NECA; and
- c) settle or otherwise compromise any such administrative action or legal proceedings if they have been commenced or there are reasonable grounds for believing such actions or proceedings may be contemplated.

Such powers may be exercised by an officer in their own name once authorised by the Monitoring Officer.

Any notices to be served on NECA are to be sent to NECA Monitoring Officer at South Tyneside MBC, Town Hall and Civic Offices, Westoe Road, South Shields NE33 2RL, which for the purposes of section 231 of the Local Government Act 1972 and any other enactment shall be regarded as the principal office of NECA.

## **17. Authentication of documents**

NECA adopted its current Common Seal at its meeting in November 2018. The Seal must be kept safely and securely by the Monitoring Officer and the Seal shall be under the control of the Monitoring Officer at all times.

Where any document is necessary to any legal procedure or proceedings on behalf of NECA, it will be signed by the Monitoring Officer or some other person duly authorised by NECA or the Monitoring Officer, unless any enactment otherwise authorises or requires.

Any contract with a value exceeding £30,000 entered into by NECA shall be in writing. Such contracts must be signed by two duly authorised officers of NECA or made under the Common Seal of NECA attested by an authorised officer. Any contract with a value exceeding £75,000 must be made under the Common Seal of NECA and attested by the Monitoring Officer or some other person authorised by the Monitoring Officer.

## **18. Review and Revision of the Constitution**

The Monitoring Officer will monitor and review the operation of the Constitution on an annual basis.

Changes to the Constitution will only be approved by the Leadership Board after consideration of the proposal by the Monitoring Officer and in accordance with the Leadership Board Rules of Procedure in Part 4 of this Constitution.

## Part 2 Powers and Functions

This part of the Constitution sets out the legislative background of the powers and functions transferred to NECA.

### Part 2.1 Transport Functions of the former Tyne and Wear Integrated Transport Authority (TWITA) transferred to NECA\*

Pursuant to the Order (as amended and augmented by the Second Order) the following functions of the former TWITA are transferred to NECA:-

- a) The discharge of all the functions, duties and responsibilities of the former TWITA.
- b) Without prejudice to the generality of sub-paragraph a) the discharge of all functions of the former TWITA that are provided for within the Transport Acts 1968, 1983, 1985 and 2000, the Local Government Act 1972, the Transport and Works Act 1992 and the Local Transport Act 2008.
- c) The appointment of members to Nexus in accordance with Article 16 of the Tyneside Passenger Transport Area (Designation) Order 1969 (as amended).

### Part 2.2 Transport Functions of Durham County Council transferred to NECA\*

2.2.1 Pursuant to the Order the following functions of Durham County Council are transferred to NECA:-

- a) Transport functions contained in Parts 4 and 5 of the Transport Act 1985 and Part 2 of the Transport Act 2000.

2.2.2 It is anticipated that the Joint Transport Committee will make arrangements for the exercise of transport functions in the Local Authority areas of Durham and Northumberland by the County Council's for those Local Authority areas respectively<sup>1</sup>.

2.2.3 NECA (as accountable body for the Joint Transport Committee), and in effect the Joint Transport Committee, may under the provisions of Article 9(2) of the Second Order, make arrangements for the exercise of any of its functions by NECA or its Officers. In addition, the Combined Authorities may agree to delegate transport functions under section 102 of the Local Government Act 1972 (arrangements for the discharge of functions) unless such delegation is prohibited by legislation.

2.2.4 The Leadership Board, the Combined Authorities, Joint Transport Committee and Nexus may draw up and agree detailed protocols in relation to the discharge of the transport functions and will keep these protocols under review.

2.2.5 Protocols drawn up, agreed, or revised under the paragraphs above will not in themselves constitute arrangements for the discharge of functions made in accordance with Article 9(2) of the Second Order, section 101 of the Local Government Act 1972 or the Local Authorities (Arrangements for the Discharge of Functions) (England) Regulations 2012.

<sup>1</sup> Noting the wording of Article 9(2)(a) of the Second Order.

**\* The majority of transport functions of NECA may only be exercised by a Joint Committee established pursuant to Articles 8 and 9 of the Second Order. In addition, the North East Joint Transport Committee is a joint committee constituted with NoTCA in accordance with Sections 101 and 102 of the Local Government Act 1972.**

### **Part 2.3 Economic Development and Regeneration**

Pursuant to the Order, the following economic development and regeneration functions of the Constituent Authorities are to be exercised by NECA concurrently with the Constituent Authorities:

- a) The duties under sections 15ZA, 15ZB, 15ZC, 17A, 18A (1)(b), 514A and 560A of the Education Act 1996 (duties and powers related to the provision of education and training for persons over compulsory school age).
- b) The power under section 144 of the Local Government Act 1972 (the power to encourage visitors and provide conference and other facilities)
- c) The duty under section 69 of the Local Democracy, Economic Development and Construction Act 2009 (duty to prepare an assessment of the economic conditions of the local authority's area)

2.3.1 Any requirement in any enactment for a Constituent Authority to exercise any function may be fulfilled by the exercise of that function by NECA unless there is a contrary intention expressed in any enactment.

2.3.2 The Leadership Board and the Constituent Authorities, in consultation with the EDRAW, will draw up and agree detailed protocols in relation to the discharge of the economic development and regeneration functions.

2.3.3 The Leadership Board and the Constituent Authorities will keep the protocols referred to above under regular review and may revise them from time to time.

2.3.4 Protocols drawn up, agreed, or revised under the paragraphs above will not in themselves constitute arrangements for the discharge of functions made in accordance with section 101 of the Local Government Act 1972 and the Local Authorities (Arrangements for the Discharge of Functions) (England) Regulations 2012.

### **Part 2.4 Incidental Provisions**

Pursuant to the Order, the following provisions have effect as if NECA was a local authority for the purposes of these provisions:

1. Section 142(2) of the Local Government Act 1972 (the power to arrange for publication of information etc. relating to the functions of the authority).
2. Section 222 of the Local Government Act 1972 (the power to instigate and defend legal proceedings).

3. NECA shall have the power to exercise any of the functions described in subsection 1(a) and (b) of section 88 of the Local Government Act 1985 (research and collection of information whether or not a scheme is made under that section).
4. Section 13 of the Local Government and Housing Act 1989 shall have effect as if:-
  1. in subsection (4) after paragraph (h) there were inserted
 

“4(i) subject to subsection (4A), a committee appointed by the Durham, Gateshead, , South Tyneside and Sunderland Combined Authority” and
  2. After subsection (4) there were inserted –
 

“(4A) A person who is a member of a committee falling within paragraph (i) of subsection (4) or a sub-committee appointed by such a committee shall for all purposes be treated as a non-voting member of that committee or sub-committee unless he is a member of one of the Constituent Council’s as defined by article 2 of the Durham, Gateshead, South Tyneside and Sunderland Combined Authority Order 2014.”
5. The Apprenticeships Skills, Children and Learning Act 2009 shall have effect as if NECA were a local authority for the purposes of section 84(2) of the Act.

### **Part 2.5 Functions conferred on NECA by local government legislation**

NECA shall have such other powers, duties and responsibilities as are conferred on a Combined Authority by any enactment.

Without prejudice to the generality of the above, such powers, responsibilities and duties include:

- a) Broad well-being powers given to it by virtue of sections 99 and 102A of the Local Transport Act 2008, the functions related to the general power of competence given to it under section 1 of the Localism Act 2011 and the general powers granted to it by virtue of section 113A of the Local Democracy, Economic Development and Construction Act 2009 to promote economic growth.
- b) The duty to appoint a Head of Paid Service, a Monitoring Officer and an Officer with responsibility for the administration of NECA’s financial affairs.
- c) The power to borrow money for a purpose relevant to its transport functions only.
- d) The power to appoint staff and to enter into agreements with other local authorities for the secondment of staff.
- e) The power to acquire land by agreement or compulsorily for the purpose of any of its functions and to dispose of such land.



- f) The power to pay subscriptions to the funds of local authority associations.
- g) The duty (without prejudice to any other obligation) to exercise its functions with due regard to the need to prevent crime and disorder, the misuse of drugs and alcohol or re-offending in the Combined Area.
- h) The power under section 111 of the Local Government Act 1972 to do anything (subject to any other enactment) which is calculated to facilitate, or is conducive or incidental to the discharge of NECA's functions.

2.5.1 NECA is a local authority for the purposes of the Local Government Act 1972 and in particular section 101 of the Local Government Act 1972 (arrangements for the discharge of functions by local authorities).

2.5.2 NECA is a best value authority for the purpose of section 1 of the Local Government Act 1999.

2.5.3 NECA is a public body for the purpose of the Freedom of Information Act 2000.

2.5.4 NECA is a local authority for the purpose of the power of a Minister of the Crown to pay grants.

## Part 3 Responsibility for Functions

This part of the Constitution sets out which parts of NECA are responsible for carrying out particular functions and can also be referred to as their terms of reference.

### Part 3.1 The Leadership Board

Membership – 5 (one Member for each Constituent Authority and a non-voting LEP Member)

Quorum 3

**A Only the Leadership Board will exercise the following functions which require a unanimous vote in favour by all Constituent Authorities:**

1. The adoption of, and any amendment to or withdrawal of, any growth plan included in the Budget and Policy Framework.
2. The adoption of, and any amendment to or withdrawal of, any local transport plan under section 108(3) of the Transport Act 2000<sup>2</sup>.
3. The approval of, and any amendment to, NECA's annual budget excluding any spending plan related to the functions conferred upon the Joint Transport Committee.
4. The approval of, and any amendment to or withdrawal of, growth schemes set out in any adopted Growth Plan including the local major schemes devolved funding.
5. The approval of, and any amendment to or withdrawal of, borrowing limits, treasury management strategy including reserves, investment strategy and capital budget of NECA.
6. The approval of, and any amendment to or withdrawal of, such other plans and strategies as determined by the Leadership Board and included in the Budget and Policy Framework excluding any plans or strategies related to functions conferred upon the Joint Transport Committee.

**B Other functions reserved to the Leadership Board which do not require a unanimous vote in favour by the Constituent Authorities include (but are not limited to):**

7. The transfer of any further functions by the Constituent Authorities to NECA and the acceptance of those functions by NECA.

<sup>2</sup> It is noted that this obligation for unanimity is contained in the Order as amended by the Second Order (see Schedule 2, paragraph 3(6) of the Order as amended by Schedule 5, Part 2 of the Second Order). However, this is also a matter reserved for the unanimous decision of the Joint Transport Committee by virtue of Schedule 2, paragraph 3(5)(a) of the Second Order. Accordingly, whilst properly included in this Constitution, the Leadership Board will not exercise this power.

8. The transfer of further functions to the Joint Transport Committee.
9. The appointment of any individual co-optees to the Leadership Board.
10. The use of the general power of competence by NECA beyond the powers provided within the Local Democracy, Economic Development and Construction Act 2009.
11. The approval of any amendment to NECA's Constitution which has not been delegated to the Monitoring Officer (see Part 3.6 Scheme of Delegation of Functions to Chief Officers).
12. Adoption and amendment of any scheme of delegation or reservation of authority to Chief Officers or officers, any Delivery Agencies or committee or joint committee.
13. The appointment of a statutory chief officer (Head of Paid Service, Monitoring Officer and Chief Finance Officer).
14. The designation of NECA's Head of Paid Service.
15. Strategic influence of the development and operation of air, rail, road, river, sea and public transport networks.
16. The approval of (and any amendment to or withdrawal of) formal partnership agreements and arrangements with external partners and other stakeholders (e.g. central government, MPs/ MEPs, rail franchisors/franchisees) on strategic transport issues.
17. The approval of the policies and strategies to be included in the policy framework.
18. The approval of NECA's annual accounts.
19. The appointment of NECA's members to the Joint Transport Committee.
20. The appointment/selection of the Overview and Scrutiny Committee and any other committee or sub-committee as considered by the Leadership Board as appropriate to discharge its functions.
21. The appointment/selection of a Chair and Vice Chair of any committee or sub-committee.
22. The appointment of co-opted members to any of its committees or sub-committees.
23. The appointment of independent members of the Audit and Standards Committee and the Overview and Scrutiny Committee (which may be the Chair and Vice Chair of those committees).

24. The appointment of the Independent Person as required by the Localism Act 2011.
25. The appointment of any independent expert adviser for NECA or any of its committees or sub-committees.
26. The agreement to the establishment of working groups within NECA in connection with or in relation to the functions or responsibilities of the Authority undertaken by the Leadership Board, joint committees, committees or sub- committees of the Authority (the Overview and Scrutiny Committee is entitled to establish scrutiny groups without the agreement of the Leadership Board – see paragraph 20 of Part 4.4 Overview and Scrutiny Committee Rules of Procedure).
27. The designation of the Thematic Leads.
28. The suspension or dismissal of a statutory chief officer (Head of Paid Service, Monitoring Officer and Chief Finance Officer) and the appointment, suspension or dismissal of any deputy of such a statutory chief officer and the appointment, suspension or dismissal of any non-statutory chief officer or any deputy of such a non-statutory chief officer (See Part 4.5 Officer Employment Rules of Procedure).

Information:

1. The Order requires each constituent authority to appoint another of its elected members to act as a member of NECA in the absence of the member appointed to NECA. These appointments will usually be made by each Constituent Authority prior to the Leadership Board's Annual Meeting.

For more information on substitutes see the items of business for the Annual Meeting and ordinary meetings of the Leadership Board in Part 4 – Rules of Procedure.

## Part 3.2 Economic Development and Digital Advisory Board

Membership: 4 (one Member from each of the Constituent Authorities)

Quorum: 3 (not including the co-opted or LEP members)

Also: 1 non-voting member from the LEP  
Any non-voting co-opted members approved by the Leadership Board representing key sectors in the region including the North East Chamber of Commerce and the CBI and the FSB.

The aim of the Economic Development and Digital Advisory Board (EDDAB) is to support the Leadership Board in the development of the Economic Development and Digital Theme by:

- Making recommendations to the Leadership Board based on insight and intelligence that is not otherwise available to Board so that the decisions taken reflect the needs and ambitions of the key stakeholders in the region.
- Providing strategic advice and intelligence relating to key drivers of growth and barriers to investment and growth and other issues relevant to NECA's aim to pursue sustainable economic growth in the region.
- Advising and supporting NECA in the development of the Economic Development and Digital strategic priorities and implementation plans.
- Supporting the Economic Development and Digital Thematic Lead in the delivery of the Economic Development and Digital Implementation Plan.

The Leadership Board shall seek the advice and recommendations of the EDDAB on such economic development and regeneration matters as the Leadership Board considers appropriate, which shall include (but are not limited to):

1. The development of a Regional Investment Plan that will support economic growth and build on the opportunities presented by the region's growth assets.
2. The implementation of activity that is consistent with the strategic intent outlined in the Strategic Economic Plan and associated Economic Development and Digital Implementation Plan.
3. Recommendations on the allocation of resources and approval of funding proposals and the prioritisation of planned regional investment in infrastructure and assets.
4. Monitoring and overseeing collaborative initiatives to promote inward investment.
5. Commissioning provision that is consistent with the agreed objectives.
6. Ensuring that measures associated with the delivery of the Economic Development and Digital work programme are linked effectively with other related service areas.

7. Advising and approving evaluation measures for the Economic Development and Digital related activities.
8. Monitoring performance of the delivery of the Economic Development and Digital work programme.
9. Considering Economic Development and Digital related matters specifically referred to the Advisory Board by the Leadership Board.
10. Informing the evolution of Economic Development and Digital related activities, taking account of government policy, global trends and capability and capacity in the region.
11. Establishing and engaging in working groups formed to progress specific priorities with the Economic Development and Digital work programme.
12. Approve an Annual Report summarising the work of the Board over the previous year for submission to Annual Meeting of the Leadership Board.

Information:

1. The Advisory Board will be chaired by the Economic Development and Digital Thematic Lead.
2. One substitute member is permitted for each Constituent Authority.
3. A Vice-Chair will be appointed from the business representative co-opted members of the Advisory Board.

### 3.3 Audit and Standards Committee

- Membership: 6 One councillor from each Constituent Authority and two non-voting Independent Members who will act as Chair and Vice Chair.
- Quorum: 3<sup>3</sup> Not including the Independent Members or the Independent Person
- Also: 1 Independent Person for the purposes of the Standards regime who can be invited to observe at meetings

The Audit and Standards Committee is a key component of NECA's corporate governance arrangements and is an important source of assurance about the organisation's arrangements for managing risk, maintaining an effective control environment; reporting on financial and other performance; and for the promotion and maintenance of high standards of conduct by its elected and co-opted members.

The Committee will also review complaints made against Members in respect of alleged breaches of the Members' Code of Conduct in accordance with agreed adopted local arrangements (see Part 6.1 of the Constitution).

#### Terms of reference

The following functions are the responsibility of the Audit and Standards Committee:

#### Audit

1. To consider the effectiveness of NECA's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements, and seek assurance from the Head of Paid Service, Internal Audit and External Audit that action is being taken on risk related issues within the organisation.
2. To consider internal audit annual report and opinion; and consider a review of the effectiveness of the system of internal audit.
3. To consider a review of the effectiveness of the organisation's system of internal control on an annual basis. This will include consideration of the Annual Governance Statement, and whether this has been prepared in accordance with proper practices in relation to internal control, whether this properly reflects the risk environment, and whether this includes actions required for improvement. Following that consideration, the Audit and Standards Committee will approve the Annual Governance Statement.
4. To receive the following plans on an annual basis:

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<sup>3</sup> Note the requirements of Article 14 of SI 2017/68

- a) Internal Audit's Strategic Audit Plan, including Internal Audit's terms of reference, strategy and resources. The Audit and Standards Committee will approve, but not direct, the Strategic Audit Plan.
  - b) The External Auditor's Audit Service Plan, including details of any non-audit services provided.
5. To receive an interim and end of year report on the progress made by Internal Audit and External Audit in achieving their respective plans of work, so that the Committee may monitor performance in this regard.
  6. The Audit and Standards Committee may suggest that Internal Audit undertakes reviews into specific areas of concern. Internal Audit will then determine whether such work should be undertaken, having regard to the nature, materiality and gravity of the matter referred, and the corresponding importance of planned work which would be delayed by attending to the matter referred.
  7. The Audit and Standards Committee will receive external audit reports, including Annual Audit Letter, Fee Letter, Annual Governance Report, and other external audit reports as appropriate; and the reports of other regulatory and inspection agencies where these highlight internal control and risk issues.
  8. The Audit and Standards Committee will consider the scope and depth of external audit work to ensure it gives value for money.
  9. The Audit and Standards Committee will promote effective relationships between external audit and internal audit, inspection agencies and other relevant bodies, and champion the audit process.
  10. The Audit and Standards Committee will receive follow-up reports on the progress made in implementing agreed internal and external audit recommendations, in order that it may review this progress.
  11. The Audit and Standards Committee will review the accounting policies used to compile NECA's Statement of Accounts.
  12. The Audit and Standards Committee will review key information relating to NECA's Statement of Accounts.
  13. The Audit and Standards Committee will review the external auditor's opinion and reports on the statement of accounts, and monitor management action in response to any issues raised in relation to the accounts by external audit.
  14. The Audit and Standards Committee will ensure it is aware of the work undertaken by other committees, so it can take account of any significant internal control issues arising from this work.

### Standards

15. To promote and maintain high standards of conduct by NECA members and co-opted members.



16. To ensure NECA members and co-opted members observe the Members' Code of Conduct.
17. To advise the Leadership Board on the adoption or revision of the Members' Code of Conduct.
18. To monitor the operation of the Members' Code of Conduct.
19. To advise, train or arrange to train NECA members and co-opted members on matters relating to the Members' Code of Conduct and Disclosable Pecuniary Interests.
20. To grant dispensations to NECA members and co-opted members from requirements relating to interests set out in the Members' Code of Conduct.
21. To monitor complaints received by NECA in respect of Member conduct.
22. To review the Whistleblowing Policy and recommend any changes to the Monitoring Officer for consideration by the Leadership Board.
23. To conduct hearings following investigation and determine complaints made against members and co-opted members (including following requests for review).
24. Where a member or co-opted member is found to have failed to comply with the Code of Conduct to take such action as may be necessary to promote and maintain high standards of conduct, in accordance with the powers available to the Committee.
25. To review the assessment criteria for complaints against members and co-opted members (included in the Authority's adopted local arrangements) as it considers appropriate from time to time and recommend any changes to the Monitoring Officer for consideration by the Leadership Board.
26. To undertake such further functions as may be the responsibility of the Committee under NECA's adopted local arrangements in relation to the handling of complaints against members and co-opted members.
27. To appoint when required a Standards Sub-committee to conduct hearings and determine complaints of breaches of the Code of Conduct for Members and for granting dispensations for members with registerable and non-registerable personal interests to enable Members to participate and vote at committee meetings.
28. To appoint, when required, a Sub-committee for purposes determined by the Audit and Standards Committee, in relation to the discharge of its role.

Information:

1. Nothing in these terms of reference shall confer upon the Audit and Standards Committee the power to regulate or control the finances of NECA, in order to ensure that section 102(3) of the Local Government Act 1972 is not contravened.
2. The two co-opted Independent Members of the Audit and Standards Committee will fulfil the roles of Chair and Vice Chair of the Committee and will be appointed by the Leadership Board. Co-opted members can attend and speak at meetings of the Audit and Standards Committee to which they are appointed but cannot vote.
3. The Localism Act 2011 requires NECA to appoint at least one Independent Person for their views to be sought and taken into account before the Audit and Standards Committee makes its decision on an allegation about a Members' conduct which has been investigated and at other times when considered appropriate. An Independent Person's views may also be sought by a Member who is the subject of a misconduct complaint.
4. The Members' Code of Conduct and all codes and protocols can be found in Part 6 - Codes of Conduct and Protocols.
5. Substitute members may be appointed for voting members of the Audit and Standards Committee. The substitute member will be a member of the Constituent Authority's Standards or Audit Committee. There are no substitute members for a Sub-committee.

### **Standards Sub-committee**

- Membership: 3 To be selected from the voting members of the Audit and Standards Committee by the Monitoring Officer in consultation with the Chair of the Audit and Standards Committee.
- Quorum: 3 Not including the Independent Person.
- Also: 1 Independent Person for the purposes of the Standards regime who must be consulted as appropriate. The Chair or Vice Chair may be non-voting members of the committee and, in the same manner as the independent person, will not be counted towards the quorum.

### Terms of reference

1. To consider applications from members and co-opted members for dispensation from requirements relating to interests as set out in the Members' Code of Conduct.
2. To conduct hearings following an investigation to determine complaints made against members of the Authority (including following requests for review).
3. To receive the report from the Investigating Officer when no breach of the Code of Conduct has been found to have occurred and to determine whether to accept the report, refer the report to a hearing or refer it back to the Investigating Officer for further investigation.

4. To consider complaints of breaches of the Code of Conduct for Members received referred by the Monitoring Officer where the Monitoring Officer is unable to act because of a conflict of interest and to refer such a complaint for investigation if considered appropriate.
5. To undertake other functions of the Audit and Standards Committee as may be delegated to the Sub-committee in respect of complaints against the members and co-opted members of the Authority.

Information:

1. The Standards Sub-committee will conduct their proceedings in accordance with the Audit and Standards Committee procedure rules, subject to any modifications required to comply with NECA's adopted local arrangements in relation to the handling of complaints against members and co-opted members.
2. Membership of the Sub-committee will be determined by availability to attend and, where possible, drawn from different Constituent Authorities to those against whom the complaint has been made.

## Part 3.4 Overview and Scrutiny Committee

Membership:	8	Two Members from each Constituent Authority who are not Members of the Leadership Board or any other decision-making committee of NECA. The appointment of the Constituent Authority Members to the Committee will be based, so far as reasonably practicable, on the political balance that applies to the region as a whole at the time of appointment.
Also:	2	Non-voting Independent Chair and Vice-Chair
Quorum:	7	Including the non-voting Independent Chair or Vice-Chair

Effective scrutiny arrangements are an essential component of local democracy, enhancing accountability and transparency of decision making and enabling local councillors to represent the views of their constituents. These arrangements have been established to enable local councillors, on behalf of their communities, to scrutinise and challenge the Leadership Board and its relevant committees, and to investigate matters of strategic importance to residents within the Combined Area covered by the Constituent Authorities with a view to influencing the decisions.

The Overview and Scrutiny Committee will also investigate matters of strategic importance to residents within the Combined Area covered by the Constituent Authorities with a view to influencing decisions made in respect of all matters within the remit of NECA.

The Overview and Scrutiny Committee can:

1. Review and scrutinise the decisions made, or other action taken by, the Leadership Board in connection with the discharge of its functions.
2. Review or scrutinise a decision made in connection with the discharge of any functions which are the responsibility of the Leadership Board which have not been implemented and recommend that the decision be reconsidered by the Leadership Board.
3. Work closely with the Overview and Scrutiny Committee of the Joint Transport Committee to ensure effective and joined up scrutiny arrangements
4. Make reports or recommendations to the Leadership Board on the discharge of these functions.
5. Review and scrutinise the Leadership Board's initial and final proposals in respect of plans and strategies falling within the Budget and Policy Framework, in accordance with the Budget and Policy Framework Rules of Procedure (see part 4.4)

6. Establish a Call-in Sub-Committee to exercise call-in powers and consider decisions taken but not implemented (See Rule 22 of the Overview and Scrutiny Procedure Rules for information about the process for calling-in decisions).
7. Investigate matters of strategic importance to residents of the Constituent Authorities and make reports with evidence based recommendations to the Leadership Board.
8. Review the performance of the Leadership Board against objectives within the Combined Area's Strategy.
9. Facilitate the exchange of information about the work of the Leadership Board and the Joint Transport Committee and to share information and outcomes from reviews.
10. The role of these arrangements in relation to the Delivery Agencies will include:-
  - a) Review and scrutiny of the Nexus delivery of transport services against the Local Transport Plan and to make recommendations for improvement and/or changes; and
  - b) Obtaining explanations from Nexus regarding its delivery of transport services.
11. To establish working groups to consider any matter.

### **Proceedings**

The Overview and Scrutiny Committee will conduct their proceedings in accordance with Part 4.3 Overview and Scrutiny Committee Rules of Procedure.

## **Part 3.5 Joint Transport Committee (JTC)**

Together with the NoTCA, NECA appoints a Joint Transport Committee to exercise certain functions (prescribed by Article 9 of the Second Order (which are reproduced below) and other legislation). This appointment is made in accordance with the duties falling upon NECA by Article 8 of the Second Order.

This Committee is also constituted by NECA and NoTCA as a joint committee for the purposes of Section 102 of the Local Government Act 1972, where the functions of the Joint Transport Committee go beyond those prescribed by Article 9 of the Second Order.

Membership – 7 (being four members appointed by NECA and three members appointed by NoTCA in accordance with Schedule 2 of the Second Order). The Combined Authorities will also appoint substitute members as required by Schedule 2 of the Second Order.

Quorum – 4 (two members or substitute members from each Combined Authority).

### **Transport functions of Joint Transport Committee**

The JTC shall exercise the following functions on behalf of the Combined Authorities which, to the full extent necessary, are delegated to the Joint Transport Committee by NECA (and are delegated on similar terms by NoTCA):

- a) All the functions of an integrated transport authority which are exercisable by NECA by virtue of articles 6 and 7 of the Order.
- b) The functions of a county council which are exercisable by NECA by virtue of articles 8 and 9 of the Order.
- c) The functions of an integrated transport authority or county council which are exercisable by the Combined Authorities by virtue of Article 7(1)(a) to (c) and (4) to (7) of the Second Order.
- d) The functions of NECA as an Authority under Part 2 of the Transport Act 1968.
- e) The functions of NECA as a combined authority under Parts 4 and 5 of the Transport Act 1985.
- f) The functions of NECA as a local transport authority under Part 2 of the Transport Act 2000.
- g) Anything to be done in relation to the property, rights and liabilities held by NECA jointly with NoTCA previously owned by the Tyne and Wear Integrated Transport authority or subsequently acquired as a consequence of NECA being a successor of the Tyne and Wear Integrated Transport Authority.

- h) The setting of any transport levy to be issued pursuant to the Transport Levying Regulations 2002 as amended by the Second Order and issued in accordance with the Order and the Second Order.
- i) Such other functions which may be delegated to it from time to time by NECA or the NoTCA and accepted by the Joint Transport Committee.
- j) The authority to determine its own proceedings and to adopt rules and procedures, which when adopted will form part of the Constitutions (Standing Orders) of NECA and NoTCA.

**A Only the Joint Transport Committee will exercise the following functions which require a unanimous vote in favour by all members (or substitute members in their absence):**

1. The adoption of any transport plan under section 108(3) of the Transport Act 2000 and the alteration or replacement of that plan under section 109(1) and (2) of that Act.
2. Approval of, or any amendment to, or withdrawal of, spending plans related to the functions of the Joint Transport Committee.
3. Setting of any transport levy under section 74 of the Local Government Finance Act 1988 and in accordance with regulations made thereunder.
4. Allocation of local transport plan funding to the individual Local Authorities of the LA7 area and the Tyne and Wear Passenger Transport Executive, Nexus.
5. Delegation of any functions of the Joint Transport Committee.

**B All other questions that are to be decided by the Joint Transport Committee are to be decided by a majority of members, or substitute members acting in the place of members, present and voting on the question at the meeting of the Joint Transport Committee<sup>4</sup>, including:-**

6. The appointment of a host Combined Authority to hold, manage and account for the finances and staff deployed in relation to the discharge of transport functions in the Combined Area;
7. Determining its own rules of procedure for the conduct of its proceedings (which to the extent necessary will be incorporated into the Host Combined Authority's standing orders or constitution) subject to the provisions on the quorum and proceedings contained in Schedule 2 of the New Order;
8. The appointment of members to any sub-committee and any individual co-optees to the Joint Transport Committee or any sub-committee;
9. The appointment and dismissal of the Proper Officer for Transport;

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<sup>4</sup> Schedule 2, paragraph 3(1) of the Second Order

10. The approval of (and any amendment to or withdrawal of) all other major transport schemes (including such matters as Franchising Schemes, Advanced Quality Partnerships and/or Enhanced Partnership Plans and Schemes ) which are funded from the North East transport budget which is managed by the Joint Transport Committee;
11. The approval of (and any amendment to or withdrawal of) a public transport strategy across the Combined Area;
12. Decisions concerning the monitoring and overseeing of the activities and performance of the County Councils in the discharge of the transport functions delegated to them by the Joint Transport Committee;
13. Decisions concerning the monitoring the capital programme and the activities carried out by the Delivery Agencies;
14. Decisions concerning recommendation or comments on the adequacy of resources, capacity and expert support required to assist the Proper Officer for Transport and the Regional Transport Team to discharge their functions;
15. Decisions concerning governance including ensuring its own decision making is effective and ensuring the good governance of Nexus in accordance with the responsibilities applicable to the Combined Authorities as set out in the Transport Act 1968 and other relevant legislation;
16. Decisions concerning influence and/or co-ordination of strategic investment in the highway network across the administrative area of the Constituent Authorities;
17. Decisions concerning the co-ordination, with the statutory Highway Authorities, of the development of a joint highway management plan;
18. The strategic influence of the development and operation of air, rail, road, river, sea and public transport networks;
19. The approval of (and any amendment to or withdrawal from) formal partnership agreements and arrangements with external partners and other stakeholders (e.g. central government, MPs/MEPs, rail franchisors/franchisees, Transport for the North) on strategic transport issues;
20. The formulation, development and monitoring of procedures for public consultation on, and lobbying for, the North East's transport policies including taking responsibility for the active promotion of the transport interests of the administrative areas of the Constituent Authorities;
21. Advising upon the borrowing limits of the Host Combined Authority in relation to transport matters pursuant to Section 3 of the Local Government Act 2003;
22. The development of policies for the promotion and encouragement of safe, efficient and economic transport facilities and services;



23. The formulation of general policies with respect to the availability and convenience of public passenger services across the Combined Area pursuant to Section 9A(5)-(7) of the Transport Act 1968.
24. Make recommendations to the Leadership Boards of the Combined Authorities about any transport matter.
25. Do anything that it has the power to do in accordance with Article 9 of the Second Order or any other legislation specifying that particular transport functions are to be exercised by the Joint Transport Committee;
26. Acceptance of any transport functions delegated to it under Sections 101 and 102 of the Local Government Act 1972 by the Combined Authorities.

**Information:**

1. The Chair of the Joint Transport Committee will be selected annually by the Joint Transport Committee.
2. There will be a Vice Chair of the JTC selected annually by the Joint Transport Committee who will be drawn from the members of the Committee. By protocol the Chair and Vice Chair will be drawn one from each of NECA and NoTCA.
3. One named substitute member is permitted for each Constituent Authority.
4. Except for matters prescribed by Schedule 2, paragraph 3(5) – and detailed in Part A above – which must be decided by the unanimous vote in favour by all members or substitute members, any questions that are to be decided by the JTC will be decided by a majority of the members, or substitute members, of the JTC present and voting.
5. In accordance with a Deed of Co-operation made between the Constituent Authorities and the Combined Authorities on 4 July 2018 it has been agreed that:
  - a. The exercise of functions as set out above, the Joint Transport Committee shall not incur or cause to incur any expenditure other than that which the Joint Transport Committee has approved as the total budget relating to the discharge of transport functions and which is administered by the host Combined Authority for such purpose; and

The Joint Transport Committee shall have no authority in relation to the Highways Maintenance Block Funding which shall be paid individually to the Constituent Authorities in the amounts specified by the Department for Transport.

**Committees of the Joint Transport Committee**

The Joint Transport Committee shall have three committees and may form additional committees in accordance with its own rules and procedures:

- a. A JTC Tyne and Wear sub-committee

- b. A JTC Overview and Scrutiny Committee (in accordance with Paragraph 4 to Schedule 2 of the Second Order)
- c. A JTC Audit Committee (as required by the Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017 as amended by the Second Order)

### **Joint Transport Committee – Arrangements for the exercise of functions**

The Joint Transport Committee is anticipated to make arrangements for the exercise of certain functions by:

1. The County Council of Durham
2. Northumberland County Council
3. Nexus
4. The Proper Officer for Transport (or as the case may be other officers of either Combined Authority – NECA or NoTCA)
5. NECA, as its accountable body

### **Exercise of functions by County Councils**

Arrangements will be made for the exercise of the following transport functions by the County Council of Durham and Northumberland County Council in relation to their respective administrative areas.

1. Considering and recommending to Joint Transport Committee the creation and development of:-
  - i) Quality Partnership Schemes pursuant to sections 114-123 of the Transport Act 2000; and
  - ii) Quality Contracts Schemes pursuant to sections 124-134 of the Transport Act 2000.
2. Implementing Concessionary Travel Schemes pursuant to sections 93 -105 of the Transport Act 1985.
3. Implementing ticketing schemes pursuant to sections 135-138 of the Transport Act 2000.
4. Determining the operation, performance and development of accessible transport provision (including the provision of grants) pursuant to section 106 of the Transport Act 1985.
5. All obligations of County Councils relating to mandatory travel concessions pursuant to sections 145A to 150 of the Transport Act 2000.
6. Those functions of County Councils set out in Part IV of the Transport Act 1985 (Passenger Transport in areas other than Integrated Transport Areas) under:
  - section 63 – functions of local Councils with respect to passenger transport

- section 81 – provision, maintenance and operation of bus stations
- section 82 – bus stations: restriction on discriminatory practices.

### **Delegations to Nexus**

By virtue of the Order and Second Order Nexus is an Executive Body and officer of NECA and NoTCA for the purposes of Section 101 of the Local Government Act 1972 and the following functions are delegated to it by NECA, as a result of NECA acting as the JTC's accountable body:

The opportunity can be taken to clarify the authority levels held by Nexus and when a transaction of a certain value must be referred upto the Tyne and Wear Committee.

- Delegations – acquisition and disposal of assets with the Tyne and Wear area up to a value of £250,000 per transaction (see paragraph 10 of TWSC paper dated 9 October 2014).

### **Delegation to the Proper Officer for Transport**

In accordance with Article 9(5) of the Second Order the Joint Transport Committee must designate a Proper Officer for Transport being the principal officer to assist the committee in exercising its functions. For these purposes the term Proper Officer has the same meaning as in Section 270(3) of the Local Government Act 1972.

The Joint Transport Committee has made the following delegations to the Proper Officer for Transport (together with the authority to sub-delegate to officers under the Proper Officer's direction and control):

The Proper Officer for Transport, as authorised by Article 9 of the Second Order, may exercise the delegated powers set out below in accordance with all applicable legislation, the Rules of Procedure and Financial Regulations of NECA and/or the JTC.

- The creation of posts below the level of Deputy Chief Officer to carry out its transport function, subject to the availability of budget provision.
- The day to day routine management supervision and control of services provided for the JTC by staff under his/her control.
- In relation to staff and staffing matters within his/her direct or indirect line management responsibility:
  - Day to day management of staff
  - Appointment, dismissal and disciplinary action powers
  - Determination of staff grievances
  - Determination of applications for paid and unpaid leave and overtime, expenses, loans and ex-gratia payments
  - Determination of the payment of removal expenses, lodging allowances or travelling allowances
  - Determination of the proposals to attend training courses

#### Contracts and Accounts:

- The disposal of surplus or obsolete equipment to the person submitting the highest quotation up to a limit of £10,000 in value
- The acceptance of the tender or quotation duly assessed as being the lowest or the most economically advantageous:
- For the supply of goods, materials or services for which financial provision has been made in JTC's Revenue Budget up to a limit of £100,000 in value for any one transaction, and
- For building and civil engineering works provided that the value of the tender is within the estimate previously approved by the JTC and does not exceed £250,000
- The invitation of quotations for contracts not exceeding £25,000 in value for the supply of goods, materials or services or the execution of works from at least three persons, subject to financial provision having been made in the Revenue or Capital Budget of the JTC.
- The provision of services or the purchase of materials or minor items of equipment up to a total of £10,000 within one order or series of related orders for which provision has been made in the revenue estimates.

#### Subject to the agreement of the Chief Finance Officer:

- To negotiate and agree price increases where a contract provides for such increases to be negotiated and agreed by the parties
- Where a contract contains provision for the extension to the contract period, the exercise of such extensions
- Agreeing the assignment or novation of a contract
- Write off debts up to an individual limit of £10,000

- Subject to the agreement of the Monitoring Officer and Chief Finance Officer (and any other consents or approvals required to be obtained under any enactment or contractual obligation):
  - To acquire by agreement any interest in land and property up to a value of £250,000 provided there is appropriate capital provision
  - To accept any offer or tender and agree and arrange for the disposal of any interest in land or property, provided the offer or tender does not exceed £250,000 and is the best consideration that can reasonably be obtained
  - To dispose of any interest in land or property at less than best consideration where the disposal will help the JTC secure the promotion or improvement of the economic, social or environmental well-being of the area
  - To grant access to land or property by third parties for filming, performance or educational purposes for any consideration (or none) considered appropriate
  - To make compensation payments relating to the new Tyne crossing
- In agreement with the Monitoring Officer:
  - To secure, receive and act upon notices, give or refuse consents, issue determinations, apply for permissions, make orders, grant licences, request the Monitoring Officer to take legal action, or take any other appropriate action to safeguard or promote the interests of the JTC or to prevent or mitigate harm to persons, property or the environment
  - To enter into contract documentation following tender/bid acceptance
- To authorise in writing other employees under his/her control to act on his/her behalf in the exercise of delegations.
- The Proper Officer for Transport should not exercise these delegated powers where:
  - The matter or function is reserved to the JTC or NECA
  - The matter or function cannot by law be discharged by an officer
  - The Head of Paid Service, the Monitoring Officer or the Chief Finance Officer has directed that a delegated function should not be exercised in any particular instance
  - The JTC or NECA or any sub-committee has determined that a delegated function should not be exercised in any particular instance
- Before exercising delegated powers, the Proper Office for Transport should consider the appropriateness of exercising such powers bearing in mind any strategic, reputational or financial impact and should consult the Head of Paid Service, Monitoring Officer and Chief Finance Officer if in any doubt.

## Relationship with the Host Combined Authority

NECA has been appointed by the Joint Transport Committee ([and with the agreement of the Local Authorities of the LA7 Area in accordance with an accountable body agreement]) and has agreed to act as its accountable body and assume accountable body responsibilities.

As accountable body NECA is responsible for overseeing the legal and financial management of all regional transport resources, recognising that the assets are, in many cases, jointly owned by the Combined Authorities. This includes:

1. Entering into contracts, grants and other agreements to give effect to decisions of the Joint Transport Committee, managing its funding and all financial matters.
2. Ensuring the availability of resources necessary to discharge accountable body responsibilities including the employment of staff and ensuring sufficient availability of Head of Paid Service, Chief Financial Officer, Monitoring Officer (Chief Legal Officer) and Scrutiny Officer, subject only to necessary financial contributions being received from the Constituent Authorities.

NECA acknowledges that its roles as accountable body is one of administration and management to implement the decisions and directions of the Joint Transport Committee and does not involve the commercial or economic review of any decision or direction of the Joint Transport Committee or any committee holding decision making authority. However, NECA shall not be obliged to act upon any decision or direction of the Joint Transport Committee or any such committee which is:

- a. Not made in accordance with these Standing Order and Rules of Procedure;
- b. Not made with any agreement between the Combined Authorities or the Local Authorities of the LA7 Area;
- c. Inconsistent with the principles of probity and sound financial practice.
- d. Inconsistent with public law principles;
- e. Illegal.

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<sup>6</sup>The Proper Officer for Transport is covered by the delegations applicable to a chief officer/service director in the NECA Scheme of Delegation (and, as DG Nexus, the Nexus Scheme of Delegation)

## Part 3.6 Proper Officers

Section 112(1) of the Local Government Act 1972, provides that NECA shall appoint such officers as it thinks necessary for the appropriate discharge by the Leadership Board of such of its functions as fall to be discharged by them.

There are a number of specific references in the 1972 Act and the 1985 Local Government Act, which call for functions to be undertaken by what is termed the 'Proper Officer'. The following lists such references and identifies the Chief Officers responsible for their discharge.

### A Head of Paid Service

The Head of Paid Service is responsible for the corporate and overall strategic management of NECA's staff in accordance with section 4 of the Local Government and Housing Act 1989.

The Head of Paid Service cannot be the Monitoring Officer.

### B Monitoring Officer

Under the provisions of the Local Government and Housing Act 1989, the Leadership Board shall appoint a Monitoring Officer who will be responsible for promoting and maintaining high standards of conduct. The Monitoring Officer will provide advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budgetary issues to all Members and provide a comprehensive administrative service to NECA.

The Monitoring Officer to NECA is appointed the Proper Officer in relation to the following under the Local Government Act 1972:

- a) Determination of those reports which should be available for public inspection prior to a meeting of the Leadership Board, the EDRAB and any Committee or Sub-committee of the Leadership Board and those which are likely to be heard in private and consequently which should not be released to the public (section 100B (2)).
- b) Provision of documents to the press, additional to committee reports (section 100B (7)).
- c) Preparing written summaries of proceedings (section 100C (2)).
- d) Making arrangements for list of, and background papers to reports, to be made available for public inspection (section 100D (1)).
- e) Determination of documents disclosing exempt information which may not be inspected by Members (section 100F (2)).
- f) Signature of Summonses to NECA (paragraph 4 (2) (b) of Schedule 12).
- g) Receipt of notices regarding address to which Summonses to meetings of NECA are to be sent (paragraph 4 (3) of Schedule 12).
- h) Declaration and Certificates with regard to securities (section 146 (1)(a) and (b)).
- i) Deposit of documents (section 225 (1)).
- j) Certifications of photographic copies of documents (section 229 (5)).

- k) Issuing and signing of formal notices (section 234 (1) and (2)).



- l) Serving copies of Byelaws (section 236 (9) and (10)).
- m) Certification of Byelaws (section 238).

The Monitoring Officer will maintain an up to date Register of Member's interests and an up to date version of the Constitution and will ensure that it is widely available for consultation by Members, officers and the public.

The Monitoring Officer will contribute to the promotion and maintenance of high standards of conduct through provision of support to the Audit and Standards Committee and be the Proper Officer for receipt and acknowledgement of complaints of failure by a Member of NECA to comply with the Members Code of Conduct.

The Monitoring Officer is also responsible for promoting the role of the authority's overview and scrutiny committee; providing support to the authority's overview and scrutiny committee and its members; and to provide support and guidance to members and officers of the authority in relation to the functions of the overview and scrutiny committee.

The Monitoring Officer cannot be the Head of Paid Service or the Chief Finance Officer.

### **C Chief Finance Officer**

The Chief Finance Officer has responsibility for ensuring lawfulness and financial prudence of decision making. The Chief Finance Officer is appointed Proper Officer in relation to the following:

- a) receipt of money due from officers (Local Government Act 1972, section 115 (2); and
- b) administration of the financial affairs of NECA (Local Government Act 1985 section 73).

### **D General**

All officers in whose name reports are submitted to the Leadership Board, the EDDAB, or any Committee or Sub-committee of the Leadership Board via the Monitoring Officer and Chief Finance Officer are appointed the Proper Officers in relation to the following under the Local Government Act 1972:

- a) Compilation and retention of lists of background papers and copies of the relevant documents and reports (section 100D (1) (a)).
- b) Identifying and determining what are background papers (section 100D (5)).

## Part 3.7 Scheme of Delegation of Functions to Chief Officers

1. Section 101 of the Local Government Act 1972 enables NECA to delegate any of its functions to its officers. This part of the Constitution specifies those powers of the Leadership Board which, for the time being, are exercisable from time to time by officers of NECA and stating the title of the officer in question by whom the powers are exercisable.
2. Chief Officers in the context of this Constitution mean the Head of Paid Service, the Chief Finance Officer and the Monitoring Officer.
3. The delegated powers of Chief Officers set out in this Scheme may be exercised by other officers authorised by the Chief Officer with the delegated power to act on their behalf and in their name, provided that administrative procedures are in place to record the authorisation and monitor decisions taken.
4. The exercise of delegated powers by officers is required to be in accordance with:
  - a) Statute or other legal requirements, including the principles of public law, the Human Rights Act 1998, statutory guidance and statutory codes of practice;
  - b) this Constitution, the Leadership Board's Rules of Procedure and Financial Regulations currently in force;
  - c) the revenue and capital budgets of NECA, subject to any variation thereof which is permitted by NECA's Financial Regulations; and
  - d) any policy or direction of the Leadership Board, committee or any other committee acting in exercise of powers delegated to that committee by NECA.
5. Officers may **not** exercise delegated powers where:
  - a) the matter is reserved to the Leadership Board by law or by this Constitution;
  - b) the matter is a function which cannot by law be discharged by an officer;
  - c) the Leadership Board, or a committee, sub-committee or joint committee to which NECA is a party, has determined that the matter should be discharged otherwise than by an officer;
  - d) the Head of Paid Service has directed that the officer concerned should not exercise a delegated function in special circumstances.
6. Before exercising delegated powers, particularly on matters involving the reputation of NECA, officers should consider the advisability of consulting the Head of Paid Service and/or the Chair of the Leadership Board.
7. Where, in relation to an item before the Leadership Board, a joint committee, committee or sub-committee, a Chief Officer is given specific authority to determine a particular matter, the officer should ensure that there is an appropriate audit trail to evidence such determination.
8. Any reference in this Scheme of Delegation to any enactment shall include a reference to any amendment or re-enactment of the same.

## A General Delegations to all Chief Officers

GD1 The day to day routine management, supervision and control of services provided for NECA by staff under their control in accordance with the Rules of Procedure and Financial Regulations of NECA.

### Contracts and Accounts

GD2 The disposal of surplus or obsolete equipment to the person submitting the highest quotation up to a limit of £10,000 in value.

GD3 The acceptance of the lowest tender or quotation:

- a) For the supply of goods, materials or services for which financial provision has been made in NECA's Revenue Budget up to a limit of £100,000 in value for any one transaction, and
- b) For building and civil engineering works provided that the value of the tender is within the estimate previously approved by the Leadership Board and does not exceed £250,000.

GD4 The invitation of quotations for contracts not exceeding £25,000 in value for the supply of goods, materials or services or the execution of works from at least three persons, subject to financial provision having been made in the Revenue or Capital Budget of NECA.

GD5 The provision of services or the purchase of materials or minor items of equipment up to a total of £10,000 within one order or series of related orders for which provision has been made in the revenue estimates.

## B. Delegations to the Head of Paid Service

HPS1 To discharge the functions of the Head of Paid Service in relation to NECA as set out in section 4 of the Local Government and Housing Act 1989. The duties of the Head of Paid Service are to report to the Leadership Board where necessary setting out proposals with respect to the coordination of NECA's functions, the number and grades of staff required and the organisation, appointment and proper management of NECA's staff.

HPS2 To engage officers on behalf of NECA to coordinate its functions.

HPS3 To discharge any function of NECA which has not been specifically delegated to another officer, Committee or reserved to the Leadership Board under Part 3.1 of this Constitution, and may direct any officer not to exercise a delegated function in special circumstances unless they are required to do so by law.

HPS4 Take any operational action which is required as a matter of urgency in the interests of NECA, in consultation (where practicable) with the Chair of the Leadership Board, the Monitoring Officer and the Chief Finance Officer.

HPS5 Take preliminary steps to protect the rights and interests of NECA subject

to consultation with the Chair of the Leadership Board in relation to any Bill or Statutory Instrument or Order in Parliament.

- HPS6 To conduct before either House of Parliament any proceedings (including the retention of Parliamentary Agents and Counsel) connected with the passage of any Private Bill which NECA has resolved to promote or oppose, including the negotiation and agreement of amendments to any such Bill, and the negotiation and approval of any terms, agreement or undertaking offered in consideration of NECA not opposing any Private Bill.
- HPS7 Nominate, appoint and remove, in consultation with the Chair and Vice Chair of the Leadership Board, NECA representatives on the board of companies, trusts and other bodies, and to agree constitutional arrangements for such companies, trusts and other bodies, and give any necessary consent required within relevant constitutions.
- HPS8 To provide a comprehensive policy advice service to the Leadership Board and its committees and in particular to advise on NECA's plans and strategies included in the Budget and Policy Framework.
- HPS9 Control and co-ordinate press and media relations, the organisation of press conferences, publicity and public relations within prescribed policy including approval of the issue of all official NECA publicity and official publications.
- HPS10 To be the authorised representative of NECA in respect of any company established pursuant to section 323 of the Companies Act 2006 (as amended) and any other company of which NECA is a member.
- HPS11 In consultation with the Chair of the Leadership Board, be authorised to make further amendments to appointments where appropriate, and absolutely necessary, and in accordance with the requirements for achieving political balance.

## **C Delegations to the Chief Finance Officer**

- CFO1 To effect the proper administration of NECA's financial affairs particularly in relation to financial advice, procedures, records and accounting systems, internal audit and financial control generally.
- CFO2 The taking of all action required on borrowing, investment and financing subject to the submission to the Leadership Board of an annual report of the Chief Finance Officer on treasury management activities and at six- monthly intervals in accordance with CIPFA's Code of Practice for Treasury Management and Prudential Codes.
- CFO3 To effect all insurance cover required in connection with the business of NECA and to settle all claims under such insurances arranged for NECA's benefit.

- CFO4 The preparation of manuals of financial and accounting procedures to be followed by officers of the Constituent Authorities working on NECA matters.
  
- CFO5 To accept grant offers on behalf of NECA, subject to all the terms and conditions set out by the grant awarding body.

- CFO6 The submission of all claims for grant to the UK Government or the European Community (EC).
- CFO7 To make all necessary banking arrangements on behalf of NECA, to sign all cheques drawn on behalf of NECA, or make arrangements for cheques to be signed by other officers or to arrange for such cheques to bear the facsimile signature of the Chief Finance Officer.
- CFO8 To monitor capital spending and submit a report to the Leadership Board at not more than quarterly intervals. This report will separately identify the capital expenditure relating to schemes promoted by NECA and those via Nexus.
- CFO9 In relation to revenue expenditure under the control of officers, to consider reports of officers on any likely overspending, and to approve transfers between expenditure heads up to a maximum of £25,000, provided that, where it is not possible to finance an overspending by such a transfer, the matter shall be referred to the Leadership Board for consideration of a supplemental estimate.
- CFO10 The collection of all money due to NECA, and the writing off of bad debts.
- CFO11 To supervise procedures for the invitation, receipt and acceptance of tenders.
- CFO12 To administer the scheme of Members' allowances.
- CFO13 To discharge the functions of the 'responsible financial officer' under the Accounts and Audit (England) Regulations 2011 including the requirement under Regulation 8(2) to sign and date the statement of accounts, and certify that it presents a true and fair view of the financial position of NECA at the end of the year to which it relates and of NECA's income and expenditure for that year.
- CFO14 To discharge the functions of NECA under the Accounts and Audit (England) Regulations 2011 (with the exception of Regulations 4(3), 6(4) and 8(3)).
- CFO15 To sign certificates under the Local Government (Contracts) Act 1997.
- CFO16 To be the officer nominated, or to nominate in writing another officer, as the person to receive disclosures of suspicious transactions for the purposes of the Proceeds of Crime Act 2002 and any Regulations made thereunder.
- CFO17 To determine an amount (not exceeding the sterling equivalent of €5,000) being the maximum sum which NECA will receive in cash without the express written consent of the Chief Finance Officer.
- CFO18 To exercise the responsibilities assigned to the Chief Finance Officer in the Financial Regulations and the Contract Procedure Rules.

### **Supporting the Audit Regime**

CFO19 Support the Audit and Standards Committee to:

- a) provide independent assurance on the effectiveness of the risk management framework and the associated control environment;
- b) provide independent examination of the organisation's performance and how this affects NECA's control environment and its exposure to risk; and
- c) oversee the financial reporting process.

## **D Delegations to the Monitoring Officer**

MO1 The Monitoring Officer is authorised to:

- a) institute, defend or participate in any administrative action and/or in any legal proceedings;
- b) sign any document in any case where such action will facilitate the carrying out of decisions of the Leadership Board; or in any case where the Monitoring Officer considers that such action is necessary to protect NECA's interests, or to further or achieve the objectives of NECA; and
- c) settle or otherwise compromise any such administrative action or legal proceedings if they have been commenced or there are reasonable grounds for believing such actions or proceedings may be contemplated.

MO2 After consulting with the Head of Paid Service and Chief Finance Officer, to report to the Leadership Board if he/she considers that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission has given rise to maladministration as determined by the Local Government Ombudsman. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

MO3 To provide a comprehensive administrative service to NECA.

MO4 To accept on behalf of the Leadership Board in-year changes to the membership of committees, sub-committees and joint committees. These changes must be notified in writing to the Monitoring Officer and will be effective when receipt of the notification is acknowledged in writing by the Monitoring Officer.

MO5 To make minor changes to the Constitution and its associated documents to reflect organisational or legislative change when the power remains unaltered.

MO6 To make any textual or grammatical corrections to the Constitution and its associated documents.

**Supporting the Standards Regime**

- MO7 To be the Proper Officer for receipt and acknowledgement of complaints of failure to comply with the Members' Code of Conduct under NECA's adopted local arrangements.
- MO8 To review complaints received in respect of any alleged breach by a Member of the Code of Conduct for Members and to act in accordance with NECA's adopted local arrangements.
- MO9 The Monitoring Officer will either conduct or arrange for investigations to be conducted into alleged breaches of the Members' Code of Conduct referred to him/her by the Head of Paid Service or the Audit and Standards Committee and, as appropriate, submit such reports to the Audit and Standards Committee in accordance with NECA's adopted local arrangements.
- MO10 The Monitoring Officer will undertake, at the request of the Head of Paid Service or the Audit and Standards Committee, informal resolution of such complaints in accordance with NECA's adopted local arrangements.



## Part 4 Rules of Procedure

These Rules apply to all meetings of the Leadership Board, the EDRAB, committee or sub-committee as appropriate (see paragraph 22 of Part 4.1) and should be read in conjunction with other parts of this Constitution.

References in these Rules to the 'Chair' mean the member of the Leadership Board, joint committee, committee or sub-committee for the time being presiding at the meeting.

These Rules are subject to any statute or other enactment whether passed before or after these Rules came into effect.

### 4.1 Leadership Board Rules of Procedure

#### The Annual Meeting

The Annual Meeting will take place in May or June.

The Annual Meeting will:

- a) elect a person to preside if the Chair of the Leadership Board is not present;
- b) elect the Chair of the Leadership Board;
- c) elect the Vice Chair of the Leadership Board;
- d) approve the minutes of the last meeting;
- e) receive any announcements from the Chair and/or the Head of Paid Service;
- f) appoint the Overview and Scrutiny Committee and any other committee or sub-committee considered necessary and agree a timetable of meetings;
- g) agree the membership of EDDAB and any other relevant committee or joint committee as nominated by each appropriate Constituent Authority<sup>7</sup> and to nominate members for the Joint Transport Committee, JTC Tyne and Wear Committee and its other committees and sub-committees;
- h) appoint the Chair of any of the bodies referred to in f) above;
- i) appoint the Vice Chair of any of the bodies referred to in f) above;
- j) select the Chair and Vice Chair of any of the bodies referred to in g) above;
- k) agree any delegation of functions to the bodies referred to in f) and g) above;
- l) designate the Thematic Leads;

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<sup>7</sup> Any in-year changes can be agreed by the Monitoring Officer. See MO4 in Part 3.7 Scheme of Delegation of Functions to Proper Officers, D Monitoring Officer.

- m) approve the policies and strategies to be included in the budget and policy framework; and
- n) conduct any other business reserved for its Annual Meeting as set out in Part 3 - Responsibility for Functions in accordance with the following procedure rules.

### **Ordinary Leadership Board Meetings**

Ordinary meetings of the Leadership Board will take place in accordance with a programme decided by the Leadership Board.

Ordinary meetings will:

- a) elect a person to preside if the Chair and Vice Chair are not present;
- b) approve the minutes of the last meeting;
- c) receive any declarations of interest from Members;
- d) receive any announcements from the Chair and/or the Head of Paid Service;
- e) deal with any uncompleted business from the last Leadership Board meeting;
- f) receive and consider reports from its Committees and Sub-committees;
- g) conduct any business reserved for it in accordance with Part 3 - Responsibility for Functions and specified in the summons to the meeting in accordance with the following procedure rules; and
- h) authorise the sealing of documents.

#### **1. Chair and Vice Chair**

The Chair and Vice Chair shall be selected annually by the Leadership Board from amongst its Members and shall, unless they resign, cease to be members of NECA or become disqualified, act until their successors become entitled to act as Chair or a Vice Chair.

The election of the Chair and Vice Chair shall be the first item of business at the Annual Meeting of the Leadership Board.

Subject to any Rules made by the Leadership Board, anything required to be done by, to or before the Chair may be done by, to or before a Vice Chair.

At a meeting of the Leadership Board the Chair shall preside. If the Chair is absent a Vice Chair shall preside. If both the Chair and Vice Chair are absent, such other Member present may choose to preside with the agreement of the other Members present.

Any power or duty of the Chair in relation to the conduct of a meeting may be exercised by the person presiding at the meeting.

The ruling of the Chair on the interpretation of these Rules in relation to all questions of order and matters arising in debate shall be final.

## **2. Meetings of the Leadership Board**

In addition to the Annual Meeting and any meeting convened by the Chair or by Members, meetings for the carrying out of general business shall be held in each year at the times and on the dates fixed at the Annual Meeting.

## **3. Extraordinary Meetings**

Those listed below may request the Monitoring Officer to convene a Leadership Board meeting in addition to ordinary meetings:

- a) the Leadership Board by resolution;
- b) the Chair of the Leadership Board; and
- c) any three Members if they have signed a requisition presented to the Chair of the Leadership Board and the Chair has refused to convene a meeting or has failed to call a meeting within seven days of the presentation of the requisition.

The agenda for the extraordinary meeting will include the resolution, request or requisition which led to it being called and any other business agreed by the Chair, or in their absence a Vice Chair of the Leadership Board, the Monitoring Officer and the Head of Paid Service. No further item of business may be conducted at an extraordinary meeting of the Leadership Board other than that specified in the agenda for the meeting unless the Chair, or in their absence a Vice Chair, agree the matter is urgent and requires a decision before the next ordinary meeting of the Leadership Board. The report submitted to the extraordinary meeting will set out the reason why the matter could not be determined at the next ordinary meeting of the Leadership Board and this reason will be recorded in the minutes of the meeting.

## **4. Summons**

At least five clear days before a meeting the Monitoring Officer shall arrange for a notice of the time and place of the intended meeting to be published at his/her office. Where the meeting is called by Members that notice is to be signed by those Members and specify the business proposed. A summons to attend the meeting, specifying the proposed business and signed by the Monitoring Officer, is to be left at, or sent by post or email to, the usual place of residence or registered email address of every Member or to such other place or address as may be requested by a Member.

Except in the case of business required by statute to be transacted at the Annual Meeting no business shall be transacted at a meeting other than that specified in the summons.

## 5. Quorum

The quorum of the Leadership Board shall be at least two thirds of members save for items of business that require a unanimous decision in which case the quorum is four voting members. No business shall be transacted at any meeting unless a quorum is present.

If a quorum is not reached 15 minutes after the time appointed for the start of the meeting, the meeting will be reconvened on another date.

During any meeting if the Chair counts the number of Members present and declares there is not a quorum present, then the meeting will adjourn immediately.

Remaining business will be considered at a time and date fixed by the Chair. If the Chair does not fix a date, the remaining business will be considered at the next ordinary meeting.

## 6. Duration

At any meeting which has sat continuously for three and a half hours, the Chair shall have discretion to adjourn the meeting for a short period of time unless the majority of Members present, by vote, determine it shall stand adjourned to another day, the date and time of which shall be determined by the Chair.

## 7. Declaration of Interests in Meetings

Where a Member attends a meeting of the Leadership Board they must declare registerable and non-registerable personal interests as defined in the Members' Code of Conduct either at the start of the meeting, or otherwise as soon as the interest becomes apparent in the course of the meeting.

In addition, where in relation to any meeting a Member has declared a registerable or non-registerable personal interest in a matter, and the criteria contained in paragraph 17 of the Members' Code of Conduct apply, the Member must leave the room for the duration of the discussion on that matter.

## 8. Access to information

In accordance with the Local Government Act 1972 as amended:

- a) All meetings of the Leadership Board, its joint-committees, committees and sub-committees shall be open to the public unless it is likely in view of the nature of the business to be transacted that either confidential information (as defined in section 100A (3) of the 1972 Act) or information falling within one of the categories of exempt information in Schedule 12A (as amended) of the 1972 Act would be disclosed.
- b) Members of the public and media may take photographs, film, audio-record or report via social media the proceedings of any meeting of the Leadership Board, its joint-committees, committees and sub-committees where the meeting is open to the public. The Chair of the meeting may withdraw consent to film, record or

photograph a meeting at any time in the event that it is carried out in a manner that interferes with the proper conduct of the meeting.

- c) Copies of the agenda, and reports open to the public will be available for public inspection at least five clear days before a meeting. If an item is added to the agenda later, the revised agenda and any additional report will be open to inspection from the time it was added to the agenda.
- d) NECA will make available for public inspection for six years after a meeting the minutes of the meeting (but excluding any part of the minutes when the meeting was not open to the public or which disclose confidential or exempt information), a summary of any proceedings not open to the public where the minutes open to inspection would not otherwise provide a reasonably fair and coherent record, the agenda for the meeting and reports relating to items when the meeting was open to the public.
- e) The author of any report will set out in it a list of those documents (called background papers) relating to the report which in his/her opinion disclose any facts or matters on which the report is based and which have been relied on to a material extent in preparing the report (except for documents which are published works or which disclose confidential or exempt information). Such background papers will remain available for public inspection for four years from the date of the meeting.
- f) Where information is withheld under these provisions the fact must be made known to the member of the public concerned who shall be advised of the categories of information being withheld and the way in which the withholding can be challenged.

## **9. Disturbance**

No member of the public shall interrupt or take part in the proceedings of any meeting. If any member of the public interrupts or takes part in the proceedings at any meeting, the Chair shall warn him/her and if he/she continues the interruption the Chair shall order his/her removal.

The Chair may at any time, if he/she thinks it desirable in the interests of order, adjourn or suspend a meeting for a time to be named by him/her.

## **10. Order of Business**

The Leadership Board on a motion duly seconded and carried without debate, or on motion by the Chair, which shall not require to be seconded, may vary the order of business as set out on the agenda.

## 11. Motions and Amendments

### Notice

- (1) A Member may by notice of motion given in writing raise any matter relating to the functions of the Leadership Board.
- (2) Notice of every motion, other than a motion which under Rule 11 (8) may be moved without notice, shall be signed by the Member giving the notice, and delivered not later than seven working days before the day of the meeting at the office of the Monitoring Officer, by whom it shall be dated.
- (3) The Monitoring Officer shall include in the summons for every meeting all motions of which notice has been duly given in the order in which they have been received, unless the Member giving such notice indicated in writing, when giving it, that he/she proposed to move it at some later meeting, or has since withdrawn it in writing.
- (4) If a motion included in the summons is not moved either by the Member who gave notice of the motion or by some Member on his/her behalf it shall, unless postponed by consent of the Leadership Board, be treated as withdrawn and shall not be moved without fresh notice.
- (5) No motion to rescind any resolution passed within the last six months shall be proposed unless the notice thereof bears the names of at least two Members of the Leadership Board. When any such motion has been disposed of by the Leadership Board it shall not be open to any Member to propose a similar motion within a further period of six months unless the suspension of Standing Orders has been carried.
- (6) A motion or amendment may be withdrawn by the mover with the consent of his/her seconder and of the Leadership Board, which consent shall be signified without debate, and no Member may speak upon it after the mover has asked permission for its withdrawal unless such permission shall have been refused.

### Amendments

- (7) Any member who intends to move an amendment to a motion included on the agenda for a meeting shall give written notice of the amendment (before noon on the day before the meeting) to the Monitoring Officer who will notify the Chair, the Vice Chair or other Member likely to preside at the meeting.

The Chair may in his/her discretion waive the requirements to comply with Rule 11 (7) but unless there are exceptional circumstances, a request of the Chair to exercise such discretion should be made before the meeting.

The amendment must be relevant to the motion and cannot negate the motion.

### Motions without notice

- (8) The following motions and amendments may be moved without notice:

- a) appointment of a Chair of the meeting at which the motion is made;
- b) motions relating to the accuracy of the minutes, closure adjournment, proceeding to the next business, or the motion “that the question be now put”;
- c) variation of the order of business;
- d) appointment of a committee or members of committee, arising from an item on the agenda of the meeting;
- e) that leave be given to withdraw a motion;
- f) suspension of these Rules;
- g) a motion under Section 100(A)(4) of the Local Government Act 1972 to exclude the Press and Public;
- h) that a Member named under Rule 13(6) not be heard further or do leave the meeting;
- i) that a deputation be received; or
- j) giving the consent of the Leadership Board where such consent is required under these Rules.

### During debate

- (9) When a motion is under debate, no further motion shall be received except the following:
  - a) to amend the motion (in these Rules called “an amendment”);
  - b) that the Leadership Board do now adjourn;
  - c) that the debate be adjourned;
  - d) that the question be now put; or
  - e) that the Leadership Board proceed to the next business.
- (10) If the motion “that the Leadership Board do now adjourn” is carried, any outstanding business shall be printed on the agenda of the next ordinary meeting or of such meeting as shall be specified in the adjournment notice and given priority at the next meeting.
- (11) If the motion “that the debate be adjourned” is carried, the discussion shall be resumed at the next ordinary meeting. When a debate resumes any Member who would have had a right to speak or reply in the adjourned debate shall have the same right in the resumed debate.
- (12) If the motion “that the question be now put” is carried, the motion or amendment under debate shall, subject to the right of reply of the mover of the original motion, be forthwith put.
- (13) When a motion “that the Leadership Board do proceed to the next business” is carried, no further debate shall take place on the matter under discussion.

## **12. Suspension of Standing Orders**

All of these Rules of Procedure, except the mandatory standing orders relating to the right to have an individual vote recorded and no requirement to submit minutes to extraordinary meetings, may be suspended by motion on notice or without notice if at least one half of the whole number of Members are present.

Suspension of these procedure rules can only be for the duration of the meeting and must only be moved in exceptional circumstances where the Chair of the Leadership Board is satisfied that the reasons for the exceptional circumstances can be sufficiently justified. The reasons for the exceptional circumstances must be given by the mover of the motion and the Chair's reasons for considering the exceptional circumstances will be recorded in the minutes of the meeting.

### **13. Rules of Debate**

The following rules shall apply to the conduct of debate at meetings of the Leadership Board:

- (1) Members shall address the Chair. A Member who speaks shall confine his/her remarks strictly to the motion or report under discussion or to a personal explanation or a question of order.
- (2) A Member may raise a point of order at any time. The Chair will hear them immediately. A point of order shall relate only to an alleged breach of a Rule or statutory provision and the Member shall immediately specify the Rule or Statutory provision and the way it has allegedly been broken. No Member may use unbecoming or offensive language.
- (3) A Member may make a personal explanation. A personal explanation may only relate to some material part of an earlier speech by the Member which may appear to have been misunderstood in the present debate. The ruling of the Chair on the admissibility of a personal explanation will be final. When making a point of personal explanation, Members must await the conclusion of the relevant Member's speech.
- (4) The ruling of the Chair on a point of order or the admissibility of a personal explanation shall be final and shall not be open to discussion.
- (5) Where a Notice of Motion has been placed on the agenda, the Chair shall allow the mover the right of reply to the debate before putting the matter to the vote, but otherwise the conduct of the meeting shall be at the discretion of the Chair.
- (6) The Chair shall call the attention of the Leadership Board to continued irrelevance, repetition, unbecoming language or a breach of order by a Member and shall direct such Member, if speaking, to discontinue his/her speech, or, if the Member does not do so, to leave the meeting.

### **14. Voting**

Subject to the provisions of any enactment the Leadership Board will aim to reach a consensus. If exceptionally it is not possible to reach consensus on any matter on which it is necessary to reach a decision, the matter will be put to a vote which will be decided upon by a simple majority of the members of the Leadership Board present and voting at the time the question was put unless it is a matter for which there must be a unanimous decision (see Part 3.1 A).



The method of voting at meetings of the Leadership Board shall be by show of hands. In the event that a vote is tied on any matter it shall be deemed not to have been carried.

If any Member wishes to have his/her name recorded as having voted against any resolution on matters when unanimity is not required, he/she may require the Monitoring Officer to do so.

If there are more than two people nominated for any position to be filled and there is not a clear majority of votes in favour of one person, then the name of the person with the least number of votes will be taken off the list and a new vote taken. The process will continue until there is a majority of votes for one person.

## **15. Minutes**

The Chair will sign the minutes of the proceedings at the next suitable meeting. The Chair will move that the minutes of the previous meeting be signed as a correct record. Discussion of the minutes must be limited to their accuracy.

Where in relation to any meeting, the next meeting for the purpose of signing the minutes is a meeting called under paragraph 3 of Schedule 12 to the Local Government Act 1972 (an Extraordinary Meeting), then the next following meeting (being a meeting called otherwise than under that paragraph) will be treated as a suitable meeting for the purposes of paragraph 41(1) and (2) of Schedule 12 relating to signing of minutes.

The effect of this is that minutes will not be submitted for approval to an extraordinary meeting.

## **16. Code of Conduct and Protocols**

Members shall comply with NECA's Code of Conduct for Members at Part 6.1 of this Constitution and any other Codes or Protocols approved by the Leadership Board.

## **17. Officers' Interests**

If it comes to the knowledge of an officer engaged by NECA, that a contract in which he/she has a pecuniary interest, whether direct or indirect has been, or is proposed to be, entered into by NECA he/she shall as soon as practicable give notice in writing to the Monitoring Officer of the fact that he/she has an interest.

An officer shall be treated as having indirectly a pecuniary interest in a contract if he/she would have been so treated by virtue of Section 95 of the Local Government Act 1972 had he/she been a member of NECA i.e. the other party to the contract is a company or other person or body (other than a public body) of which the officer or his/her spouse/partner is a member or employee or partner.

## **18. Financial Regulations**

The Financial Regulations of NECA are deemed to be incorporated in and have the same force as these Rules.

## **19. Sealing of Documents**

A decision of the Leadership Board (or of a joint committee, committee, sub-committee, person or persons to whom NECA has delegated its powers and duties) shall be sufficient authority for the sealing of any document necessary to give effect to the decision. The Common Seal will be affixed to those documents which in the opinion of the Monitoring Officer should be sealed.

The Common Seal of NECA shall be kept in a safe place in the custody of the Monitoring Officer and the affixing of the Common Seal shall be attested by the Monitoring Officer or other person nominated by them, unless any enactment otherwise authorises or requires, or the Combined Authority has given requisite authority to some other person.

## **20. Authentication of documents**

Where any document is necessary to any legal procedure or proceedings on behalf of the Combined Authority it will be signed by the Monitoring Officer or other person nominated by them, unless any enactment otherwise authorises or requires, or the Combined Authority has given requisite authority to some other person.

## **21. Committees and Membership**

The Leadership Board shall at its Annual Meeting each year appoint members to such committees as are required to be appointed by or under any statute or this Constitution and may at any time appoint such other joint committees, committees or sub-committees as are necessary to carry out the work of NECA but, subject to any statutory provision, may at any time dissolve a joint committee, committee, sub-committee or alter its membership.

No joint committee, committee or sub-committee member shall continue in office longer than the next Annual Meeting.

All of the Leadership Board Rules of Procedure apply to meetings of the Leadership Board. All of these Rules of Procedure, except rules 11, 12, 13, 19 and 20 will, with any necessary modifications specified in the relevant committee's responsibility for functions, apply to meetings of joint committees, committees and sub-committees of NECA.

Procedure Rule 14 (voting) will apply to meetings of joint committees, committees and sub-committees of NECA with the amendment that in the event of an equality of votes, the Chair will have a second or casting vote.

These Rules of Procedure do not apply to the Audit and Standards Committee and the Overview and Scrutiny Committee or any working groups established by any joint committee, committee or sub-committee of NECA. The Audit and Standards Committee and the Overview and Scrutiny Committee have their own Rules of Procedure set out at Part 4.2 and 4.3 of this Constitution.

## 22. Working groups

Any joint committee, committee or sub-committee of NECA can establish working groups to undertake specific studies/examinations, subject to agreement from the Leadership Board. The agreement of the Leadership Board is not required for the establishment of committees, sub-committees or working groups by the Overview and Scrutiny Committee.

In appointing working groups the joint committee, committee or sub-committees will:

- a) have regard to any approved work programmes to avoid duplication of work or the undertaking of non-priority work and advice from relevant officers on the overall capacity of NECA to support such studies;
- b) determine the remit for each working group which will be bound by the terms of that remit.
- c) determine the membership of the working group to be drawn from the membership of the joint committee, committee or sub-committee with appropriate representation across the Constituent Authorities;
- d) determine whether a non-standard/flexible arrangement for the work required is preferable, for example, a joint arrangement with one or two specified Constituent Authorities.
- e) consider and either approve, amend or reject any reports and recommendations for submission to its parent committee or sub-committee, the Leadership Board, an individual or outside organisation as appropriate.

The Chair of any working groups established to support strategy development and delivery will be the appropriate Thematic Lead or their nominee or agreed Member of NECA.

Working groups may seek the assistance of Members and officers of the Authority and/or outside organisations and individuals to meet the objectives of their agreed remit.

## 23. Co-opted Members

The appointment of co-opted Members to any body, committee, sub-committee or joint committee is a matter reserved to the Leadership Board. A body, committee, sub-committee or joint committee can make recommendations to the Leadership Board on the appointment of co-opted members to the committee itself and/or any of its sub-committees. In making such recommendations to the Leadership Board, the committee will specify the term of office to be applied in each case. The term of office for any appointed co-opted Member can only be extended with the express approval of the Leadership Board. Co-opted Members appointed by the Leadership Board can attend and speak at meetings of the committee or sub-committee to which they are appointed but cannot vote.

## **24. Attendance**

The Monitoring Officer shall record the attendance of each Member at each meeting of the Leadership Board, its joint committees, committees and sub-committees and it shall be the responsibility of each Member to sign such a record.

## **25. Substitutes**

Substitute Members may attend the meetings they have been appointed to as a substitute member to take the place of an ordinary member of the joint committee, committee or sub-committee.

Two types of substitute can be made:

1. Where the ordinary member of the joint committee, committee or sub-committee will be absent for the whole of the meeting.

Once the meeting has commenced and the substitute is present and participating the appointed Member of the relevant committee or sub-committee shall not be entitled to attend the relevant meeting as a member of the committee and this substitution shall apply for the entire meeting including where the meeting is reconvened after adjournment.

2. Where the ordinary member of the committee has a registerable or non- registerable interest in a matter which requires the Member to leave the room whilst the matter is discussed and decided upon (see Part 6.1 - Code of Conduct for Members). In these circumstances the substitute member will only act as a member of the committee for the duration of the discussion on that matter.

When this type of substitution is required, the Monitoring Officer and the Chair of the Leadership Board should be notified prior to the commencement of the meeting. Where notification has not been given the substitution may not be accepted and the substitute would, in these circumstances, not be entitled to participate.

## **26. Failure to attend Meetings**

Subject to the exceptions prescribed by statute, if a Member of NECA fails throughout a period of six consecutive months to attend any meeting of the Leadership Board, joint committee, committee or sub-committee to which they have been appointed, he/she shall, unless the failure to attend was due to a reason approved by the Leadership Board before the end of that period, cease to be a Member of NECA. For the purpose of this provision the period of failure to attend shall date from the first meeting which the Member could have attended as a Member.

## **27. Resignation**

A person appointed to the office of Chair or Vice Chair or Member of NECA may at any time resign his/her office by a notice of resignation in writing signed by him/her and delivered to the Monitoring Officer and such resignation shall take effect upon receipt of that notice by the Monitoring Officer.

## 28. Appointments

A person, so long as he/she is a Member of NECA, and for twelve months after he/she ceases to be a Member of NECA, shall be disqualified from being appointed by the Leadership Board to any paid office.

A Member shall not solicit for any person any appointment under NECA or recommend any person for such appointment or for promotion, but this Rule shall not prevent a Member from giving a written testimonial of a candidate's ability, experience or character for submission to NECA with an application for appointment.

Canvassing of Members directly or indirectly for any appointment under NECA shall disqualify the candidate for that appointment. A statement to this effect shall be included in all recruitment information for appointments.

## 29. Forward Plan

The Forward Plan for NECA will be prepared and published by the Monitoring Officer for the purpose of giving 28 days' notice of decisions.

The purpose of the Forward Plan is, amongst other things, to provide an opportunity for people inside and outside the Authority to see when decisions are going to be taken, who will be taking those decisions and what information and consultation will contribute to these decisions

The Forward Plan will be published on NECA website and will be available for inspection at the offices of each Constituent Authority.

The Forward Plan will contain details of decisions to be taken by the Leadership Board, any relevant committee (or sub committee) of the Leadership Board, or a Chief Officer of NECA. Exempt information need not be included in a Forward Plan and confidential information should not be included. It will describe the following particulars in so far as the information is available or might reasonably be obtained:

- a) the matter in respect of which a decision is to be made;
- b) the identity of the decision taker(s)
- c) notice of the intention to exclude the press and public from any meeting, or part of a meeting,
- d) the date on which, or the period within which, the decision will be taken;
- e) the steps any person might take who wishes to make representations to the Leadership Board, committee or sub-committee of the Leadership Board about the matter in respect of which the decision is to be made, and the date by which those steps must be taken;

- f) a list of the documents submitted to the Leadership Board, committee or sub-committee of the Leadership Board for consideration in relation to the matter and an address from which the documents are available; and
- g) a statement to indicate that other documents may be submitted to the decision maker(s) and details of the procedure for requesting copies of them.

### 30. Petitions

Any person or body wishing to present a petition to NECA shall notify the Monitoring Officer in writing and provide him/her with a copy of the petition not less than 14 working days before a meeting of the relevant Committee or a Sub-Committee of NECA. On receipt of such petition the Monitoring Officer shall check that it relates to the work of NECA and, if so, include an appropriate item on the agenda. All petitions addressed to NECA shall be reported to the next meeting of its relevant Committee or a Sub-Committee.

### 31. General Exception

A key decision of the Leadership Board, committee or sub-committee of the Leadership Board, not included in the Forward Plan for the requisite 28 day period can only be taken where:

- a) the Monitoring Officer has notified the Chair (or Vice Chair in their absence) of the Overview and Scrutiny Committee in writing of the matter to be decided; and
- b) at least 5 clear days have elapsed between the agenda for the meeting, which includes the matter, being made available and the date of the meeting.
- c) a notice of general exception will set out the reason why the matter could not be included on the Forward Plan and, a copy of this notice will be published on NECA's website and made available at each of NECA's offices.
- d) the notice of general exception will be sent to the Chair of the Overview and Scrutiny Committee (and the Vice Chair in their absence) and the Chair and Vice Chair of the Board or Committee which will ultimately decide the matter in question.

### 32. Special Urgency

A key decision of the Leadership Board, a committee or a sub-committee of the Leadership Board not included in the Forward Plan can only be taken with less than 5 clear days' notice where:

- a) the Monitoring Officer has notified the Chair (or Vice Chair in their absence) of the Overview and Scrutiny Committee in writing of the matter to be decided and the Chair (or Vice Chair) has given consent to the matter being decided on short notice;
- b) agreement has been obtained from the Chair (or Vice Chair in their absence) of the Leadership Board, that the matter is urgent and cannot be reasonably deferred;

- c) a notice setting out the reasons why the matter is urgent and cannot reasonably be deferred:
  - i. has been made available to the decision makers at (a) and (b) above;
  - ii. is published on NECA's website and made available for inspection at each of NECA offices.
  
- d) the report submitted to the meeting will set out the reason why the matter is urgent and cannot reasonably be deferred and this reason will be recorded in the minutes of the meeting.

### **33. Key Decisions made by Officers acting under Delegated Authority**

An officer making a key decision in accordance with authority delegated to them by the decision making body or this Constitution shall ensure that key decisions appear on the Forward Plan for 28 days or otherwise follow the procedures set out in 31 and 32 above.

### **34. Urgent Decisions using Delegation HPS4**

Where a decision needs to be taken urgently and it is not practical to convene a quorate meeting of the appropriate body (i.e. the Leadership Board, or any other committee, sub-committee or joint committee of the Combined Authority), the Head of Paid Service, in consultation with the Chair (or in their absence a Vice Chair) of the relevant committee, the Chief Finance Officer and the Monitoring Officer has the authority to take an urgent decision (see delegation HPS4 in Part 3.6 B Delegations to Head of Paid Service). In such circumstances, the Head of Paid Service must report that decision to the next meeting of the appropriate decision making body which would have otherwise made that decision.

### **35. Recording Decisions made in cases of General Exception or Special Urgency**

A report of decisions made following the procedure in 31, 32, 33 and is made to the Overview and Scrutiny Committee and the Leadership Board at least once annually. The report will include a summary of the subject matter of the decisions taken.

## 4.2 Audit and Standards Committee Rules of Procedure

Subject to the provisions of any specific legislation and/or regulations relating to their operation, the Audit and Standards Committee will conduct their proceedings in accordance with the following procedure rules.

### 1. Membership

The Audit and Standards Committee is made up from four members from the Constituent Authorities and two non-voting co-opted Independent Members.

Any Member from the Constituent Authorities may serve as a Member of the Committee unless they are specifically excluded. Membership of the Committee is determined by the Leadership Board and will be appointed annually, usually at the Annual Meeting. In-year changes to membership can be made, see Part 3.6 Scheme of Delegation of Functions to Proper Officers, Part D Monitoring Officer.

### 2. Co-opted Members

The appointment of co-opted Members to this committee is a matter reserved to the Leadership Board. The Audit and Standards Committee can make recommendations to the Leadership Board on the appointment of co-opted members to the committee itself and/or any of its sub-committees. In making such recommendations to the Leadership Board, the committee will specify the term of office to be applied in each case. The term of office for any appointed co-opted Member can only be extended with the express approval of the Leadership Board. Co-opted Members appointed by the Leadership Board can attend and speak at meetings of the Committee or sub-committee to which they are appointed but cannot vote.

### 3. Independent Person

The Independent Person appointed by the Authority will be invited to attend all meetings of the Committee. The Independent Person:

- must be consulted by the Authority before it makes a decision on a matter that has been referred to it for investigation;
- can be consulted by the Authority in respect of a code of conduct complaint at any other stage; and
- can be consulted by a member or co-opted member of the Authority against whom a complaint has been made.

### 4. Meetings

Meetings for the carrying out of general business shall be held in each year at the times and on the dates fixed at the Leadership Board's Annual Meeting. Notice of meetings will be given to the public.



## 5. Extraordinary Meetings

Extraordinary meetings of the Audit and Standards Committee may be called, where possible following consultation with the Chair and Vice Chair, where it is considered necessary or appropriate (for instance for the purposes of consideration of an Investigation report or the hearing of a complaint), or at the request of the Chair and Vice Chair or any three Members of the Committee.

Other than in exceptional circumstances, the time of commencement of extraordinary meetings should be the same as for ordinary meetings.

The agenda for the extraordinary meeting will include the item of business which led to it being called and any other business, agreed where possible by the Chair, or in their absence Vice Chair, and the Monitoring Officer, which requires a decision before the next ordinary meeting of the Committee. No further item of business may be conducted at an extraordinary meeting of the Audit and Standards Committee other than that specified in the agenda for the meeting unless the Chair, or in their absence the Vice Chair, agree the matter is urgent and requires a decision before the next ordinary meeting of the Committee. Any report submitted to an extraordinary meeting will set out the reason why the matter could not be determined at the next ordinary meeting of the Committee and this reason will be recorded in the minutes of the meeting.

## 6. Summons

The Monitoring Officer and Chief Finance Officer, where possible in consultation with the Chair and Vice Chair, will determine the agenda for meetings of the committee.

At least five clear working days before a meeting, an agenda will be sent to every member of the committee to their usual place of residence (or such other address as has been notified).

The agenda will give the date, time and place of each meeting and specify the order of the business to be transacted, and will be accompanied by such reports as are available.

Urgent reports on items of business may only be added to the agenda if the reasons for urgency can be sufficiently justified and the approval of the Chair of the Committee has been given. The reasons for urgency will be recorded in the minutes of the meeting.

Any matters referred to the committee by either the Leadership Board or any of its committees will be placed on the agenda for the next available meeting of the committee. The committee will, at that meeting, determine the method and timetable for responding to any such referrals.

## 7. Chair

The Chair and the Vice Chair of the Audit and Standards Committee will be the co-opted members. Meetings of the Committee will be chaired by the Chair or in the Chair's absence the Vice Chair. In the absence of both the Chair and Vice Chair, members of the committee present will elect from amongst themselves a Chair for the meeting.

## 8. Quorum

A meeting of the Committee cannot begin until a quorum is present. The quorum for the Audit and Standards Committee will be two thirds of the membership, excluding the co-opted Members and the Independent Person.

If a quorum is not reached 15 minutes after the time appointed for the start of the meeting, the meeting will be reconvened on another date.

During any meeting if the Chair counts the number of Members present and declares there is not a quorum present, then the meeting will adjourn immediately.

Remaining business will be considered at a time and date fixed by the Chair. If the Chair does not fix a date, the remaining business will be considered at the next ordinary meeting.

## 9. Substitutes

Two types of substitute can be made:

1. Where the ordinary member of the Audit and Standards Committee will be absent for the whole of the meeting.

Once the meeting has commenced and the substitute is present and participating the appointed Member of the Audit and Standards Committee shall not be entitled to attend the relevant meeting as a member of the committee and this substitution shall apply for the entire meeting including where the meeting is reconvened after adjournment.

2. Where the ordinary member of the committee has a registerable or non-registerable interest in a matter which requires the Member to leave the room whilst the matter is discussed and decided upon (see Part 6.1 - Code of Conduct for Members). In these circumstances the substitute member will only act as a member of the committee for the duration of the discussion on that matter.

When this type of substitution is required, the Monitoring Officer and the Chair of the Audit and Standards Committee should be notified prior to the commencement of the meeting.

## 10. Duration

At any meeting which has sat continuously for three and a half hours, the Chair shall have discretion to adjourn the meeting for a short period of time unless the majority of Members present, by vote, determine it shall stand adjourned to another day, the date and time of which shall be determined by the Chair.

## 11. Declaration of Interests in Meetings

Where a Member attends a meeting of the Audit and Standards Committee they must declare registerable and non-registerable personal interests as defined in the Members'

Code of Conduct either at the start of the meeting, or otherwise as soon as the interest becomes apparent in the course of the meeting.

In addition, where in relation to any meeting a Member has declared a registerable or non-registerable personal interest in a matter, and the criteria contained in paragraph 17 of the Members' Code of Conduct apply, the Member must leave the room for the duration of the discussion on that matter.

## **12. Filming/Reporting at meetings**

Members of the public and media may take photographs, film, audio-record or report via social media the proceedings of Audit and Standards Committee where the meeting is open to the public.

The Chair of the meeting may withdraw consent to film, record or photograph a meeting at any time in the event that it is carried out in a manner that interferes with the proper conduct of the meeting.

## **13. Disturbance**

No member of the public shall interrupt or take part in the proceedings of any meeting. If any member of the public interrupts or takes part in the proceedings at any meeting, the Chair shall warn him/her and if he/she continues the interruption the Chair shall order his/her removal.

## **14. Order of Business**

The Audit and Standards Committee on a motion duly seconded and carried without debate, or on motion by the Chair, which shall not require to be seconded, may vary the order of business as set out on the agenda.

## **15. Voting**

Subject to the provisions of any enactment the Audit and Standards Committee will aim to reach a consensus. If exceptionally it is not possible to reach consensus on any matter on which it is necessary to reach a decision, the matter will be put to a vote which will be decided upon by a simple majority of the members of the committee present and eligible to vote at the time the question was put.

The method of voting shall be by show of hands. As the Chair of the Committee is a non-voting co-opted Member there is no Chair's casting vote. In the event that a vote is tied on any matter it shall be deemed not to have been carried.

Where any member of the committee requests it immediately after the vote is taken, their vote will be so recorded in the minutes to show whether they voted for or against the motion or abstained from voting.

If there are more than two people nominated for any position to be filled and there is not a clear majority of votes in favour of one person, then the name of the person with the least number of votes will be taken off the list and a new vote taken. The process will continue until there is a majority of votes for one person.

## **16. Minutes**

The Chair will sign the minutes of the proceedings at the next suitable meeting. The Chair will move that the minutes of the previous meeting be signed as a correct record. Discussion of the minutes must be limited to their accuracy.

Where in relation to any meeting, the next meeting for the purpose of signing the minutes is a meeting called under paragraph 3 of Schedule 12 to the Local Government Act 1972 (an Extraordinary Meeting), then the next following meeting (being a meeting called otherwise than under that paragraph) will be treated as a suitable meeting for the purposes of paragraph 41(1) and (2) of Schedule 12 relating to signing of minutes.

The effect of this is that minutes will not be submitted for approval to an extraordinary meeting.

## **17. Exclusion of the Public**

Members of the public and press may only be excluded either in accordance with the Access to Information paragraph of the Leadership Board Rules of Procedure (Part 4.1, paragraph 8) or when causing a disturbance.

## **18. Attendance by Members and Officers**

The Audit and Standards Committee may request the attendance at a meeting of any Member, any co-opted Member, or any officer to assist the Committee in its work.

Under normal circumstances where it is felt that the attendance of a particular Member or officer would assist the Committee in its work then they will be invited to attend. In such circumstances, the Member or officer concerned should preferably be given at least 5 working days' notice of the date and time of the meeting and the nature of the business to be discussed. In circumstances where it is not possible to give 5 working days' notice, contact should be made at the earliest opportunity with the Member or officer concerned to establish their availability.

Where a Member or officer who has been invited to a meeting is not able to attend, then the Committee will consider whether or not to defer consideration of the matter to enable the Member or officer to be present.

The Monitoring Officer and the Chief Finance Officer (or their nominated representatives) will attend the meetings of the Audit and Standards Committee.

## **19. Specialist Advisers**

The appointment of specialist advisers to any body, committee, sub-committee or joint committee is a matter reserved to the Leadership Board. The Audit and Standards Committee can make requests to the Leadership Board for the appointment of a specialist adviser. In making such requests to the Leadership Board, the Committee will specify the term of the appointment and their reasons for the request.

## **20. Arrangements for dealing with complaints against Members**

The Audit and Standards Committee is part of the Combined Authority's adopted local arrangements relating to how complaints that a Member has failed to follow the Members' Code of Conduct should be dealt with. These are included in Part 6.1 Code of Conduct for Members.

Those arrangements include the opportunity for a complainant to seek a review by the Monitoring Officer, in consultation with the Independent Person and Chair of the Audit and Standards Committee, of the decision of the Monitoring Officer not to refer a complaint for investigation and for a Member who is subject to such a complaint, to seek a review of a decision of the Committee where a breach of the Code has been found. Once a complaint has been dealt with and any review process completed there is no further right of review or appeal available within the Authority.

Where a complaint is made against a Member of NECA or any of its joint committees or sub-committees, the Monitoring Officer and the Monitoring Officer of the Member's appropriate Constituent Authority will determine whether the complaint is to be properly dealt with in accordance with the Combined Authority's local arrangements or the appropriate Constituent Authority's local arrangements.

## **Part 4.3 Overview and Scrutiny Committee Rules of Procedure**

Subject to the provisions of any specific legislation and/or regulations relating to their operation, the Overview and Scrutiny Committee will conduct their proceedings in accordance with the following procedure rules.

References in these arrangements to major and strategic decisions of the Leadership Board taken in accordance with the delegations set out in Part 3 of this Constitution include major and strategic decisions taken by the committees or sub-committees of the Leadership Board in accordance with such delegations.

### **1. Membership**

Any Member of the Constituent Authorities may serve as a member of the Overview and Scrutiny Committee unless they are specifically excluded. Membership of the Committee is determined by the Leadership Board and will be appointed annually, usually at the Annual Meeting.

Any elected member appointed to the Overview and Scrutiny Committee cannot also be appointed to the Leadership Board.

### **2. Co-opted Members**

The appointment of co-opted Members is a matter reserved to the Leadership Board. The Overview and Scrutiny Committee can make recommendations to the Leadership Board on the appointment of co-opted members to the committee itself and/or any of its sub-committees. In making such recommendations to the Leadership Board, the committee will specify the term of office to be applied in each case. The term of office for any appointed co-opted Member can only be extended with the express approval of the Leadership Board. Co-opted Members appointed by the Leadership Board can attend and speak at meetings of the committee or sub-committee to which they are appointed but cannot vote.

### **3. Meetings**

Meetings for the carrying out of general business shall be held in each year at the times and on the dates fixed at the Leadership Board Annual Meeting. Notice of meetings will be given to the public.

### **4. Extraordinary Meetings**

Extraordinary meetings of the Overview and Scrutiny Committee may be called, where possible following consultation with the Chair and Vice Chair, where it is considered necessary or appropriate or at the request of the Chair and Vice Chair or any three Members of the Committee.

Other than in exceptional circumstances, the time of commencement of extraordinary meetings should be the same as for ordinary meetings.

No item of business may be conducted at an extraordinary meeting of the Overview and Scrutiny Committee other than that specified in the resolution, request or requisition which led to it being called.

## **5. Summons**

The Monitoring Officer, where possible in consultation with the Chair and Vice Chair, will determine the agenda for meetings of the committee.

At least five clear working days before a meeting, an agenda will be sent to every member of the committee to their usual place of residence (or such other address as has been notified).

The agenda will give the date, time and place of each meeting and specify the order of the business to be transacted, and will be accompanied by such reports as are available.

Urgent reports on items of business may only be added to the agenda if the reasons for urgency can be sufficiently justified and the approval of the Chair of the Committee has been given. The reasons for urgency will be recorded in the minutes of the meeting.

Any matters referred to the committee by either Leadership Board or any of its committees will be placed on the agenda for the next available meeting of the committee. The committee will, at that meeting, determine the method and timetable for responding to any such referrals.

## **6. Chair**

Two independent members will fulfil the roles of Chair and Vice Chair of the Overview and Scrutiny Committee and will be appointed by the Leadership Board.

## **7. Quorum**

A meeting of the Committee cannot begin until a quorum is present. The quorum for the Overview and Scrutiny Committee is two thirds of the members, including the Independent Chair or Vice Chair.

If a quorum is not reached 15 minutes after the time appointed for the start of the meeting, the meeting will be reconvened on another date.

During any meeting if the Chair counts the number of Members present and declares there is not a quorum present, then the meeting will adjourn immediately.

Remaining business will be considered at a time and date fixed by the Chair. If the Chair does not fix a date, the remaining business will be considered at the next ordinary meeting.

## **8. Duration**

At any meeting which has sat continuously for three and a half hours, the Chair shall have discretion to adjourn the meeting for a short period of time unless the majority of Members present, by vote, determine it shall stand adjourned to another day, the date and time of which shall be determined by the Chair.

## **9. Declaration of Interests in Meetings**

Where a Member attends a meeting of the Overview and Scrutiny Committee they must declare registerable and non-registerable personal interests as defined in the Members' Code of Conduct either at the start of the meeting, or otherwise as soon as the interest becomes apparent in the course of the meeting.

In addition, where in relation to any meeting a Member has declared a registerable or non-registerable personal interest in a matter, and the criteria contained in paragraph 17 of the Members' Code of Conduct apply, the Member must leave the room for the duration of the discussion on that matter.

## **10. Disturbance**

No member of the public shall interrupt or take part in the proceedings of any meeting. If any member of the public interrupts or takes part in the proceedings at any meeting, the Chair shall warn him/her and if he/she continues the interruption the Chair shall order his/her removal.

## **11. Order of Business**

The Overview and Scrutiny Committee on a motion duly seconded and carried without debate, or on motion by the Chair, which shall not require to be seconded, may vary the order of business as set out on the agenda.

## **12. Voting**

Subject to the provisions of any enactment the Overview and Scrutiny Committee will aim to reach a consensus. If exceptionally it is not possible to reach consensus on any matter on which it is necessary to reach a decision, the matter will be put to a vote which will be decided upon by a simple majority of the members of the committee present and voting at the time the question was put.

Each member of the Overview and Scrutiny Committee appointed from the Constituent Authorities is to have one vote. In the event that a vote is tied on any matter it shall be deemed not to have been carried. No member has a casting vote.

Where any member of the committee requests it immediately after the vote is taken, their vote will be so recorded in the minutes to show whether they voted for or against the motion or abstained from voting.

If there are more than two people nominated for any position to be filled and there is not a clear majority of votes in favour of one person, then the name of the person



with the least number of votes will be taken off the list and a new vote taken. The process will continue until there is a majority of votes for one person.

### **13. Minutes**

The Chair will sign the minutes of the proceedings at the next suitable meeting. The Chair will move that the minutes of the previous meeting be signed as a correct record. Discussion of the minutes must be limited to their accuracy.

Where in relation to any meeting, the next meeting for the purpose of signing the minutes is a meeting called under paragraph 3 of Schedule 12 to the Local Government Act 1972 (an Extraordinary Meeting), then the next following meeting (being a meeting called otherwise than under that paragraph) will be treated as a suitable meeting for the purposes of paragraph 41(1) and (2) of Schedule 12 relating to signing of minutes.

The effect of this is that minutes will not be submitted for approval to an extraordinary meeting.

### **14. Exclusion of Public**

Members of the public and press may only be excluded either in accordance with the Access to Information paragraph of the Leadership Board Rules of Procedure (Part 4.1, paragraph 8) or when causing a disturbance.

### **15. Attendance by Members and officers**

The Overview and Scrutiny Committee may invite to a meeting any Member, co-opted Member, and others to assist the Committee in its work.

Under normal circumstances where it is felt that the attendance of a particular Member, officer, officer of Nexus or other delivery bodies or stakeholders and members of the public, would assist the Committee in its work then they will be invited to attend or submit written information. In such circumstances, the person/organisation concerned should be given at least 5 working days' notice of the date and time of the meeting and the nature of the business to be discussed. In circumstances where it is not possible to give 5 working days' notice, contact should be made at the earliest opportunity with the Member or officer concerned to establish their availability.

Where a Member of the Leadership Board or officer who has been invited to a meeting is not able to attend, then the Committee will consider whether or not to defer consideration of the matter to enable the Member or officer to be present.

### **16. Specialist Advisers**

The appointment of specialist advisers to any body, committee, sub-committee or joint committee is a matter reserved to the Leadership Board. The Overview and Scrutiny Committee can make requests to the Leadership Board for the appointment of a specialist adviser. In making such requests to the Leadership Board, the Committee will specify the term of the appointment and their reasons for the request.

**17. Reports of recommendations from Overview and Scrutiny Committee**

Where Overview and Scrutiny Committee makes a report or recommendation the committee may:

- a) publish the reports or recommendations;
- b) by notice require in writing the Leadership Board to consider the report or recommendations and respond to them indicating what (if any) action the Leadership Board proposes to take within two months of receipt of the report or recommendations;
- c) and if the report was published, publish the response.

**18. Involvement in the work of the Committee by the public, etc.**

The Authority is committed to the involvement of the public and others in the work of the Overview and Scrutiny Committee.

Where members of the public and/or others have had an active role in the work of the Overview and Scrutiny Committee such involvement will be properly acknowledged. In addition, where this involvement has contributed to a particular study or examination, then the individuals and/or organisations concerned will be informed of any resulting conclusions and/or recommendations.

**19. Work Programme**

At its first meeting of the year, the Overview and Scrutiny Committee will:

- a) determine the areas of review and scrutiny that they wish to pursue during the ensuing 12 months.
- b) agree to establish Scrutiny Groups from amongst their number in order to carry out agreed areas of review and scrutiny.

The Overview and Scrutiny Committee and the Scrutiny Officer will keep the work programme under review.

The Constituent Authorities will work together to maximise the exchange of information and views, to minimise bureaucracy and make best use of the time of members and officers of other bodies or agencies.

Members of the Overview and Scrutiny Committee will, when considering reviews, determine whether the issue is more appropriately dealt with by one of the Constituent Authorities or elsewhere and will not duplicate the work of existing bodies or agencies.

Any member of the Constituent Authorities shall be entitled to give notice to the proper officer that he/she wishes an item relevant to the functions of the Committee

to be included in the work programme for discussion at a future meeting of the Committee.

The Scrutiny Committee shall respond, as soon as their work programme permits, to requests from the members of the Constituent Authorities and if it considers it appropriate the Leadership Board, to review particular areas of NECA activity. Where they do so, the Scrutiny Committee shall report their findings and any recommendations back to the Leadership Board.

Members of the Overview and Scrutiny Committee will use the following framework when considering referrals to the Overview and Scrutiny Committee:-

1. The Scrutiny Committee may determine that the item is not relevant to the functions of the Scrutiny Committee or duplicates the work of another body or agency. In these circumstances the Committee can resolve to take no action or that the issue is more appropriately dealt with by one of the Constituent Authorities, or may refer the item elsewhere e.g. to another NECA committee.
2. That the issue is linked to an existing work programme item then it should be discussed as part of that item.
3. If the issue is a new item of business within the remit of the Committee, the Scrutiny Committee may:
  - a) Request a response in writing (with copies to all Members of the Scrutiny Committee) or
  - b) Request a presentation to a future Scrutiny Committee, or
  - c) Request a report to a future Scrutiny Committee or
  - d) Decide that the issue raised does not merit any response beyond noting the matter or
  - e) Decide to express a view or make a recommendation, by resolving accordingly, if the Committee considers it has sufficient information to make a fully informed decision.

## **20. Scrutiny Groups**

In appointing Scrutiny Groups the Overview and Scrutiny Committee will:

- a) have regard to the approved work programme and advice from relevant officers on the overall capacity of the Authority to support such studies;
- b) determine the remit for each scrutiny group who will be bound by the terms of that remit;
- c) determine the membership of the scrutiny group to be drawn from the membership of the committee or sub-committee;
- d) consider and either approve, amend or reject any reports and recommendations made by a scrutiny group for submission to the Leadership Board, an individual or outside organisation as appropriate.

The arrangements for the attendance of Members of the Leadership Board and/or officers of the Authority applicable for meetings of the Overview and Scrutiny Committee will also apply to scrutiny groups.

Scrutiny groups may seek the assistance of Members and officers of the Authority and/or outside organisations and individuals.

## **21. Linking Sub-regional Scrutiny with Local Scrutiny**

A Scrutiny Officer must be designated in accordance with the Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017. The role of the Scrutiny Officer is to promote the activities and purpose of the Overview and Scrutiny Committee, provide support and guidance to the Overview and Scrutiny Committee and provide support and guidance to the members of the Leadership Board, committees and sub-committees in relation to the functions of the Overview and Scrutiny Committee.

The scrutiny officer of each Constituent Authority will ensure that the work programmes and minutes relating to the work carried out by the Overview and Scrutiny Committee in scrutinising the Leadership Board and its relevant committees are circulated appropriately within their own Constituent Authorities scrutiny arrangements.

## **22. Call-in**

The Overview and Scrutiny Committee has the power to call-in decisions made but not yet implemented. The Committee will delegate this authority to a call-in subcommittee comprising a panel of 4 Members drawn from the Scrutiny Committee (or substitutes) with a representative Member from each of the Constituent Authorities and in addition the independent Chair (or Vice-Chair). The purpose of call-in is to consider whether to recommend that a decision be reviewed by the decision taker. Call-in should only be used in exceptional circumstances. These are where members of the Committee have evidence which suggests that the decision was not taken in accordance with the principles of decision making. It cannot be used in respect of day-to-day management and operational decisions and should be used in accordance with the committee's decision making protocol in relation to key decisions.

- (a) When a decision is taken by the Leadership Board, or a relevant committee of the Leadership Board, or an officer with delegated authority, the decision shall be published and shall be available normally within three working days of being made. Members of the Committee will be sent copies of the records of all such decisions by the person responsible for publishing the decision.
- (b) That notice will bear the date on which it is published and will specify that the decision will come into force, and may then be implemented, on the expiry of five working days after the publication of the decision, unless the Committee directs that it should be called in.
- (c) During that period, the Monitoring Officer shall call-in a decision for scrutiny by the Committee if so requested by any four members of the Committee, and

shall then notify the decision-taker of the call-in. The Monitoring Officer shall then call a meeting of the call-in sub-committee on such date as he/she may determine, where possible after consultation with the Chair of the Committee, and in any case within a period not exceeding 14 days of the decision to call-in. If the meeting cannot take place within 14 days, the call-in procedure fails and the decision can be implemented.

- (d) If, having considered the decision, the Committee is still concerned about it, then it may refer it back to the decision making person or body for reconsideration, setting out in writing the nature of its concerns. If referred to the decision maker they shall hold a meeting to reconsider the decision no later than 10 days after the recommendation from the Committee is received.
- (e) If following a direction to call-in the decision, the Committee does not meet in the period set out above, or does meet but does not refer the matter back to the decision making person or body, the decision shall take effect on the expiry of 14 days.
- (f) The decision making body or person shall choose whether to amend the decision or not before reaching a final decision and implementing it.

#### **Overview and Scrutiny Committee Protocol**

- (g) The Overview and Scrutiny Committee has adopted a protocol about the definition of key and non-key decisions and how it anticipates to discharge its responsibilities. The Monitoring Officer and the Scrutiny Officer will ensure that all staff are aware of the procedures set out in this protocol.

## Part 4.4 Budget and Policy Framework Rules of Procedure

### 1. Introduction

The Budget and the Policy Framework is the collective name given to the budget and a number of the major plans and strategies of NECA that must be considered by Leadership Board before they are finally approved.

This part of the Constitution sets out how the Leadership Board will decide on which plans and strategies are in the Policy Framework. It also sets out how it will make decisions on the content of the budget and those plans and strategies contained in the Framework where such plans and strategies are brought forward.

Once a budget or policy is in place it is the responsibility of the Leadership Board to implement.

### 2. Content of the Budget and Policy Framework

The Budget and Policy Framework will comprise:

#### a) The Budget

The budget includes the allocation of financial resources to different services and projects, proposed contingencies, earmarked and unearmarked reserves. This includes the transport levy and decisions relating to the control of the Combined Authority's borrowing requirement, the control of its capital expenditure and the setting of virement limits (taking into account the decisions made by the Joint Transport Committee when discharging functions on behalf of the Combined Authority).

The budget also includes the Treasury Management Strategy. Treasury Management is the management of the Authority's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.

The Treasury Management Strategy aims to protect the Authority from market-related risks by monitoring interest rates, economic indicators and UK and overseas government finances. The prime objective of the Authority's investment strategy is to maintain capital security whilst ensuring that there is the necessary liquidity to carry out its business.

#### b) The following plans and strategies:

- The Growth Plan (which includes the Strategic Economic Plan and the related investment strategy)
- The Regional Transport Plan

The Leadership Board will review the composition of the Policy Framework annually as part of the review of the Constitution and the relevant provisions will be amended to take account of the outcome of any review. NECA will also publish a five-year

timetable for consideration of those plans and strategies included in the Framework.

### **3. The Budget**

The process described below aims to ensure that appropriate and effective consultation takes place with all Members and other stakeholders on the content of the Budget.

#### **a) Initial proposals**

As host Combined Authority for transport, NECA will produce initial proposals in relation to the transport budget and the budget of NECA (including the relevant element of the transport budget). At least 2 months before the calculations on the transport levies need to be finalised by the Joint Transport Committee, NECA, as accountable body, will produce initial outline proposals. These initial proposals will be accompanied by:

- (i) a summary of information that has been taken into account in producing the initial proposals (including specific reference to consideration of any reviews/studies previously carried out by the relevant Overview and Scrutiny Committees);
- (ii) detailed information on how it is intended to consult with the Constituent Authorities and Combined Authorities, stakeholders, residents and others;
- (iii) a clearly stated timetable for the consultation and the preparation of final proposals for consideration by the JTC Overview and Scrutiny Committee and the Joint Transport Committee.
- (iv) proposals on the extent of virement permitted within the Budget as part of an annual review of the Combined Authority's Financial Regulations and any protocols agreed between the Combined Authorities.

The initial proposals and accompanying information will then be referred to the JTC Overview and Scrutiny Committee. The JTC Overview and Scrutiny Committee will at this stage examine the consultation proposals and timetable and make recommendations on these, where it is considered appropriate, to the Joint Transport Committee. It will be the responsibility of each of the Combined Authority's to examine proposals in accordance with the above timetable.

#### **b) Initial consideration by the Leadership Board and the Joint Transport Committee**

Proposals from the Joint Transport Committee in relation to levies and the distribution of those levies to the Constituent Authorities and Combined Authorities will be considered by the Leadership Board. The Leadership Board will consider the funding necessary to discharge the functions of NECA and make proposals for the funding of NECA taking into account the JTC's proposals or decisions in relation to the levies and the wider transport budget.

**c) Finalising proposals**

The Leadership Board will consider the decisions and any recommendations made by the Joint Transport Committee and JTC Overview and Scrutiny Committee and, where it is considered appropriate, make representations to the Joint Transport Committee to amend the consultation process and/or timetable accordingly.

The Leadership Board will refine its proposals in accordance with the recommendations and decisions made by the Joint Transport Committee and engage with the Overview and Scrutiny Committee.

Once the consultation process has been completed, details of the finalised proposals will be referred to the Overview and Scrutiny Committee together with the relevant background information on which the proposals have been based. It is the responsibility of the Chair of the Leadership Board and relevant officers to ensure that the Overview and Scrutiny Committee has sufficient background information to enable it to evaluate the proposals against that background information.

The proposals will then be referred back to the Leadership Board, together with any recommendations and/or observations from the Overview and Scrutiny Committee.

**d) Consideration of final proposals**

The final proposals (including consideration of the final proposals and decisions of the Joint Transport Committee) will then be considered by the Leadership Board, which may or may not include the recommendations and/or observations from the Overview and Scrutiny Committee.

The Leadership Board must approve the final proposals in relation to NECA's budget unanimously. The Joint Transport Committee must approve the final proposals in relation to the North East Transport Budget unanimously.

**e) After the Budget has been agreed**

A notice of the decision will be prepared by the Chief Finance Officer and given to each Constituent Authority.

**4. Plans and Strategies (The Policy Framework)**

The process described below aims to ensure that appropriate and effective consultation takes place with all Members and other stakeholders on the content of any of the major plans or strategies within the Policy Framework.

**a) Initial proposals**

At least 2 months before any plan or strategy needs to be finalised, the Leadership Board will produce initial proposals. These initial proposals will be accompanied by:



- (i) a summary of information that has been taken into account in producing the initial proposals and any consultation undertaken (including specific reference to consideration of any reviews/studies previously carried out by the Overview and Scrutiny Committee);
- (ii) detailed information on how it is intended to consult with Members and others;
- (iii) a clearly stated timetable for the consultation and the preparation of final proposals for consideration by the Overview and Scrutiny Committee and the Leadership Board ; and
- (iv) proposals on the degree of changes to the plan or strategy that can be approved by the Leadership Board during the life span of the plan or strategy.

The initial proposals and accompanying information will be referred to the Overview and Scrutiny Committee. The Overview and Scrutiny Committee will examine the consultation proposals and timetable and make recommendations on these, where it is considered appropriate, to the Chair of the Leadership Board.

#### **b) Finalising proposals**

A second draft of the policy, taking into consideration comments received through the consultation process on the initial proposals will be approved by the Leadership Board and referred again to the Overview and Scrutiny Committee together with the relevant background information on which the final proposals have been based. Any recommendations and/or observations from the Overview and Scrutiny Committee will be considered by the Leadership Board.

#### **c) Submission of final proposals to the Leadership Board**

The final proposals will then be considered by the Leadership Board, which may or may not include the recommendations and/or observations from the Overview and Scrutiny Committee.

The Leadership Board must approve the final proposals unanimously.

### **5. Decisions that contravene the Budget or the plans or strategies in the Policy Framework**

NECA's Financial Regulations contain provisions allowing virement. Subject to those provisions, the Leadership Board, committees of the Leadership Board and/or any officers or joint committees discharging functions are only authorised to take decisions in line with the approved Budget and/or the approved plans or strategies in the Policy Framework. Only the Leadership Board can take a decision that wholly or in part does not accord with the approved Budget or plans or strategies in the Policy Framework.

Decision makers must take the advice of the Monitoring Officer and/or Chief Finance Officer where it appears to them that a decision they wish to make would be contrary

to the approved plans or strategies in the Policy Framework or not wholly in accordance with the approved Budget. Where advice is given that the decision would be contrary to the approved plans or strategies in the Policy Framework or not wholly in accordance with the Budget then that decision must be referred to the Leadership Board.

Decisions of the Leadership Board, its committees, sub-committees or a joint committee or officers, must be in line with the policies set by the Leadership Board. These decision makers may only make changes to any of the policies in the Policy Framework in the following circumstances:

- a) where NECA has a budgetary constraint and changes are made to the policies in the Policy Framework to meet that constraint. This may involve the closure or discontinuance of a service;
- b) changes necessary to ensure compliance with the law, ministerial direction or government guidance; or
- c) changes to a policy which would normally be agreed annually or periodically by the Leadership Board following consultation, but where the existing policy document is silent on the matter under consideration.

## Part 4.5 Officer Employment Rules of Procedure

The Officer Employment Rules of Procedure set out the Authority's governance arrangements for the recruitment and dismissal of, and the taking of disciplinary action against, officers.<sup>8</sup>

This section should be read in conjunction with the Scheme of Delegation of Functions to Chief Officers (Part 3.6).

The Authority's Chief Officers and Deputy Chief Officers are, in accordance with the Local Government and Housing Act 1989 defined as follows:

- a) a statutory chief officer (e.g. the Head of Paid Service, the Monitoring Officer and the Chief Finance Officer);
- b) a non-statutory chief officer (e.g. an officer who reports directly to the Head of Paid Service; and
- c) a deputy chief officer (e.g. an officer who reports directly to a Chief Officer).

### 1. General

The functions of appointment and dismissal of, and taking disciplinary action against, officers below the level of Deputy Chief Officer must be discharged by the Head of Paid Service, on behalf of the Authority, or by an officer nominated by them.

The functions of appointment and dismissal of, and taking disciplinary action against, Chief Officers and Deputy Chief Officers must be discharged by the Leadership Board.

### 2. Recruitment and appointment

The Authority will draw up a statement requiring any candidate for appointment as an officer to state in writing whether they are the parent, grandparent, partner, child, stepchild, adopted child, grandchild, brother, sister, uncle, aunt, nephew or niece of an existing Member or officer; or of the partner of such persons.

No candidate so related to a Member or an officer will be appointed without the authority of the Head of Paid Service or an officer nominated by them.

The Authority will disqualify any applicant who directly or indirectly seeks the support of any Member for any appointment with the Authority. The content of this paragraph will be included in any recruitment information.

No Member will seek support for any person for any appointment with the Authority.

Nothing in the above paragraphs precludes a Member from giving a written reference for a candidate for submission with an application for employment.

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<sup>8</sup> Upon publication the requirements of the Local Authorities (Standing Orders) (England) Regulations 2001 do not apply to Combined Authorities.

### **3. Appointments**

Where the Leadership Board determines to appoint a Chief Officer or Deputy Chief Officer the Leadership Board will draw up a statement specifying the duties of the officer concerned and any qualifications or qualities to be sought in the person to be appointed.

If it is not proposed that the appointment be made exclusively from among existing officers of the Constituent Authorities, the Leadership Board will:

- a) make arrangements for the post to be advertised in such a way as is likely to bring it to the attention of persons who are qualified to apply for it; and
- b) make arrangements for a copy of the written statement mentioned above to be sent to any person on request.

The appointment of any other officer is a matter for the Head of Paid Service.

### **4. Disciplinary Action**

The Head of Paid Service, the Monitoring Officer or Chief Finance Officer may be suspended whilst an investigation takes place into alleged misconduct. That suspension will be on full pay and last no longer than two months.

No other disciplinary action may be taken in respect of any of those officers except in accordance with a recommendation in a report made by an independent person designated and acting in accordance with Regulation 7 of the Local Authorities (Standing Orders) (England) Regulations 2001.

Members will not be involved in the disciplinary action against any officer below Deputy Chief Officer level except where such involvement is necessary for any investigation or inquiry into alleged misconduct, through the Authority's disciplinary, capability and related procedures.

### **5. Dismissal**

Members will not be involved in the dismissal of any officer below Deputy Chief Officer level except where such involvement is necessary for any investigation or inquiry into alleged misconduct, through the Authority's disciplinary, capability and related procedures.

## Part 5 Financial Regulations

### Introduction

#### 1. Definitions

In these Regulations:

The “Direct Services” of the Authority include those services provided directly to it by the lead authorities responsible for providing the services.

“Designated Officers” are those officers listed below, together with any other officers or consultants that may be approved by the Authority for the purpose of these regulations:

Head of Paid Service

Chief Finance Officer

Monitoring Officer

Chief Executive of any Constituent Authority which supports a Thematic Lead (see paragraph 5 of the Constitution’s Introduction)

Managing Director for Transport Operations

Engineer to the Tunnels

Any duty or power devolving upon a Designated Officer may (in his or her absence) be exercised by a nominated deputy.

2. NEXUS is a separate accountable public corporation with its own financial regulations to be adhered to by its Directors and officers and which will apply to its Leadership Board approved revenue and capital spending plans. In this regard, Nexus’ general remit is to “procure or provide public transport services and facilities, plan for future service development and promote the use and convenience of public transport.”
3. Financial Regulations provide the framework for the financial administration of NECA with a view to ensuring that its financial affairs are conducted in a sound and proper manner, constitute value for money and minimise the risk of legal challenge. Financial Regulations are not intended to constitute a set of detailed rules to respond to every contingency. The Regulations allow for variation in detailed controls by the Designated Officers where justified by local circumstances.
  - a) Financial Regulation 1 defines responsibility for financial control.
  - b) Financial Regulations 2, 3, and 4 lay down the tasks required of the Authority, joint committee, committee, sub-committee or designated officer for the fundamental financial processes of:
    - i) forward planning and budgetary strategy;
    - ii) incurring and controlling revenue spending and income;
    - iii) incurring and controlling capital spending and income.
  - c) Financial Regulation 5 covers the requirements for Risk Management.

- d) Financial Regulations 6 and 7 cover the standards required for:
    - i) accounting;
    - ii) internal audit.
  - e) Financial Regulation 8 governs procedures for obtaining goods, materials, works and services.
  - f) Financial Regulation 9 defines the powers and responsibilities governing arrangements with Nexus.
  - g) Financial Regulation 10 regulates the 'day to day' financial systems of NECA. It requires designated officers to ensure that prescribed controls are present, but allows them, except where explicitly stated otherwise, to determine the detail of the controls in order to meet service circumstances.
4. All financial decisions and decisions with financial implications must have regard to proper financial control. Any doubt as to the appropriateness of a financial proposal or correctness of a financial action must be clarified in advance of the decision or action.
  5. Failure by officers to observe Financial Regulations and the codes and guidance issued under them may result in action under the Authority's disciplinary procedures.
  6. Failure by Members to observe Financial Regulations may amount to a breach of the Code of Conduct for Members.
  7. Amendments to Financial Regulations require the approval of the Leadership Board following a report from the Chief Finance Officer. The Leadership Board may amend all other Procedures, Policies, Codes and Checklists referred to in these Financial Regulations. The Chief Finance Officer will review as often as he/she considers appropriate supporting advice and guidance to the Financial Regulations and report any recommended changes to the Leadership Board for approval.
  8. If any financial issues arise which result in any uncertainty or ambiguity as to the correct procedure to follow under these regulations, then the Chief Finance Officer shall have delegated powers to give a valid direction as to the appropriate procedure to follow.

## 1. Responsibilities

### 1.1 Responsibilities to the Authority

All Members, Designated Officers and Officers of the Combined Authority are responsible for ensuring that they use the resources and assets entrusted to them in a responsible and lawful manner. They should strive to achieve value for money and avoid legal challenge to the Authority. These responsibilities apply equally to Members and Designated Officers and officers when representing the Combined Authority on outside bodies. Members must also comply with the Code of Conduct for Members.

### 1.2 Personal Responsibilities

Any person charged with the use or care of the Authority's resources and assets should understand the Authority's requirements under these Financial Regulations. If anyone is in any doubt as to their obligations, then they should seek advice. Unresolved questions of interpretation should be referred to the person providing internal audit services to the Authority.

All Officers (including Officers of lead authorities providing services to the Authority) must report to their manager or supervisor any illegality, impropriety, breach of procedure or serious deficiency in the provision of service. Officers shall be able to do this without fear of recrimination providing they act in good faith and in such circumstances managers must record and investigate such reports and take action where appropriate. Compliance with the Authority's Policy Statement on Fraud and Corruption and the Code of Conduct for Officers is mandatory.

Note: The Authority's Policy for confidential reporting of concerns ("whistle blowing") exists to:

- Make Officers feel confident to raise concerns and to question and act upon concerns about practice;
- Give Officers avenues to raise concerns and receive feedback on any action taken;
- Guarantee that an Officer will receive a response to his or her concerns raised and that he or she is aware of the process to follow if not satisfied;
- Reassure an Officer that he or she will be protected from possible reprisals or victimisation.

### 1.3 The Leadership Board

The Leadership Board is responsible for:

- The adoption and revision of these Financial Regulations;
- The determination of the policy framework and annual revenue budget and capital programme;
- Providing the Chief Finance Officer and Designated Officers with sufficient staff, accommodation and other resources to carry out their duties.

## 1.4 Overview and Scrutiny Committee

The Scrutiny Committee has a monitoring and scrutiny role to help ensure that the Authority's corporate budgets and financial management systems are managed efficiently and are ensuring value for money.

## 1.5 Audit and Standards Committee

The Audit and Standards Committee is responsible for overseeing issues relating to financial probity and the adequacy of the Authority's controls.

## 1.6 Chief Finance Officer

1.6.1 NECA shall appoint an officer, the Chief Finance Officer, who shall, for the purposes of Section 73 of the Local Government Act 1985, be responsible for ensuring the proper administration of the Combined Authority's financial affairs.

1.6.2 The Chief Finance Officer shall issue, and keep under continuous review, such instructions, advice or procedures relating to financial matters as he or she considers necessary to secure the proper administration of the Combined Authority's financial affairs.

1.6.3 The Chief Finance Officer is responsible for reporting, where appropriate, breaches of Financial Regulations to the Leadership Board.

1.6.4 The Chief Finance Officer has the duty to report to the Leadership Board and external auditor where it appears that NECA or an officer has made or is about to make a decision that would involve:

- Unlawful expenditure;
- An unlawful action likely to cause a loss or deficiency;
- An unlawful item of account;
- Proposed expenditure that is in excess of available resources

(Section 114, Local Government Finance Act 1988.).

1.6.5 The Chief Finance Officer has responsibility for ensuring compliance with the requirements of the Accounts and Audit Regulations 2011 relating to accounting records, control systems and audit.

## 1.7 Designated Officers and Director of Finance and Resources, Nexus

Designated Officers and the Director of Finance and Resources, Nexus are responsible for ensuring that appropriate staff under their control are aware of the existence of the Authority's Financial Regulations and other regulatory documents and that they are observed throughout all areas under their control and shall:

- Provide the Chief Finance Officer with such information and explanations as the Chief Finance Officer feels is necessary to meet his or her obligations under Financial Regulations;



- Ensure that the Chief Finance Officer has sufficient opportunity to comment on all proposals with unbudgeted financial implications, before any commitments are incurred;
- Ensure that Authority members are advised of the financial implications of all significant proposals and that the financial implications have been agreed by the Chief Finance Officer;
- Inform immediately the Chief Finance Officer of failures of financial control resulting in additional expenditure or liability, or loss of income or assets;
- Inform the Chief Finance Officer where amendment to Financial Regulations is considered necessary; and
- Be responsible for ensuring the legality of all actions.

Note: It is the Monitoring Officer's duty to report to the Authority in respect of any proposed action, decision or omission that is contrary to law, or constitutes maladministration or injustice where the Ombudsman has conducted an investigation.

## **1.8 Exceptions to Financial Regulations**

1.8.1 Exceptions to these Financial Regulations shall be made only:

- in cases of urgency or where it is in the interests of the Combined Authority to do so; and
- with the prior written approval of the Chief Finance Officer.

1.8.2 The Chief Finance Officer shall keep a record of all such exceptions and submit an annual report to the Authority summarising the exceptions.

## **1.9 Arrangements for the discharge of responsibility**

1.9.1 Designated Officers and their staff are required to carry out their tasks in accordance with these Financial Regulations. Designated Officers may arrange for any of their staff to carry out tasks for which they have responsibility as set down by these Financial Regulations provided that the terms of those delegated arrangement are clearly defined and documented. A record of all such arrangements will be prepared by each Designated Officer and submitted to the Chief Finance Officer on an annual basis.

1.9.2 Notwithstanding such arrangements, the person making the arrangements remains responsible for compliance with these Financial Regulations.

## **2. Forward Planning and Budget Strategy**

The Leadership Board decides on the annual budget and the levy on the constituent local authorities.

2.1 Designated Officers and the Director of Finance and Resources, Nexus shall provide information to the Chief Finance Officer to enable him/her to produce and submit to the Authority annually a medium term financial forecast and a medium term capital forecast.

- 2.2 The Chief Finance Officer shall annually advise the Leadership Board on:
- Financial planning and budget strategy matters.
  - Procedures, timetables and estimated resources for planning revenue and capital spending.
  - The annual revenue and capital budget; transport levies and the contribution from councils to cover costs of non-transport services.
- 2.3 Designated Officers and the Director of Finance and Resources, Nexus in consultation with the Chief Finance Officer shall prepare revenue and capital estimates in accordance with such guidelines as set out by the Authority. In doing so, Designated officers and the Director of Finance and Resources, Nexus shall ensure that:
- The estimated expenditure and income, or the cost of any proposal submitted by them, are as accurate as possible and provide provision for all costs involved.
  - The revenue and capital estimates are consistent with Authority policy.
  - The revenue implications of capital schemes are fully included in revenue estimates.
- 2.4 The Leadership Board shall review the estimates together with such summaries, statements and reports as are considered desirable and shall recommend:
- The level of grant to be paid to Nexus for Concessionary Travel and Service Support in the next financial year as determined by the Joint Transport Committee.
  - The size of the levy made by the Joint Transport Committee on the councils for the local government areas formerly constituting the county of Tyne and Wear, The County Council of Durham and Northumberland County Council and for the next financial year.
  - The prudential indicators and the prudential borrowing for the next financial year.

### **3. Incurring and Controlling Revenue Spending and Income**

The Authority monitors financial performance during the financial year and considers any significant developments affecting its financial position.

- 3.1 The Chief Finance Officer and the Director of Finance and Resources, Nexus jointly shall advise the Leadership Board, on a quarterly basis, on:
- Progress against the Leadership Board approved budget;
  - Significant developments affecting the financial position of the Combined Authority.
  - Significant developments affecting the financial position of Nexus.
- 3.2 The Chief Finance Officer shall:
- Provide guidance on and co-ordinate the budget monitoring process.
  - Prescribe the form, basis, supporting information and timetable for the preparation of final accounts.

- Within delegated limits approve supplementary estimates and transfers of estimates.

3.3 Each Designated Officer shall:

3.3.1 Authorise revenue spending and collect income within the estimates, targets and/or limits approved by the Leadership Board provided that:

- The expenditure is lawful.
- Financial Regulations have been complied with;
- Expenditure is within approved revenue budget or capital programme provision.
- Expenditure is in respect of Authority policy.

3.3.2 Monitor progress on revenue spending and the collection of income and promptly provide the Chief Finance Officer with such information as requested.

3.3.3 Review fees and charges annually and implement changes in accordance with officer delegations or alternatively report them for approval to the Leadership Board.

3.3.4 Seek, in consultation with the Chief Finance Officer, the approval of the Authority to budgetary changes that would have a significant impact on the nature or level of service provided.

3.3.5 Ensure that transfers between budgets (virement) fulfil the following requirements:

- Transfers apply only to the transfer of funds within the delegated budget of the Designated officer.
- The proposal is consistent with Authority policy.
- Any virement over £10,000 is a significant decision and is therefore approved by the Chief Finance Officer.
- The total net delegated budget is still within the delegated cost limit.

3.4 Transfers from reserves to revenue budgets, other than those covered by the provisions of 3.3.5 above, require the prior written approval of the Chief Finance Officer.

3.5 Designated Officers shall, in an emergency (being a situation which demands action of a nature that could not have been anticipated and for which there is no budget line), and with the prior written approval of both the Chief Finance Officer and the Chair of the Leadership Board, have authority to incur unbudgeted expenditure.

#### **4. Incurring and Controlling Capital Spending and Income**

The Combined Authority oversees the capital and leasing programme of the Tunnels and Nexus and approves the award of contracts for Tunnels in accordance with the Procedure for the Commitment of Capital Expenditure (FPN 11).

- 4.1 The Chief Finance Officer and the Director of Finance and Resources, Nexus jointly shall advise the Leadership Board quarterly on:
- Progress on implementation of the Leadership Board approved capital and leasing programmes.
  - Additions and amendments to the Leadership Board approved capital and leasing programme.
  - The procedure for the commitment of the Leadership Board approved capital expenditure.
- 4.2 The Chief Finance Officer and the Director of Finance and Resources, Nexus shall as appropriate:
- Provide guidance and co-ordinate capital monitoring procedures.
  - Certify capital proposals as required by the Procedure for the Commitment of Capital Expenditure and within Nexus' own set of financial regulations.
- 4.3 Designated Officers shall:
- Authorise capital spending in accordance with the Procedure for the Commitment of Capital Expenditure (FPN11).
  - Monitor progress on implementation of the capital and leasing programme and provide the Chief Finance Officer with such information as requested.
  - Only commit the Authority to match-funding arrangements for which capital programme approval has been obtained.
  - Undertake the disposal of land and buildings in accordance with the any scheme of officer delegation approved by the Leadership Board or otherwise with express approval of the Leadership Board.

#### 4.4 Capital Expenditure – Definition

For the purposes of this regulation, capital expenditure is deemed to include the procurement, improvement or enhancement for the Authority's purposes of land, buildings, vehicles and equipment and the provision of grants to external organisations to enable the purchase of land, buildings, vehicles and equipment, regardless of how financed. Expenditure below the de-minimis sum determined by the Chief Finance Officer is not capital expenditure. If there is doubt whether expenditure is capital, the decision of the Chief Finance Officer is final.

## 5. Risk management

The importance of risk management to the wellbeing of the Combined Authority is outlined in its Risk Management Policy and Strategy Framework.

Designated Officers are responsible for ensuring that risk management is an integral part of their management processes and activities within their respective areas of responsibility.

- 5.1 Designated Officers will assign clear roles and responsibilities for managing risk.

- 5.2 Designated Officers are responsible for ensuring that a register of significant risks is maintained, reported and monitored.
- 5.3 Designated Officers will:
- Produce a strategy for the management of risk in their service.
  - Ensure that risk considerations are embedded into planning and decision making processes.
  - Identify those activities which have or may give rise to significant loss producing events.
  - Measure the impact of potential loss.
  - Take reasonable physical or financial steps to avoid or reduce the impact of potential losses.
  - Allocate risk management resources to areas of identified priority.
  - Maximise risk management opportunities that can impact positively on the Authority's reputation, aims and objectives.
  - Ensure managers and Officers are equipped with the necessary skills to manage risk effectively.
  - Ensure that strategic partners and service providers are aware of the importance of risk management.
  - Ensure that the Chief Finance Officer is promptly provided with any information he requires on risk management issues.
  - Report the risk implications of recommended strategies, policies, and service delivery options to Members of the Authority.

## 6. Accounting

- 6.1 The Chief Finance Officer shall with respect to the services provided by the Constituent Authority identified by the Head of Paid Service as the lead authority for these roles:
- Determine accounting systems and procedures and the form of financial records and statements.
  - Provide guidance and advice on all accounting matters.
  - Monitor accounting performance to ensure an adequate standard for all services.
  - Certify financial returns, grant claims and other periodic financial reports required of the Combined Authority.
- 6.2 Each Designated Officer shall:
- Implement accounting procedures and adopt the form of financial records and statements as determined by the Chief Finance Officer.
  - Obtain the prior written approval of the Chief Finance Officer before introducing or changing significantly the form or method of existing accounting systems and procedures, financial records or statement (see below).
  - Complete and pass to the Chief Finance Officer financial returns and other financial reports requiring certification.
  - Keep a proper and effective separation of duties for staff with financial responsibilities.

NOTE: Approval procedure for changes to financial systems: Prior approval is to be requested from the Chief Finance Officer in writing. The request must give details of the proposed change and the anticipated benefit from the change, an estimate of the costs involved and the proposed implementation date. Internal Audit advice should be sought for all proposed changes at as early a stage as possible.

## 7. Internal Audit

The Authority has responsibility for all matters of financial significance including the review of matters arising from audit, both internal and external. The Audit and Standards Committee is responsible for overseeing issues relating to financial probity. Reference should also be made to the Anti-Fraud and Corruption Policy.

7.1 Internal Audit is required to provide an objective audit service in line with the CIPFA Code of Practice for Internal Audit in Local Government and professional auditing standards. To this end Internal Audit will have no executive functions that might compromise its objectivity, and the Chief Internal Auditor of the Lead Authority providing the internal audit service shall have direct access to, and the freedom to report to Members and all senior management including the Chief Finance Officer, the Head of Paid Service and the Monitoring Officer to the Authority.

7.2 The Chief Finance Officer shall:

- Maintain an adequate and effective system of internal audit of the accounting records and control systems of the Authority;
- Advise the Authority of material issues of financial control and report to Audit and Standards Committee on the adequacy of the systems of internal control;
- Where evidence of fraud, misappropriation or theft is discovered, decide after consultation with the relevant Designated Officers(s) and the Monitoring Officer, whether to refer the matter to the Police.

7.3 The Chief Finance Officer or his or her representatives are authorised to:

- Visit any establishment of the Authority;
- Have immediate access to all records and documents;
- Require the immediate production of cash, stores or any other property owned or held by the Authority;
- Require and receive promptly full and accurate explanations to any points requested.

7.4 Each Designated Officer shall:

- Ensure that all reasonable assistance and co-operation is given to internal auditors.
- Respond fully without undue delay to any enquiries or recommendations made by the Chief Finance Officer.
- Inform the Chief Finance Officer, as soon as possible, of failures of financial control, including matters that involve, or may involve, financial irregularity.

The Chief Finance Officer and each Designated Officer jointly shall investigate failures of financial control, including matters that involve, or may involve, financial irregularity.

## **8. Procurement and Contracts**

8.1 The Procurement Procedure Rules for the Constituent Authority designated as lead authority for the following exercises shall apply and be followed whenever the Combined Authority wishes to arrange for:

- a) The purchase of goods, materials and related services (that is, services which are integral to the provision of those goods or materials, such as installation, servicing, maintenance etc);
- b) The execution of works; or
- c) The provision of other services (including consultancy).

8.2 Where the County Council of Durham wishes to arrange for:

- a) The purchase of goods, materials and related services (that is, services which are integral to the provision of those goods or materials, such as installation, servicing, maintenance etc);
- b) The execution of works; or
- c) The provision of other services (including consultancy).

In the exercise of its functions on behalf of NECA within its own boundaries, the appropriate Constituent Authority's Procurement Procedure Rules shall apply. The opportunity to secure efficiencies and value for money from joint procurement arrangements should be considered, where it is possible to do so.

8.3 The Procurement Procedure Rules of the Authority designated in 8.1 and 8.2 are part of this Financial Regulation 8 and failure to comply with them shall amount to a breach of financial regulations.

8.4 In addition to the specific provisions of the Procurement Procedure Rules, any procurement of goods, materials, works or services shall have regard to and seek to implement the following general principles:

- a) The need to ensure the Authority and those within its area obtain good value for money and are properly protected as consumers of the goods, works or services;
- b) The need to ensure and demonstrate true and fair competition, without unlawful discrimination;
- c) The need to ensure the procurement process is transparent and accountable and susceptible to full audit;
- d) The need to ensure the elimination of any opportunities for fraud or corruption.

## **9. Relationship between NECA and Nexus**

NECA in its role as the strategic authority and Nexus in its role as the executive body of NECA in relation to transport functions in Tyne and Wear responsible for

implementing policy have close links at every level. They are, however, separate bodies linked together by reciprocal financial duties and responsibilities.

## **Financial duties and responsibilities of Nexus to NECA**

### **9.1 Forward and Budget Strategy**

The general principles to be followed by Nexus are set out at FR 2. In addition the following regulation applies:

- Nexus has a requirement to prepare each year a three-year Forward Plan.
- Revenue and Capital Estimates  
Nexus shall submit to the Leadership Board via the Joint Transport Committee detailed estimates of its expenditure and income, both capital and revenue based upon the three-year plan, taking into consideration the resource allocations determined by the Leadership Board.

### **9.2 Incurring and Controlling Revenue and Capital Spending and Income**

The general principles to be followed by Nexus are set out in the Financial Procedure Notes that accompany these Financial Regulations which are generally replicated in Nexus' own set of financial regulations. As a separate body Nexus is responsible for having its own accounting systems and procedures in place to enable it to make regular comparisons between approved estimates and actual and committed expenditure, fares and other income.

In addition the following regulations apply:

- Nexus shall only incur expenditure for the purposes stated in the approved NECA revenue budget, these main budget heads being "Concessionary Travel" and "Revenue Support".
- Nexus shall report to the Leadership Board on any operational decisions made during the year on fares, service levels etc. that will have a significant impact upon its budget position.
- Nexus shall only incur expenditure for the purposes stated in the approved NECA capital programme, these main budget heads being "Metro Asset Renewal Plan" and "Local Transport Plan".
- Nexus, in consultation with the Chief Finance Officer, shall submit quarterly reports to the Leadership Board comparing the progress of its actual spend and commitments against its approved NECA revenue and capital budgets.
- Where an overspend (or underspend) is anticipated in relation to one of its main budget heads Nexus shall submit, jointly with the Chief Finance Officer, a report to the Authority setting out the reasons for the variation. Where Nexus has been unable to take corrective action, this report shall identify any alternative options that may be available to Authority to take corrective action.



## **Financial Duties and Responsibilities of NECA to Nexus**

### **9.3 Forward Planning and Budget Strategy**

9.3.1 NECA through the Joint Transport Committee has a duty to consider Nexus' three-year plan and formally approve it after making any modifications considered necessary.

9.3.2 NECA through the Joint Transport Committee can require from Nexus any supplementary information to enable it to properly consider the three-year plan.

#### **9.3.3 Annual Estimates**

On behalf of NECA, the Joint Transport Committee shall determine the resource allocations within which Nexus must prepare its budget. In doing so, the Joint Transport Committee will take into consideration all relevant factors including Central Government restrictions on expenditure, levels of reserves, and permitted borrowing.

9.3.4 The Chief Finance Officer, in consultation with Nexus, shall report the overall budget position to the Leadership Board through the Joint Transport Committee, not later than the month of February of the preceding financial year.

### **9.4 Payment of Grant to Nexus**

The Chief Finance Officer shall determine arrangements for the payment of the revenue grant to Nexus in consultation with Nexus. These arrangements include the mechanism by which payment is made and their regularity and timing.

### **9.5 Borrowings**

The Chief Finance Officer shall work with Nexus to understand the extent to which the powers that fall to Nexus under the Transport Act 1968 or to the ITA under the same Act are being fully and properly discharged:

- All borrowings on behalf of Nexus (except temporary borrowing);
- The Registrar of Stocks, Bonds and Mortgages on behalf of Nexus (unless otherwise authorised by the Authority);
- The arrangements for the financing of expenditure of Nexus by borrowing and the repayment of the resulting debt charges in consultation with Nexus as appropriate.

## **10. Financial Controls**

10.1 As required by Financial Regulation 1.7 the Designated Officers and the Director of Finance and Resources, Nexus are, for the areas under their control, responsible for ensuring that the arrangements, guidelines and procedures for the proper administration of financial affairs are operated in accordance with the appropriate Financial Regulations

10.2 Designated Officers of the Authority are required to ensure that the controls as listed in Financial Procedure Notes issued from time to time are present, although

these officers may, except where explicitly stated otherwise, determine the detail of the controls in order to meet service circumstances.

10.3 The Financial Procedure Notes issued under this regulation by the Chief Finance Officer are:

- FPN1 Orders for work, goods and services
- FPN2 Income
- FPN3 Payment for works, goods and services
- FPN4 Security and control of assets
- FPN5 Insurance
- FPN6 Staffing and payroll
- FPN7 Reimbursement of expenses and payment of allowances
- FPN8 Banking arrangements and cheques
- FPN 9 Investments and borrowing
- FPN10 Information technology and data protection
- FPR11 Commitment of Capital Expenditure.

10.4 Further Financial Procedure notes, or amendments, may be made from time to time by the Chief Finance Officer.

10.5 Further advice on all areas of financial control is available from the Chief Finance Officer who may issue detailed guidance notes on specific controls as necessary. These will be referred to as Financial Best Practice Notes.

## Financial Procedure Note 1 – Orders for Work, Goods and Services

### a) Objective

*To ensure that work, goods and services are only ordered for the purposes of the Authority's business and that the resulting expenditure is within budget.*

### b) Application

This Financial Procedure applies in relation to the Direct Services of the Authority and is mandatory for all officers.

### c) Control Checklist

To achieve the above objective, systems should be present to ensure that:

- There is adequate budget provision before committing expenditure;
- Any necessary Authority approvals have been obtained;
- Purchases are in accordance with the Financial Regulation 8;
- That all order documentation used meets the requirements of Financial Regulation 8.

Note: Official Authority orders must:

- Be headed 'NECA' on behalf of the 'Durham, Gateshead, South Tyneside and Sunderland Combined Authority';
- State 'Official Order';
- Be numbered;
- Include the name and address of the ordering section, and delivery address if different;
- Show the cost code to be charged;
- Be signed by, and state post of an authorised officer; and
- Include the information required in Financial Regulation 8, including the Procurement Procedure Rules.

Order must be signed only by staff with proper authorisation to do so.

**d) Comments**

Staff authorised to order work, goods and services must ensure that they are aware of any necessary authorisations required and of the Lead Authority's Purchasing Policy.

The lead authority's Purchase Order System must be used whenever possible as it facilitates compliance with the above requirements and collects data to support development of the Purchasing Policy.

## Financial Procedure Note 2 – Income

### a) Objective

To ensure that all income due to the Authority is promptly collected, banked and properly accounted for.

### b) Application

This Financial Procedure applies in relation to the Direct Services of the Authority and is mandatory for all officers.

### c) Control Checklist

To achieve the above objective, systems should be present to ensure that:

- Budgeted income is fully and promptly collected;
- The Chief Finance Officer is promptly informed of all new sources of income, the sums anticipated and collection arrangements;
- The advice of the Chief Finance Officer is sought prior to the signing of agreements which provide for variable income;
- The basis and level of fees and charges are regularly reviewed;
- Income is collected in advance of service, or where not possible, by official invoice;
- All cheques received are made payable to 'NECA' on behalf of the "Durham, Gateshead, South Tyneside and Sunderland Combined Authority". Uncrossed cheques received are crossed 'NECA' on behalf of the "Durham, Gateshead, South Tyneside and Sunderland Combined Authority";
- Money received (other than cash paid for vehicle tolls) is acknowledged by the issue of an official receipt, ticket or voucher. (See (d) below.);
- The transfer of official money between staff is evidenced;
- Income collected is banked promptly and held securely prior to banking;
- Money held awaiting banking is insured against theft;
- Money banked is credited to the correct financial account and compared to budget estimate;

- Arrangements for payment by instalment are authorised in advance by the Chief Finance Officer;
- Prior authorisation is obtained to the write-off of uncollectible income by the Chief Finance Officer;
- The Chief Finance Officer must approve claims requiring certification in the name of the Chief Financial Officer.

**d) Special requirements**

Personal cheques must not be cashed out of money held on behalf of the Authority.

## **Financial Procedure Note 3 – Payment for Works, Goods and Services**

### **1. Objective**

To ensure that payments are made only for works, goods or services received by the Authority and has been certified as such.

### **2. Application**

This Financial Procedure applies in relation to the Direct Services of the Authority and is mandatory for all officers.

### **3. Control Checklist**

To achieve the above objective systems should be present to ensure that:

#### 1. Pre-payment checks are undertaken to ensure that:

- The goods have been received and examined, meet the required specification and work done or services rendered have been satisfactorily carried out;
- The invoice is in accordance with the contract or order, is arithmetically correct, and has due discounts deducted;
- The payment has not previously been made;
- The payment is authorised.

#### 2. The method of payment is appropriate.

- By use of the corporate creditors system for payment by BACS or cheque (note BACS is the preferred method and must be used wherever possible);
- By imprest account or petty cash for minor sums;
- By some other means as agreed with the Chief Finance Officer.

#### 3. Payment is timely.

- To meet supplier/contractor terms of trade and legislative requirements;
- Justification is provided if urgent payment or dispatch of cheque is required.

4. Transactions are properly accounted for, including;

- proper use of financial codes;
- compliance with HM Revenue and Customs regulations;
- The maintenance of a Register of Contracts by the Chief Finance Officer.

**d) Special Requirements - Advance Payments**

No commitments shall be entered into for goods, work or services for which the supplier or contractor requires payment in advance until the Designated Officer has confirmed the financial standing of the payee with the Chief Finance Officer.



## Financial Procedure Note 4 – Security and Control of Assets

### a) Objective

To ensure the proper use and safeguarding of assets owned by the Authority or for which the Authority has responsibility.

### b) Application

This Financial Procedure applies in relation to the Direct Services of the Authority and is mandatory for all officers.

### c) Control Checklist

To achieve the above objective systems should be present to ensure that:

- Proper security is maintained at all times;
- Assets are recorded and accounted for;
- The use of assets is restricted to authorised Authority business;
- Surplus assets, except land and buildings, are disposed of in accordance with procedures agreed with the Purchasing Manager of the Constituent Authority identified by the Head of Paid Service as being responsible.

In addition, the following controls apply to land and buildings:

- The Head of Property Services of the Constituent Authority identified by the Head of Paid Service as being responsible for land and buildings has overall responsibility for advising on land issues;
- The disposal of land and buildings will be carried out under any scheme of delegations or protocol agreed by the Leadership Board or otherwise with the express approval of the Leadership Board;
- A detailed record of all land and property owned by the Authority shall be maintained by the Head of Property Services of the Constituent Authority identified by the Head of Paid Service as being responsible for land and buildings;
- The Monitoring Officer shall have custody of all title deeds and be responsible for their security;
- Entry should not be allowed into property of NECA without the signing of formal documentation. (If a situation should arise where early entry in connection with a major transaction is required, The Head of Property Services of the Constituent Authority identified by the Head of Paid Service as being responsible for land and buildings will have delegated authority to agree this as appropriate.

**d) Comment**

This financial procedure note applies to all assets, including stocks, stores equipment and vehicles (with either an individual value of £500 or more or a collective value of £2,000 or more) and all cash, land and buildings, that are owned by, or are in the possession of the Combined Authority and for which the Combined Authority is responsible. The form and content of the record is for local decision following consultation with the Chief Finance Officer but must be sufficient to allow verification and to support Balance Sheet entries.

## Financial Procedure Note 5 – Insurance

### a) Objective

To ensure that the Combined Authority manages all potential insurable risks and liabilities and to limit the authority for arranging insurance cover to the Chief Finance Officer.

### b) Application

This Financial Procedure applies in relation to the Direct Services of the Combined Authority and is mandatory for all officers.

### c) Control Checklist

To achieve the above objective, systems should be present to ensure that:

- New risks and any alterations to existing risks are reported to the Chief Finance Officer immediately;
- Combined Authority risks are reviewed annually in accordance with the timetable issued by the Chief Finance Officer;
- Claims are reported in accordance with the guidelines issued by the Constituent Authority identified by the Head of Paid Service as being responsible for insurance and supporting information is provided within required timescales;
- Policy requirements and warranties, notified by the Constituent Authority identified by the Head of Paid Service as being responsible for insurance, are complied with at all times;
- Insurers' loss control requirements are responded to within the relevant timescales.

### d) Comment

Each Designated Officer is responsible for identifying, assessing and reporting risks to the Chief Finance Officer.

The Chief Finance Officer is responsible for arranging all insurance cover and for ensuring the annual review of insurance cover.

## Financial Procedure Note 6 – Staffing and Payroll

### a) Objective

To ensure that staff are appointed in accordance with the Combined Authority's Code of Practice on Recruitment and Selection, are paid in accordance with their Contract of Employment and to ensure leavers are removed from the payroll.

### b) Application

This Financial Procedure applies in relation to the Direct Services of the Authority and is mandatory for all officers.

### c) Control Checklist

To achieve the above objective, systems should be present to ensure that:

- The Code of Practice on Recruitment and Selection is observed in the appointment of staff;
- Amendments to the payroll – including appointments, resignations and changes to Contracts of Employment - are notified to the Head of Service of the Constituent Authority designated by the Chief Finance Officer as being responsible for Human Resources in accordance with payroll deadlines and in the form specified;
- Details of salary and wage amounts to be paid are provided in a form and to a timetable determined by the Chief Finance Officer;
- Uncollected payments are promptly returned to the Authority that made the payment;
- An annual check of staff paid and charged to the financial accounts is undertaken.

## **Financial Procedure Note 7 – Reimbursement of Expenses and Payment of Allowances**

### **a) Objective**

To ensure that the reimbursement of allowances and expenses to staff and members is in accordance with the appropriate agreements and legislation.

### **b) Application**

This Financial Procedure applies in relation to the Direct Services of the Authority and is mandatory for all officers.

### **c) Control Checklist**

To achieve the above objective systems should be present to ensure that:

#### Staff

- Claims are submitted within one calendar month of the expense being incurred and include sufficient information to allow verification.
- Allowances and expenses are as approved for payment to Combined Authority staff.
- Payment is made in accordance with procedures determined by the Chief Finance Officer.

#### Members

- Claims are submitted within one calendar month of the expense being incurred and include sufficient information to allow verification.
- Allowances for independent members and expenses are as approved for payment to Authority members.
- Payment is made in accordance with procedures determined by the Chief Finance Officer.

### **d) Comment**

Particular care must be taken to ensure that all payments to individuals, including additional payments to Officers, meet the requirements of the Inland Revenue.

Expenses claims should be supported by receipts whenever possible.

## **Financial Procedure Note 8 – Banking Arrangement and Cheques**

### **a) Objective**

To ensure sound banking and payments arrangements by limiting responsibility for it to the Chief Finance Officer.

### **b) Application**

This Financial Procedure applies in relation to the Direct Services of the Authority and is mandatory for all officers.

### **c) Control Checklist**

To achieve the above objective systems should be present to ensure that:

- No bank account, or similar, is to be opened except with the authority of the Chief Finance Officer.
- The maintenance of Combined Authority bank accounts is in accordance with arrangements determined by the Chief Finance Officer.
- Cheques shall be ordered only on the authority of the Chief Finance Officer and controlled securely prior to use.
- The approval of the Chief Finance Officer is obtained to any proposal to enter a credit agreement.

## Financial Procedure Note 9 – Investments and Borrowing

### a) Objective

To limit the authority for managing the Authority's Investments and Borrowing to the Chief Finance Officer and to ensure those activities in this area is properly regulated.

### b) Application

This Financial Procedure applies in relation to the Direct Services of the Combined Authority and is mandatory for all officers.

### c) Control Checklist

To achieve the above objective systems should be present to ensure that:

- No investment or borrowing transaction is undertaken except with the prior written authority of the Chief Finance Officer;
- Combined Authority bank accounts do not become overdrawn;
- The Chief Finance Officer shall ensure that:
  1. The Authority will create and maintain, as the cornerstones for effective treasury management:
    - a) a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
    - b) suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
  2. The content of the policy and the TMPs will follow the recommendations contained in Section 6 and 7 of the Prudential Code, subject only to amendment where necessary to reflect the particular circumstances of this organisation. Such amendments will not result in the organisation materially deviating from the Code's key principles.
  3. The Leadership Board will receive reports on treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.
  4. NECA delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Audit and Standards Committee, and for the execution and administration of treasury management decisions to the Chief Finance Officer, who will act in accordance with NECA's policy statement and TMPs and if that officer is a

CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.

5. NECA is responsible for ensuring effective scrutiny of the treasury management strategy and policies.

- All investments and borrowing are made by the Chief Finance Officer and are in the name of the Durham, Gateshead, South Tyneside and Sunderland Combined Authority, with the exception of Investments and Borrowing made specifically in respect of Nexus;
- A separate record of the Capital Finance Requirement in relation to Transport services in the former administrative region of the county of Tyne and Wear and Durham County is maintained and reported annually by the Chief Finance Officer;
- All securities are held by the Chief Finance Officer;
- The Chief Finance Officer is the Combined Authority's Registrar of Stocks, Bonds and Mortgages;
- Investments held at the end of each financial year are reported to Leadership Board by the Chief Finance Officer as soon as possible after 31 March;
- All Treasury Management activities are conducted in line with the relevant CIPFA Code of Practice for Treasury Management in Local Authorities; and
- There is an adequate division of duties between arranging and settling of transactions.

Any exceptions to the above can only be authorised by the Combined Authority.



## **Financial Procedure Note 10 - Information Technology and Data Protection**

### **a) Objective**

To ensure the orderly and secure development of information technology and the proper control of information held.

### **b) Application**

This Financial Procedure applies in relation to the Direct Services of the Combined Authority and is mandatory for all officers.

### **c) Control**

Checklist to achieve the above objective, systems should be present to ensure that:

- Investment in IT complies with the Combined Authority's IT and Information Security strategies and policies.
- All IT purchases:
  - i) Comply with the lead authority's corporate standards and guidelines (including the IT procurement guidelines) unless there are sound reasons to do otherwise;
  - ii) Have necessary capital approvals in place;
  - iii) Are included on an Authority-wide register of IT assets.
- The use of IT and the control of information held are subject to the IT security policy of the Constituent Authority designated by the Chief Finance Officer as being responsible for IT.

## Financial Procedure Note 11 – Commitment of Capital Expenditure

- a) Authority to commit capital expenditure is based on the Capital Programme (the Programme). The Programme is approved by the Leadership Board and is updated regularly to reflect changes in the cost and phasing of schemes and the addition of new schemes.
- b) Inclusion of a scheme in the Programme gives authority to begin procurement and contract procedures subject to the limitations below.
- c) For schemes included in the Programme for commencement in the first financial year (i.e. current financial year) designated Officers have the authority to progress a scheme up to and including contract signature subject to:
  - The Corporate Procurement Strategy of the Constituent Authority identified by the Head of Paid Service as being responsible for procurement.
  - Full compliance with the provisions of Financial Regulation 8 on tenders and quotations;
  - Tender costs not exceeding the Programme provision by more than 5% or £50,000, whichever is the lower, provided the source of funding for the additional cost has been identified;
  - Completion of a tender summary report in the form prescribed by the Chief Finance Officer;
  - Certification by the Chief Finance Officer of the tender summary report.

Schemes not meeting these conditions, or where:

- It is proposed to accept other than the lowest tender (where price is the determining criteria), or
- The Leadership Board has directed its approval is required

Must be reported to the Leadership Board for approval to proceed to contract Signature.

- d) Financial Regulation 8 covers contract signature requirements.
- e) For schemes included in the Programme for commencement in any subsequent financial year, Designated Officers have authority to prepare plans and carry out other preliminary work during the first financial year up to a maximum of £50,000.
- f) Proposals to incur preliminary expenditure or commitments above £50,000 must be approved by the Chief Finance Officer and must be recorded by the Chief Finance Officer as a delegated decision.

Note: This authority for preliminary expenditure only applies to schemes in the programme. Confirmation of scheme approval must be sought at the earliest opportunity if significant changes, either in objective, estimated cost or phasing, are proposed.

**g)** Once commenced, Designated officers have approval to incur:

- Additional expenditure arising from the operation of a 'fluctuation of price' clause;
- Increased costs not exceeding 5% of the contract value or £50,000 whichever is the lower.

Subject to the increased amount being reported for inclusion in the Capital Monitoring Progress Reports to the Leadership Board (where deemed significant by the Chief Finance Officer) and inclusion in the Capital Programme at the earliest opportunity.

## Part 6 Codes of Conduct and Protocols

### Introduction

The purpose of the code and protocols is to help guide members and also officers in their respective roles within the Combined Authority, in their dealings with each other and others they come into contact with.

Given the variety and complexity of those roles and relations, the code and protocols are not prescriptive and may not cover all situations. They provide guidance on situations that commonly occur. They are in part a written statement of good current practice and convention, but aim to promote greater clarity and certainty. They also aim to address those particular issues arising from the relationship between Chief Officers, Officers and members of NECA, Leadership Board, the Chair of the Leadership Board and Chairs of Committees, Overview and Scrutiny Committees and Sub-Committees.

In effective high performing authorities Officers and Members work well together with trust and mutual respect for their respective roles. NECA Members and Officers fulfil different but complementary roles.

One important feature which underpins the activities of all Members when acting in their official capacity is the ethical framework. The basis of this is that people expect local authorities and Elected Members to maintain high standards of conduct when carrying out their responsibilities.

The Localism Act 2011 places a statutory obligation on NECA to promote and maintain high standards of conduct by its elected Members. As a result NECA has adopted a Code of Conduct for Elected Members (“Members’ Code of Conduct”) and local arrangements for how complaints will be dealt with. The Code is part of NECA’s Constitution and can be found in Part 6.1, the local arrangements are an appendix to the Code.

By keeping to the spirit, as well as the letter of the Code, Members can be confident of maintaining the standards of conduct expected of them. It is also important that everyone involved with the Combined Authority’s work, including members of the public, officers, or representatives of other organisations, embrace the Code, and also accept that it may sometimes determine the way members can deal with particular issues.

The guidance in the protocols will help Members to keep within the Code. In addition to that it also sets out protocols to promote effective working.

NECA will periodically review the guidance to make sure it keeps pace with changes in the law or common practice.

In general terms, if Members are not sure about the action to take in any circumstance there is a very simple rule to follow - **ask first, act later!** The Monitoring Officer will be pleased to give advice and guidance to members on any part of the Code or the protocols.

## Part 6.1 Code of Conduct for Members

### 1. Introduction

With effect from 29 April 2014, The Durham, Gateshead, Newcastle upon Tyne, North Tyneside, Northumberland, South Tyneside and Sunderland Combined Authority adopted a Code of Conduct for Members attached at **Appendix 1**. The purpose of the Code is to govern the behaviour of elected Members of the Combined Authority. Notwithstanding the Second Order the Code of Conduct remains unchanged save for the necessary amendments resulting from the Second Order and reflecting changes in the principal office of NECA.

Members, upon appointment, must agree to abide by the Code. If a Member fails to comply with the requirements of the Code a complaint can be made. Details of the procedure for making a complaint and the complaint form are available on NECA's website or direct from:

The Monitoring Officer  
North East Combined Authority  
South Tyneside MBC  
Town Hall and Civic Offices  
Westoe Road  
South Shields  
NE33 2RL

[nicola.robason@southtyneside.gov.uk](mailto:nicola.robason@southtyneside.gov.uk)

NECA's Code of Conduct for Members is supported by the principles of public life recommended by the Nolan Committee, and the relevant protocols and procedures of NECA.

### 2. Supporting protocols and procedures

The following documents should be read in conjunction with the Members' Code of Conduct:

- Protocol on Member/Officer relations which sets out the respective roles of Members and Officers and how they should expect to be treated by each other.
- Code of Conduct for Officers, which forms part of this Constitution, is designed to help staff work in a way that will bring credit to themselves and the Combined Authority.
- Whistleblowing Policies to enable officers and Members to raise concerns about issues of conduct without fear of reprisal.

Should there be any conflict between any of these documents in relation to Members' conduct; the Members' Code of Conduct will take precedence.

The procedure (“local arrangements”) for dealing with complaints against Members under this Code is attached at appendix 2.

### **3. Personal Responsibility**

Members accept that they have a duty to act within the law. Members have a personal responsibility to ensure that they are aware of the rules of personal conduct and that they comply with them. Members will ensure that they regularly review their personal circumstances to ensure that they do not breach any of the high standards that they have agreed to uphold. Members recognise that they represent the whole community and not just those who voted for them. In deciding how to vote and act Members are aware that they are personally responsible for their actions. Members are influenced by the opinions of others, and a Member's political party will be a strong influence but because they are personally responsible for what they do, Members will make up their own minds about how to act and vote.

Members agree they must be able to justify their actions to the public. Members recognise that they have a duty to foster and develop the public's faith in the honesty of the Combined Authority and its Members.

### **4. Committees**

Members agree not to seek to be members of a committee if their private interests are likely to mean that they would frequently have to withdraw from the committee's consideration of issues. A Member also agrees that they will not seek to be Chair of the Leadership Board or a chair of a committee if they or a body they are associated with has a substantial financial interest in the activities of NECA or a particular committee.

### **5. Bodies outside of the Combined Authority**

Members agree to apply the standards and rules they observe in NECA meetings to their behaviour at all the meetings they attend as a representative of NECA unless the Code of Conduct of that other body is in conflict with NECA Members' Code of Conduct, in which case the Code of Conduct of the external body shall take precedence.

### **6. Whistleblowing**

Members' conduct is also covered by NECA's Whistleblowing Policy. Through this policy officers may confidentially refer a concern about a breach of the Members' Code of Conduct to a designated officer, rather than making the complaint themselves through the Members' Code of Conduct Procedure.

**Appendix 1**

**The Durham, Gateshead, South Tyneside and Sunderland  
Combined Authority  
Code of Conduct for Members**

The North East Combined Authority has adopted the following code which has effect from 29 April 2014 and which sets out the conduct that is expected of elected members appointed to NECA when they are acting in that capacity.

**This means the code applies whenever you:**

- (a) Conduct the business of NECA (including the business of your office as an elected member appointed to NECA) or**
- (b) Act, claim to act or give the impression you are acting as a representative of NECA.**

The code is intended to be consistent with Nolan's Seven Principles of Public Life, and should be read in the light of those principles, namely that Members will act with selflessness, integrity, objectivity, accountability, openness, honesty and leadership. Those Principles are not part of this Code but are set out in full at Annex 1 for information.

**Part 1 - General Conduct**

1. You must treat others with respect, including NECA officers and other elected members.
2. You must not bully any person (including specifically any NECA Officer) and you must not intimidate or improperly influence, or attempt to intimidate or improperly influence, any person who is involved in any complaint about any alleged breach of this code of conduct.
3. You must not do anything which compromises or is likely to compromise the impartiality of anyone who works for or on behalf of NECA.
4. You must not conduct yourself in a manner which could reasonably be regarded as bringing NECA, or your office as a member of NECA, into disrepute.
5. You must not use or attempt to use your position as a member improperly to confer on or secure for yourself or any other person any advantage or disadvantage.
6. You must comply with any Protocol adopted by NECA which seeks to regulate the conduct of its elected members and which the Leadership Board has specifically declared should fall within the provisions of this code of conduct and which is listed in Annex 5 to this Code.



7. When using or authorising the use by others of the resources of NECA, you must act in accordance with NECA's reasonable requirements (as set out in such protocol as it may adopt from time to time for these purposes) and must ensure they are not used for party political purposes.
8. You must not prevent, or attempt to prevent, another person from gaining access to information to which they are entitled by law.
9. You must not disclose information which is given to you in confidence, or information which you believe or ought reasonably to be aware is of a confidential nature, unless:
  - (a) You have the consent of a person authorised to give it; or
  - (b) You are required by law to do so; or
  - (c) The disclosure is made to a third party for the purpose of obtaining professional advice, provided that the third party agrees not to disclose the information to any other person; or
  - (d) The disclosure is reasonable and in the public interest and made in good faith.
10. Where you have been involved in making any decision by NECA which is subsequently subject to scrutiny by an overview and scrutiny committee of NECA, you must not take part in that scrutiny process except to the extent you may be invited by the committee to give evidence to, or otherwise assist, it. In this paragraph, 'scrutiny' means the formal examination of a policy or decision previously approved or taken by or on behalf of NECA in order to reach a view as to its merits or effectiveness.

## Part 2 – Registration of Interests

11. You must register in NECA's Register of Members Interests information about your registerable personal interests. In this code of conduct 'your registerable personal interests' means:
  - (a) Any Disclosable Pecuniary Interest as set out in **Annex 2**; or
  - (b) Any other interest held by you as set out in **Annex 3**.

You must register information about your registerable personal interests by giving written notice to the Monitoring Officer, who maintains the Register, within 28 days of:

- your appointment as a member of NECA; and
- any change taking place in your registerable personal interests.

(Note: Failure without reasonable excuse to register a Disclosable Pecuniary Interest is a criminal offence under section 34 of the Localism Act 2011 as well as being a breach of this code.)

12. Where you think that disclosure of the details of any of your registerable personal interests could lead to you, or a person connected with you, being subject to violence or intimidation, the Monitoring Officer may at your request make a note on the Register that you have a personal interest, details of which are withheld.

### **Part 3 – Non-registerable interests**

13. You will have a non-registerable personal interest when you attend a meeting of NECA, or one of its joint committees, committees or sub-committees, and you are, or ought reasonably to be, aware that a decision in relation to an item of business which is to be transacted might reasonably be regarded as affecting your well-being or financial position, or the well-being or financial position of a person described in paragraph 14 to a greater extent than most inhabitants of the Combined Area by the decision.

14. The persons referred to in paragraph 13 are:

- (a) A member of your family;
- (b) Any person with whom you have a close association;
- (c) In relation to persons described in (a) and (b), their employer, any firm in which they are a partner, or company of which they are a director or shareholder.

(Note:

- (a) “A member of your family” means: your partner (i.e. your spouse, civil partner or anyone with whom you live in a similar capacity); your parent or parent-in-law; any child, stepchild or sibling of you or your partner; your grandparent, grandchild, aunt, uncle, nephew or niece; and the partners of any of those people.
- (b) You have a “close association” with someone if your relationship is such that a reasonable member of the public might think you would be prepared to favour or disadvantage that person when deciding a matter which affects them).

15. When you attend a meeting of NECA, or one of its joint committees, committees or sub-committees, and you are aware that you have a non-registerable interest in an item of business (as defined in paragraph 13) you must disclose that interest to the meeting before consideration of that item begins or (if later) when you become aware of the interest.

### **Part 4 - Non-Participation in NECA Business**

16. When you attend a meeting of NECA or one of its joint committees, committees or sub-committees, and you are aware that the criteria set out in paragraph 17 are satisfied in relation to any matter to be considered, or being considered at that meeting, you must:

- (a) Declare that fact to the meeting;
  - (b) Not participate (or further participate) in any discussion of the matter at the meeting; and
  - (c) Not participate in any vote (or further vote) taken on the matter at the meeting;
  - (d) Leave the room whilst the matter is being discussed.
17. The criteria for the purposes of paragraph 16 are that:
- (a) You have a registerable or non-registerable personal interest in the matter which is such that a member of the public knowing the relevant facts would reasonably think it so significant that it is likely to prejudice your judgement of the public interest;
- and either**
- (b) The matter will affect the financial position of yourself or one of the persons or bodies referred to in paragraph 14 or in any of your register entries;
- or**
- (c) The matter concerns a request for any permission, licence, consent or registration sought by yourself or any of the persons referred to in paragraph 14 or in any of your register entries.
18. If a NECA function can be discharged by you as a member acting alone and you are aware you have a registerable or non-registerable personal interest in any matter to be dealt with by you in that way which meets the criteria set out in paragraph 17, you shall not deal with that matter in any way (except to enable it to be dealt with by someone else).
- (Note: Failure, without reasonable excuse, to comply with paragraph 16 to 18 in relation to a Disclosable Pecuniary Interest is a criminal offence under section 34 Localism Act 2011 as well as being a breach of this code.)
19. Paragraphs 16 to 18 do not apply if (i) you have a relevant dispensation under section 33 of the Localism Act 2011(see Annex 4) or (ii) the matter in question relates to any of the following functions of NECA:
- a) statutory sick pay where you are in receipt of, or entitled to receipt of, such pay;
  - b) an allowance, payment or indemnity given to members;
  - c) any ceremonial honour given to members; and
  - d) setting council tax or a precept/levy under the Local Government Finance Act 1992.

**Annex 1 to Code of Conduct****Nolan's Seven Principles of Public Life****Selflessness**

Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

**Integrity**

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.

**Objectivity**

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

**Accountability**

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

**Openness**

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

**Honesty**

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

**Leadership**

Holders of public office should promote and support these principles by leadership and example.

**Annex 2 to Code of Conduct****Disclosable Pecuniary Interests**

(as defined by Regulations made by the Secretary of State under section 30 Localism Act 2011)

**Please Note:** The following interests are Disclosable Pecuniary Interests if they are an interest of either (a) **yourself**, or (b) **your spouse or civil partner**, or (c) **a person with whom you are living as husband and wife**, or (d) **a person with whom you are living as if you were civil partners** (all of whom are referred to as “relevant persons”):-

**Employment, office, trade, profession or vocation** - Any employment, office, trade, profession or vocation carried on for profit or gain.

**Sponsorship** - Any payment or provision of any other financial benefit (other than from the relevant authority) made or provided within the relevant period in respect of any expenses incurred by you in carrying out your duties as a member, or towards your election expenses.

This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.

**Contracts** - Any contract which is made between the relevant person (or a body in which the relevant person has a beneficial interest) and NECA —

- (a) under which goods or services are to be provided or works are to be executed; and
- (b) which has not been fully discharged.

**Land** - Any beneficial interest in land which is within the area of NECA.

**Licences** - Any licence (alone or jointly with others) to occupy land in the area of NECA for a month or longer.

**Corporate tenancies** - Any tenancy where (to your knowledge)—

- (a) the landlord is NECA; and
- (b) the tenant is a body in which the relevant person has a beneficial interest.

**Securities** - Any beneficial interest in securities of a body where—

- (a) that body (to your knowledge) has a place of business or land in the area of NECA; and
- (b) either—
  - (i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or
  - (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant

person has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

Note: In the above descriptions, the following words have the following meanings –

“body in which the relevant person has a beneficial interest” means a firm in which the relevant person is a partner or a body corporate of which the relevant person is a director, or in the securities of which the relevant person has a beneficial interest;

“director” includes a member of the committee of management of an industrial and provident society;

“land” excludes an easement, servitude, interest or right in or over land which does not carry with it a right for the relevant person (alone or jointly with another) to occupy the land or to receive income;

“securities” means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

**Annex 3 to Code of Conduct****Other Registerable Personal Interests**

The other interests which you must register under paragraph 11(b) of the code are:

1. Any body of which you are a member (or in a position of general control or management) to which you are appointed or nominated by NECA;
2. Any body which (i) exercises functions of a public nature or (ii) has charitable purposes or (iii) one of whose principal purposes includes the influence of 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);
3. Any person from whom you have received within the previous three years a gift or hospitality with an estimated value of more than £50 which is attributable to your position as member of NECA.

Note: These mean only your interests and not those of your spouse or civil partner

**Annex 4 to Code of Conduct****Dispensations Procedure**

A Registerable Personal Interest may in relation to any item of business considered at any meeting of NECA (including specifically in connection with an Authority budget setting meeting) mean that the criteria set out in paragraph 17 of the Code of Conduct may be satisfied and require the Member to leave the meeting.

Under Section 33(2)(e) of the Localism Act 2011 a dispensation from the requirements of the Code of Conduct can be granted in the following circumstances:

- 1) So many Members of the decision-making body have interests that require them not to take part in a matter that it would “impede the transaction of the business”. Effectively this means the decision-making body would be inquorate as a result;
- 2) Without a dispensation, no member of the Leadership Board would be able to participate on the matter;
- 3) Without the dispensation, the representation of different political groups on the body transacting the business would be so upset as to alter the outcome of any vote on the matter;
- 4) the Authority considers that a dispensation is in the interests of persons living in its area; and
- 5) the Authority considers that it is otherwise appropriate to grant a dispensation.

Members may be given a dispensation either to speak but not vote, or to speak and vote.

The Leadership Board has delegated the granting of dispensations to the Audit and Standards Committee (see Responsibility for Functions Part 3.7 Audit and Standards Committee), which may, but is not required to, convene a Sub-committee for the purposes of determining the matter.

A Member must complete a dispensations form explaining why a dispensation is appropriate and submit it to the Monitoring Officer. A report will be submitted to a meeting of the Audit and Standards Committee (or any Sub-committee convened for that purpose) for the committee to determine what level of dispensation (if any) should be granted and for what duration; the duration must be specified and can be for up to four years.

The Member will receive notification of the decision of the Audit and Standards Committee (or Sub-committee discharging that role) within five working days of the committee meeting. Any dispensations must be declared by the Member at meetings where the dispensation applies.



**Annex 5 to Code of Conduct**

**Protocols which fall within the provisions of the Code of Conduct**

1. Member/Officer Relations Protocol (see Part 6.3).

## Appendix 2

### Arrangements for Dealing with Allegations of Breaches of the Code of Conduct for Members

#### 1. Introduction

These arrangements set out how the Authority will deal with a complaint that an elected or member of the Combined Authority has failed to comply with the Authority's Code of Conduct.

Where a complaint is made against a Member of the Combined Authority, the Monitoring Officer and the Monitoring Officer of the Member's appropriate Constituent Authority will determine whether the complaint is to be properly dealt with in accordance with the Combined Authority's local arrangements or the appropriate Constituent Authority's local arrangements.

Under Section 28(6) and (7) of the Localism Act 2011, the Authority must have in place "arrangements" under which allegations that a Member of NECA, has failed to comply with the Code of Conduct can be investigated and decisions made on such allegations. Such arrangements must provide for the Authority to appoint at least one Independent Person, whose views must be sought by the Authority before it takes a decision on an allegation which it has decided shall be investigated, and whose views can be sought by the Authority at any other stage, or a Member against whom an allegation has been made.

The Authority has appointed one Independent Person.

#### 2. Receipt of a complaint

A complaint against a Member will be sent by the Complainant in writing or by email to:

NECA Monitoring Officer  
North East Combined Authority  
South Tyneside MBC  
Town Hall & Civic Offices  
Westoe Road  
South Shields  
NE33 2RL

Email: [Nicola.robason@southtyneside.gov.uk](mailto:Nicola.robason@southtyneside.gov.uk)

The Monitoring Officer has statutory responsibility for maintaining the register of members' interests and is responsible for administering the system in respect of complaints of Member misconduct.

The Monitoring Officer will acknowledge receipt of the complaint to the Complainant and provide the subject member of the complaint, with a copy of the complaint within 5 working days of receiving it and will keep all parties informed of the progress of the complaint. The Monitoring Officer will also seek comments from the subject member of the complaint to assist in the initial assessment of the complaint.

### **3. Request for confidentiality**

If a Complainant wants to keep their name and address confidential, they are required to indicate this when they submit their complaint. The Authority does not normally investigate anonymous complaints, unless there is a clear public interest in doing so.

To ensure openness and transparency confidentiality will only be granted in exceptional circumstances and in many instances it would not be practical or possible to investigate a complaint without the identity of the complainant being revealed. If however confidentiality is granted and the complaint proceeds the Monitoring Officer will determine whether or when the subject member will be advised of the complaint and the identity of the complainant. The procedure set out below will be adjusted as appropriate to accommodate the decision of the Monitoring Officer.

Where a request for confidentiality is refused by the Monitoring Officer, the Complainant will be advised of that refusal and will be given the option to withdraw the complaint within 7 working days. If the complaint is withdrawn the matter will be then closed and the subject member will not be informed of the complaint. If the Complainant refuses to withdraw the complaint or does not respond within the specified timescale, then the subject member will be sent a copy of the complaint and the complaint will proceed as set out in paragraph 4 below.

### **4. Will the complaint be investigated?**

The Monitoring Officer will review every complaint received and, after consultation with the Independent Person and consideration of the initial comments of the subject member decide whether the complaint will be investigated. The decision will be based on whether the allegation, if proved, would constitute a failure to observe the Code of Conduct and the application of the Authority's adopted assessment criteria (attached at Annex 1). This decision will normally be taken within 28 days of receipt of the complaint. The parties will be advised of the Monitoring Officer's decision together with the reasons for that decision—subject to any decision on confidentiality arising as referred to above.

Where the Monitoring Officer requires additional information in order to come to a decision, he/she may go back to the Complainant for such information, and may request information from the subject member of the complaint.

If the complaint identifies criminal conduct or breach of other regulation by any person, the Monitoring Officer may refer the complaint to the Police or other regulatory agencies irrespective of a request for confidentiality by the Complainant.

### **5. Informal Resolution**

The Monitoring Officer may consider that a complaint can be reasonably resolved informally. In such a case, the Monitoring Officer will consult with the Independent Persons, the subject member and the Complainant to seek to agree a fair resolution of the complaint which also helps to ensure high standards of conduct for the future. If the subject member complies with the suggested resolution, the Monitoring Officer will report the matter to the Audit and Standards Committee for information, but will take no further action.

## **6. How is the investigation conducted?**

If the Monitoring Officer decides that a complaint merits formal investigation, he/she will appoint an Investigating Officer. The Investigating Officer may be another officer of the Authority, an officer of another Council or an external investigator.

The Investigating Officer will write to the subject member and will ask them to provide their explanation of events, and to identify what documents or other materials they believe the Investigating Officer needs to see and interview.

The Investigating Officer will decide whether he/she needs to meet or speak to Complainant to understand the nature of the complaint and so that the Complainant can explain their understanding of events and suggest what documents or other materials the Investigating Officer needs to see, and who the Investigating Officer needs to interview.

At the end of his/her investigation, the Investigating Officer will produce a draft report and will send copies of that draft report, in confidence, to the subject member and to the Complainant, to give both an opportunity to identify any matter in that draft report which they disagree with or which they consider requires more consideration. A copy of the draft report will also be sent to the Monitoring Officer.

Having received and taken account of any comments which the Complainant or subject member may make on the draft report, the Investigating Officer will send his/her final report to the Monitoring Officer.

## **7. What happens if the Investigating Officer concludes that there is no evidence of a failure to comply with the Code of Conduct?**

The Audit and Standards Committee will review the Investigating Officer's report and, if they are satisfied that the Investigating Officer's report is sufficient and they agree that there is no evidence of a failure to comply with the Code of Conduct, they will instruct the Monitoring Officer to write to the subject member and to the Complainant, notifying both that they are satisfied that no further action is required, and give both a copy of the Investigating Officer's final report.

If the Audit and Standards Committee do not agree with the conclusion that there is no evidence of a failure to comply with the Code of Conduct they will refer the matter for a hearing before the Audit and Standards Committee.

In considering the report, the Audit and Standards Committee will consult with the Authority's Independent Person.

If the Audit and Standards Committee is not satisfied that the investigation has been conducted properly, they may ask the Investigating Officer to reconsider his/her report. Upon the receipt of the report back from the Investigating Officer the Committee will consider whether to accept the report or refer it to a hearing.

## **8. What happens if the Investigating Officer concludes that there is evidence of a failure to comply with the Code of Conduct?**

a) Local Resolution

Where the Investigating Officer concludes that there is evidence of a failure to comply with the Code of Conduct, there may still be an opportunity for local resolution, avoiding the necessity of a hearing. An investigation report may cause a member to recognise that his/her conduct was at least capable of giving offence, and /or identify other appropriate remedial action, and the Complainant may be satisfied for instance, by recognition of fault or an apology. It would only be appropriate for the Monitoring Officer to agree a local resolution at this stage after consultation with the Authority's Independent Person and the Chair of the Audit and Standards Committee. In addition this would be conditional on the Complainant being satisfied with the outcome. A summary report on any local resolution of a complaint would be reported to the Audit and Standards Committee for information.

b) Referral for Hearing

If local resolution was not possible, the Monitoring Officer will then refer the matter for a hearing before the Committee.

**9. The Hearing**

Where the Audit and Standards Committee has referred a matter for a hearing the procedure at Annex 2 will apply.

**10. What action can the Audit and Standards Committee/Sub-Committee take where a Member has failed to comply with the Code of Conduct?**

The Leadership Board has delegated to the Audit and Standards Committee such of its powers to take action in respect of individual Members as may be necessary to promote and maintain high standards of conduct. The Audit and Standards Committee can appoint a Sub-committee to fulfil these responsibilities on its behalf.

Accordingly the Audit and Standards Committee may:

- a) Issue a formal censure;
- b) Refer the determination findings to the Leadership Board for information;
- c) Make publication of the determination findings by such means as thought fit;
- d) Request the Leadership Board to remove the member from being the Chair or Vice Chair of any Committee or Sub-committee;
- e) Request the Leadership Board remove them from any or all Committees or Sub-committees for a specified period;
- f) Request the Leadership Board to remove particular Thematic Lead responsibilities;
- g) Request the Leadership Board to remove the member for a specified time from all or specified outside appointments to which s/he has been appointed or nominated by the Leadership Board;
- h) Offer training to the member; or
- i) Exclude the member from any Combined Authority's offices or other premises or facilities, for a specified period and to the extent desirable and so as not to interfere with the democratic process, in particular the member's ability to carry out his or her role as an elected member.

The Audit and Standards Committee has no power to suspend or disqualify the subject member or to withdraw or suspend allowances or restrict access to or use of Council facilities so that the subject member is unable to perform their essential role as a councillor.

## 11. What happens at the end of the Hearing?

At the end of the hearing, the Chair will state the decision of the Audit and Standards Committee as to whether a Member has failed to comply with the Code of Conduct and as to any actions which the Audit and Standards Committee resolves to take.

As soon as reasonably practicable after that, the Monitoring Officer in consultation with the Chair of the Committee, will prepare a formal decision notice, and send a copy to the Member and the Complainant, make that decision notice available for public inspection on the Combined Authority's website and, if so directed by the Audit and Standards Committee, report the decision to the next convenient meeting of the Leadership Board.

## 12. Review of decisions

Procedures for the review of decisions are set out in Annex 3.

## 13. What is the Audit and Standards Committee?

The Audit and Standards Committee is made up from seven councillors from the Constituent Authorities, two co-opted Members (for Audit purposes) and an Independent Person. The Committee is a key component of NECA's corporate governance arrangements and is responsible (amongst other things) for the promotion and maintenance of high standards of conduct by its elected and co-opted members. The Audit and Standards Committee can appoint when required a Sub-committee to conduct hearings and determine complaints of breaches of the Code of Conduct for Members. The full terms of reference for the committee and the Sub-committee can be found at Part 3.7 of the Constitution.

## 14. Who is the Independent Person?

The Independent Person is someone who applied for the post following advertisement of a vacancy for the role, and are appointed by the Leadership Board.

A person does not qualify as "independent", if they are (or at any time in the last 5 years have been) a Member, Co-opted Member or officer of NECA or any of the Constituent Authorities, or if they are a relative or close friend of such a Member, Co-opted Member or officer.

For this purpose, "relative" comprises –

- (a) a spouse or civil partner;
- (b) any person with whom the candidate is living as if they are a spouse or civil partner;
- (c) a grandparent;
- (d) any person who is a lineal descendent of a grandparent;
- (e) a parent, brother, sister or child of anyone in paragraphs (a) or (b);
- (f) any spouse or civil partner of anyone within paragraphs (c), (d) or (e); or
- (g) any person living with a person within paragraphs (c), (d) or (e) as if they were spouse or civil partner to that person.

The Independent Person is invited to attend meetings of the Committee and their views are sought and taken into consideration before the Committee takes any decision on

whether a Member's conduct constitutes a failure to comply with the Code of Conduct and as to any action to be taken following a finding of failure to comply with the Code of Conduct.

The Independent Person does not have voting rights on the Committee. Their role is an advisory one.

## **15. Revision of these arrangements**

The Audit and Standards Committee, on the advice of the Monitoring Officer, may depart from these arrangements where it is necessary to do so in order to secure the effective and fair consideration of any matter. The arrangements will also be subject to periodic review by the Leadership Board.



**Annex 1****Complaints against Members Assessment Criteria**

The following criteria will be taken into account in deciding what action, if any, to take in relation to a complaint that a member has failed to comply with the requirements of the Code of Conduct for Members:

1. Has the complainant submitted enough information to satisfy the Monitoring Officer (or the Audit and Standards Committee if appropriate) that the complaint should be referred for investigation or other action?

If not:

The information provided is insufficient to make a decision. So unless, or until, further information is received, no further action will be taken on the complaint.

2. Is the complaint about someone who is no longer a member of NECA, but is a member of another authority? If so, should the complaint be referred to the Monitoring Officer of that other authority?

If yes:

The complaint will be referred to the Monitoring Officer of that other authority to consider.

3. Has the complaint already been the subject of an investigation or other action relating to the Code of Conduct? Similarly, has the complaint been the subject of an investigation by other regulatory authorities?

If yes:

There may be nothing more to be gained by further action being taken.

4. Is the complaint about something which happened so long ago that there would be little benefit in taking action now?

If yes:

Further action may not be warranted.

5. Does the complaint appear not sufficiently serious to justify the cost or inconvenience of further action?

If yes:

Further action will not be warranted.

6. Does the complaint appear to be simply malicious, politically motivated or tit-for-tat?

If yes:

Further action will not normally be warranted.

7. Is the complaint anonymous?

If yes:

No action will normally be taken unless there are compelling reasons to suggest otherwise, e.g. if it includes documentary or photographic evidence indicating an exceptionally serious or significant matter.

**Annex 2****Procedure for Hearings****1. Introduction**

This Annex details the procedure to be adopted for the hearing of complaints by the Audit and Standards Committee (or Sub-committee) where an investigation has been completed.

The person(s) making the complaint will be referred to in this procedure as the Complainant and the person against whom the complaint is made will be referred to as the Member.

The Investigating Officer means the Monitoring Officer or other person appointed by the Monitoring Officer to conduct a local investigation in relation to a matter referred to the Monitoring Officer for local investigation.

References to Monitoring Officer include any other person appointed by the Monitoring Officer to carry out the functions of the Monitoring Officer.

**2. Legal Advice to the Audit and Standards Committee**

Where the Monitoring Officer also takes the role of the Investigating Officer, he/she must arrange for a separate legal adviser for the Audit and Standards Committee in respect of the allegation.

**3. Notifying the Member and Complainant**

The Monitoring Officer shall send a copy of the Investigating Officer's final report to the Member, the Complainant and the Independent Persons.

The Monitoring Officer will ask for a written response from the Member within 14 days, stating whether or not s/he:

- disagrees with any of the findings of fact in the report, including the reasons for any disagreements;
- wants to be represented, at his/her own expense, at the hearing by a solicitor, barrister or any other person;
- wants to give evidence to the Audit and Standards Committee, either verbally or in writing;
- wants to call relevant witnesses to give evidence to the Audit and Standards Committee;
- wants any part of the hearing to be held in private; and
- wants any part of the report or other relevant documents to be withheld from the public

The Monitoring Officer will also inform the Member that if, at the meeting of the Audit and Standards Committee, s/he seeks to dispute any matter contained in the report, without having previously notified his/her intention to do so, the Audit and Standards Committee may either adjourn the meeting to enable the Investigating Officer to provide a response, or refuse to allow the disputed matter to be raised.

The Monitoring Officer will also seek the views of the Independent Person on the report and on any action the Independent Person feels should be taken in respect of it.

Upon receipt of the responses, the Monitoring Officer will discuss the responses with the Chair of the Audit and Standards Committee and will complete a Pre-hearing Summary which will include:

- a) The name of the 'home' authority
- b) The name of the Member.
- c) The name of the complainant (unless there are good reasons to keep his/her identity confidential).
- d) The Case reference number.
- e) The name of the Chair for the hearing.
- f) The name of the Investigating Officer.
- g) The name of the clerk of the hearing or other administrative officer.
- h) The date the pre-hearing summary was produced.
- i) The date, time and place of the hearing.
- j) A summary of the complaint.
- k) The relevant section or sections of the Code of Conduct.
- l) The findings of fact in the investigation report which are agreed and the findings of fact in the investigation report which are not agreed.
- m) Whether the Member or the Investigating Officer will attend or be represented.
- n) The names of any witnesses who will be asked to give evidence.
- o) An outline of the proposed procedure for the hearing.

The Member and the Investigating Officer are entitled to request that any witnesses they want should be called. However, the Chair of the Audit and Standards Committee, following advice from the legal adviser, may limit the number of witnesses, if he/she believes the number requested is unreasonable or that some witnesses will simply be repeating the evidence of earlier witnesses, or else will not provide evidence that will assist the Committee to reach its decision.

Nothing in this procedure shall limit the Chair of the Audit and Standards Committee from requesting the attendance of any additional witnesses whose evidence he/she considers would assist the Audit and Standards Committee to reach its decision.

#### 4. The Audit and Standards Committee

The Audit and Standards Committee shall decide, on the balance of probability, whether the grounds of the complaint are upheld. It shall do so by considering the report and, where appropriate, written or oral representations made by the Member, and any additional relevant information from the Investigating Officer or witnesses.

Each Audit and Standards Committee member shall have one vote, and all matters/issues shall be decided by a simple majority of votes cast.

The meeting of the Audit and Standards Committee will be open to the public and press unless confidential information or exempt information under Schedule 12A of the Local Government Act 1972 is likely to be disclosed.

#### 5. Procedure at the Hearing

The initial order of business at the meeting shall be as follows:

- declarations of interest;
- consideration as to whether to adjourn or to proceed in the absence of the Member, if the Member is not present;
- introductions;
- any representation from the Investigating Officer and/or the Member as to reasons why the Audit and Standards Committee should exclude the press and public and determination as to whether to exclude the press and public. Where the Audit and Standards Committee decides that it will not exclude press and public, the Monitoring Officer shall at this point provide copies of the agenda and reports to any members of the press and public who are present.

The purpose of the hearing is to test the robustness of the report, by examining the reasoning contained within the report and the quality of the evidence relied upon. This calls for an inquisitorial approach by the Audit and Standards Committee based on seeking information in order to identify potential flaws in the report and to clarify issues. The Audit and Standards Committee will control the procedure and evidence presented at the hearing, including the questioning of witnesses.

The Audit and Standards Committee may at any time seek legal advice from its legal adviser. Such advice will on all occasions be given in the presence of the Investigating Officer and the Member.

The procedure at the hearing will be as follows, subject to the Chair of the Committee being able to make changes as he or she thinks fit in order to ensure a fair and efficient meeting.

##### a) Examination of report and written representations

The Panel will consider the report together with any written response from the Member to the report. The Committee may require the Investigating Officer to answer questions put to him/her by members regarding the contents of the report.

The Committee must also take account of the views expressed by the Independent Persons in their response to the Monitoring Officer.

b) Oral evidence

If there is any disagreement as to the facts of the case, the Investigating Officer will be invited to make any necessary representations to support the relevant findings of fact in the report, calling supporting witnesses as agreed by the Chair.

Questions may be asked by the Committee at any point. The Member, will not be permitted to directly question the Investigating Officer or the witnesses he/she calls.

If the Member wishes to challenge any oral evidence being presented, then these questions shall be directed through the Chair.

The Member will then be invited to make any necessary representations to support their version of the facts, calling supporting witnesses as agreed by the Chair.

Questions may be asked by the Committee at any point. The Investigating Officer will not be permitted to directly question the Member or the witnesses he/she calls. If they wish to challenge any oral evidence being presented, then these questions must be directed through the Chair.

Where the Member seeks to dispute any matter in the report which he/she had not given notice of intention to dispute in his/her written statement in response, the Investigating Officer shall draw this to the attention of the Audit and Standards Committee. The Audit and Standards Committee may then decide:

- not to admit such dispute but to proceed to a decision;
- to admit the dispute, but to invite the Investigating Officer to respond
- to adjourn the meeting to enable the Investigating Officer to investigate and report on the dispute.

Where appropriate the Investigating Officer will make representations on behalf of the Complainant to the Audit and Standards Committee.

The Audit and Standards Committee may adjourn the hearing to require the Monitoring Officer to seek further information or undertake further investigation on any point specified by the Committee.

## 6. Decision by the Audit and Standards Committee

The Audit and Standards Committee will consider in private session which of the following findings to adopt:

- that there is no evidence of any failure to comply with the Code of Conduct;
- that the Member has failed to comply with the Code of Conduct, but that no action needs to be taken;
- that the Member has failed to comply with the Code of Conduct and that a sanction should be imposed.

The available sanctions are:

- a) Issue a formal censure;
- b) Refer the determination findings to the Leadership Board for information;
- c) Make publication of the determination findings by such means as thought fit;
- d) Request the Leadership Board to remove the member from being the Chair or Vice Chair of any Committee or Sub-committee
- e) Request the Leadership Board to remove them from any or all Committees or Sub-committees for a specified period;
- f) Request the Leadership Board to remove particular Thematic Lead responsibilities;
- g) Request the Leadership Board to remove the member for a specified time from all or specified outside appointments to which s/he has been appointed or nominated by the Leadership Board;
- h) Offer training to the member; or
- i) Exclude the member from the Combined Authority's offices or other premises or facilities, for a specified period and to the extent desirable and so as not to interfere with the democratic process, in particular the member's ability to carry out his or her role as an elected member.

In deciding what sanction (if any) to set, the Audit and Standards Committee will consider all relevant circumstances including any views expressed by the Independent Persons.

The Audit and Standards Committee will then resume the public session and the Chair will announce the decision and the reasons for that decision.

If the matter is a complicated one, where the complaint has a number of aspects, the Audit and Standards Committee can decide to consider the evidence and reach a finding on each aspect separately.

The Audit and Standards Committee will then consider in open session whether there are any recommendations which it wishes to make arising from consideration of the allegation.

## 7. Notice of findings

The Monitoring Officer will make a short written decision available on the day of the hearing and a full written decision in draft will be prepared as soon as possible.

Within two weeks of the end of the hearing, the Monitoring Officer will circulate a full written decision, to the Member and the Complainant.

At the same time the Monitoring Officer shall arrange for a summary of the findings to be published as may be directed by the Audit and Standards Committee.

Where the Audit and Standards Committee determines that there has not been a breach of the Code of Conduct, the notice shall:

- state that the Audit and Standards Committee found that the Member had not failed to comply with the Code of Conduct and shall give its reasons for reaching that finding and not be published if the Member so requests.



Where the Audit and Standards Committee determines that there has been a failure to comply with the Code of Conduct but no action is required, the notice shall:

- state that the Audit and Standards Committee found that the Member had failed to comply with the Code of Conduct but that no action needs to be taken in respect of that failure specify the details of the failure; and give reasons for the decision reached.

Where the Audit and Standards Committee determines that there has been a failure to comply with the Code of Conduct and that a sanction should be imposed, the notice shall:

- state that the Audit and Standards Committee found that the Member had failed to comply with the Code of Conduct;
- specify the details of the failure;
- give reasons for the decision reached; and
- specify the sanction imposed.

Copies of the agenda, reports and minutes of a hearing, as well as any background papers, apart from sections of documents relating to parts of the hearing that were held in private, will be available for public inspection for six years after the hearing.

## **8. Confidentiality and disclosure of information**

Where the Chair of the Audit and Standards Committee considers that the report and/or any of the written statements in response are likely to disclose any exempt information and in consequence that it is likely that the Audit and Standards Committee will, during consideration of these matters, not be open to the public, he/she shall instruct the legal adviser to not provide copies of these papers to the press or public or permit their inspection by the press or public in advance of the meeting.

The Hearing will be held in public except for those parts of its proceedings which involve exempt information and during the deliberations of the Audit and Standards Committee

## **Review of Decisions**

### **1. Initial Assessment Decisions**

If a Complainant is aggrieved by a decision by the Monitoring Officer to not investigate a complaint then the Complainant may request the Monitoring Officer to reconsider their decision.

The Monitoring Officer will consult the Independent Person and the Chair of the Audit and Standards Committee, and take their views into account, before deciding whether to uphold or vary their original decision.

### **2. Findings of Audit and Standards Committee following a hearing**

If a member is aggrieved by a finding of Audit and Standards Committee that they have failed to comply with the Code, or with the sanction imposed, they may request a review by an Independent Person from another local authority in accordance with the following procedure:

- The member must request a review, with their detailed reasons for seeking a review, within 5 working days of the publication of the decision notice otherwise the decision of the Audit and Standards Committee will become final.
- The request for a review must be in writing and must be submitted to the Monitoring Officer.

If a request for a review is received, the decision of the Audit and Standards Committee will be held in abeyance pending completion of the review process.

If a request for a review is received the decision of the Audit and Standards Committee (including all the papers considered by the Committee) will be referred to an Independent Person of a Constituent Authority not being the home authority of the Member. The Independent Person will review the case on the information provided and will provide a report to the Audit and Standards Committee. The report to the Audit and Standards Committee will provide any comments the Independent Person considers are appropriate and relevant taking into account the basis of the request for review from the Member.

Upon the receipt of the Independent Person's report, the Audit and Standards Committee will consider the Independent Person's comments; the reasons submitted for the review by the Member and will determine whether to confirm the decision of the Audit and Standards Committee, amend the decision or substitute it with an alternative decision; this could include concluding that no breach of the Code occurred.

No further right of appeal or review of the Audit and Standards Committee's decision within the Authority is available. However, if the Member or the Complainant considers that the Authority has failed to deal with the complaint properly, they may make a complaint to the Local Government Ombudsman.

## Part 6.2 Code of Conduct for Officers

### 1. Introduction

The way that officers' conduct themselves influences the public's opinion of the Combined Authority. This code of conduct is intended to support officers in maintaining standards and to help to protect Officers from misunderstanding or criticism. This Code applies to all officers of the Durham, Gateshead, South Tyneside and Sunderland Combined Authority.

### 2. Summary

Officers within the Combined Authority are expected to:

- a) treat others with respect;
- b) work with colleagues to achieve goals;
- c) maintain high standards of performance and behaviour;
- d) promote the values and aims of the council and implement relevant council policies and procedures; and
- e) seek help if for any reason they are unable to do their job

Any Officer, who is unsure about any aspect of the code, should check with their manager.

### 3. Treating others with respect

Officers are expected to treat people with courtesy and consideration and respect an individual's right to privacy.

An Officer must not do anything that compromises or is likely to compromise the impartiality of a Member of the Combined Authority.

The Combined Authority Member/Officer Relations Protocol states that elected members should treat Officers with respect. Officers should treat councillors with respect and avoid over-familiarity, which may be unwelcome and embarrass others.

Officers should deal with customers and service users in a courteous, efficient and unbiased manner and follow the policies and procedures of the Combined Authority.

Officers should apply the same high standards to their dealings with colleagues and with the elected members. They should treat their colleagues with respect and according to their individual needs.

In order to deliver the plans and policies of NECA, it is expected that its Officers will work together and support each other.

### 4. Maintaining High Standards

Residents of the Combined Area and those using services provided by NECA are entitled to expect the highest standard of conduct. Officers have responsibilities

to the community they serve. Officers will strive to ensure courteous, respectful, efficient and impartial service to all groups and individuals within that community. The following sections detail the standards expected in particular areas. If an allegation is made and it is proved that, for example, a gift has been given to an Officer, he/she will have to demonstrate that the reward has not been corruptly obtained.

An Officer must not bribe/attempt to bribe another individual, personally take a bribe or knowingly allow another to.

## **5. Gifts**

Public Officers are prohibited by law from accepting gifts or rewards, and must show neither favour nor disfavour to anyone in their official capacity. To safeguard themselves, Officers must not accept any gift or other benefit offered to them, their partner or a family member by any person or organisation who has, or wishes to have, dealings with the Combined Authority. Officers should refuse them with courtesy and tact (there may be exceptions, including gifts of token value. In these circumstances Officers should check with a manager. However, if in doubt, they should err on the side of caution). Officers should give a proper explanation and failure to do so might put them or their job at risk. In declining the offer of a gift, a possible way for Officers to avoid offending someone may be to suggest they write to the Head of Paid Service expressing their appreciation.

Although the law does not allow individuals to accept gifts, the Combined Authority is legally able to accept gifts, so another possible way of not offending someone who has offered a gift, which can be put into general use, may be for the Officer to explain that he/she is accepting it on behalf of NECA. This means the Officer will have to hand it over to their manager where it will become the property of NECA and could be used in one of NECA's establishments.

Officers should inform their manager if they are offered a gift as this will need to be recorded even if the gift / hospitality has not been accepted. Officers should refer to NECA's Gifts and Hospitality policy for more information.

## **6. Hospitality**

Officers should accept offers of hospitality (which must be authorised) only in the circumstances described below:

- a) There is a need to pass on information or represent the Combined Authority in the community.
- b) Attend social or sporting functions only when these are part of the life of the community or where the Combined Authority should be seen to be represented.
- c) It is acceptable for an Officer to accept hospitality through attendance at relevant conferences and courses if it is clear that the hospitality is business rather than personal, where the Head of Paid Service gives permission in advance and is satisfied that any procurement decisions are not compromised.

Be careful about timing as the host could be seeking to do business with the Combined Authority or to obtain a decision from it. Officers should check with

their manager first if they are offered hospitality, as this will need to be recorded, even if they have not accepted the hospitality or it is not authorised.

If Officers are involved in visits to inspect equipment etc., they should avoid jeopardising the integrity of subsequent purchasing decisions by ensuring that the Combined Authority meets the cost of such visits.

To assist in the application of the Code of Conduct fairly and consistently, the guidance below should be followed when considering the acceptance of gifts or hospitality:

- a) What is the context of the offer? Any offer must be impartial, for example, if an offer is received from an organisation currently bidding for a contract, or has recently won a contract, this could be interpreted as not impartial and should be declined.
- b) What is the value of the offer? High value offers would be questionable and should be declined.
- c) What reason is given by the Officer for accepting the offer? There must be a clear business reason for acceptance.
- d) Should the Officer attend the event but pay for the hospitality, for example, an Officer attending an event to promote networking opportunities.
- e) Could the offer of a gift be accepted on behalf of the Combined Authority rather than by the individual?
- f) Is there any doubt about the appropriateness of accepting the gift or hospitality? If there is any doubt as to the integrity or honesty, the manager should refuse permission to accept.

## **7. Sponsorship**

The rules regarding the acceptance of gifts or hospitality also apply to an outside organisation that wishes to sponsor an activity organised by the Combined Authority.

If the Combined Authority wishes to sponsor an event or service, Officers, and their partners, spouses or relatives must not benefit from it in a direct way. If an Officer has an interest in an event or service that the Combined Authority wishes to sponsor, he/she should inform their manager. This should also be done even if the sponsorship has not been accepted.

Where the Combined Authority, through sponsorship, grant aid, financial or other means, gives support in the community, Officers must ensure that impartial advice is given and there is no conflict of interest involved.

## **8. Use of Resources**

The Combined Authority is responsible for the safekeeping of public buildings and the control of public money. Officers should be open as far as possible, and be ready to answer for their actions. Officers should use NECA resources for authorised, official purposes only.

Officers should strive to ensure value for money to the local community and avoid any legal challenge to the council by using any public money in their care responsibly and lawfully.

## **9. Additional and Outside Employment**

The Combined Authority has to be satisfied that conflicts of interest do not arise with an Officer's additional / outside employment. For this reason, Officers must inform their manager that they intend to seek any outside employment (paid or unpaid, and / or where expenses may be offered), which may have a conflict of interest with their role in the Combined Authority. If Officers are unsure if their additional / outside employment does cause a conflict of interest they should seek advice from their manager.

Officers may be required to refund some or all of their income/expenses from their other activity if it is a function of their employment with the Combined Authority.

The Combined Authority will not unreasonably prevent Officers from carrying out other employment. If a manager refuses an Officer's request they will explain their reasons for doing so.

Officers should not take outside employment if it conflicts with or overlaps with their official duties.

Officers should be aware of the terms of their contract of employment.

## **10. Personal Interests**

Officers must not make official decisions about matters in which they have a personal involvement.

Officers should declare if:

- a) they have any personal interests, whether financial or not, which could overlap or bring about conflict with the Authority's work; or
- b) they belong to any society or organisation which is not open to the public without formal membership and which has secrecy about rules, membership or conduct, with a commitment of allegiance to the organisation.

The purpose of this declaration is to protect Officers from allegations of bias, interest or favouritism.

## **11. Relationships with suppliers or contractors**

In circumstances where an Officer has a financial interest in a contract to which the Combined Authority is a party, or which is proposed to be entered into by NECA or any of its joint committees, committees, or sub-committees or if an Officer has any relationships of a personal or a business nature with external contractors or service suppliers, or possible contractors or suppliers, he/she must declare this.

## **12. Communicating Information**

Officers must not use information gained at work for their personal gain or pass it to others who do not have a legitimate work involvement.

Officers should be aware of what information they can and cannot release. If an Officer needs guidance on this, they should speak to their manager.

Officers should only reveal information regarding other Officers if they have obtained the approval of the person concerned first, or the law permits the information to be disclosed.

When completing and responding to reference enquiries Officers should give an honest and factual response. Officers should also be aware that failure to comply with this obligation could result in a criminal offence.

## **13. Copyright and Intellectual Property**

If an Officer's employment entails them creating items of intellectual property, such as literary, musical and dramatic works, works of art, original drawings or design, performances and broadcasts (including material placed on the Internet) they belong to the Authority, unless the Authority specifically agrees otherwise. Officers should also ensure that nothing they create in the course of their employment infringes copyright, beyond that which would be accepted as "fair dealing" i.e. normally copies of parts of a work. If an Officer is in doubt he/she should discuss the matter with their manager who may seek legal advice if appropriate.

## **14. Data Protection**

Officers must observe the requirements of the data protection legislation and follow the Authority's Information Governance and Data Protection policies. Officers may disclose personal data about an individual, from which he or she can be identified and which is held on computer equipment or manual records, only to those who are registered as receivers of such information (in accordance with the policies).

## **15. Giving Fair Advice**

When asked, Officers should give fair advice without bias.

Officers should serve all Members in the same manner and respect their rights.

If an Officer is required to advise a meeting of a political group of Elected Members they should first seek the authority of the Head of Paid Service to attend the meeting. The Officer must remain politically neutral by ensuring that he/she does not show bias towards any particular group. Officers are advised to keep a summary of the key points of their advice. If he/she offers a briefing to one political group he/she should offer one to the other groups on the same topic, within an appropriate timescale.

**16. Political Neutrality**

Officers must in the discharge of their duties act at all times in a politically neutral way. In doing so they must not favour or disadvantage any political group or politician in how they undertake their duties.

**17. Seeking help**

If anything prevents an Officer from doing their job with the Authority he/she should inform their one-up manager.

**18. Breaches of the Code**

Breaches of this code of conduct may lead to action being taken under the Combined Authority's Discipline Procedure.



## Part 6.3 Member/Officer Relations Protocol

This section provides general guidance for Members and Officers in their relations with one another. It reflects the basic principles underlying the respective rules of conduct that apply to Members and Officers. This protocol cannot cover every eventuality nor is it prescriptive. Its intention is to offer guidance on some of the issues that commonly arise.

Members and Officers are all public servants who depend on each other in carrying out their work. Members are responsible to the people of the Combined Area who they serve for as long as their term of office lasts, while Officers are responsible to the Authority. Their job is to give impartial advice to the Leadership Board and to NECA's joint committees and committees as well as individual Members, and to carry out NECA's work. The responsibility for decision making in relation to NECA's work is set out in Part 3 of the Constitution.

Mutual respect between Members and Officers is essential to good local government. Mutual respect and courtesy should prevail in all meetings and contacts (both formal and informal) between Members and Officers. To be most effective Members and Officers will work closely and cohesively together. However, close personal familiarity between individual Members and Officers can damage this important relationship.

The relationship has to operate without any risk of compromising the ultimate responsibilities of Officers to the Authority as a whole, and with due regard to such technical, financial, professional and legal advice that Officers can legitimately provide to Members.

### 1. Roles of Members

Members have many different roles:

- a) Members are the policy makers and carry out a number of strategic and corporate functions collectively approving the Authority's policy framework, strategic plans and budget.
- b) Developing and reviewing policy and strategy.
- c) Monitoring and reviewing policy implementation and service quality.
- d) Members express political values and support the policies of the political party or group to which they belong (if any).
- e) Representing their communities and bringing their views into the Authority's decision making processes, thus becoming advocates for their communities.
- f) Being involved in partnerships with other organisations as community leaders.
- g) Representing the Authority on other bodies and acting as ambassadors for the Combined Authority.

- h) Members may have roles relating to their position as members of the Leadership Board or Overview and Scrutiny Committee or other committees and sub committees of NECA.

## **2. Roles of Officers**

Officers' main roles are as follows:

- a) Providing advice to the Leadership Board, to NECA's joint committees and committees and Members to enable them to fulfil their roles.
- b) Managing and providing services for which they are responsible.
- c) Being accountable for ensuring those services are efficient and effective.
- d) Advising the Leadership Board, NECA's joint committees and committees and Members in respect of those services.
- e) Initiating proposals for policy development.
- f) Implementing the Authority's policies.
- g) Ensuring the Authority acts lawfully.
- h) Representing the Authority on external organisations.

## **3. Respect and Courtesy**

An essential ingredient to the Authority's business being conducted effectively is ensuring mutual respect, trust, courtesy and even-handedness in all meetings and contacts between Officers and Members. This plays a very important part in the Authority's reputation and how it is seen by the public.

## **4. The Combined Authority's Reputation**

Members and Officers both have an important role in engendering a good reputation for the Combined Authority. In particular they should:

- a) protect and promote the legitimacy of democratic local government;
- b) promote a positive relationship between Members and Officers and be careful not to undermine it;
- c) avoid criticism of the Combined Authority when formally representing it; and
- d) avoid personal criticism of other Members and Officers.

## **5. Undue pressure**

In any dealings between Members and Officers neither should try to take advantage of their position.

In their dealings with Officers, Members should be aware that it is easy for Officers to be overawed and feel at a disadvantage. This can be even more so where Members hold leading roles. However it is also possible for Members, particularly newer Members to be overawed by Officers. Members and Officers must always be mutually respectful regardless of their role within the Authority.

Members must not pressurise any Officer to do things s/he has no power to do, or to work outside of normal duties or hours.

Apart from decisions that are clearly illegal, Officers should usually carry out decisions of NECA. However, instructions should never be given to Officers to act in a way that is unlawful as ultimately this could damage the Authority's interests. Officers have a duty to express their reservations in this sort of situation, and the Monitoring Officer or Chief Finance Officer may get involved as they have a statutory duty to intervene where illegality or maladministration is possible.

To assist Members in decision making they should be informed of all legal and financial considerations, and be warned of the consequences even if it is unpopular. If a Member has a concern that an Officer is not carrying out a particular NECA decision, the Member concerned should draw this to the attention of the Head of Paid Service.

In similar terms, Officers should not use undue influence to pressure an individual Member to make a decision in his/her favour, nor raise personal matters to do with their job, or make claims or allegations about other Officers to Members.

The Authority has procedures for consultation, grievance and discipline and there is a right to report actions of concern under the Authority's Whistleblowing Policy.

As mentioned above, the Authority has adopted separate Codes of Conduct for Members and Officers. One shared aim of the codes is to improve and maintain the Authority's reputation and so they demand very high standards of conduct.

Under the Members' Code of Conduct Members must promote equality, treat others with respect and not do anything that compromises the unbiased nature of those who work for the Authority. In particular, Members should never act in a way which an independent observer might consider to be bullying, harassment or trying to get special treatment.

## **6. Personal and Business Relationships**

Members and Officers must work together closely to effectively undertake the Authority's work. This inevitably leads to a degree of familiarity. However, close personal relationships between individual Members and Officers can be damaging to mutual respect.

It is important not to allow any personal or business connection or relationship with any other Members or Officer to affect the performance of official responsibilities, taking action or making decisions. It is also important in these circumstances to be wary of passing confidential information to anyone who should not have access to it.

Members and Officers should always consider how any relationship or connection could be interpreted by anyone outside the Authority, or by any other Member or Officer, and avoid creating any impression of unfairness or favouritism.

Members should take account of any relationship or connection they have with any other Member or Officer when considering whether or not they need to register or declare a personal interest. It would usually be inappropriate for a Member to have special responsibilities in an area of activity in which someone with whom s/he has a close personal or business relationship is a senior officer. If this situation arises, the Member should take appropriate action to avoid a potential conflict of interest.

## **7. Officers' Advice to Members**

Members are entitled to ask the Head of Paid Service, the Monitoring Officer and the Chief Finance Officer for such advice and information as they reasonably need to help them in discharging their role as a Member of the Council. This can range from general information about some aspect of the Authority's activities, to a request for specific information on behalf of a constituent.

It is important for the Head of Paid Service, the Monitoring Officer and the Chief Finance Officer to keep Members informed both about the major issues affecting the Authority and about issues affecting the areas s/he represents. Members shall be kept informed about proposals affecting their Constituent Areas and be invited to Authority initiated events within or affecting their Constituent Areas.

Advice or information sought by Members should be given in a timely manner. It should be provided by the relevant service provided it is within the service's resources. Resources are finite and Members should act reasonably in the number and content of the requests they make.

Officers serve the whole Authority and must be politically neutral in their work. In providing advice and support to NECA and when implementing its lawful decisions, it must not be assumed that an Officer is supportive of a particular policy or view or is being other than politically neutral in implementing such decisions. Political neutrality in carrying out their work ensures that Officers are able to act impartially in the best interests of the Authority. Special legal rules exist which limit the political activities of senior Officers. All senior posts are 'politically restricted', which means that the Officers in those posts are not allowed to speak or write in such a way that could affect public support for a political party. However they can speak or write in a way which is necessary in order to perform their duties properly.

If Members have any concerns that an Officer is not acting in a politically neutral manner, they should refer their concerns to the Head of Paid Service. Allegations that an Officer has not acted in a politically neutral way are serious and could be damaging to his/her reputation.

Officers can advise on matters relating to the Authority's business. However, the Officer may need to tell his or her manager about the discussions, if that is necessary to enable a matter to be properly dealt with.

Officers can usually give information confidentially unless doing so would not be in the Authority's best interests (for example, if it went against their obligation to protect the Authority's legal or financial position). Any information a Member receives confidentially in one capacity (for example, as a Member of the Leadership Board) cannot be used when acting in a different capacity (for example, when representing his/her ward). Confidential information can only be given to those entitled to see it. It is best to check with the Officer giving the information whether it is appropriate to pass it on to others.

Members should make sure that when they are getting help and advice from Officers they only ask for information to which they are properly entitled. There is more detail about the information to which Members are entitled below. Members' rights to inspect documents are contained partly in legislation and partly at common law.

If a Member asks for information or advice relating to the work of a particular service, and it appears likely or possible that the issue could be raised or a question asked at a subsequent meeting on the basis of that information, the relevant Chair of the Committee should be advised about the information provided.

Officers are required to serve the Authority as a whole. They are responsible to the Head of Paid Service, the Monitoring Officer and the Chief Finance Officer, and not to individual Members whatever office they may hold.

## **8. Politically Restricted Posts**

There are a number of rules which apply to Officers who occupy politically restricted posts under the Local Government and Housing Act 1989. In summary such Officers are prevented from:

- a) being a Member of Parliament, a Member of the European Parliament or a local authority member;
- b) acting as an election agent or sub agent for a candidate for any of those bodies;
- c) being an officer for a political party or branch, or a committee if that role is likely to involve participation in the management of the party or branch, or to act on its behalf in dealings with other persons;
- d) canvassing on behalf of a political party or an election candidate;
- e) speaking in public in support of a political party; and
- f) publishing written or artistic works affecting support for a political party.

## **9. Member Briefings and Political Group Briefings**

General matters of the Authority's policy, development, and performance as well as specific policy issues can be the subject of all party briefings.

There is statutory recognition of political groups. It is common practice for political groups to give preliminary consideration to matters of Authority business before the matters are considered by the relevant decision making forum.

Senior Officers may be asked to attend political group meetings called to address Authority business. All requests for briefings of political groups should be directed to the Head of Paid Service. If attendance is requested the Chief Executive's agreement must be obtained and s/he will determine the appropriate Officer to attend and all groups must be offered the same facilities if they so request.

Where officers do attend political group meetings certain matters need to be understood by Members and Officers about this process:

- a) officer support in these circumstances will be to provide information and advice and to answer questions about matters of Authority business;
- b) these meetings are not decision making meetings and conclusions reached at them are not the Authority's decisions;
- c) where Officers provide information and advice at these meetings this is not a substitute for providing all necessary information and advice to the decision making forum;
- d) if the meeting includes non-Members of the Authority, Officers may not be able to provide the information and advice they would to a meeting of Members to prevent disclosure of confidential information to non-Members; and
- e) officers should not be asked for, or give advice or comments on political business, and should not expect to be present at meetings or parts of meetings when matters of political business are to be discussed.

The requirements as to declaring interests apply to political group meetings. The meeting should keep to the requirements of declaring interests, including the requirement to record any declared interests in the record of the meeting.

Officers should respect the confidentiality of any discussions at which they are present with Members in this context. They may however have to brief the Head of Paid Service on the nature of issues raised at the meeting.

It is accepted that a Member of one political group will not have a need to know and has no right to inspect a document, which is confidential to another political group.

When responding to questions at a political group meeting Officers will need to bear in mind the rules as to access to information, and where appropriate the need for Members to show that they have a 'need to know'.

It is recognised that political groups may have in attendance party representatives who are not elected Members of the Authority. At his/her discretion, the Head of Paid Service may permit an Officer to give a political group briefing when such representatives are likely to be present. The Head of Paid Service's decision is final.

In any event, if such representatives are present, they:

1. Must comply with the requirements relating to the declaration of any interests and take any necessary consequent action.
2. Must not receive any documentation that contains confidential or exempt information
3. Must not be present when any confidential or exempt information is considered.

Members should be aware that where political group meetings are arranged to deal with non-Authority business, particularly matters of a purely party political nature, and which may be attended by non-Members, the Head of Paid Service may consider the meeting to be a political meeting and therefore provision of the Authority's resources and attendance by Officers to be inappropriate.

It must not be assumed that an officer is supportive of a particular policy or view considered at a political group meeting simply because he/she has attended or provided information to the meeting.

Officers will respect the confidentiality of any political group discussions at which they are present and, unless requested to do so by that political group, will not relay the content of such discussions to another political group or to any other members. This shall not prevent an officer providing feedback to other senior officers on a need-to-know basis.

In their dealings with political groups, officers must treat each group in a fair and even-handed manner.

Officers should not attend nor be asked to attend political group meetings at any pre-election period (the time between the election being announced and election day).

At any other meeting arranged by a political group or individual Member, Officers can only attend to provide information which is publicly available. Whether an Officer can attend will be a decision for the Head of Paid Service. If an Officer who is invited to attend a public meeting is concerned that the meeting is or is becoming a political meeting the Officer will withdraw from the meeting as soon as reasonably practicable to ensure that the political neutrality of the Officer is seen to be maintained.

It is acknowledged that some Authority staff may receive and handle messages for members on topics unrelated to the Authority. Whilst these will often concern diary management, care should be taken to avoid the Authority's resources being used for private or party political purposes.

## **10. Head of Paid Service**

The Head of Paid Service's responsibility is to the Authority as a whole and not to any political group.

The Head of Paid Service is expected to work closely with the Leadership Board and its Chair and Vice Chair. This is subject to maintaining his/her position as politically neutral.

Everyone should respect the political neutrality of the Head of Paid Service. S/he should not be asked to play any role or undertake any task which is likely to prejudice that neutrality or make it difficult for him/her to continue to serve successive administrations of whatever political persuasion.

The Head of Paid Service is able to give advice on a confidential basis about procedural matters to any Member. All Members of the Authority have access to the Head of Paid Service.

The following principles govern the relationship between the Head of Paid Service and political groups:

- a) It is proper for the Head of Paid Service to develop a working relationship with all political groups on the Authority.
- b) The Head of Paid Service is free to provide information and answer procedural inquiries to Members of any group. S/he will not advise as to the policies which any group should pursue.
- c) The Head of Paid Service will draw the attention of the Leadership Board to any case where consideration should, in his opinion, be given to affording information, consultation, or representation to other committees.

When the Head of Paid Service attends a meeting of any political group, s/he will ensure that the part s/he plays in the proceedings is consistent with his/her political neutrality.

The foregoing principles apply similarly to the Monitoring Officer and Chief Finance Officer, who shall act under the general direction, and after seeking the advice of, the Head of Paid Service.

## **11. Correspondence**

When a Member sends any letter, fax or e-mail to an Officer, if s/he is also sending a copy to another person s/he should make this clear to the Officer. Similarly if an Officer sends information to a Member and copies that information to any other person, s/he should make that clear to the Member concerned.

Communication between Members and Officers will normally be confidential, and should not be disclosed to third parties unless there are overriding obligations to disclose it to protect the Authority's interests.

A Member may however disclose information to a constituent if the information deals with a ward matter which the constituent has raised, provided the information is not confidential and that disclosure will not harm the interests of the Authority or another party. As a general rule personal information about a third party will be confidential. It is best to seek advice if there is any doubt as to whether information can be disclosed. Where the Officer providing the information



considers that the whole or any part of the information should be treated as confidential then this will be indicated and Members will respect that position.

Other than in the case of information sent by Members in their capacity as ward councillors, official letters sent on behalf of the Authority should normally be sent out in the name of the appropriate Officer rather than in the name of a Member. In certain exceptional circumstances (for example, when making representations to a Government Minister or writing to the leader of another local authority) it may be appropriate for a letter to be issued in the name of the Chair of the Leadership Board.

Members should not send letters which appear to create obligations, accept or deny any liability, or give instructions on behalf of the Authority. An Officer must always send any such letter.

## **12. Members' access to documents and information**

Members may request senior officers to provide them with such information, explanation and advice as they may reasonably need to assist them to discharge their roles as Members.

## **13. Interpretation, complaints and allegations of breaches**

This part of the protocol should be read in conjunction with the Authority's "whistleblowing" policy which may be found at Part 6.5 of this Constitution.

Members or officers with questions about the implementation or interpretation of any part of this protocol should seek the guidance of the Monitoring Officer.

A Member who is unhappy about the actions taken by, or conduct of, an officer should endeavour wherever possible to:

- avoid personal attacks on, or abuse of, the officer.
- ensure that any criticism is well founded and constructive.
- avoid making criticism in public.
- take up the concern with the officer privately.

If direct discussion with the officer is inappropriate (e.g. because of the seriousness of the concern) or fails to resolve the matter, the Member should raise the issue with the officer's manager or the relevant senior officer.

A serious breach of this protocol by an officer may lead to an investigation under the Authority's disciplinary procedure. There are special rules that apply to the Authority's Head of Paid Service, the Chief Finance Officer and the Monitoring Officer and these can be found in the Officer Employment Rules of Procedure at Part 4.5 of the Constitution.

An Officer who believes a Member may have acted other than in accordance with this protocol should raise his/her concern with the Monitoring Officer. He/she will consider how the complaint or allegation should be dealt with. At a minor level, this may be no more than informally referring the matter to the leader of the relevant political group. More serious complaints may involve alleged breaches of

the members' code of conduct, and may be referred to the Authority's Audit and Standards Committee.

## Part 6.4 Anti-Fraud and Corruption Policy

### 1. The Combined Authority's Commitment

The Combined Authority is committed to sound corporate governance and supports the Seven Principles of Public Life for the conduct of its Members and Officers, namely:

- Selflessness;
- Integrity;
- Objectivity;
- Accountability;
- Openness;
- Honesty; and
- Leadership.

Fraud and corruption cheats the local taxpayers who have the right to expect Members and Officers to perform their functions in an honest and proper manner.

The Combined Authority seeks in the first instance to prevent fraud and corruption and will take all action necessary to identify any occurrences if suspected. If any such instances are detected they will be investigated in a correct and agreed manner. The Combined Authority pledges to pursue the recovery of losses and the suitable punishment of those responsible.

### 2. Prevention

Prevention will be achieved through:

- staffing policies
- making members aware of their responsibilities
- internal control systems and
- liaison with outside agencies

#### 2.1. Officers

As a public employer, the Combined Authority is obliged to maintain, and is entitled to expect, high standards of conduct among its officers to ensure that public confidence in their integrity and impartiality is not undermined. The public is entitled to demand conduct of the highest standard and that Officers work honestly and without bias in order to achieve the Authority's objectives.

The Combined Authority recognises that a key preventative measure in the fight against fraud and corruption is to take effective steps at recruitment stage to establish, as far as possible, the propriety and integrity of potential staff. In this regard temporary and contract staff are treated in the same manner as permanent officers.

Managers should ensure that procedures laid down by the Authority's Personnel Officer in the Recruitment and Selection Guidelines and Code of Practice are followed and, in particular, that written references are obtained before employment offers are confirmed.

Officers are expected to follow the Authority's Code of Conduct which includes regulations regarding the registration of interests, gifts and hospitality. Officers are reminded that they must operate within Section 117 of the Local Government Act 1972 regarding the disclosure of pecuniary interests in contracts relating to the Combined Authority, or the non-acceptance of any fees or rewards whatsoever other than their proper remuneration.

The Combined Authority recognises that the continuing success of its anti-fraud and corruption strategy and its general credibility will depend largely on the effectiveness of its training programmes and the responsiveness of Officers throughout the organisation. To facilitate this, the Authority supports the concept of induction and continuing training and Officer appraisal, particularly for Officers involved in internal control systems, to ensure that their responsibilities and duties in this respect are regularly highlighted and reinforced. The Authority has in place a Disciplinary Procedure for all Officers and the possibility of disciplinary action against Officers who ignore such training and guidance is clear.

## 2.2. Members

Members are expected to operate honestly and without bias. Their conduct is governed by:

- The Code of Conduct for Members
- The Constitution

These matters include rules on the declaration and registration of potential areas of conflict between Members' duties and responsibilities on behalf of the Combined Authority, and any other areas of their personal or professional lives. These will be regularly drawn to the attention of Members.

## 2.3. Internal Control System

The internal control system comprises the whole network of financial, operational and managerial systems established within the Constituent Authorities to ensure that objectives of the Combined Authority are achieved in the most economical and efficient manner.

The Financial Regulations of the Combined Authority (see Part 5) provide the framework for financial control. Under Financial Regulations Managers are required to ensure that:

- Arrangements, guidelines and procedures for the proper administration of the financial affairs of the Combined Authority are operated in accordance with Financial Regulations;
- The Chief Finance Officer is informed where there has been a failure to comply with Financial Regulations or where amendment or revision of a regulation is considered necessary; and
- The Chief Finance Officer is informed as soon as possible of any matters involving, or suspected of involving, irregularity in the use of the Combined Authority resources or assets.

The Internal Audit service of the Constituent Authority identified by the Head of Paid Service for this purpose independently monitors the existence, appropriateness and effectiveness of internal controls.

## 2.4. Liaison

Arrangements are in place now and will continue to develop which encourage the exchange of information between the Combined Authority and other agencies on national and local fraud and corruption activity.

The Authority acknowledges that in order to prevent fraudsters using multiple identities and addresses, it cannot afford to work in isolation and must liaise with other organisations. To this end the Authority has a number of external contacts that include:

- Northumbria and Durham Police
- Tyne and Wear District Treasurers
- Universities and Colleges
- UK Border Agency
- DWP
- Jobcentre Plus
- Federation Against Software Theft (F.A.S.T.)

All liaisons are subject to adherence to Data Protection Legislation and regard to the confidentiality of information.

## 2.5. Partners

Arrangements are in place within partner organisations such as Nexus and TT2 to identify, investigate and appropriately report incidents of fraud and corruption which may occur within those organisations. Where fraud is identified which has resulted from a significant weakness in controls in the organisation and this would impact on the assurance the Combined Authority could place on governance arrangements, this will be reported to the Chief Finance Officer. The Chief Finance Officer will subsequently report details of the incident and any potential impacts for the Combined Authority to the Audit and Standards Committee.

## 2.6. Strategy

The Audit and Strategic Risk service of the Constituent Authority identified by the Head of Paid Service for this purpose will implement the policy on the Combined Authority's behalf.

## 3. Detection and Investigation

Where fraud and corruption still happen, systems should assist in revealing the occurrences and people should be encouraged to do likewise. They must then be investigated in a fair and impartial manner.

### 3.1. Detection

The array of preventative systems, particularly internal control systems and audit, within the Authority generally should be sufficient in themselves to deter fraud, but they have also been designed to provide indications of any fraudulent activity.

The Combined Authority's officers are an important element in its stance on fraud and corruption and they are positively encouraged to raise any concerns that they may have on any issues associated with the Authority's activities. They can do this in the knowledge that such concerns will be treated in confidence and properly investigated. If necessary, a route other than a line manager may be used to raise such concerns. Examples of possible routes are:

- Internal Audit Service
- Chief Finance Officer
- Monitoring Officer

Members of the public are also encouraged to report concerns through any of the above routes or, if appropriate, through the Combined Authority's complaints procedure.

If Officers feel unable to raise their concerns through any of the internal routes, then they may wish to raise them through Public Concern at Work (telephone 020 7404 6609), a registered charity whose services are free and strictly confidential. See also Part 6.5 Whistleblowing Policy.

The Code of Conduct requires Officers of the Combined Authority to report any illegality or impropriety to their manager or supervisor. Financial Regulations require the Chief Finance Officer to investigate matters that involve, or may involve, financial irregularity.

### 3.2. Investigation

Depending on the nature and the anticipated extent of the allegations, Internal Audit will normally work closely with management and other agencies, such as the police, to ensure that all allegations are properly investigated and reported upon and where appropriate, maximum recoveries are made for the Authority. The follow up of any allegation of fraud and corruption received will be through agreed procedures which ensure that:

- matters are dealt with promptly;
- all evidence is recorded;
- evidence is sound and adequately supported;
- all evidence is held securely;
- where appropriate, the police and the Authority's Insurance Officer are notified;
- the Authority's Disciplinary Procedures are implemented; and
- the rules of natural justice are incorporated.

The procedures and reporting lines are an integral part of the Combined Authority's anti-fraud culture that ensures:

- consistent treatment of information about fraud and corruption;
- proper investigation by an independent and experienced audit team;
- the proper implementation of a fraud investigation plan;
- restitution or compensation; and
- the optimum protection of the Authority's interests.

Where financial impropriety is discovered, referral to the police is a matter for the Chief Finance Officer, in consultation with the relevant officers of the Authority and the Chair of NECA.

In deciding whether to recommend referral the following factors are taken into account:

- the amount of the loss and duration of the offence;
- the suspect's physical and mental condition;
- voluntary disclosure and arrangement for restitution; and
- the strength of the evidence; and
- reputational damage

The Combined Authority's Disciplinary Procedures will be used as appropriate irrespective of police involvement.

There is, of course, a need to ensure that any investigation process is not misused and, therefore, any abuse, such as raising unfounded malicious allegations may be dealt with as a disciplinary matter and may leave the complainant open to an action for defamation.

The External Auditor also has powers to investigate independently fraud and corruption and the Combined Authority can make use of these services.

#### **4. Summary**

The Authority has a clear commitment to minimising the possibility of corruption and theft or other misuse of public money and assets. It pledges to prevent fraud and corruption but to take all action necessary to identify fraud and corruption if suspected, and pursue the recovery of losses and the punishment of those responsible.

The Authority's Officers and Members are expected to have the highest standards of conduct and to be vigilant in combating fraud and corruption in all its guises.

The Authority has implemented a clear network of systems and procedures to assist in the fight against fraud and corruption. These arrangements will keep pace with any future developments, in both preventative and detection techniques regarding fraudulent or corrupt activity that may affect its operation or related responsibilities.

## Part 6.5 Whistleblowing Policy and Procedure

### 1. Introduction

NECA is committed to the highest possible standards of openness, probity and accountability and will not tolerate malpractice or wrongdoing.

NECA is therefore committed to a policy for confidential reporting of concerns, “whistleblowing”, which seeks to protect individuals who make certain disclosures with regard to any instance of malpractice or wrongdoing and to investigate them in the public interest.

Whistleblowing is when a member of staff raises concerns about the activities of the organisation they work for which are ethically or legally questionable.

The aims of the policy are to:

- Provide for a culture of zero tolerance toward fraud and corruption.
- Encourage officers and others with serious concerns about any aspect of NECA’s work to feel confident to come forward and voice those concerns.
- Provide ways for officers to raise concerns at an early stage and in the right way and enable them to get feedback on any action taken.
- Ensure that officers know what to do if they are not satisfied with actions taken.
- Provide re-assurance that officers who raise concerns in good faith can do so without fear of reprisals or victimisation.

This policy covers any wrongdoing relating to unlawful conduct, financial malpractice or dangerous working environments.

It is available for use by all Officers of NECA and Officers of Constituent Authorities providing services to NECA, its committees, sub-committees and joint committees.

It is not to be used where other more appropriate procedures are available. There are existing procedures which enable officers to lodge a grievance relating to their conditions of employment, raise matters of harassment or to make a complaint. This policy covers concerns that fall outside the scope of these existing procedures.

NECA will seek to ensure that its stance on whistleblowing is widely publicised and that officers have access to appropriate guidance.

### 2. Whistleblowing Procedures for Officers

Officers are often the first to realise that there may be something seriously wrong within an authority. Normally Officers would be expected to raise any concerns initially with their line manager. However they may feel that expressing their concerns would be disloyal to their colleagues or to NECA or may also fear harassment or victimisation. It may be easier to ignore these concerns than report what may just be a suspicion of malpractice.

Whistleblowing is the process for raising a concern about suspected wrongdoing, especially in circumstances where the whistleblower feels forced to raise that concern outside the normal management reporting line. For instance, the whistleblower may be



concerned about the actions of their own line management, or about the failure of their line management to act over suspected wrongdoing on the part of others.

The Whistleblowing policy encourages and enables officers and others with serious concerns about any aspect of NECA's work or those engaged in work for NECA to come forward and voice those concerns. It recognises that most cases will need to proceed on a confidential basis. At the same time, the provisions of the Public Interest Disclosure Act 1998 (PIDA) provide protection from harassment and victimisation for officers who raise concerns in good faith.

### 3. Aims and scope of this Policy

This policy aims to:

- Make you feel confident to raise concerns and to question and act upon concerns about practice.
- Give you avenues to raise your concerns and receive feedback on any action taken.
- Guarantees that you receive a response to your concerns and ensures that you are aware of the process to follow if you are not satisfied.
- Reassure you that you will be protected from possible reprisals or victimisation.

There are existing procedures in place if you have a grievance relating to your own employment or consider that you are being harassed due to your race or sex or age, or if you are concerned about health and safety risks, including risks to the public as well as to other Officers. Indeed you are under a legal obligation to report to your supervisor or manager any work situation which you consider to represent:

- a danger to the health and safety of yourself, fellow Officers or members of the public; or
- a shortcoming in the Authority's arrangements for health and safety.

If you are reluctant to raise such health and safety concerns with your supervisor or manager, or if you have raised them and are concerned about the response, then arrangements exist for you to raise the health and safety concerns with the Head of Paid Service and/or with Health and Safety Representatives from the relevant trade union.

This policy is intended to cover concerns that fall outside the scope of other procedures. These include:

- conduct which is an offence or a breach of law;
- disclosures related to miscarriages of justice;
- health and safety risks, including risks to the public as well as other Officers;
- damage to the environment;
- the unauthorised use of public funds;
- fraud and corruption; sexual or physical abuse of clients; any attempt to prevent disclosure of any of the above, or
- other conduct which gives you cause for concern.

Thus any serious concerns that you have about any aspect of service provision or the conduct of your staff or members of the Combined Authority or others acting on behalf of the Combined Authority can be reported under this policy. This may be about something that:

- makes you feel uncomfortable in terms of known standards, your experience or the standards you believe the Combined Authority subscribes to; or
- is against the Combined Authority's Standing Orders and policies; or
- falls below established standards of practice; or
- amounts to improper conduct.

This policy supplements and does not replace the corporate complaints procedure, or the grievance procedure and other procedures established to deal with aspects of harassment i.e. sexual, racial and age harassment, and with health and safety concerns.

#### **4. Harassment or Victimisation**

The Combined Authority is committed to good practice and high standards and aims to be supportive of its Officers.

The Combined Authority recognises that the decision to report a concern can be a difficult one to make. However uncovering malpractice will be doing a service to the Authority. You will be doing your duty to your employer and those for whom you are providing a service.

The Combined Authority will fulfil its responsibility to ensure that you are NOT harassed, victimised or otherwise disadvantaged when you raise a concern. Any allegation concerning an Officer who engages in any form of victimisation or harassment against you as a result of your raising a concern will be the subject of a thorough investigation and disciplinary action will be taken if the case is proved.

Allegations by an Officer who is the subject of disciplinary investigations or proceedings concerning the conduct of those proceedings can only be raised through the disciplinary appeals procedures.

#### **5. Confidentiality**

All concerns will be treated in confidence wherever possible and every effort will be made to preserve your anonymity if you so wish. You may need however to come forward as a witness, but if you wish to be supported by your trade union or another representative of your choice then this would be available to you.

#### **6. Anonymous allegations**

This policy encourages you to put your name to your allegation whenever possible. Concerns expressed anonymously are much less powerful but they will be considered so far as is possible or practicable by the Combined Authority. Your trade union can act for you in this.

## 7. Untrue allegations

If you make an allegation in good faith, but it is not confirmed by the investigation, no action will be taken against you. If however, you make an allegation maliciously or for personal gain, disciplinary action may be taken against you.

## 8. How to raise a concern

If you are an officer of the Combined Authority, as a first step, you should raise concerns with your immediate manager or their manager. This depends on the seriousness and sensitivity of the issues involved and who is suspected of the malpractice, for example if you believe that your immediate manager or their managers are involved, you should approach the Monitoring Officer.

The manager receiving notification of concerns under this policy will inform the Monitoring Officer that a confidential report has been received and provide a copy. If the concern relates to financial irregularities or failures of financial controls the manager receiving the report must immediately notify the Chief Finance Officer.

Concerns may be raised verbally or in writing. Reports should be sent to your immediate manager or their superior or to the appropriate Chief Officer and a copy sent to the Monitoring Officer.

If you are a contractor, as a first step, you should normally raise concerns with your manager, who will then inform the lead officer who is dealing with the particular contract. If you do not have a manager, you should raise your concerns direct with the lead officer. This depends on the seriousness and sensitivity of the issues involved and who is suspected of the malpractice. For example, if you believe that your manager or the lead officer is involved, you should approach the Monitoring Officer direct.

Otherwise, the lead officer receiving notification of concerns under this Policy will inform the Monitoring Officer that a confidential report has been received and provide a copy. If the concern relates to financial irregularities or failures of financial controls the lead officer receiving the report will also immediately notify the Chief Finance Officer.

Concerns may be raised verbally or in writing. A copy of any report you send to your manager or lead officer should also be sent to the Monitoring Officer for monitoring purposes.

The Monitoring Officer is responsible for the maintenance and operation of this policy and will monitor how the complaint is handled and ensure that the requirements of this policy are fulfilled.

The earlier you express the concern the easier it will be to take action.

Officers and Contractors can get confidential, independent advice from the charity Public Concern at Work on 0207 404 6609. Their website is at [www.pcaw.co.uk](http://www.pcaw.co.uk)

You may wish to consider discussing your concern with a colleague first and you may find it easier to raise the matter if there are two (or more) of you who have had the same experience or concerns.

You can invite your trade union or professional association representative or a friend to be present during any meetings or interviews in connection with the concerns you have raised.

Concerns can also be raised through your trade union.

## 9. How the Combined Authority will respond

The Authority will respond to your concerns, and it will be necessary to investigate your concerns but this is not the same as either accepting or rejecting them.

Within **3 working days** of a concern being raised, you will be sent a written response:

- acknowledging that the concern has been received;
- indicating how it is proposed to deal with this matter;
- giving an estimate of how long it will take to provide a final response;
- telling you whether any enquiries have been made; and
- supply you with information on staff support mechanisms.

The Monitoring Officer will be sent a copy of this response.

Where appropriate, matters raised may:

- Be investigated by management, internal audit, or through the disciplinary process.
- Be referred to the police or other statutory agencies.
- Be referred to the external auditor.

In order to protect individuals and those about whom concerns are raised, initial enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take. Concerns or allegations which fall within the scope of specific procedures (for example, child protection or discrimination issues) will normally be referred for consideration under those procedures.

Some concerns may be resolved by agreed action without the need for investigation. If urgent action is required this will be taken before any investigation is conducted.

The amount of contact between the individual considering the issues and you will depend on the nature of the matters raised, the potential difficulties involved and the clarity of the information provided. If necessary, the investigating officers, will seek further information from you.

Where any meeting is arranged, and this can be off-site if you so wish, you can be accompanied by a trade union or professional association representative or a friend.

The Combined Authority will take steps to minimise any difficulties which you may experience as a result of raising a concern. For instance, if you are required to give

evidence in criminal or disciplinary proceedings the Combined Authority will arrange for you to receive advice about the procedure.

The Combined Authority accepts that you need to be assured that the matter has been properly addressed. Thus, subject to legal constraints, we will inform you of the outcomes of any investigation.

## 10. The Responsible Officer

The Monitoring Officer has overall responsibility for the maintenance and operation of this policy. That officer maintains a record of concerns raised and the outcomes (but in a form which does not endanger your confidentiality) and may report as necessary to the Leadership Board, but in such a way that your confidentiality will be preserved.

It is the responsibility of any manager/director who receives a whistleblowing report to provide the Monitoring Officer with:

- a copy of the original report immediately;
- the initial written response to the person raising the concern; and
- any further responses.

The Monitoring Officer as soon as possible must also be informed of the outcome(s) of any investigation and any actions instigated as a result.

## 11. How the matter can be taken further

This policy is intended to provide Officers and Contractors with an avenue within the Combined Authority to raise concerns and hopes any whistleblower would be satisfied with any action taken. If you are not satisfied with the outcome of the confidential report, a request in writing for the investigation and outcome to be reviewed can be made to the Head of Paid Service. If you remain dissatisfied and want to take the matter outside of the Combined Authority, advice is available from trade unions and local Citizens Advice Bureau on the options that are available.

One possibility is that you may wish to rely on your rights under the Public Interest Disclosure Act 1998. This Act gives you protection from victimisation if you make certain disclosures of information in the public interest. The provisions are quite complex and include a list of prescribed persons outside of the Combined Authority who can be contacted in certain circumstances (see The Public Interest Disclosure (Prescribed Persons) (Amendment) Order 2003 [www.legislation.hmsso.gov.uk](http://www.legislation.hmsso.gov.uk)). You should seek advice on the effect of the Act from the persons referred to above.

If you do take the matter outside of the Combined Authority, you should ensure that you do not disclose information where you owe a duty of confidentiality to persons other than the Combined Authority (e.g. service users) or where you would commit an offence by making disclosure.

In order to ensure that you do not make any such disclosures it is advisable to check the position with the Monitoring Officer.

## Part 7 Members Allowances

The Order provides that no remuneration is to be payable by NECA to its members, other than allowances for travel and subsistence paid in accordance with a scheme drawn up by NECA.

### A. Members Allowances Scheme

Note: All rates of allowance within this Section are effective from 29 April 2014.

#### 1. Interpretation

In this Scheme “Year” means the 12 months ending with 31 March

#### 2. Renunciation

A member may by notice in writing given to the Chief Finance Officer elect to forego any part of his or her entitlement to an allowance under this Scheme.

#### 3. Claims/Payments

All claims relating to subsistence and travelling expenses must be supported by receipts.

#### 4. Amendments to Scheme

Amendments to this scheme can be made by the Leadership Board at any time.

### B. Scheme of travel and subsistence allowance

#### 1. Qualifying Duties

The definition of duties qualifying for the payment of travel and subsistence allowances shall include any duty carried out by any member of NECA in accordance with a request, authorisation or designation by the Leadership Board; or in accordance with a request by the Monitoring Officer or Chief Officer for the purpose of, or in connection with the discharge of the functions of NECA.

#### 2. Travel

Members are expected to travel by standard class rail. First class travel is considered acceptable only in the following circumstances:

- a) Additional space and privacy is required during the journey in order to work.
- b) Where the cost of discounted first class travel is less than that of the cheapest available standard class ticket.

Members can make their own travel arrangements and (other than by private car) may claim a sum equal to the cost of the rail fare or their actual expenses, whichever is the lesser.

The rate for travel by taxi shall be:

- a) in cases of urgency or where no public transport is reasonably available, the amount of the actual fare and any reasonable gratuity paid; and
- b) in any other case, the amount of the fare for travel by public transport.

### 3. Motor Mileage

The authorised rate where members travel by their own car or van, or one belonging to a member of their family, or one otherwise provided for their use is 45p per mile (all engine sizes) up to 10,000 miles per annum.

The above rates may be increased by the amount of any expenditure incurred on tolls, ferries or parking fees, including overnight garaging.

### 4. Bicycle

Members who travel to approved duties by bicycle will be reimbursed at a rate of 20p per mile.

### 5. Subsistence

#### Day Subsistence

Day subsistence rates are on a 'meals' basis, with eligibility based on the time of day the meal is taken and time away from home, as follows:

**Breakfast rate** A rate of up to £5.00 may be paid where a Member leaves home earlier than usual and before 6.00 am and incurs a cost on breakfast taken away from home.

**One meal** (Five hour rate) - A rate of up to £5.00 may be paid where the Member has been away from his home/normal place of work for a period of at least five hours and has incurred a cost on a meal.

**Two meal** (Ten hour rate) - A rate of up to £10.00 may be paid where the Member has been away from his home/normal place of work for a period of at least ten hours and has incurred a cost on a meal or meals.

**Late evening meal** A rate of up to £15.00 may be paid where the Member has to work later than usual, finishes work after 8.00 pm having worked a normal day and has to buy a meal which would usually be taken at home.

If the Member is paid an allowance under the five or ten hour rule, the late meal allowance could still be paid if they finished work after 8.00 pm and purchased a meal that would usually be taken at home.

It is important to remember that subsistence rates are maximum amounts and claims for such expenses should total the amount actually incurred or the maximum amount whichever is the lesser amount. Receipts must be submitted.

#### Overnight Accommodation

- a) The cost of overnight accommodation will be paid where necessary at a reasonable rate for a 3 star hotel.
- b) The amount claimed should not be higher than the amount actually incurred and any reimbursement at a higher rate than is specified will only be permitted when prior agreement to the cost has been given by NECA Monitoring Officer.

#### Meals provided free of charge

The rates specified above are to be reduced by an appropriate amount in respect of any meal provided free of charge by an authority or body in respect of the meal or the period to which the allowance relates.

### **6. Meals on Trains**

When main meals are taken on trains during a period for which there is an entitlement to day subsistence, the reasonable cost of the meals (including VAT) may be reimbursed in full. In such circumstances, reimbursement for the reasonable cost of a meal would replace the entitlement to the day subsistence allowance for the appropriate meal period.

### **7. Claims / Payments**

Claims for payments under this scheme shall be made in writing to the Chief Finance Officer of the Constituent Authority which has nominated the Member to serve on NECA, on a quarterly basis, in arrears, or at more frequent intervals if the Member so chooses. Payments shall be made by the nominating Constituent Authority on the same basis. All payments are rechargeable to NECA by the Constituent Authorities on a quarterly basis.



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### Leadership Board

**Date:** 6 June 2023  
**Subject:** Economic Development and Digital Theme Update  
**Report of:** Economic Development and Digital Thematic Lead

#### Executive Summary

The purpose of this report is to provide an update on activity and progress made under the Economic Development and Digital (EDD) theme of the North East Combined Authority.

The report provides an update on the economy and labour market across the NECA area (highlighting concerns around slow growth, inflation and economic inactivity, but improving business confidence and rising employment) and outlines the activities of Invest North East England on the attraction of inward investment to the NECA, and wider North East, areas.

#### Recommendations

The Leadership Board is recommended to note the contents of the report.

## Leadership Board

### 1.0 Background Information

1.1 This report provides an update on activity and progress made under the Economic Development and Digital theme of the Combined Authority, specifically:

- Economy and Labour Market;
- Inward Investment.

### 2.0 Economy and labour market

2.1 The economy in the NECA area continues to be impacted by national factors, particularly inflation and skills shortages, but the picture appears less gloomy than in previous months as employment and business sentiment in the region improves.

2.2 The most recent business reports, and feedback from local authorities in the NECA area, suggests that the economy continues to be impacted by high inflation (input prices remain high for businesses with many struggling to pass them on) and energy costs (while wholesale rates are falling, many SMEs continue to be impacted, particularly those on fixed deals).

2.3 In addition, the cost of living is having a significant continued impact upon residents across the NECA area with food inflation remaining at really high levels, despite a reduction in the overall rate of inflation in April. Skills shortages continue to be reported by businesses, particularly in sectors such as hospitality, social care and education.

2.4 Sentiment tracked by the Institute of Chartered Accountants' Business Confidence Monitor found that business confidence in the North East was 8.5 on the index for Q1 2023, a sharp increase from -22.8 in the previous quarter. Only businesses in Yorkshire and the Humber were more confident than those in the North East. The Lloyds and Nat West Business Barometers for the North East reported similar cautious optimism.

2.5 Furthermore, economic survey results released by the North East England Chamber of Commerce also show that business confidence has improved, with an average -13% reduction across all indicators of concern. It found that more organisations are preparing for future workforce growth and expecting inflation to stabilise, although issues around recruitment and cashflow remain.

## Leadership Board

- 2.6 Price pressures around labour costs, utilities and fuel costs continue to be a challenge for businesses, and further data from the NEEC economic survey shows that businesses are experiencing long-term challenges with their workforce.
- 2.7 Energy costs remain a key issue, and this quarter 71.3% of survey respondents were concerned about energy prices. Feedback from local authorities across the NECA area suggest continued concern about the impact of inflation upon hospitality, accommodation, leisure and retail businesses in particular.
- 2.8 Nationally, forecasts for the UK economy from most major forecasters have improved with predictions no longer of recession (and the UK avoiding negative growth in the first quarter of 2023), but of slow growth this year. The International Monetary Fund has uprated its prediction from a contraction of 0.3% in GDP this year to growth of 0.4%.
- 2.9 New regional data on GDP out this month, albeit covering 2021, shows that the value of the North East economy was £48.7bn, three fifths of which was generated in County Durham, Newcastle and Sunderland. The North East was responsible for about 2.5% of the value of the English economy or 3.4% if London's economy is excluded.
- 2.10 In 2020, COVID and related restrictions had reduced the size of the economy, both nationally and locally. In both cases, 2021 saw the value of GDP rebound after this decrease, with annual increases of almost 8%.
- 2.11 In the North East, the increase in GDP in 2021 did not entirely wipe out the decrease of the previous year and the value of the economy was still slightly lower than in the pre-COVID year of 2019. In contrast, the GDP of England excluding London was 1.9% higher in 2021 than it was two years earlier.
- 2.12 Within the North East, the largest percentage increase in GDP from 2020 to 2021 was in South Tyneside (11.6%). Five of the other six local authority areas in the North East LEP area saw increases of between 7.5% and 10%. The exception to this was Sunderland, with the slower growth explained by the impact of the aftermath of the pandemic upon the automotive sector.
- 2.13 In percentage terms, GVA growth between 2020 and 2021 was highest in accommodation and food services as these industries bounced back. However, absolute growth has a bigger influence on overall GDP

## Leadership Board

increases and that was largest in manufacturing and in wholesale and retail.

2.14 The latest unemployment data (for March and April) showed positive signs in employment, unemployment and economic inactivity. There are clear indicators that employment has edged up recently. Additionally, in other good news, economic inactivity has edged down and unemployment has dropped slightly too.

2.15 Across the North East as a whole, the unemployment rate for the latest quarter (to January 2023) decreased by 0.2 percentage points from 4.8% to 4.6%, but still remains the highest of all UK regions. The North East seems to be closing the employment gap with employment in the North East region increasing by almost 37,600.

2.16 The headline employment rate rose 2.7 percentage points to 73.7%, which was the largest percentage point increase among the nine English regions. However, once again, the North East employment rate remained the lowest in Great Britain. ,

2.17 Economic inactivity decreased to 22.9% but remained the highest working age economic inactivity rate among the nine English regions.

2.18 The data for the NECA area (which, as it is local authority-level data is more time-lagged) is below. The headline rate of unemployment appears to have risen over the final quarter of 2022, up from 4.2% to 4.9%, an increase of 3,000. However the most recent data on the claimant count suggests a small increase (from 4.2% to 4.3%), indicating that economic inactivity is the main issue nationally, regionally and locally:

	NECA	North East	Great Britain
Wider measure of unemployment (Dec 22)	4.9%	4.6%	3.6%
Claimant Count (Feb 23)	4.3%	4.3%	3.8%
Economic activity (Dec 22)	74%	74%	78.5%

2.19 Nationally, in February to April 2023, the estimated number of vacancies fell by 55,000 on the quarter to 1,083,000. Vacancies fell on the quarter for the 10th consecutive period and reflect uncertainty across industries,



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as survey respondents continue to cite economic pressures as a factor in holding back on recruitment.

2.20 Growth in average total pay (including bonuses) was 5.8% and growth in regular pay (excluding bonuses) was 6.7% among employees in January to March 2023. Average regular pay growth for the private sector was 7.0% and for the public sector was 5.6% in January to March 2023. A larger growth for the public sector was last seen in August to October 2003 (5.7%). Real terms pay fell by 3% and 2%.

2.21 While broadly positive, there are some national indicators which suggest the improvements are not being spread evenly across the workforce – the rise in employment rate was much higher for women than it was for men, and, in fact, the employment rate actually fell for men aged 25 to 49.

2.22 The 0.4ppt reduction in the rate of economic inactivity is to be welcomed, but the numbers economically inactive due to long-term sickness rose by 86,000 between the last quarter of 2022 and the first quarter of 2023 and now stand at 2.55 million - the highest level seen since records began 30 years ago. This suggests that those residents who are most disadvantaged in the labour market are struggling to get into work even as the economy creates jobs. This in turn is holding back growth and contributing to the UK's weak recovery compared with other major economies.

### 3.0 Invest North East England

3.1 Invest North East England (INEE) is the strategic inward investment resource in the North East and works collaboratively with all seven local authority partners covered by the NELEP and other key stakeholders to increase the levels of inward investment flowing into the region from both UK-owned and foreign-owned businesses.

#### **Inward Investment Successes**

3.2 2021/22 was a record year for inward investment in the North East with the region out-performing every region in the UK, including London, on jobs created by foreign direct investment (FDI) per 100,000 working-age population (a calculation allowing regions of different sizes to be compared). Over 8,000 jobs were created through FDI and UK investments.

## Leadership Board

- 3.3 Successes in 2022/23 have been more modest. With the figures still to be finalised, around 1,900 jobs have been created in the region, the vast majority of these coming from FDI. Digital technology investments have been particularly evident, focused mainly in Newcastle. There have been significant investments in advanced manufacturing and renewable energy throughout the region, although it was a very quiet year for business services following a bumper year in 21/22.
- 3.4 Significant investments in the NECA area include:
- Investment by Erwin Hyman Group in Consett
  - Establishment of an O+M base for Equinor/SEE in South Tyneside
  - Investment in Hitachi Construction in South Tyneside
  - Establishing Endiprev Group UK HQ in Sunderland
- 3.5 INEE currently has a very healthy project and visit pipeline which it hopes to secure investments in 2023/24. The team is focusing particularly on electrification projects, renewables, digital technology and advanced manufacturing with some very exciting and strategic investments on the horizon.

### Key sectors and opportunities

- 3.4 Strategic sectors for inward investment map across the to the North East's priority sectors in the regional Strategic Economic Plan; Digital Technology, Energy, Life Sciences and Advanced Manufacturing. Invest North East England is proactive in engaging key markets across these sectors and also for financial, business and professional services which generate large employment opportunities.
- 3.5 As part of INEE's role to undertake research and to maintain an up-to-date compendium of data on the key sectors, a refresh of the sector toolkits has been commissioned. This evidence base forms the basis of key marketing /information collateral including the INEE website as well as bespoke value propositions. The update toolkits will be complete by the summer and the data will be made available to Local Authority and LEP/CA partners.
- 3.6 *Electrification*  
Electrification continues to be a significant strategic opportunity for the region. Building on our already strong relationships with regional partners such as the North East Battery Alliance, CPI and the North East Automotive Alliance, we have agreed a regional approach to proactively engage the market through a series of events and trade shows under the

## Leadership Board

3.7 Electric North East brand. This includes colleagues and partners attending the Japan Society of Automotive Engineers convention in Yokohama in May and the US Battery Show in Detroit in September, as well as a significant regional presence at CENEX Low Carbon Vehicle event in Millbrook, one of the UK's premier industry events for electrification. Invest North East England have commissioned refreshed marketing materials and video content to support this campaign.

3.8 *Fintech*  
INEE has worked with regional partners to grow the region's fast-growing cluster of Fintech companies through inward investment. There is a regional working group established and Invest North East is co-sponsoring a regional stand at the Money 20/20 event in Amsterdam in June.

3.9 *Healthy Ageing*  
Work to promote the region's strengths in Healthy Ageing is yielding results. With 2 delegations of potential investors, from Canada and Spain, to visit the region in June.

### Strategic relationships

3.10 The Department for International Trade and been merged with elements of the BEIS to form the Department of Business and Trade. Existing methods of engagement have continued and there has been no impact on working practices. Invest North East England has also established a good working relationship with the Office for Investment to ensure that the region has visibility in strategic and High value investment projects into the UK.

### 4.0 Reasons for the Proposals

This report provides an update on Economic Development and Digital theme.

### 5.0 Alternative Options Available

There are no alternative options associated with this report.

### 6.0 Next Steps and Timetable for Implementation

A further update will be provided to the Board at subsequent meetings.

## Leadership Board

### **7.0 Potential Impact on Objectives**

The activities under the Economic Development and Digital theme will support NECA in its aims to promote economic growth and regeneration in the area.

### **8.0 Financial and Other Resources Implications**

There are no financial or other resource implications directly associated with this report as it is for information only.

### **9.0 Legal Implications**

There are no legal implications arising from this report.

### **10.0 Key Risks**

There are no specific risk management issues arising from this report.

### **11.0 Equality and Diversity**

There are no specific equality and diversity issues arising from this report.

### **12.0 Crime and Disorder**

There are no specific crime and disorder issues arising from this report.

### **13.0 Consultation/Engagement**

There are no specific consultation and engagement issues arising from this report.

### **14.0 Other Impact of the Proposals**

There are no further impacts arising from the proposals.

### **15.0 Appendices**

None

### **16.0 Background Papers**

## Leadership Board

None.

### 17.0 Contact Officers

Rory Sherwood-Parkin, Corporate Lead – Policy & Insight, South Tyneside Council, [rori.sherwood-parkin@southtyneside.gov.uk](mailto:rori.sherwood-parkin@southtyneside.gov.uk)

John Scott, Head of Economic Growth, South Tyneside Council  
[john.scott@southtyneside.gov.uk](mailto:john.scott@southtyneside.gov.uk)

### 18.0 Sign off

- Head of Paid Service: ✓
- Monitoring Officer: ✓
- Chief Finance Officer: ✓

### 19.0 Glossary

None.



### Leadership Board

**Date:** 6 June 2023

**Subject:** Transport Thematic Portfolio Update

**Report of:** Thematic Lead For Transport

#### Executive Summary

The purpose of this report is to provide an update on various transport matters of relevance to the NECA area.

#### Recommendations

The Leadership Board is recommended to note the contents of this report.

## Leadership Board

### 1. Background Information

- 1.1 This report provides an update on transport issues affecting the NECA area.

#### Buses

- 1.2 Young people in the North East can now benefit from cheaper bus fares under the region's new Enhanced Partnership, including a new £1 single bus fare for all under-22s on any bus service in the region. A range of multi-operator, multi-modal day tickets for adult passengers, also funded through the Enhanced Partnership, will follow shortly.
- 1.3 For other passengers, £2 fare cap for single bus journeys, which was introduced by the Government at the beginning of 2023 to encourage people back to the bus, has been extended until the end of October 2023 and will then be set at £2.50 until November 2024.
- 1.4 Further funding has also been pledged to support bus services, however the North East Joint Transport Committee will not be in receipt of any additional funding as this has been prioritised for areas who did not receive any Bus Service Improvement Plan funding. Bus operators in the region will be eligible for this new funding, however it is likely to be significantly less than the previous Bus Recovery Grant (BRG) funding. The exact impacts of this announcement are still be assessed but concerns over the future of the industry remain.

#### Rail

- 1.5 A new All-Party Parliamentary Group (APPG) for the Leamside Line was formally launched in Parliament on 10 May 2023. Sharon Hodgson MP and Paul Howell MP have brought fellow North East parliamentarians together, from all parties, to discuss the future of the line.

#### Electric Vehicles

- 1.6 The region is due to receive £249,660 from the Local Electric Vehicle Infrastructure (LEVI) Capacity and Capability Fund which is to be spent on increasing capacity and capability for the planning and delivery of EV Infrastructure. A further indicative allocation of up to £15,829,000 capital and £1,137,340 capability funding has been awarded under the LEVI Fund to support chargepoint delivery across the next two financial years (FY), between 2023/24 and 2024/25, and is dependent on suitable plans agreed by the Department for Transport.



## Leadership Board

### Active Travel

- 1.7 The North East has received £17.7m in government funding from the fourth round of the Active Travel Fund to invest in the region's walking, wheeling and cycling network.
- 1.8 The multi-million-pound funding boost also covers the enhancement of a smaller number of schemes from the previous round of Active Travel Funding, as well as new capital investments. This will create new and enhanced cycling and walking infrastructure, making it easier and safer for more people across the region to choose active, low carbon transport options when they are able to.
- 1.9 A total of eight schemes have been awarded funding. A case for investment has been successfully made to Active Travel England and officers will now work to prepare detailed design and consult on successful schemes.

### 2. Proposals

- 2.1 This report is for information only. Therefore, no decisions are contained in this report.

### 3. Reasons for the Proposals

- 3.1 This report is for information purposes only.

### 4. Alternative Options Available

- 4.1 Not applicable to this report.

### 5. Next Steps and Timetable for Implementation

- 5.1 Timetables are set out as appropriate in relation to the individual items in the sections above.

### 6. Potential Impact on Objectives

- 6.1 Sustaining an effective public transport system will be critical to NECA in delivering its objective to maximise the area's opportunities and potential. In addition to this continuing investment in the projects and programmes outlined above will help ensure the area has a transport system capable of meeting current and future challenges.

### 7. Financial and Other Resources Implications

- 7.1 The report includes information on funding and financial opportunities.

## Leadership Board

- 7.2 There are no specific additional financial implications for NECA arising from this report.
- 7.3 There are no Human Resource or ICT implications for NECA arising from this report.
- 8. Legal Implications**
- 8.1 There are no specific legal implications arising from this report.
- 9. Key Risks**
- 9.1 Various risks exist in relation to the impacts that a failure to achieve the region's aspirations for improving transport would have on wider economic and environmental objectives.
- 10. Equality and Diversity**
- 10.1 There are no specific equalities and diversity implications arising from this report.
- 11. Crime and Disorder**
- 11.1 There are no specific crime and disorder implications arising from this report.
- 12. Addressing Geographic Diversity:**
- 12.1 The continued provision of bus and other public transport services to more sparsely populated areas remains important to meeting the future needs of these areas.
- 13. Climate Change/Environmental Sustainability**
- 13.1 Transport remains a major source of carbon dioxide and other pollutants. Sustaining effective public transport networks and investing in alternatives to the private car as well as Electric Vehicles are important to achieving further reductions in carbon emissions.
- 14. Consultation/Engagement**
- 14.1 Not applicable.
- 15. Other Impact of the Proposals**
- 15.1 No specific impacts.

## Leadership Board

### 16. Appendices

16.1 Not applicable.

### 17. Background Papers

17.1 Not applicable.

### 18. Contact Officers

18.1 Sheena Ramsey

### 19. Sign off

- Head of Paid Service: ✓
- Monitoring Officer: ✓
- Chief Finance Officer: ✓

### 20. Glossary

North East Joint Transport Committee – the formal decision making body in terms of transport strategy, covering both the NECA and North of Tyne areas.



### Leadership Board

**Date:** 6 June 2023  
**Subject:** North East Devolution  
**Report of:** Monitoring Officer (Core)

#### Executive Summary

This report provides an update on progress on the proposed creation of a new mayoral combined authority for the North East region and seeks agreement from the North East Combined Authority (NECA) Leadership Board to support these proposals, which include the abolition of NECA and North of Tyne Combined Authority (NTCA) to allow the new combined authority to come into existence.

#### Recommendations

The Leadership Board is recommended to:

1. note the content of this report and the attached consultation report;
2. endorse the proposals to establish a new mayoral combined authority for the North East region (NEMCA);
3. agree that NECA be abolished as a necessary step to allow NEMCA to be brought into existence;
4. agree to consent to the order to abolish NECA and NTCA and create NEMCA; and
5. authorise the NECA Head of Paid Service to take such steps as are required to facilitate the creation of NEMCA.

## Leadership Board

### 1. Background Information

- 1.1 On 28 December 2022 HM Government announced a “minded to” devolution deal with the seven local councils across the North East (i.e. Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland).
- 1.2 The “minded to” devolution deal would see a significant shift of powers, funding and responsibility which would enable the Councils to pursue their ambitions for inclusive growth. In total, it is expected to provide £4.2 billion of additional investment to the region over 30 years, including a £1.4bn investment fund alongside significant funding for transport, education and skills, housing and regeneration.
- 1.3 The deal requires the creation of a new mayoral combined authority for the region. This will be dependent on the Secretary of State making a statutory order under the Local Democracy, Economic Development and Construction Act 2009 to deliver the following proposals:
  - a. the abolition of the two existing combined authorities, i.e. NECA and NTCA (NTCA covers the areas of Newcastle, North Tyneside and Northumberland); and
  - b. the creation of a new mayoral combined authority which covers the area of all 7 Councils, which will be called the North East Mayoral Combined Authority (NEMCA).

These changes would also entail the abolition of the Joint Transport Committee as NEMCA would be responsible for the exercise of transport functions across the regions in the future.

- 1.4 As the first stage of the statutory process, the North East Councils undertook a governance review regarding the proposals set out above. The results of the governance review were reported to their respective Cabinets in January 2023. On the basis of the governance review, each Council’s Cabinet concluded that the proposals were likely to improve the exercise of statutory functions in accordance with sections 108 and 111 of the 2009 Act. The North East Councils therefore agreed to progress to the next stage of the statutory process by publishing a scheme relating to the proposals and then carrying out a public consultation exercise.
- 1.5 The public consultation began on 26 January 2023 and closed on 23 March 2023. A report setting out how the consultation was undertaken, a summary of the responses received, and issues raised is attached at Appendix 1. The key findings of that report are highlighted at section 3 below.

Each Council’s Cabinet will consider a report regarding the consultation exercise at meetings scheduled for the week commencing 29 May. The report recommends that

## Leadership Board

- 1.6 the Councils agree to proceed to the next stage of the statutory process which is to submit the consultation report to the Secretary of State. The Secretary of State will then consider whether the consultation is sufficient before deciding whether the relevant criteria in the 2009 Act have been met.

- 1.7 This means that the Secretary of State must be satisfied that making an order to abolish the existing combined authorities (NECA and NTCA) and create the new mayoral combined authority (NEMCA) will be likely to improve the exercise of statutory functions in the North East region. Furthermore, in considering whether to make the order, the Secretary of State must have regard to the need: (a) to reflect the identities and interests of local communities, and (b) to secure effective and convenient local government.

- 1.8 As detailed below, it is considered that the findings of the consultation exercise demonstrate that these criteria have been met and therefore each Council's Cabinet is recommended to submit the attached consultation report to the Secretary of State.

### Overview of the consultation process

2. As set out above, the public consultation began on 26 January 2023 and closed on 23 March 2023. It provided information about how the devolution deal would be implemented and the proposed changes to governance across the region, and allowed residents, businesses and other stakeholders to comment on these proposals. Opportunities to take part in the consultation included the completion of surveys, attending an event or by submitting written comments. In total, around 3,235 people or organisations took part in the consultation process, with 2,579 opting to complete an on-line or paper survey.

- 2.2 The survey contained five closed-ended questions asking respondents whether they (i) agreed, (ii) neither agreed nor disagreed, or (iii) disagreed with the proposals in relation to the following five themes:

- changing how the seven councils work together (governance);
- devolution of powers to create an integrated transport system for the area;
- devolution of new housing and planning functions;
- new finance and investment powers; and
- devolution of matters relating to skills, employment and adult education.

- 2.3 In addition, the survey also included six open-ended questions which provided respondents with the opportunity to give more detailed views on the proposals if they wished to do so. As well as questions on the devolution proposals, both the online and paper survey questionnaires included nine demographic questions.

## Leadership Board

2.4 The online survey was available on each local authority's website and on both combined authorities' websites. People were also able to submit their views by using a paper copy of the survey questionnaire, which was available in a range of public venues across the region. Finally, respondents could also submit their feedback via a letter or email.

2.5 Fifteen public events also took place across the area (with at least one event in each local authority area). These were mainly in-person sessions and allowed people to learn more about the proposed devolution deal and to ask questions. Paper copies of the consultation questionnaire, QR codes and links to the online consultation questionnaire were also provided at the events for those participants who wished to use them. The events were publicised on all of the local authority and combined authorities' websites, social media and via the local media. In total, 357 people attended the public consultation events.

2.6 In addition to the public events, nine bespoke on-line briefing events were held with key stakeholders. In total 263 people took part. The events were:

- Regional Business Partners on-line event (27 January 2023)
- Northumberland Energy Central Steering Group (27 January 2023)
- Regional Education Partners on-line event (13 February 2023)
- Voluntary And Community Partners event (15 February 2023)
- Voluntary Sector Organisations' Network North East Employment on-line focus group (16 February 2023)
- Transport event (17 February 2023)
- North East Chamber County Meeting – Northumberland (8 March 2023)
- Northumberland Association of Local Councils (representing Town and Parish Councils) briefing (9 March 2023)
- Northumberland Youth Cabinet and Youth Parliament briefing (22 March 2023)

### **Key findings of the consultation report**

3. As set out above, it is proposed that the Councils submit the consultation report to the Secretary of State so that the Secretary of State can consider whether the consultation that has been undertaken is sufficient and whether the statutory criteria for the making the necessary legal order have been met. An overview of the consultation outcomes is set out below with the detail contained in the report at Appendix 1.

### **3.2 Overall support for the proposals**

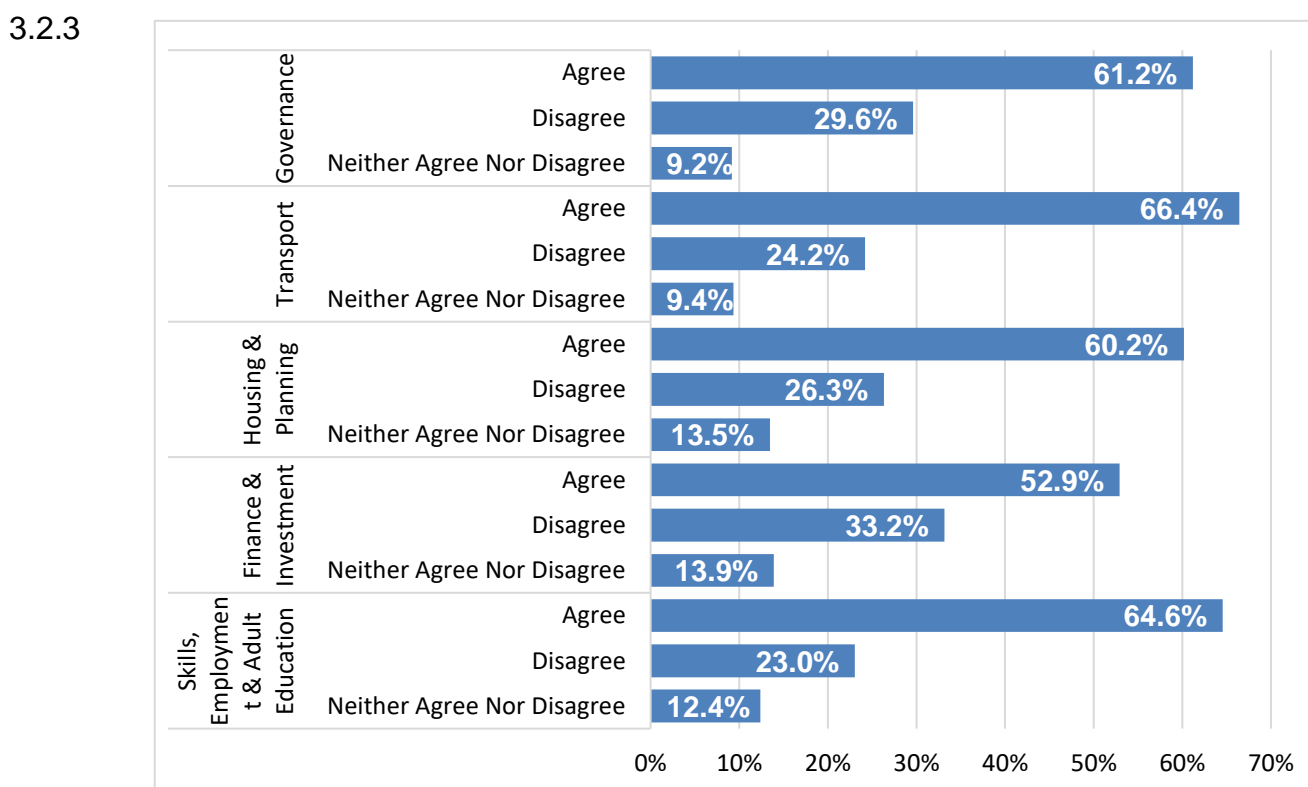
3.2.1 The scope and breadth of the consultation has ensured that opportunities to take part have been varied to suit the different needs of both residents and local areas. This has resulted in a good response rate that has demonstrated support for the devolution proposals across the region.



## Leadership Board

3.2.2 The majority of responses from residents, businesses, the voluntary and community sector and other key stakeholder groups have been positive, and in agreement with the proposed governance changes as set out in the consultation. In addition, their comments have expressed strong support for the overall aims and objectives of the “minded to” devolution deal.

As set out over the page, the majority of responses have been positive for each of the five questions in the survey. There was particularly strong support for devolution around transport, skills, employment and adult education.



The table below sets out the number of responses to each of the above questions:

	Agree	Disagree	Neither agree or disagree
Governance	1595	772	239
Transport	1731	631	244
Housing and Planning	1563	684	350
Finance and investment	1373	860	361
Skills, Employment and Adult Education	1673	597	321

3.2.4 On governance, the responses have demonstrated support for increased regional power and local decision making through devolution together with the role of the Elected Mayor and the higher profile this will bring to the region as a whole.

## Leadership Board

- 3.2.5 On transport, there was strong support and respondents felt that it made sense for areas to work together under a regional transport strategy and with an integrated transport system. People felt that the proposals offered a real opportunity to improve transport, particularly public transport.
- 3.2.6 On housing and planning, respondents felt that housing decisions for the region are best decided by local people and that they could see great potential for housing improvements, in particular the development of new affordable and social housing. There was also support for the opportunity that devolution created for improving environmental sustainability within housing.
- 3.2.7 On finance and investment, respondents felt that the proposals will create opportunities and improvement for the region as decisions can be made at a local level using local knowledge and appreciation of local need. There was support for devolution to attract strategic long-term investment that will improve the region.
- 3.2.8 On skills, employment and adult education there was strong support for the proposals with increased opportunities to work at a regional level to deliver on skills and training. Respondents felt that national delivery was too remote from local need and that the local authority level potentially could miss out on opportunities to create synergies across different partnerships, whereas working together at a regional level would provide this. Some respondents suggested further opportunities for regional working in this area in relation to education.
- 3.2.9 In addition, the comments from key stakeholders suggest there was recognition of the opportunity for the new Combined Authority and Elected Mayor to work closely together with others for the overall benefit of the region – for example with the Police and Crime Commissioners.

### 3.3 *Areas of concern/objection*

- 3.3.1 As reflected in the consultation report, a minority of respondents did not support the proposals. The key concerns which they raised – together with responses to these concerns - are set out below:
- a perception by some that the governance proposals would lead to greater bureaucracy and cost for local residents – it is considered that, to some extent, this may be based on the view that there will be another layer of local government that might duplicate the role of individual local authorities which is not the case;
  - the role of the Elected Mayor – this was considered in the Governance Review and the benefits of the “minded to” deal are dependent on moving to a mayoral combined authority. The proposals in the scheme which was published as part of the consultation process set out clearly the role and powers of the Elected Mayor

## Leadership Board

but it will be important that these aspects are very clearly communicated to the public and other stakeholders going forward, particularly in the context of the mayoral election;

- some people have commented on the need for all areas (i.e. towns, cities and more rural areas) in the region to benefit from devolution – it is submitted that the “minded to” deal aims to achieve exactly that as it is intended to be a deal for the whole of the region;
- a minority of people have commented that the public should have had an opportunity to express a view on the “minded to” deal itself rather than the governance proposals – on this point, the proposals have been progressed in accordance with the requirements of the 2009 Act and the consultation exercise allows members of the public to express their views on the proposals as a whole since the changes to governance are needed to allow the “minded to” deal to be implemented.

3.3.2 In conclusion, the report to each Council’s Cabinet observes that none of the above issues represents a fundamental concern in terms of moving forward with the proposals but these issues will be taken into account when implementing the proposals and establishing the new Combined Authority. This will include the need for clear communication throughout with residents, businesses and other key stakeholders. In addition, it will be important to work effectively, efficiently and in partnership, with clear accountability demonstrated through the new Combined Authority’s Elected Mayor and Cabinet’s decision-making processes in line with the published scheme.

### 3.4 Summary

- 3.4.1 In terms of the statutory process, the governance review carried out by the North East Councils concluded that the creation of a new mayoral combined authority would meet the necessary statutory criteria under the Local Democracy, Economic Development and Construction Act 2009, namely that it would improve the exercise of statutory functions across the region. It was on this basis that the North East Councils agreed to publish a scheme for the delivery of these governance changes and carry out the consultation exercise described in this report.
- 3.4.2 As set out above and in the appended consultation report, the public consultation has been extensive, and it is considered that the responses to that consultation support the view that the proposed governance changes would meet the statutory criteria mentioned above. On that basis, each Council’s Cabinet is being recommended to agree that it is satisfied that the consultation has been sufficient for the purposes of the legislation and that the statutory criteria have been met, and therefore to agree that the consultation report should be submitted to the Secretary of State.

## 4. Implications for NECA



North East Combined Authority

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## Leadership Board

- 4.1 In order to establish the new regional NEMCA, the existing combined authorities – NECA and NTCA – will need to be abolished. The Leadership Board of NECA and the Mayor and Cabinet of NTCA will therefore also need to consent to the statutory order which provides for their abolition and the creation of NEMCA. It is envisaged that the existing combined authorities would be abolished and NEMCA established simultaneously when the elected mayor for NEMCA takes office in early May 2024.
- 4.2 As set out in the scheme which was published as part of the consultation exercise, the statutory order is expected to provide appropriate continuity and transitional arrangements so that any acts of the existing combined authorities are to be treated as the acts of the new mayoral combined authority. The order is also to provide for the staffing, assets, rights and liabilities of the existing combined authorities to transfer to NEMCA. This will ensure that the regional transport arrangements which are currently overseen by the Joint Transport Committee (and the existing funding programmes of NTCA) are maintained by the NEMCA without interruption. Officers from both combined authorities and the local authorities are liaising on the operational requirements of the transition, which will include the arrangements for Transport North East and the integration of the North East LEP in line with central government policy.

## 5 Impact on NECA Objectives

The new mayoral combined authority will build on the work and objectives of NECA. NECA Leadership Board has been clear and consistent as to the need for close collaboration with colleagues across the North East region. This was evident through the response to the coronavirus pandemic and recovery, in the development of transport priorities through the Joint Transport Committee, and in the development of the North East Devolution Deal. This willingness to commit time, resource and expertise has provided an important platform for securing the new Deal and will continue through the transition period over the next 12 months.

## 6 Key Risks

It is considered that failure to establish the mayoral combined authority would risk the region falling behind other major city regions such as Greater Manchester, Liverpool City Region and Tees Valley, which have received new powers and funding.

It is a matter for the Secretary of State to decide whether to make the necessary statutory order but, for the reasons set out above, it is considered that the evidence demonstrates that the relevant statutory criteria have been met.

## Leadership Board

### 7 Financial and other resources implications

Implementing the devolution deal would enable the region to access over £4bn of funding over a 30-year deal cycle, together with new powers to better shape local skills provisions to ensure these meet the needs of the local economy. This would include devolution of adult education functions and the core adult education budget, as well as input into the new local skills improvement plans. Over time the region would also expect to benefit from access to additional funding streams reserved for mayoral combined authorities. Detailed discussions will be progressed with the local authorities, NECA and NTCA regarding the financial arrangements associated with the transition to the new arrangements.

### 8 Legal Implications

The Monitoring Officer (Core) has contributed to the drafting of this report and the full legal implications are set out within the body of this report. To implement the deal, it will be necessary to establish a new mayoral combined authority which covers the area of the seven councils and replaces the two existing combined authorities in the region.

### 9 Equality and Diversity

In developing these proposals, the authorities have taken account of their obligations under section 149 of the Equality Act 2010 (i.e. the public sector equality duty). It is not expected that the proposals described in this report will have any adverse impacts on people with protected characteristics. Indeed, the aim of promoting inclusive growth within the region is expected to boost the efforts of the Councils to advance equality of opportunity and foster good relations between different groups. The Councils will continue to assess their responsibilities in this regard and ensure that the equality impact assessment will be reviewed throughout the process.

### 10. Crime and Disorder

There are no known crime and disorder implications arising from the contents of this report.

### 11. Consultation/Engagement

The proposals have developed from close collaborative working across the local authorities and combined authorities and have been subject to the public consultation exercise described in this report and the appendix.

### 12. Environmental and sustainability

The green agenda is a critical element of the minded to devolution deal and therefore the governance changes proposed in this report, if implemented, would help to deliver those

## Leadership Board

initiatives identified in the minded to deal.

### 14. Appendices

Appendix 1 – Consultation Report

### 15. Background Papers

NECA Leadership Board - NE Devolution Update – 23 January 2023.

[“Minded to” Devolution Deal](#)

[Governance review](#)

Consultation scheme

### 16. Contact Officers

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### 17. Sign off

- Head of Paid Service: ✓
- Monitoring Officer: ✓
- Chief Finance Officer: ✓

### 17. Glossary

NECA North East Combined Authority

NEMCANorth East Mayoral Combined Authority

NTCA North of Tyne Combined Authority

# North East Devolution Consultation Report

## March 2023



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## 1. Executive Summary

The leaders of County Durham, Gateshead, Newcastle, Northumberland, North Tyneside, South Tyneside and Sunderland councils have agreed in principle to a devolution deal which the Government has confirmed it is 'minded to' approve.

A devolution deal for the region means unlocking £4.2 billion of investment, over 30 years, and seeing additional powers transferred from Whitehall to local people with better knowledge and experience of our communities.

It is expected to create 24,000 extra jobs, generate 70,000 courses to give people the skills to get good jobs and leverage £5.0 billion of private sector investment.

This deal represents a significant opportunity to make a real difference to people who live and work in the North East and will have a hugely positive impact on the big issues that matter to people.

Whether that is new and better paid jobs, more affordable housing or placing ourselves at the forefront of Net Zero revolution, the chance of more decision-making powers and millions of pounds in funding devolved to a new Mayoral combined authority for the North East will have a major impact on the North East.

The new authority, which would cover an area which is home to around 2 million people, will have the power to make decisions on areas such as transport, skills, housing, finance and economic development.

The deal includes:

- **An investment fund of £1.4bn, or £48m a year**, to support inclusive economic growth and support our regeneration priorities
- **An indicative budget of around £1.8bn, or £60m a year**, for adult education and skills – to meet local skills priorities and improve opportunities for residents
- **A £900m package of investment to transform our transport system**, with £563m from the City Regional Sustainable Transport Fund, on top of funding already announced for our buses and metro system
- **£69m of investment in housing and regeneration**, unlocking sites to bring forward new housing and commercial development

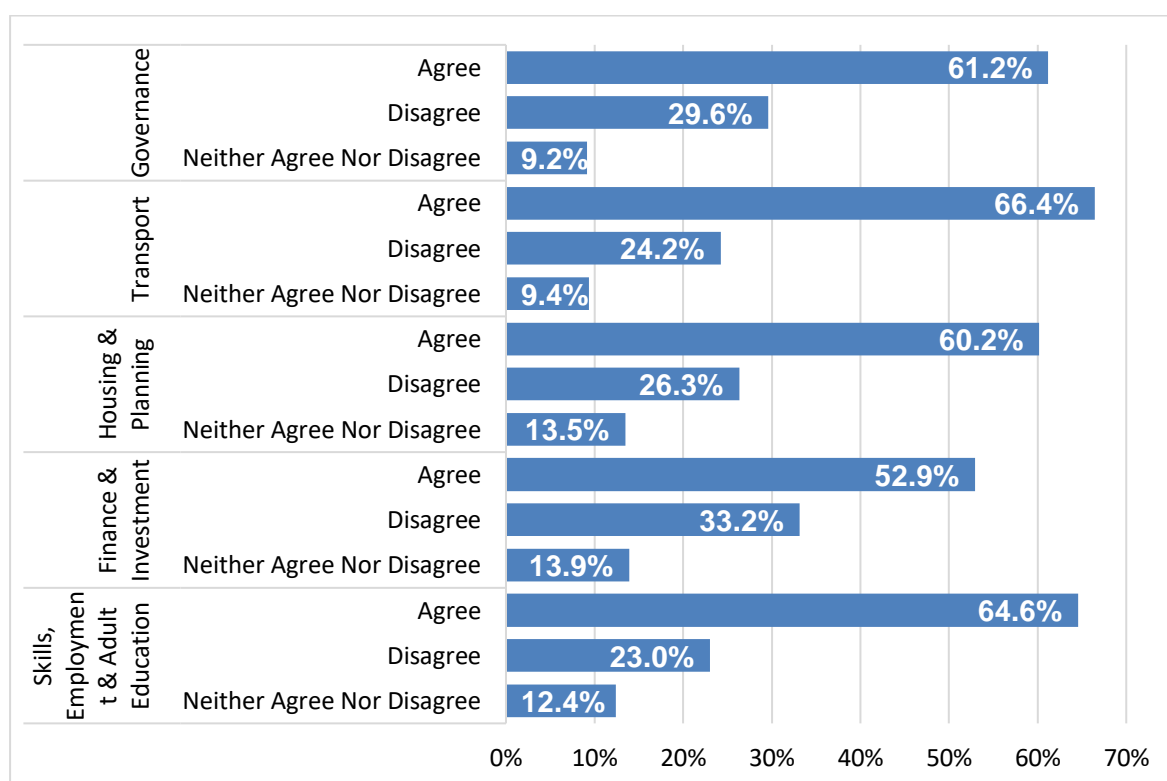
Local leaders have worked together to negotiate an offer which matches their ambition to make a difference for residents, communities and the economy.

A public consultation, which closed on 23<sup>rd</sup> March 2023, was a chance for residents, businesses and other stakeholders to understand and have their say about how the proposed devolution deal from government would be implemented in the region. This report outlines how the consultation was undertaken together with its findings.

Opportunities to take part in the consultation included the completion of surveys (via either online or paper based), attending an event or by submitting written comments.

In total, around 3,235 people or organisations took part in the consultation process, with 2,579 opting to complete an on-line or paper survey. An overview of responses across the five theme questions in the survey is shown in the table below.

### Sentiment about the proposed devolution to North East Mayoral Combined Authority



Number of responses	Agree	Disagree	Neither agree or disagree
Governance	1595	772	239
Transport	1731	631	244
Housing and Planning	1563	684	350
Finance and investment	1373	860	361
Skills, Employment and Adult Education	1673	597	321

## 2. Introduction

On 28th December 2022, the seven North East Authorities (Durham County Council, Gateshead Council, Newcastle City Council, North Tyneside Council, Northumberland County Council, South Tyneside Council and Sunderland City Council) agreed a “minded to” devolution deal with HM Government.

The devolution deal sets out £4.2bn of government investment, which will be subject to local decision making, enabling spend on local priorities, together with a range of devolved functions. The deal is subject to the creation of a new mayoral combined authority involving all of the seven North East authorities.

The deal is described as “minded-to” as the proposals are subject to public consultation, formal consent from each constituent council and parliamentary approval of the relevant legislation to implement the proposals.

In January 2023, the Cabinets of the seven local authorities approved a Governance Review – an analysis of existing arrangements to establish whether or not a new mayoral combined authority would be beneficial for the region – and a scheme – the document which sets out the terms of how the deal would be implemented.

A public consultation subsequently launched on 26<sup>th</sup> January and ran until 23<sup>rd</sup> March 2023. The outcomes from this consultation are set out in this report.

### 3. Consultation method and process

The approach used to undertake the consultation complied with [Cabinet Office Consultation Principles](#). This approach gave consultees clear and concise information in order to respond to the consultation exercise (see Appendix A for more details about the questions that were asked).

The aim of the consultation was to provide the general public, the business and other key sectors and other stakeholders across the seven local authority areas with the opportunity to share their views on the proposals. The information provided to consultees focused on :

- changing how the seven councils work together
- devolution of powers to create an integrated transport system for the area
- devolution of new housing and planning functions
- new finance and investment powers
- devolution of matters relating to skills, employment and adult education

The consultation consisted of the following approaches (more details about how they were publicised can be found in Appendix B), delivery of which was informed by an equality impact assessment.

- **Survey**

The survey, which was available both online and via paper copies, contained five closed-ended questions asking respondents whether they agreed, neither agreed nor disagreed or disagreed with the proposals.

In addition, there were also six open-ended questions that provided respondents with the opportunity to provide more detailed views on the proposals if they wished to do so. As well as questions on the devolution proposals, both the online and paper survey questionnaires included nine demographic questions (see Appendix C for more information on who took part in the consultation).

The online survey was available on each local authority's website and on the North of Tyne combined authority website. People were also able to submit their views by using a paper copy of the survey questionnaire, which was available in a range of public venues across the region. Finally, respondents could also submit their feedback via a letter or email.

In total, 2,579 completed survey questionnaires were received.

- **Events**

Fifteen events also took place across the area. These mainly in person sessions allowed people to learn more about the proposed devolution deal and to ask questions. Paper copies of the consultation questionnaire, QR codes and links to the online consultation questionnaire were also provided at the events for those participants who wished to use them.

There was at least one event in each local authority area as set out below

- Northumberland County Council (six events<sup>1</sup> from 5 February – 22 March 2023)
- South Tyneside (13 February 2023)
- Durham (23 February 2023 and an on-line event 28 February 2023 )
- Gateshead (28 February 2023 and an on-line event 9 March 2023)
- North Tyneside (8 March 2023)
- Sunderland (10 March 2023 and one for the Sunderland Deaf Society on 21 March 2023)
- Newcastle (13 March 2023 and one for the Newcastle Deaf Society 20 March 2023)

The events were publicised on all of the local authority and North of Tyne Combined Authority websites, social media and via the local media. Members of the public were offered the chance to attend by registering their details with the local authority hosting the event they wished to attend.

In total, 357 people attended the public consultation events as set out in table 1 below :

**Table 1: Breakdown of consultation events by attendees**

<b>Local Authority</b>	<b>Attendees</b>
Northumberland	93
South Tyneside	29
Durham	60
Gateshead	17
North Tyneside	43
Sunderland	45
Sunderland Deaf Society	12
Newcastle	50
Newcastle Deaf Society	11

<sup>1</sup> Members of the public attending events and meetings in Alnwick and Berwick, Castle Morpeth Local Area Council, Tynedale Local Area Council, Ashington and Blyth Local Area Council and Cramlington, Bedlington and Seaton Valley Local Area Council. ,

Each event consisted of a presentation which

- summarised the minded to devolution deal
- provided information on the Governance Review and the context for change
- explained the consultation process; and
- set out the next steps

This was then followed by discussions that focussed on gaining feedback from participants on the proposals and responding to any questions they had.

- **Stakeholder briefings**

In addition to the public events, nine bespoke on-line briefing events were held with key stakeholders. In total 263 people took part. The events were

- Regional Business Partners On-line Event (27 January 2023)
- Northumberland Energy Central Steering Group (27 January 2023)
- Regional Education Partners On-line Event (13 February 2023)
- Voluntary And Community Partners Event (15 February 2023)
- Voluntary Sector Organisations' Network North East Employment On-line Focus Group (16 February 2023)
- Transport Event (17 February 2023)
- North East Chamber County Meeting – Northumberland (8 March 2023)
- Northumberland Association of Local Councils (representing Town and Parish Councils) Briefing (9 March 2023)
- Northumberland Youth Cabinet and Youth Parliament Briefing (22 March 2023)

## 4. Response

This part of the report brings together the findings gathered from both the survey and the consultation events.

It should be noted that all questions in the survey were voluntary and not everybody completed all of the questions. This means that the total responses<sup>2</sup> to specific questions may not add up to the total number of overall respondents.

In addition to the closed-ended questions (i.e., where respondents were asked to indicate whether they agreed, disagreed or neither agreed nor disagreed), respondents were also asked open-ended questions to set out their reasons. The responses to the open-ended questions were coded to key themes. The top results per theme are included in this section. All the issues that were raised are included in Appendix D. It should be noted that, where figures are included, this is an indication of how many times the issue was raised.

Some respondents took the opportunity to state their views on an issue across more than one question. This means that some issues are often repeated across multiple questions. This was the case with regard to responses to the final open question which asked 'Are there any comments you would like to make that you do not feel you have addressed in your response so far?'. However all of the issues raised are highlighted in sections 4.1-4.5 and appendix D of this report.

In conducting surveys using closed and open-ended questions, it is commonly found that people who disagree with a proposition in the closed-ended question will be more likely to respond to the accompanying open-ended questions to explain their reasoning. This has generally been the case in this consultation.

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<sup>2</sup> Please note "respondents" is used to describe the person/organisation that responded to the survey. The phrase "responses" is used to refer to the issues raised within each contribution. For example, one respondent may have commented on several issues within one contribution. This means that one respondent could be the author of more than one response.

## 4.1 Changing how councils work together

### Summary

- The majority of respondents agreed with the proposals. These respondents felt the proposals made sense, would allow beneficial working together and bring more power to the region
- Those neither agreeing nor disagreeing suggested changes to, or clarity around the non-voting cabinet members, requested more information, or agreed in principle but had concerns, questions or caveats
- Those disagreeing felt the proposals would be unfair to some areas, would create additional bureaucracy, or lacked trust in local or national government

**Figure 1: Do you agree or disagree with our proposals for the revised arrangements for the Combined Authority, as set out and in the Scheme, in particular the proposed arrangements for a Mayor, mayoral combined authority, and the councils, working together?**

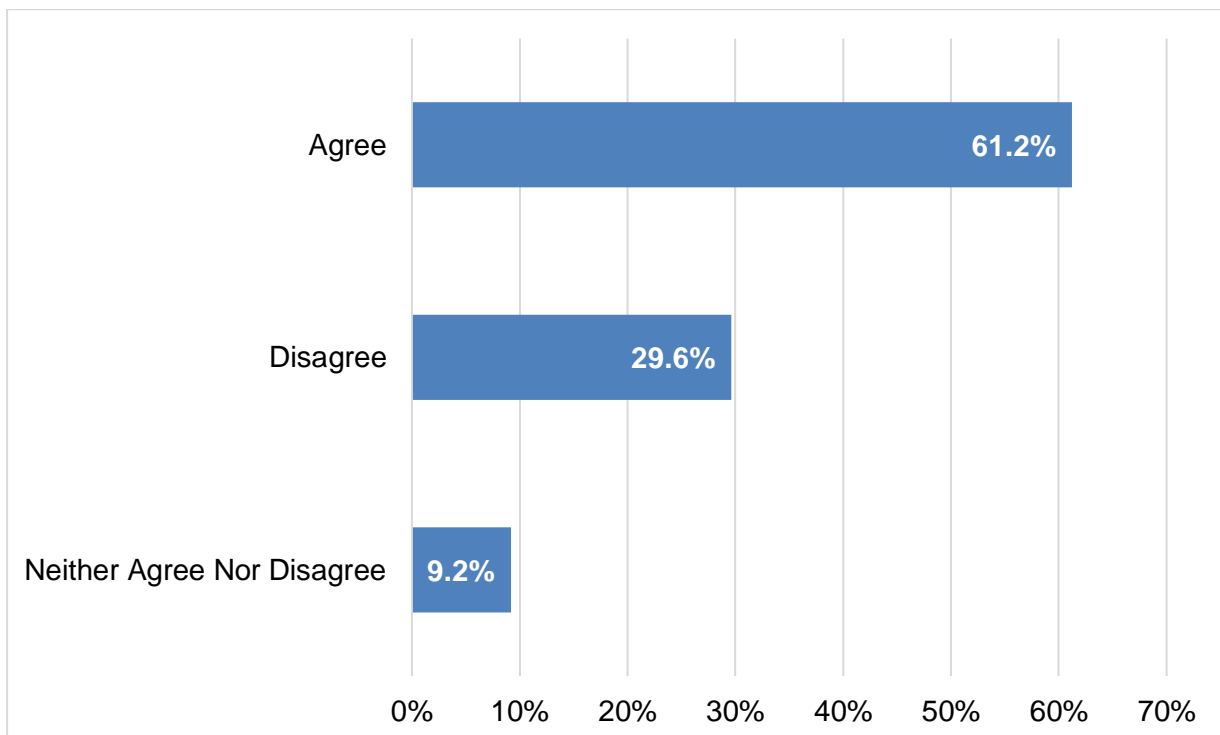




Figure 1, which is based on the data from the survey, shows the overall majority of people agreed with the proposals for the revised arrangements for the Combined Authority, as set out and in the Scheme, and the proposed arrangements for a Mayor, mayoral combined authority, and the councils, working together.

#### 4.1.1 Feedback from the survey

**Overall:** 1,472 respondents to the on-line and paper questionnaires explained why they had either agreed, disagreed, or neither agreed nor disagreed with the proposals. Their views are summarised below: (some respondents gave more than one reason and this is reflected in the totals shown below).

**Agree:** Those agreeing with the proposed changes believe:

- **The proposals make sense** (275 responses). These comments stated that the proposals make sense, will create efficiencies, increase resources, ensure a coordinated strategy and are the best option for the region.
- **The proposal will increase regional power** (218 responses). These comments welcomed the increased powers and local decision making the deal will bring and were positive about the role of the mayor and the higher profile they would help to create for the region.

**Working together benefits the region** (190 responses). These comments said the proposals were an opportunity for local authorities and stakeholder organisations to work together for the benefit of the region.

**Disagree:** of those who disagreed with the proposals the main reasons given were –

- **Lack of trust** (230 responses). These comments raised concerns that creation of the Combined Authority would result in the concentration of power in the hands of one person or a small group of people and the organisation being unaccountable. Lack of trust in politicians (locally and nationally), local authorities and the national government were also highlighted.
- **Additional bureaucracy** (226 responses). These comments said the proposals would result in an extra layer of bureaucracy with associated additional costs.
- **The creation of the Combined Authority would be unfair or detrimental to some areas** (179 responses). These comments said that implementation of the proposals would be unfair or detrimental to some areas, particularly rural areas and County Durham. Concerns were also raised that Newcastle or larger places would unfairly benefit.

**Neither agree nor disagree:** Of those who neither agreed nor disagreed with the proposals, their comments referred to –

- **Agreement in principle but with some concerns, questions or caveats** (79 responses). These comments were broadly in favour of the proposals but raised specific areas of concern, had questions or showed support for the proposals if one or more conditions were met.
- **A need for more information** (65 responses). These comments requested more information or details about the proposals and how they would be implemented.
- **Changes or clarity to the non-voting roles on the Cabinet of the Combined Authority** (59 responses). These comments asked for more representatives from the business and voluntary and community sectors, education or cultural sector representation, thought these representatives should have voting rights or wanted clarity about how they would be appointed.

#### **4.1.2 Feedback from the consultation events**

The issues raised at the consultation events were consistent with the responses from the survey.

However, a number of additional points were raised by small numbers of participants, across the region, including:

- engagement with town and parish councils
- the location of the headquarters for the Combined Authority
- how the impact of the Combined Authority will be evaluated including its social value and return on investment

## 4.2 Transport

### Summary

- The majority of respondents agreed with the proposals. They felt it made sense for areas to work together under a regional transport strategy and with an integrated transport system
- Those neither agreeing nor disagreeing suggested priorities for improving transport or said they needed more information on the proposals
- Those disagreeing felt the proposals would be unfair to some areas, especially rural areas, or were opposed to having a mayor or the devolution deal

**Figure 2: Do you agree or disagree with the proposal to confer transport functions and new transport related functions to a North East Mayor and Mayoral Combined Authority?**

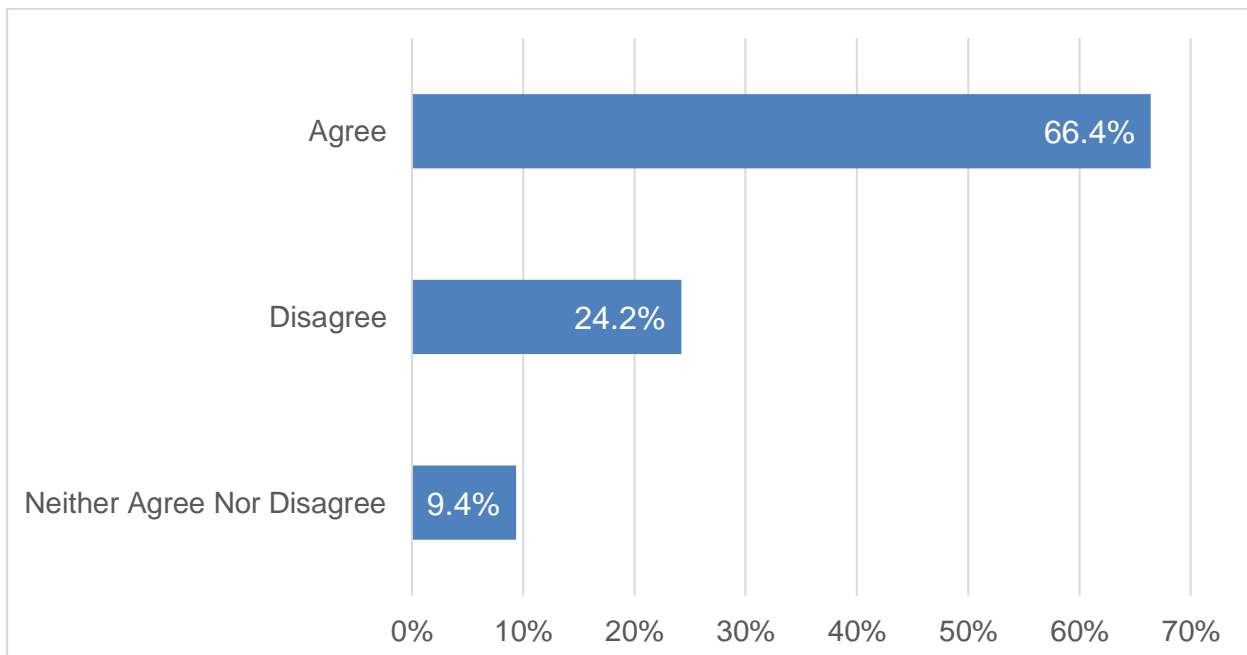


Figure 2, which is based on the data from the survey, shows that the overall majority of people agreed with the proposals to confer transport functions and new transport related functions to a North East Mayor and Mayoral Combined Authority.

#### 4.2.1 Feedback from the survey

**Overall:** 1,350 respondents to the on-line and paper questionnaires explained why they had either agreed, disagreed, or neither agreed nor disagreed with the proposals. Their views are summarised below: (some respondents gave more than one reason and this is reflected in the totals shown below).

**Agree:** The reasons given by those agreeing with the proposed changes, showed they believe

- **The region needs an integrated transport system** (174 responses). These comments said it was important to have an integrated transport system, with different modes of transport working together, including ticketing.
- **Working together as a region makes sense** (156 responses). These comments said it made sense for areas to work together, with a regional approach or strategy for transport.
- **The proposals were an opportunity to improve transport in the region** (135 responses). These comments said the proposals were an opportunity to improve transport, particularly public transport. Many of the comments referred to poor services which people felt needed to be improved.

**Disagree:** of those who disagreed with the proposals the main reasons given were –

- **It would be unfair or detrimental to some areas** (148 responses). These comments said the proposals would be unfair or detrimental to some areas, particularly rural areas. Some comments referred to the area included in the proposals being too large or diverse.
- **Not wanting a North East Mayor or concentration of power** (62 responses). These comments said they did not want a North East Mayor or the concentration of power in the hands of one person or a small group of people.
- **It would not lead to improvements** (53 responses). These comments said the proposals would not improve transport in the region. Many of the comments said bringing together local authorities that had been unable to address transport problems or had made things worse or would not change anything.
- **Opposition to the devolution deal** (52 responses). These comments were opposed to the North East devolution deal, with many referring to the result of the 2004 devolution referendum or wanting to keep the existing arrangements.

**Neither agree nor disagree:** Of those who neither agreed nor disagreed with the proposals, their comments referred to –

- **Suggested priorities to improve transport** (30 responses). These comments suggested priorities for improving transport, including creating dual lanes along the full length of the A1, better public transport and extending the Metro system to more areas.
- **A need for more information** (23 responses). These comments said they needed more information on or details of the proposals and how they would be implemented.
- **Conditional support** (20 responses). These comments said they would support the proposals if one or more conditions were met. These included the proposals leading to better, cheaper public transport, efficiencies or being fair to all areas.

#### 4.2.2 Feedback from the consultation events

The issues raised at the consultation events were consistent with the responses from the survey.

### 4.3 Housing and planning

#### Summary

- The majority of respondents agreed with the proposals. These respondents felt that housing decisions in the North East were best decided by local people
- Of particular merit was the potential for the development of new affordable and social housing
- Those neither agreeing nor disagreeing were concerned with corruption, fairness and accountability or said they needed more information on the proposals
- Those disagreeing felt the proposals would be unfair to some areas, especially rural areas, or were opposed to having a new mayor or combined authority

**Figure 3: Do you agree or disagree with the proposal to confer housing functions and new housing related functions to a North East Mayor and Mayoral Combined Authority?**

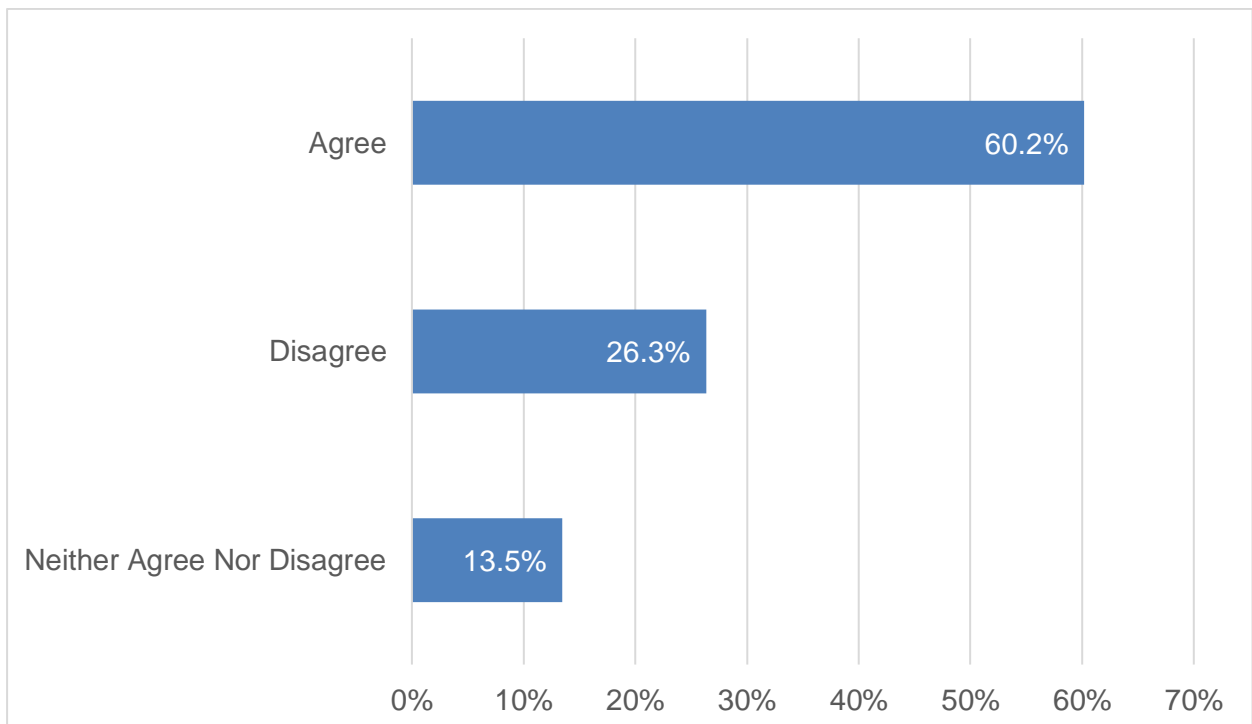


Figure 3, which is based on the data from the survey, shows that the overall majority of people agreed with the proposals to confer housing functions and new housing related functions to a North East Mayor and Mayoral Combined Authority.

#### 4.3.1 Feedback from the survey

**Overall:** 1,226 respondents to the on-line and paper questionnaires explained why they had either agreed, disagreed, or neither agreed nor disagreed with the proposals. Their views are summarised below: (some respondents gave more than one reason and this is reflected in the totals shown below).

**Agree:** The reasons given by those agreeing with the proposed changes, showed they believe

- **The region needs an integrated housing approach** (104 responses). These respondents said it was important to have an integrated housing strategy, with a combined approach to issues impacting the North East
- **The provision of more affordable and social housing** (100 responses). Respondents believed that the proposals would be an impetus for the building of more affordable and social housing, something that was seen to be very much needed
- **Local people are best placed to make local decisions** (90 responses). Respondents welcomed the prospect of having the power to control budgets and make decisions locally, as opposed to in Westminster
- **Environmental sustainability and the protection of green belts** (63 responses). Respondents said the proposals were an opportunity to improve environmentally sustainability within housing. Many were concerned with Net Zero targets and the protection of green belts

**Disagree:** of those who disagreed with the proposals the main reasons given were –

- **Not wanting a North East Mayor or concentration of power** (141 responses). These comments said they did not want a North east Mayor or the concentration of power in the hands of one person or a small group of people
- **It would be unfair or detrimental to some areas** (105 responses). These respondents said the proposals were unfair or detrimental to some areas, particularly rural areas. Some comments referred to the area included in the proposals being too large or diverse

- **Housing to remain under the control of individual authorities** (54 responses). These comments were opposed to the North East devolution deal, with many wanting to keep the existing arrangements
- **Environmental sustainability and the protection of green belts** (41 responses). These respondents said the proposals would not improve environmental sustainability in the region. Many of the respondents were concerned that green belts would not be protected and that new properties would be substandard in terms of sustainability.

**Neither agree nor disagree:** Of those who neither agreed nor disagreed with the proposals, their comments referred to –

- **Conditional support** (67 responses). These respondents said they would support the proposals if one or more conditions were met. These included the proposals leading to the provision of more affordable and social housing, environmental sustainability and a consistent approach to housing strategy within the region
- **A need for more information** (46 responses). These respondents said they needed more information on or details of the proposals and how they would be implemented
- **It would be unfair or detrimental to some areas** (25 responses). These comments said the proposals could be unfair or detrimental to some areas, particularly rural areas. Some comments referred to the area included in the proposals being too large or diverse

#### 4.3.2 Feedback from the consultation events

The issues raised at the consultation events were consistent with the responses from the survey.

However, a number of additional points were raised by small numbers of participants, including:

- The need to support innovation



## 4.4 Finance and investment

### Summary

- Just over half of respondents agreed with the proposals. They believe it will create opportunities and improvement for the region as decisions can be better made locally by people who 'know' the area
- Those neither agreeing nor disagreeing suggested they need more information about the deal to make an informed opinion. They also raised concerns about possible increased costs to local people to fund the deal
- Those disagreeing felt the proposals would increase costs to local people and the distribution of funding would be unfair. It was also suggested that the deal is a waste of money and undemocratic

**Figure 4: Do you agree or disagree with the proposal to confer additional finance functions on a North East Mayor and Mayoral Combined Authority?**

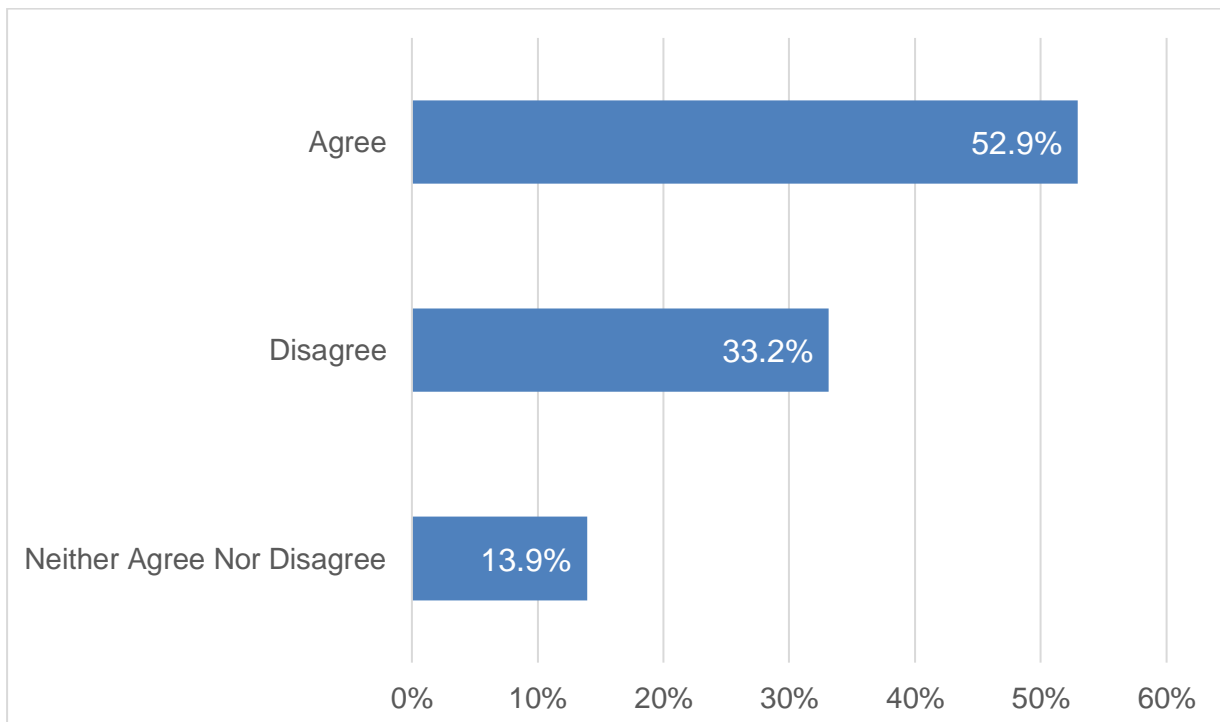


Figure 4, which is based on the data from the survey, shows that just over half of respondents agreed with the proposals to confer additional finance functions on a North East Mayor and Mayoral Combined Authority.

#### 4.4.1 Feedback from the survey

**Overall:** 1,132 respondents to the on-line and paper survey explained why they had either agreed, disagreed, or neither agreed nor disagreed with the proposals. Their views are summarised below: (some respondents gave more than one reason and this is reflected in the totals shown below).

**Agree:** The reasons given by those agreeing with the proposed changes, demonstrated their belief that the proposals will:

- **Lead to long-term investment that will create opportunities and improvement in the region** (110 responses). These comments suggested that devolution would attract strategic long-term investment that would improve the region by creating better infrastructure (e.g., transport) and opportunities for employment, thereby helping to close the North / South divide
- **Result in fair distribution of funds** (63 responses). These comments agreed that devolution would be positive for the region as long as the finances were distributed evenly across the area without the need for a rise in council tax or other costs to local people
- **Support better decisions based on local knowledge** (53 responses). These comments believe that devolved finances will allow better decisions to be made by local representatives who 'know' the area better than Whitehall
- **Ensure transparency and accountability** (32 responses). These comments agreed with the idea of devolution but wanted reassurance about the transparency and accountability of decision making

**Disagree:** of those who disagreed with the proposals the main reasons given were:

- **It would increase costs to local people** (244 responses). These comments said the proposals were unfair as it would inevitably mean more costs for local people in order to fund the new Mayor's activities and result in higher council tax
- **Concerns with distribution** (60 responses). These comments suggested that devolution would bring an unequal distribution of funds with the bigger city areas getting a higher proportion of resources compared to more rural areas

- **Bureaucracy** (39 responses). These comments said that devolution would create more bureaucracy which would inhibit delivery
- **Waste** (38 responses). These comments were opposed to the North East devolution deal, with respondents suggesting the deal is a waste of money and things should be kept as they are
- **Undemocratic** (30 responses). These comments highlighted a belief that the process for agreeing a devolution deal is undemocratic as a referendum has not been held

**Neither agree nor disagree:** Of those who neither agreed nor disagreed with the proposals, their comments referred to:

- **They did not understand the proposals** (39 responses). These comments suggested respondents did not understand the proposals and that more information was needed to make an informed decision about whether or not the devolution deal would be beneficial
- **Concerns with increased costs** (36 responses). These comments said they were not sure about the devolution deal and were concerned that it may lead to increased costs for local people, including higher council tax

#### 4.4.2 Feedback from the consultation events

The issues raised at the consultation events were consistent with the responses from the survey.

However, a number of additional points were raised by small numbers of participants, including:

- the impact of inflation on the funds provided by central government.
- the nature of the formula for allocating funds across the area.
- whether there will be formal fiscal devolution including revenue raising powers
- the need to fund existing businesses as well as those that are new, incoming businesses or currently prioritised sectors such as green and digital

## 4.5 Skills, Employment and Adult Education

### Summary

- The majority of respondents agreed with the proposals. They felt it made sense for areas to work together and integrate with local education providers and businesses
- Most of those neither agreeing nor disagreeing said they needed more information on the proposals
- Those disagreeing felt that a combined authority was the wrong geographical area in which to make these decisions or that some areas would be poorly served, particularly rural areas or County Durham

**Figure 5: Do you agree or disagree with the proposal to confer skills, employment and adult education functions to a North East Mayor and Mayoral Combined Authority?**

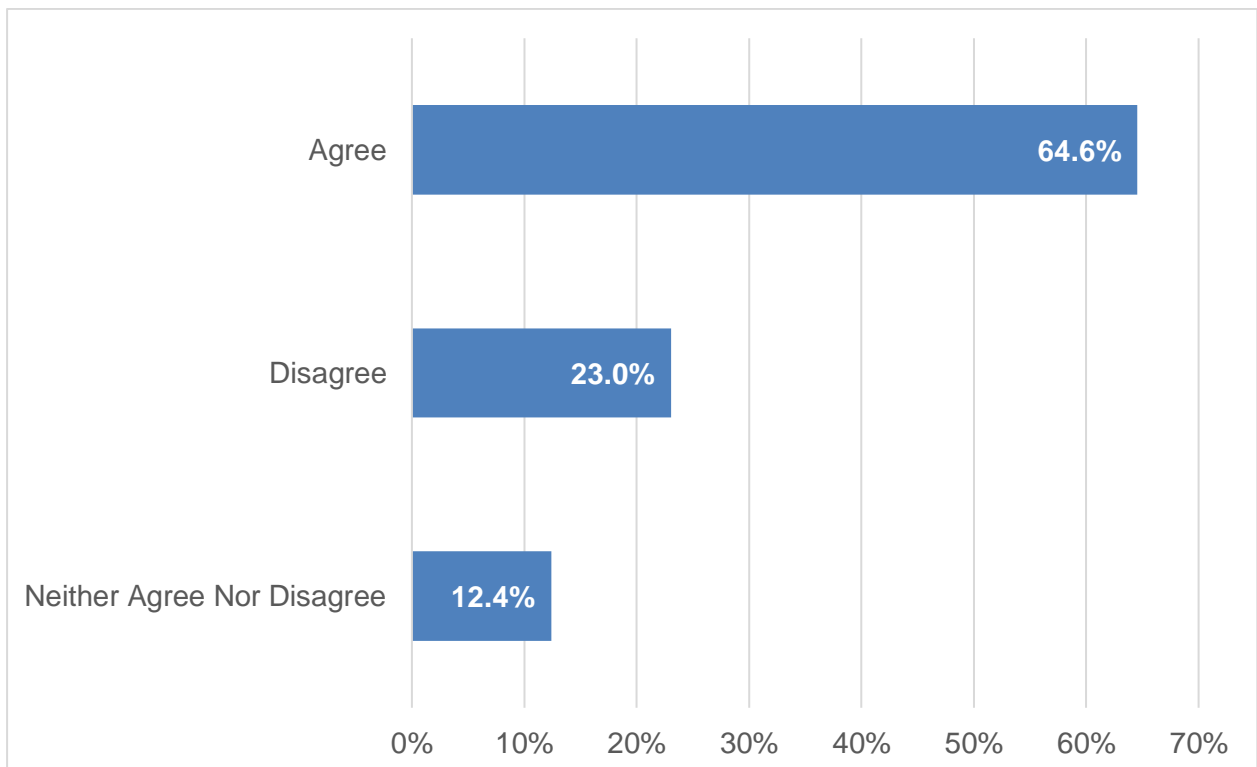


Figure 5, which is based on the data from the survey, shows that the overall majority of people agreed with the proposals for skills, employment and education.

#### 4.5.1 Feedback from the survey

**Overall:** 863 respondents to the on-line and paper questionnaires explained why they had either agreed, disagreed, or neither agreed nor disagreed with the proposals. Their views are summarised below:(some respondents gave more than one reason and this is reflected in the totals shown).

**Agree:** Among those respondents agreeing with the proposals and who offered further information the following key themes are seen:

- **Skills and training should be delivered at the NEMCA level.** (327 responses). Respondents felt that national delivery was too out of touch with local needs and/or local authority level delivery was too small to be efficient or lacked synergies. Integration with other partners was often felt to be enhanced at this geographic level, as was efficient use of funding
- **Agree with the proposals but with some caveats.** (108 responses). Respondents felt that apprenticeships should be included in scope; governance should include education providers and businesses and funding should be shared fairly across local authorities
- **Increase in funding welcomed.** (43 responses). These respondents only cited the extra funding available

**Disagree:** of those who disagreed with the proposals the main reasons given were –

- **NEMCA is too large an area for skills planning and delivery** (95 responses). These respondents felt that Local Authorities were best placed to deliver these proposals
- **Concerns around governance** (79 responses). These comments said these respondents did not want a North East Mayor; or were worried about the concentration of power in the hands of one person or a small group of people; many expressed distrust of politicians in general or noted that these proposals had not been subject to a referendum
- **NEMCA was too small an area for skills planning and delivery** (39 responses). Respondents stated that the proposed activities were best coordinated and funded at a national level
- **Felt the proposals would not work** (38 responses). These respondents stated that the proposed activities would not achieve improvements within NECMA. Often citing insufficient funding or inadequate scope

- **Unfair or detrimental to some areas** (32 responses). These comments said the proposals would be unfair or detrimental to some areas, particularly rural areas or specific local authorities

**Neither agree nor disagree:** Of those who neither agreed nor disagreed with the proposals, their comments referred to –

- **A request for more information** (87 responses). These respondents wanted further information to help them form an opinion either about skills training in the region or the devolution proposals. Others wanted to understand more about how funding would be shared fairly between local authorities
- **Will not improve** (22 responses). These respondents felt that these proposals would have no impact
- **Should be a wider scope** (17 responses). A variety of levels of activity were offered including that proposals should include Higher Education; higher level qualifications; lower-level qualifications or schools

#### 4.5.2 Feedback from the consultation events

The issues raised at the consultation events were consistent with the responses from the survey.

However, a number of additional points were raised by small numbers of participants, including:

- the impact the new arrangements would have on the current post-16 procurement process
- education provision for the deaf community

## 5. Views from Stakeholders

### Business

- **Advance Northumberland:** is an economic growth and inward investment company, wholly owned by Northumberland County Council. It submitted a letter of support for the North East Mayoral Combined Authority Devolution.

The letter offers a commitment to help devolution achieve benefits for Northumberland and the wider region.

It also says devolution will stimulate and accelerate economic growth and job creation opportunities and help shape Northumberland for the benefit of residents.

- **Bionow:** is a not-for-profit specialist business development and services company serving the biomedical and life science sector across the North of England. It has over 320 members and direct links to approximately 1,300 life science organisations across the North of England, employing more than 50,000 people.

It believes that strong engagement between regional and local authorities and the sector is crucial to a vibrant life sciences sector and that other devolved authorities have a positive impact on the local and regional ecosystem in developing the skills, investment and infrastructure needed for the region and the sector to thrive. They therefore support the devolution deal and look forward to the positive impacts.

- **Confederation of British Industry (CBI)** responded on behalf of businesses, higher and further education providers, and regional institutions. The response is endorsed by the CBI North East Regional Council.

The region's business community overwhelmingly support a devolution deal involving all seven local authorities. A single Mayoral Combined Authority would be an opportunity to deliver cohesive, integrated regional change, reflective of the local economic and political geography.

In addition to broadly agreeing with all five policy proposals, CBI members are pleased that the principles across each policy area meet the ambitions of the CBI Seize the Moment framework.

The response also contains requests for the proposed North East Mayoral Combined authority on each of the policy areas set out in the consultation. These include a robust partnership with North East business, long-term strategies for

transport and business investment, a simplified regional planning system and partnerships to deliver a skills programme that services regional demands.

- **Dynamo North East:** are the region's tech sector membership body with over 130 members. They advocate for the needs of businesses and learners and work to develop and deliver programmes that underpin the success of the digital economy. Dynamo are delighted to support the proposed North East Devolution Deal on behalf of the tech sector, which they explain has a crucial role to play in driving the innovation economy and jobs underpinning growth and shared prosperity in the North East and across the UK.
- **Federation of Small Businesses (FSB):** confirm their support for the North East devolution deal and welcome the agreement that this will cover the seven local authority areas and will deliver significant benefits to the region.

The FSB agree with the policy proposals in the devolution consultation. They say the continued role of the Local Enterprise Partnership is welcome, but it is essential to broaden the scope of the proposed Mayoral Combined Authority's Business Board to include the voice of small business through the inclusion of business representatives. They feel it is essential that small businesses and representative bodies are consulted in the design and development of skills support programmes.

- **Institute of Directors:** support the proposed North East Devolution deal as the deal will help directors across the North East to fulfil the mission to build a better world.

The Institute of Directors say transferring powers from Whitehall to local people with detailed knowledge and experience of the region, people and communities will create a better environment for business.

They feel a chronic and systemic skills shortage is holding back business growth and the devolution deal promises to address this by providing funding to train local people to meet the skills priorities of the Institute of Directors' members.

- **Nissan:** sees the creation of the new combined authority as a positive development that will support the future success of the business and help to attract future inward investment opportunities. It believes that the creation of a directly elected mayor will provide strategic direction and act as a strong champion for the region.

The company recognises that the Authority's ability to allocate funding for skills, infrastructure, innovation, transport, regeneration and housing will support



Nissan's ambition to enhance its investment in the region, to reskill and upskill its workforce, and to export more electrified vehicles.

In particular they: welcome the deal's commitment to investing in electric vehicle infrastructure and look forward to engaging with the combined authority on its 'Institute of Future Mobility' initiative; recognise that similar skills are needed for the manufacture of both vehicle and off-site modular housing and wish to explore opportunities for regional collaboration with NEMCA; want to work closely with the combined authority and partners to develop a business case for forming an industrial cluster to support the growth of low emission manufacturing across the region; and would like to explore further the development of a new skills facility to support the development of advanced manufacturing skills.

- **North East Business and Innovation Centre (BIC):** gives its unreserved support to the proposal to create the devolution deal and is looking forward to seeing significant powers transferred to the North East from central government. The BIC highlights that as well as bringing multi-billion-pound investment into the area, allowing it to work together ever more closely, 24,000 extra, good jobs will be created and tens of thousands of local people supported with increased skills to fill them.

BIC believes the deal will give businesses more confidence to invest and the anticipated £5bn of private sector investment will be transformational. It concludes the scale of the opportunity the deal presents cannot be over-estimated and is massively to be welcomed and that this feeling is echoed by many others in the business community.

- **North East of England Chamber of Commerce (NEECC):** express support for the North East devolution deal. NEECC members see the area of the seven local authorities included in the deal as a coherent economic area. They believe the proposed North East Mayoral Combined Authority would enable more collaborative working across the region and help it speak to government with a unified voice. They say there is also the potential to promote greater equality and spread the benefits of growth more equally which would enable more local businesses to flourish.

The NEECC support the policy proposals set out in the North East devolution consultation, including the creation of a Business Board. However, feel it is important that any new governance arrangements do not create added complexity for individuals and organisations engaging with the public sector and that the Mayoral Combined Authority is easy to do business with. Careful allocation and monitoring of the proposed investment fund and any subsequent funding will be vital to ensure it had the maximum positive impact for local people and

communities. The NEECC would also welcome a commitment to procure from local firms wherever possible.

- **North East Enterprise Agency (NEEAL):** is a not-for-profit Company Limited by Guarantee, and special purpose vehicle that champions enterprise support and provides a single service to anyone starting a new business or in their early stages of growth. Over the last two years it has supported the establishment of over 5,500 businesses and supported nearly 16,000 to develop and grow.

NEEAL offers its unreserved support to the proposal to create a devolution deal. It believes that the North East has long lagged behind a lot of the rest of the UK in terms of both its business stock and the number of new businesses created here. They feel this deal, when implemented, will see significant powers transferred to the region, together with a multi-billion-pound investment that will create the conditions to drive a more entrepreneurial culture and, as a result, significantly increase the level of new business activity.

NEEAL believes that having the ability to exercise control over such key economic levers as transport, skills, housing, finance and economic development will give the region's two million residents real power over the decisions which affect their everyday lives and the economic wellbeing of the area. It will give businesses more confidence to invest and residents more confidence to set up businesses and as a result has the capacity to be truly transformational. It concludes that 'the scale of the opportunity which this presents cannot be over-estimated and is massively to be welcomed.'

- **North East Local Enterprise Partnership (LEP):** The Board of the North East Local Enterprise Partnership (LEP) confirms its strong support for the progress made towards devolution in the region, as expressed in this deal and welcomes the policy proposals set out in the consultation. The LEP welcome the deal for its content and opportunity to deepen devolution in the region in the future. They welcome the agreement covers the area of the seven local authorities.

The LEP look forward to working with partners to form the new Mayoral Combined Authority. It is strongly committed to playing its role as the new Business Advisory Board and facilitating a business voice to provide advice and support to the Mayor and Cabinet. It is important to include leaders from education, who have been a critical pillar of their current partnership.

- **Sunderland Empire and Sunderland Culture:** strongly welcome the proposed arrangements for the North East Mayoral Combined Authority, and ask that

consideration be given to representation of the creative and cultural sector on advisory boards.

They highlight the role that cultural infrastructure can play as a catalyst for regeneration, inclusive economic growth and community development, and would like the cultural sector to benefit from the Investment Fund, particularly with regard to infrastructure and workforce development.

- **Sunderland Software City:** is a not-for-profit company driving the tech economy in the North East, supported the proposed North East Devolution deal. It believes the deal would help unlock opportunities to grow the tech sector and ensure more businesses, people and communities across the region could share in its success.

They believe the deal provides a strong basis on to drive forward the tech ecosystem in the North East, ensuring businesses across the region are able to benefit from digital innovation and it will enable government, industry and local partners to work together to support the skills and talent base of the region's communities.

They say the devolution deal will help raise aspirations, encouraging more people in the region to consider tech employment and starting up businesses.

Understanding and reacting to local need is vital to a flourishing tech ecosystem and local empowerment to support inclusive growth and skills would produce this.

- **Taylor Wimpey:** agree with the proposals for the North East Combined Authority (NEMCA) and believe that collaborative working between the constituent councils is key for securing and maximising the long-term prosperity of the region. They believe appropriate resources and political backing should be made available to the NEMCA Mayor from the outset and clear conflict management and resolution procedures should be established.

Taylor Wimpey supports the proposal to confer transport functions to the NEMCA. They say Local Transport Plans should be closely aligned with the NEMCA's growth plans and there should be a transport and growth working group including all key stakeholders.

Taylor Wimpey generally supports the proposals to confer housing and planning functions from government to the NEMCA. However, new acquisition powers should be directed to areas where the market was failing and the possibility of a single Spatial Development Strategy for the NEMCA area should be explored.

Taylor Wimpey had no specific comments on the additional finance functions in the devolution deal but welcome the investment from the government in the North East region.

Taylor Wimpey agree that employment and adult education functions should be conferred to the NEMCA. It supports the commitment to produce Local Skills Improvement Plans and the recognition of the challenges facing the North East employment market. They believe Local Skills Improvement Plans need to highlight the range of skilled jobs in the house building and construction industry. They say there is also a need to ensure consistency between local education institute offerings and the skills and knowledge required by the North East employment market. Taylor Wimpey would welcome any future engagement with the NEMCA on adult education, employment and skills.

- **TEDCO Business Support Ltd:** offer unreserved support for the North East devolution deal. They say the North East has long failed to keep pace with the rest of the UK in terms of its business stock and the number of new businesses created. The devolution deal would potentially bring multi-billion-pound investment into the region which would create conditions that would drive a more entrepreneurial culture and significantly increase the level of new business activity.

### **Trade Unions**

- **Trades Union Congress:** looks forward to working with NEMCA and supports the transfer of government functions to the combined authority. It welcomes the proposal for NEMCA to have non-voting members and asks that trades unions be represented. They would also like to see the creation of additional advisory boards to cover transport, education and skills, housing, public service provision and Net Zero, and broadening of the Inclusive Economy Board remit.

The creation of a co-ordinated transport body for the region would be welcomed. While the TUC support bus franchising as an interim measure, they aspire to public ownership of bus services. Additional proposals made by the TUC include: housing stock to be improved through retro-fitting, increased collaboration with the TUC on learning and skills funding, that the Adult Education Budget prioritise disadvantage groups, and the combined authority apply good employment principles to the delivery of its work agenda.

- **UNISON:** is in principle supportive of devolution, however feel that the North East devolution deal presents some issues.

UNISON is keen to see strengthened accountability and democratic processes and does not want to see individual local council roles eroded to consolidate powers in a single individual.

UNISON is also concerned that the deal omitted workforce issues, health inequalities, police and fire services, the role of communities and trade unions and promoting equality and diversity. It is also concerned about the level of funding in the deal and this being subject to five-yearly gateway assessments.

UNISON would like to see greater community engagement before any deal is finalised and applauds the work done to get the deal to this point. Provided its concerns are addressed, UNISON supports a devolved future for the North East and hopes to be able to work with government, the Mayor and the constituent councils.

### **Community and Voluntary Sector:**

- **Children North East (CNE):** welcome the North East Devolution Deal as a potential major stepping stone towards improving the lives of babies, children and young people in the region. They believe that it presents a huge opportunity to join up regional infrastructure and provision to enable all babies, children and young people to grow up happy and healthy.

It particularly welcomes the transport investment and devolved powers to design and manage transport services around the needs of local people. They highlight the need for frequent, affordable, reliable public transport and safe walking and cycling routes and think integrated ticketing is a potential 'game-changer.' The organisation also wants to ensure that the voices of young people and low-income families are heard in the refresh of the Regional Transport Plan.

CNE believe that increased planning powers at a regional level has the potential to bring in investment and ensure planning decisions reflect the needs of the community. They hope this might be a catalyst for building more social housing and genuinely affordable family homes close to amenities and public transport.

They are delighted that the deal becomes the first in the country to contain a specific commitment to addressing child poverty and look forward to continued collaboration in the North East leading the way to prevent and tackle child poverty.

CNE urge that regional integration does not result in centralisation if this moves opportunities out of local communities and makes them harder to access for people dependent on public transport or trying to balance caring responsibilities.

Similarly, they would not want financial powers granted to the NECMA to result in an additional financial burden on struggling families. The charity would therefore welcome any future opportunities to work with NECMA to make the voices of babies, children and young people they work with heard, and ensure decision-making keeps children, particularly those growing up in poverty, at their heart.

## **Education**

- **Durham University:** welcomes the North East devolution deal, which would bring together the economic strengths of County Durham with that of the broader North East region. It would also enable Durham University to support the business and skills agenda more readily within the region and enable collaboration with other universities in the region to deliver innovation support, including the 'Inclusive Innovation Deal' programme identified in the draft devolution document.

Given the critical importance of the regional universities in delivering an economic transformation, it asks that consideration be given to representation of the sector on the Business Board or at the immediate decision-making level below – an appropriate nominee within the Business Board with an expanded remit.

- **Newcastle College Group (NCG):** support over 30,000 learners and employing over 2,000 people across a network of seven colleges and wishes to show support for the creation of a North East Mayoral Combined Authority.

It states that with responsibility for skills and funding already moving towards a regional system to ensure the skills needs of local areas are met, a devolved government would mean the Adult Education Budget (AEB) would now lie completely with the North East Mayoral Combined Authority. NCG hope this will offer more flexibility, as the proposed combined authority would have a much clearer understanding of local needs and demands.

NCG conclude that if approved, the devolution deal could provide a significant opportunity for them to work closely with employers across the area and collaborate with other local education providers. They therefore offer their full support for the deal and look forward to working with the combined authority for the benefit of its local communities.

- **Newcastle University:** is pleased to see that the proposed North East devolution deal includes areas in which it had strengths in research and innovation. Key among these are sustainable transport and net zero, inclusive economic growth, longevity, addressing inequalities and education and skills. These are areas

where it already enjoys strong collaborations with partner organisations and universities in the region.

Devolution is an opportunity to build on and further develop these collaborations, drive up productivity and deliver real impact for everyone in the region as well as at a national and global level.

The university therefore strongly supports the formation of the proposed North East Mayoral Combined Authority, which will benefit residents, communities and the region's social, cultural and economic prosperity into the future.

- **Northumbria University:** fully supports the North East devolution deal and the creation of a North East Mayoral Combined Authority.

They say the greater powers and funding to be devolved to the North East have the potential to make a huge impact on the region's communities and businesses and the university recognised the opportunity devolution gave to deliver coordinated and inclusive economic growth.

Northumbria University is keen to build on the North East's strong track record of regional collaboration and innovation and play a role in helping to jointly unlock new jobs, skills, economic development and investment. It is keen to work with the proposed North East Mayoral Combined Authority to enable more people in the region to access opportunities through employment and education that met the skills needs of the region's economy.

- **Regional Universities Business and Engagement (RUBE) Group:** brings together the North East's universities, focusing on opportunities for collaboration to strengthen the region's economy.

The RUBE Group welcome the proposed North East devolution deal and strongly support the formation of the proposed North East Mayoral Combined Authority. Adopting this governance model would benefit the region's residents, communities and social, cultural and economic prosperity.

It is particularly pleased that the deal included areas in which the universities had strengths in innovation and skills. Key among these were sustainable energy, health and life sciences, data and digital culture and creative arts. These are areas where the universities enjoyed strong collaborations with partner organisations in the region.

Devolution is an opportunity to build on and further develop these important collaborations, drive up productivity and deliver real impact for everyone in the region, as well as at a national and global level.

- **Tyne Coast College:** support the devolution deal and are very excited to work together with the proposed combined authority to create jobs and courses that will enable people to thrive in the local economy.

As a key stakeholder, they wholeheartedly support the devolution deal and support the vision to create 24,000 extra jobs and the flexibility of offering education and training that meets local needs. The college also recognises the benefits of a united vision for the area and believes that a devolved funding system would enable a fairer delivery of qualifications in a responsive, flexible and agile way, with a key focus on positive outcomes for learners, leading to sustained employment.

- **University of Sunderland:** strongly supports the proposal for a North East devolution deal and the opportunity it presented to improve productivity and reduce disparities within the region.

It is working with the NHS and city partners to develop the Sunderland Health Innovation Zone and hope the deal will provide local leadership with the powers and access to funding and investment incentives to build on and progress this important work.

A deal that attracts new businesses and international investment into the city and supports them through developing the skills base they needed to succeed and grow would be 'game changing' for Sunderland, the North East and the UK.

### **Sport and Culture:**

- **Active Partnership for County Durham:** is Sport England's representative in the county. It works at a local, countywide and regional level with its partners to bring about sustained system change in approaches to physical activity.

The organisation wrote to offer its support to the proposed combined authority. As it works in many of the thematic areas identified as important in the devolution deal, including climate change and active travel, with a range of communities including rural communities and in areas experiencing multiple deprivation and inequalities, the Active Partnership states it can 'make a significant contribution to the success of devolution. Working in complex systems, showing impact and addressing inequalities is our business and we look forward to supporting the development of this major regional project and ensuring its success.'

- **New Writing North:** wrote to support the Devolution Deal for the North East and in support of the seven local authorities coming together to achieve this ambition. It suggests that devolution is 'our best bet' to ensure that the North East gets a



fairer financial settlement and can define and deliver its own future. Furthermore, that collaborative working at this scale will depth charge possibilities for co-operation and smarter working to address some of the huge challenges the region has around skills, employment, Net Zero and in how it represents and sells itself to the rest of the UK and beyond.

- **Rise North East:** is the active partnership for Northumberland and Tyne and Wear. It works with partners address issues facing communities, using the power of physical activity to tackle inequalities.

Rise North East supports the approach set out in the North East devolution deal and could see the benefits devolution would bring to enable the region to make its own decisions.

Rise North East is particularly interested in, and excited by, the areas of the devolution deal on transport, housing, land and planning and skills, employment and education. Rise North East hope for the appointment of an Active Travel Commissioner and the use of Active Design Principles in planning. It also welcomes the reference to a potential vehicle to support and promote grassroots sport and physical activity and to a new Radical Prevention Fund for population health.

- **Sport England:** support people to be active so that everyone can benefit from the profound physical and mental health benefits it brings and encourage the proposed combined authority to do the same.

Sport England has supported other devolution deals across England where a health-in-all-policies approach has been taken. It would encourage the proposed combined authority to ensure that any devolution deal provides a clear and codified framework for collaboration between national and local partners – alongside a clear focus on sport and physical activity, defining the additionality this could bring - it looks forward to working with Authority to deliver such an agenda.

## **Public Sector**

- **Durham Constabulary:** agree with the principle of devolution and are pleased to see the investment the deal will bring to the region. They believe that economic growth can only be achieved by having localised decision making and creating the right conditions for investment and look forward to receiving feedback on the progress being made.

- **Durham Enable:** is a supported employment service which supports the creation of a combined authority. They want to see additional funding to support those furthest away from the labour market (highlighting their service model as an example of good practice) and consultation with disabled people and those with long term health conditions on the combined authority's adult education and skills initiatives.
- **North East Procurement Organisation (NEPO):** is the North East's public buying organisation, funded and governed by the twelve North East local authorities.

The North East Devolution deal would help leverage more investment into the region, tackle skills challenges, ensure the transport system is fit for purpose and deliver the jobs of the future.

Public procurement would be a bedrock for delivering the devolution deal and NEPO would play a central role in delivering the ambitions of the deal.

NEPO is fully supportive of the North East devolution deal and NEPO looks forward to working in partnership to make it a success.

- **Northumbria Police and Crime Commissioner:** submitted a letter of support for the North East devolution deal. Elements of the deal give the region the tools to address the challenges of unemployment, economic inactivity, health inequalities and child poverty. These include investment in the transport system, the investment fund and oversight of the skills agenda.
- **Pegswood Parish Council:** offer their support for the proposals contained in the scheme for North East Devolution and is keen to see good governance in place, accountability by the Mayor and seven representative members and efficient use of funds to the best advantage of North East population.
- **Tyne and Wear Fire and Rescue Authority:** offer their support for the current devolution proposals for the North East area. They believe that investment in the North East to date has not matched the challenges faced and the potential inward investment and greater say in determining local matters will be a positive step.

The Fire and Rescue Authority welcome plans to invest in infrastructure, transport and regeneration projects, for as well as driving up the area commercial, domestic and visitor offer the deal has the potential to improve life chances and opportunities for young people, support vulnerable communities and improve skills and employment opportunities across the area.

- **County Durham and Darlington Fire and Rescue Service (CDDFRS)** welcome the investment into the North East region from the proposed devolution deal and the intention for councils to work together. It also welcomes any opportunities for further consultation on issues arising as the devolution deal comes into force and for developing relationships with key stakeholders.

As the proposed governance arrangements do not refer to existing combined orders, the CDDFRS anticipates that in the medium term the direct impact of the devolution deal on the Combined Fire Authority for County Durham and Darlington would be minimal.

### **Housing**

- **North East Housing Associations:** collectively manage 12,000 homes in the region and view the deal as a hugely exciting opportunity for the North East. They believe that powers and funding are best held with local decision makers who understand their region, its strengths and the challenges it faces, and this is an opportunity for the North East to take its future into its own hands.

The Associations believe that the social housing sector has an integral role to play in the future of the North East by developing more affordable homes, shaping sustainable communities and supporting the wider economy through training and job opportunities, together with our significant spending power. This broad contribution would be enhanced by the range of powers that the devolution deal unlocks:

- the £69 million allocated in the deal for housing and regeneration would support their plans to build more good quality homes where people need them most
- the £1.4 billion investment fund could support further regeneration projects that they are well placed to act as delivery partners on.
- the £1.8 billion identified for adult education and skills which links with the emerging need for skilled employees who can deliver the large-scale programmes of decarbonisation investment required in the region, creating high quality employment opportunities.

The North East Housing Associations acknowledge the benefits that other combined authorities have brought to the areas they serve and the significant convening powers they have to bring together partners to address long-standing issues, therefore they look forward to being a key part of those partnerships.

### **Other stakeholders**

- **Tyne Task Force:** brings together MPs, councillors, businesses, the Offshore Renewable Energy (ORE) Catapult, the Port of Tyne, local authorities and the North of Tyne Combined Authority to focus on issues, challenges and opportunities offered by the River Tyne. Members of the Task Force welcome the deal for both its content, and for the opportunity it presents to deepen devolution to the region. They note the evidence that this is both a genuine functional economic area enclosing both labour market and sectoral geographies, and one with genuine scale and a combination of assets across business, education, and labour force, particularly in relation to marine and maritime assets, skills, investment and employment.

The Tyne Task Force strongly back the deal's focus on the delivery of a 'Green SuperPort' structure and the proposal to address the electricity pylons that cross the river. They also strongly wish to engage collectively with the opportunities afforded to the river by the advanced Skills and Investment Zone Status. The Taskforce believe that together these proposals give the region a real chance to make long lasting positive change for the river, associated businesses, the citizens of the region and to support UK aspirations for Net Zero, Renewable Energy, long term sustainable employment, defence and shipbuilding amongst other policy positions and believe a collective voice under a newly devolved combined authority will be an essential pillar towards this end.

## Appendix A: Questionnaire

### North East Devolution Consultation

We would welcome your views on the proposed changes to the way the councils in the North East work together. Please take a few minutes to complete the following questions. The consultation finishes on **23 March 2023**. All information provided will be treated as confidential and will not be attributable to you.

In order to help you answer each of the questions on the proposed changes to the way councils work together in the North East, we have provided a summary of the key points. Further details on these can be found on the North of Tyne Devolution website.

To begin the questionnaire, please press the 'next' button below.

## **Changing how councils work together (governance)**

To implement the devolution deal and access the long-term funding and devolved powers for the area we are proposing that the following changes are made to the way in which the seven councils work together across the North East region:

- The abolition of the two combined authorities which currently exist in the area of the seven councils; and
- The creation of a single new mayoral combined authority to cover the area of all seven councils.
- The Mayor for the new NEMCA will be elected by the local government electors for the seven council areas and the first Mayor is to be elected in May 2024.
- Each term of the Mayor will be four years.
- It is proposed that the Cabinet of the Combined Authority will comprise 8 members made up of:
  - The Mayor
  - Seven elected members, one appointed from each council

This group are known as voting members.

In addition, the Cabinet will be supported by a representative of the business community and a representative of the community and voluntary sector; these will be non-voting Members.

**Q1 Do you agree or disagree with our proposals for the revised arrangements for the Combined Authority, as set out and in the Scheme, in particular the proposed arrangements for a Mayor, mayoral combined authority, and the councils, working together?**

- Agree
- Neither agree nor disagree
- Disagree

**Please give your reasons here:**

## Transport

The new Combined Authority would use a full package of devolved transport investment and powers to create an integrated transport system.

If the (North East Mayoral Combined Authority NEMCA) is created it will be the designated Local Transport Authority for the area under the Transport Act 2000. As North East Combined Authority (NECA) and North of Tyne Combined Authority (NTCA) will be abolished, the Joint Transport Committee will also cease to exist. NEMCA will exercise the transport functions for the Combined Area which were previously held by NECA and NTCA.

The following functions are the responsibility of the Mayor and are referred to as "Mayoral Functions":

- Power to draw up a Local Transport Plan and strategies
- Bus franchising powers
- Ability to pay grants to bus service operators
- Ability to pay grants to the Constituent Councils for exercising transport functions.
- Develop and agree a strategy for the key route network of roads

**Q2 Do you agree or disagree with the proposal to confer transport functions and new transport related functions to a North East Mayor and Mayoral Combined Authority?**

- Agree
- Neither agree nor disagree
- Disagree

Please give your reasons here:

## **Housing and planning**

While the individual local authorities would continue to discharge their housing responsibilities, with new powers the NEMCA would work to improve the supply and quality of housing; to support in other ways the creation, regeneration and development of communities or their continued well-being and to contribute to the achievement of sustainable development and good design.

Mayoral functions will be:

- Power to designate Mayoral Development Areas and establish Mayoral Development Corporations
- Housing and land acquisition powers [including compulsory purchase] to support housing, regeneration, infrastructure and community development and well being
- Power to draw up a Spatial Development Strategy (subject to NEMCA agreeing to allocate the power to the Mayor) .

**Q3 Do you agree or disagree with the proposal to confer housing and planning functions from central government to a North East Mayor and Mayoral Combined Authority?**

- Agree
- Neither agree nor disagree
- Disagree

**Please give your reasons here:**



## **Finance and investment**

It is proposed that the new combined authority will have new finance powers to help deliver a long term investment plan to support employment and growth opportunities across the region.

These include:

The power to issue to the Constituent Councils levies under section 74 of the Local Government Finance Act 1988 to meet the expenditure that is reasonably attributable to the exercise of its functions. It is proposed that NEMCA will be able to issue three transport levies, as is currently the case across the Combined Area, ie a levy for Durham, a levy for Northumberland and levy for the Tyne and Wear area.

It is proposed that the Mayor will have the power to issue a Council Tax Precept on behalf of NEMCA to provide for the costs of the Mayor that are incurred in, or in connection with, the exercise of Mayoral Functions. The Cabinet will be able to amend the proposal for a precept if at least 5 Members of the Cabinet oppose them.

**Q4 Do you agree or disagree with the proposal to confer additional finance functions on a North East Mayor and Mayoral Combined Authority?**

- Agree
- Neither agree nor disagree
- Disagree

**Please give your reasons here:**

## **Skills, employment and adult education**

The devolution deal gives the region more control and funding to shape skills and help people into jobs and careers.

It is proposed that NEMCA will be given devolved functions in respect of Adult Education and will control the Adult Education Budget from the academic year 2024/2025. (These arrangements will not cover apprenticeships training or persons subject to adult detention.)

**Q5 Do you agree or disagree with the proposal to move these skills, employment and adult education functions to a North East Mayoral Combined Authority?**

- Agree
- Neither agree or disagree
- Disagree

**Please give your reasons here:**

**Q6 Are there any comments you would like to make that you do not feel you have addressed in your response so far?**

## **About You**

By answering the questions below you will help us to make sure we are consulting with and can take into consideration the views of our diverse communities (please note this section contains routing so some questions may be skipped depending upon your answers).

**Q7 In which of the following are you primarily completing this questionnaire?**

- |   |   |
|---|---|
| <input type="radio"/> As a resident                                     | <input type="radio"/> As a housing and development representative |
| <input type="radio"/> As a business representative                      | <input type="radio"/> As a transport representative               |
| <input type="radio"/> As a member of the Voluntary and Community sector | <input type="radio"/> Trade Union                                 |
| <input type="radio"/> As an education provider                          | <input type="radio"/> Other                                       |

**Q8 Which one of the following Local Authorities do you pay your Council Tax to?**

- |   |  |
|---|--|
| <input type="radio"/> Durham County Council         | <input type="radio"/> North Tyneside Borough Council |
| <input type="radio"/> Gateshead Borough Council     | <input type="radio"/> South Tyneside Borough Council |
| <input type="radio"/> Newcastle City Council        | <input type="radio"/> Sunderland City Council        |
| <input type="radio"/> Northumberland County Council | <input type="radio"/> Not applicable                 |

**Q9 Please provide the name of your business or organisation in the space below:**

**Q9a Which one of the following Local Authorities is your organisation or company based in?**

- |   |  |
|---|--|
| <input type="radio"/> Durham County Council         | <input type="radio"/> North Tyneside Borough Council |
| <input type="radio"/> Gateshead Borough Council     | <input type="radio"/> South Tyneside Borough Council |
| <input type="radio"/> Newcastle City Council        | <input type="radio"/> Sunderland City Council        |
| <input type="radio"/> Northumberland County Council | <input type="radio"/> Not applicable                 |

**Q10 Are you...?**

Female

Male

Prefer not to say

**Q11 Which of the following age ranges do you fall into?**

15 or under

45-59

16-24

60-74

25-34

75 or over

35-44

Prefer not to say

**Q12 Which of the following best describes your ethnic group?**

Arab

Mixed Heritage: White and Black African

Asian or Asian British: Indian

Mixed Heritage: White and Asian

Asian or Asian British: Pakistani

Any other Mixed Background

Asian or Asian British: Bangladeshi

White British

Asian or Asian British: Chinese

White Irish

Any other Asian Background

Gypsy / Traveller

Black or Black British: Caribbean

Any other White Background

Black or Black British: African

Other ethnic group

Any other Black Background

Prefer not to say

Mixed Heritage: White and Black Caribbean

**Q13** Do you have any physical or mental health conditions or illnesses lasting or expected to last 12 months or more?

- Yes  No  Prefer not to say

**Q13a** If yes, do any of your conditions or illnesses reduce your ability to carry out day to day activities?

- Yes a lot  Yes a little  Not at all

**Q14** What is your religion/belief?

- Buddhist  Hindu  No religion  
 Christian (includes Church of England, Catholic, Protestant and all other Christian Denominations)  Jewish  Other  
 Muslim  Sikh

**Q15** Which of the following best describes your sexual orientation?

- Bisexual  Straights/Heterosexual  Prefer not to say  
 Gay or Lesbian  Other

**Q16** Is the gender you identify with the same as your sex registered at birth?

- Yes  No (if you wish please write in your gender identity below)  Prefer not to say

**Thank you for taking the time to complete this questionnaire.**

## Appendix B: How the consultation was promoted

### Pre-consultation

The announcement that a devolution deal had been reached was made on 28<sup>th</sup> December 2022 and was first announced nationally by government. Localised statements were issued by the seven constituent councils aimed at local media outlets.

Standardised local press releases were published by each of the seven councils, but for the purposes of this report, links to published releases will be provided from Newcastle City Council's website:

- [New North East devolution deal](#) – 28<sup>th</sup> December 2022.

The announcement of the 'minded to' deal achieved widespread media coverage, including [on the BBC](#) and in [The Guardian](#) as well as among local titles.

This was also further publicised through the respective social media channels of the seven local authorities involved.

### Consultation period

The consultation period began on 23<sup>rd</sup> January 2023, after the Cabinets of each of the seven local authorities had approved the governance review and scheme and had agreed to move to public consultation.

Each council promoted the consultation through their own websites.

Two press releases were issued at different stages of this process. The first provided an update to highlight that the seven local authority Cabinets were set to meet to discuss the deal and be asked to approve to move to consultation:

- [North East devolution deal set to progress](#) – 13<sup>th</sup> January 2023

The second formally announced the start of the consultation period. This set out how people could take part in the consultation, how and where they could provide feedback, and what specifically they were being asked to provide their views on:

- [£4.2bn devolution deal for the North East](#) – 26<sup>th</sup> January 2023.

There was again significant local media coverage across the region, including by the [Hexham Courant](#) (Northumberland), [Chronicle Live](#) (Newcastle) and the [Northern Echo](#) (County Durham).

A further press release was issued in the week before the end of the consultation period to remind people to have their say before the opportunity was gone:

- [North East devolution consultation reaches final stages](#) – 16<sup>th</sup> March 2023

### Social media

Each of the seven local authorities made use of their considerable social media followings to promote the public consultation across the entire region.

These channels were used to share press releases which had been sent to media outlets, publish an explainer video which detailed what the consultation was about, weekly reminders that the consultation was in process, details about other offline opportunities people had to provide feedback, and issue reminders across the region ahead of the consultation coming to a close.

Content was standardised to ensure that people in all parts of the region were receiving the same information in a consistent manner throughout the consultation period.

### In-person events

At least one in-person consultation event was held in each of the seven local authority areas.

Members of the public were invited to attend these events to hear a presentation explaining what was in the deal, how the new Mayoral Combined Authority would function, what its powers were and how this would impact anybody who lives or works in the region. Attendees were also invited to put questions to senior councillors and officers in attendance, while they also had the chance to provide their consultation responses in person instead of having to submit them online.

These events were publicised through councils' respective social media channels to reach audiences within their own local authority area.

Regional stakeholder events aimed at specific sectors such as the voluntary and community sector, business, transport and education sectors were also held.

## Other

A communications toolkit was produced ahead of the launch of the consultation to enable partner organisations and key stakeholders of each council to help promote the consultation to their own internal and external audiences.

This included:

- social media assets
- website and newsletter content
- e-mail footers
- key contacts
- FAQs

Easy-read versions of key consultation documents were also produced to make the process more accessible to respondents.

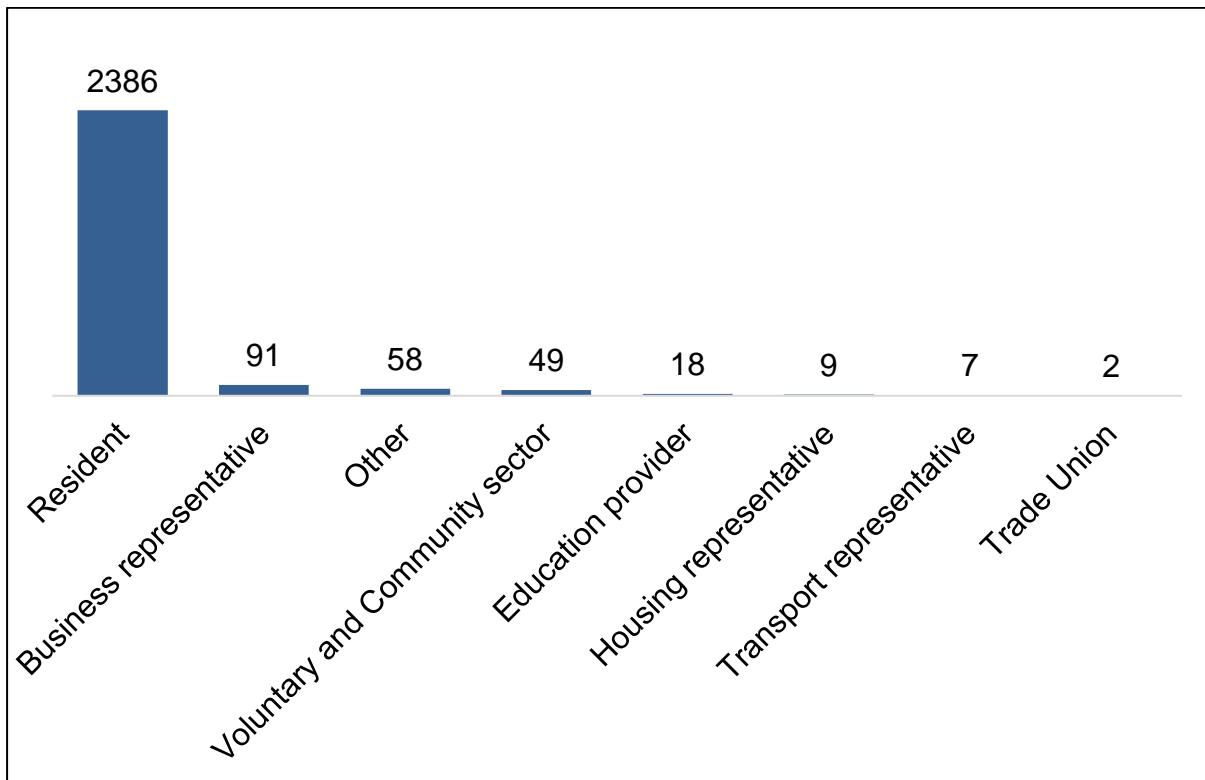


## Appendix C: Demographics

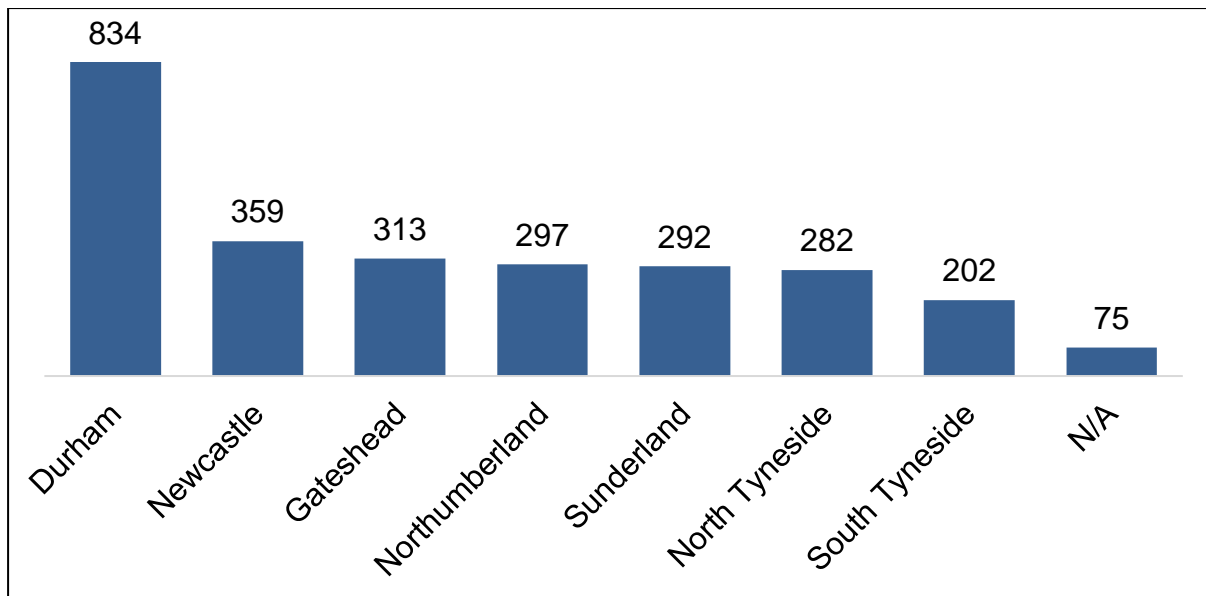
### Profile of who took part in the survey

**Responding as:** The clear majority of people who took part in the survey did so in their capacity as residents. 2,386 responses were from residents.

Of the 58 respondents identifying as other, 31 did not provide any further information, 20 were from other types of organisation (e.g. local authorities, other public sector organisations), 5 stated their job role (e.g. councillor, local authority officer), 2 were residents.



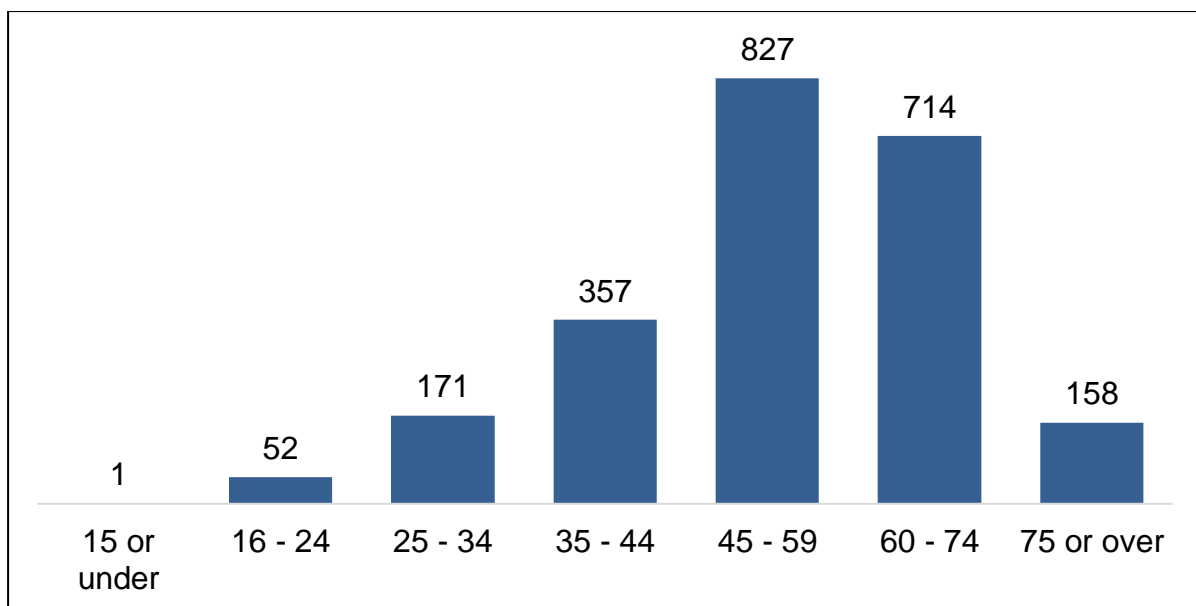
**Local authority:** Just under a third of responses came from County Durham.



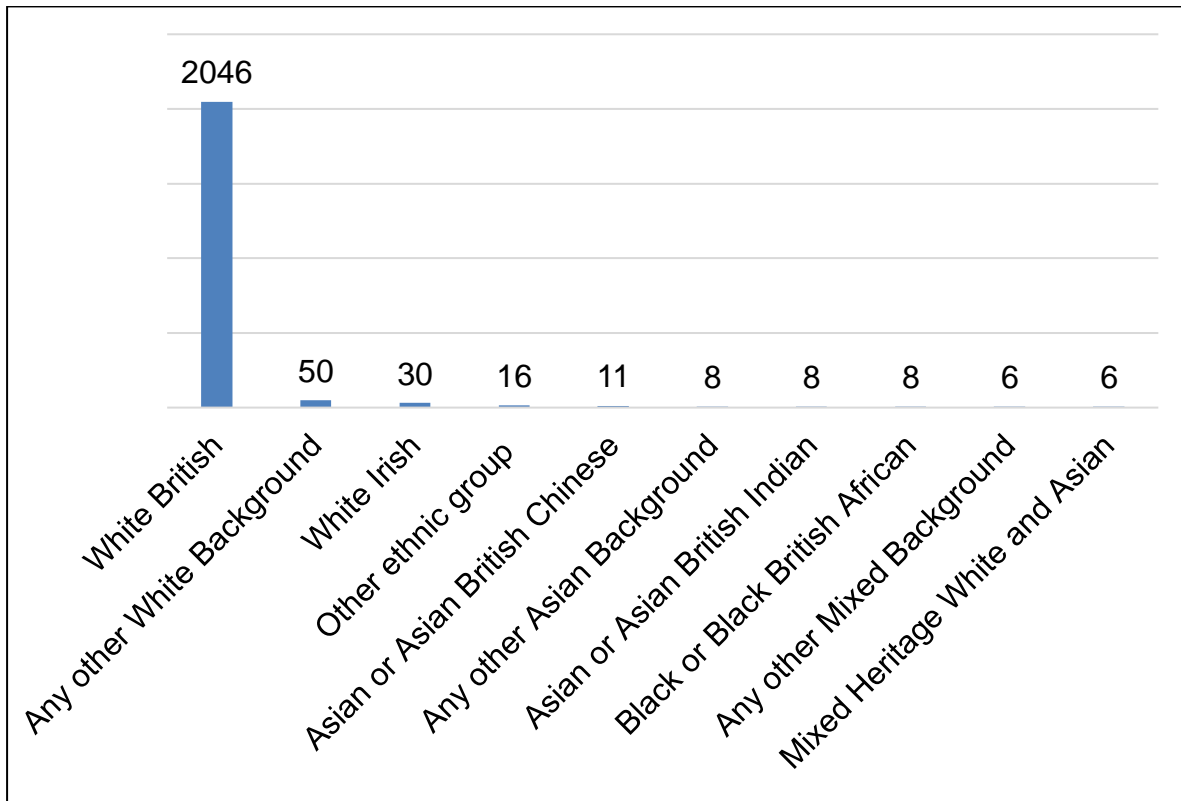
**Sex:** 895 respondents identified as female and 1,206 as male, 239 preferred not to say.

**Gender:** 16 respondents said that their gender is not the same as their sex registered at birth.

**Age group:** Almost two-thirds of respondents were aged 45-74 years old.

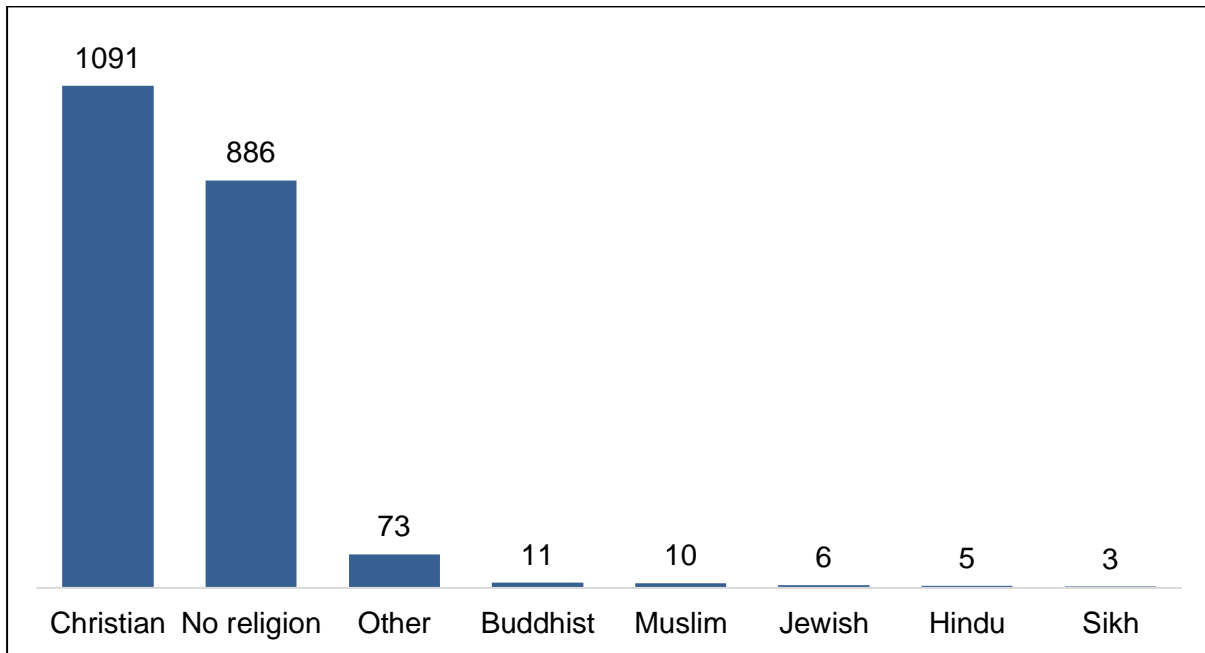


**Ethnicity:** 97.1% of respondents identified as white, 2.9% of respondents identified as being from all other ethnic groups combined.

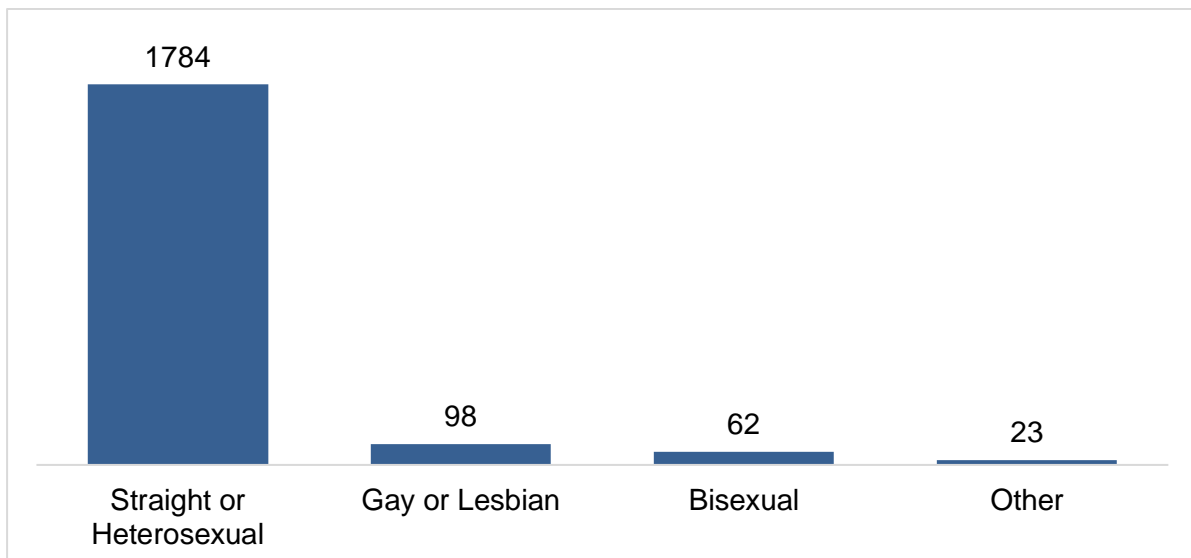


**Disability/long term condition:** 346 people (16.4% respondents answering this question) said they had a physical or mental health condition or illness that has lasted (or is expected to last) longer than 12 months and reduce their ability to carry out day to day tasks.

**Religion:** 52% of respondents answering this question identified as Christian, while 42.5% said they have no religion.



**Sexual orientation:** 9% of respondents identified as gay, lesbian, bisexual or other.



## Appendix D: Full list of issues from the consultation

All comments to the consultation were read and coded into themes.

Section 4 in the report highlights the key issues that people raised, per theme and by view, during the consultation.

This appendix includes the full list of issues that were raised during the consultation survey.

### 1. Changing how councils work together

#### Agree

- **The proposals make sense** (275 responses). These comments stated that the proposals make sense, will create efficiencies, increase resources, ensure a coordinated strategy and are the best option for the region.
- **The proposal will increase regional power** (218 responses). These comments welcomed the increased powers and local decision making the deal will bring and were positive about the role of the mayor and the higher profile they would help to create for the region.
- **Working together benefits the region** (190 responses). These comments said the proposals were an opportunity for local authorities and stakeholder organisations to work together for the benefit of the region.
- **Change is needed** (25 responses). These comments said that change was needed as the current system wasn't working.
- **Missed out due to delays** (20 responses). These comments said that the area had missed out due to devolution not happening earlier and wanted the proposals to proceed as quickly as possible.
- **Other** (29 responses). These comments referred to saving money, increased accountability and positivity around the inclusion of non-voting members.

#### Neither agree nor disagree

- **Agreement in principle, but with some concerns, questions or caveats** (79 responses). These comments were broadly in favour of the proposals but raised specific areas of concern, had questions or showed support for the proposals if one or more conditions were met.

- **Other** (78 responses). These comments referred to a variety of issues, including a desire to see the proposals go further and replacing/changing existing local authorities.
- **A need for more information** (65 responses). These comments requested more information or details about the proposals and how they would be implemented.
- **Changes or clarity to the non-voting roles on the Cabinet of the Combined Authority** (59 responses). These comments asked for more representatives from the business and voluntary and community sectors, education or cultural sector representation, thought these representatives should have voting rights or wanted clarity about how they would be appointed.
- **Cabinet arrangements** (38 responses). These comments thought there should be more councillors from each local authority in the cabinet. Clarity was also sought about how cabinet members would be appointed alongside a desire from some for Cabinet Members to be directly elected.

## Disagree

- **Lack of trust** (230 responses). These comments raised concerns that creation of the Combined Authority would result in the concentration of power in the hands of one person or a small group of people and the organisation being unaccountable. Lack of trust in politicians (locally and nationally), local authorities and the national government were also highlighted.
- **Additional bureaucracy** (226 responses). These comments said the proposals would result in an extra layer of bureaucracy with associated additional costs.
- **The creation of the Combined Authority would be unfair or detrimental to some areas** (179 responses). These comments said that implementation of the proposals would be unfair or detrimental to some areas, particularly rural areas and County Durham, concerns were raised that Newcastle or larger settlements would unfairly benefit.
- **Undemocratic** (109 responses). These comments said the proposals were undemocratic, that there was no mandate for the proposals or that they/the North East had previously voted against devolution.
- **Will not or do not work** (64 responses). These comments believe the proposals will not work or that combined authorities elsewhere do not work, with some respondents feeling that the proposals were simply a bad idea.

- **Too big or different** (62 responses). These comments said the area involved was too large and that the areas were too different to be able to make the proposals a success and to ensure the benefits were felt in all areas.
- **Unnecessary** (48 responses). These comments didn't agree with the proposals as they believed them to be unnecessary and the current system should not be changed.
- **Not enough money** (32 responses). These comments said the deal did not provide enough money or investment to be worth the conditions attached.

## 2. Transport

### Agree

- **The region needs an integrated transport system** (174 responses). These comments said it was important to have an integrated transport system, with different modes of transport working together, including ticketing.
- **Working together as a region makes sense** (156 responses). These comments said it made sense for areas to work together, with a regional approach or strategy for transport.
- **An opportunity to improve transport** (135 responses). These comments said the proposals were an opportunity to improve transport, particularly public transport. Many of the comments referred to poor services which needed to be improved.
- **General support** (89 responses). These comments offered general support for the proposals, including the view that they were in the best interests of the region, would cost less than existing arrangements and would bring investment.
- **Suggested priorities** (87 responses). These comments suggested priorities for improving transport, including affordable and reliable public transport, control of buses through franchising, fully dualling the A1 and reopening the Leamside rail line.
- **Locally designed and accountable** (58 responses). These comments said transport should be locally designed or controlled and locally accountable.
- **Conditional support** (54 responses). These comments offered support for the proposals if certain conditions were met. These included fair funding for all areas, reduced costs and improved public transport.

- **Public transport problems** (27 responses). These comments referred to problems with public transport, particularly buses, and poor services in some areas, particularly rural areas.
- **Works well in other areas** (27 responses). These comments said the proposals would bring improvements in transport seen in areas such as London and Manchester to the region.
- **Extend Metro system** (20 responses). These comments called for the Metro system to be extended to other areas, including Washington and beyond Tyne and Wear.
- **Other** (48 responses). These comments referred to a variety of issues, including that transport should be nationalised or taken into public control, a need for more information and opposition to road schemes such as clean air zones, low traffic neighbourhoods and 15-minute cities.

### Neither agree nor disagree

- **Suggested priorities** (30 responses). These comments suggested priorities for improving transport, including fully dualling the A1, better public transport and extending the Metro system to more areas.
- **Need more information** (23 responses). These comments said they needed more information on or details of the proposals and how they would be implemented.
- **Conditional support** (20 responses). These comments offered support for the proposals if certain conditions were met. These included being fair to all areas, improvements to public transport and lower costs.
- **Other** (103 responses). These comments referred to a variety of issues, including that the proposals would not lead to improvements, would be unfair or detrimental to some areas including rural areas, the need for an integrated transport system, problems with public transport, the proposals were an opportunity to improve transport, and opposition to road schemes such as clean air zones.

### Disagree

- **Unfair or detrimental to some areas** (148 responses). These comments said the proposals were unfair or detrimental to some areas, particularly rural areas. Some comments referred to the area included in the proposals being too large or diverse.



- **Not wanting a North East Mayor or concentration of power** (62 responses). These comments said they did not want a North East Mayor or the concentration of power in the hands of one person or a small group of people.
- **It would not lead to improvements** (53 responses). These comments said the proposals would not improve transport in the region. Many of the comments said bringing together local authorities who they feel had been unable to address transport problems, or had made things worse, would not change anything.
- **Opposition to the devolution deal** (52 responses). These comments were opposed to the North East devolution deal, with many referring to the result of the 2004 devolution referendum or wanting to keep the existing arrangements.
- **More bureaucracy** (47 responses). These comments said the proposals would lead to an unnecessary additional layer of bureaucracy or administration in the region.
- **Democratic deficit** (28 responses). These comments raised concerns including political infighting and self-interest, perceived corruption, lack of accountability and poor decision making.
- **Road schemes** (28 responses). These comments expressed opposition to road schemes such as clean air zones, bus and cycle lane and 15-minute cities. Some comments referred to not wanting to follow the approach taken in London.
- **Local control** (23 responses). These comments said decisions and control of transport should be the responsibility of individual local authorities rather than a regional body.
- **Other** (125 responses). These comments referred to a variety of issues, including problems with public transport, suggested priorities for improving transport, needing more information and nationalising transport or taking it into public control.

### 3. Housing and planning

#### Agree

- **The region needs an integrated housing approach** (104 responses). These respondents said it was important to have an integrated housing strategy, with a combined approach to issues impacting the North east.
- **The provision of more affordable and social housing** (100 responses). Respondents believed that the proposals would be an impetus for the building of

more affordable and social housing, something that was seen to be desperately needed.

- **Local people are best placed to make local decisions** (90 responses). Respondents welcomed the prospect of having the power to control budgets and make decisions locally, as opposed to in Westminster.
- **Environmental sustainability and the protection of green belts** (63 responses). Respondents said the proposals were an opportunity to improve environmental sustainability within housing. Many comments were concerned with Net Zero targets and the protection of green belts.
- **Regeneration** (46 responses). These respondents highlighted potential benefits to regeneration in the region.
- **Support for devolution & the new deal** (22 responses). These respondents showed support for the new authority, mayor or devolution deal.
- **It would be unfair or detrimental to some areas** (19 responses). These respondents agreed with the proposals on the condition they were fair and that there was accountability within decision making.
- **Other** (69 responses). These respondents referred to a variety of issues, including the need for compulsory purchase orders (CPOS), homelessness and the role of housing associations.

### **Neither agree nor disagree**

- **Conditional support** (67 responses). These respondents said they would support the proposals if one or more conditions were met. These included the proposals leading to the provision of more affordable and social housing, environmental sustainability and the need for compulsory purchase orders.
- **A need for more information** (46 responses). These respondents said they needed more information on or details about the proposals and how they would be implemented.
- **It would be unfair or detrimental to some areas** (25 responses). These comments said the proposals could be unfair or detrimental to some areas, particularly rural areas. Some comments referred to the area included in the proposal being too large or diverse.
- **Other** (47 responses). These respondents referred to a variety of issues, including regeneration, rogue landlords and cost implications.

## Disagree

- **Not wanting concentration of power or opposed to a new deal** (141 responses). These comments said they did not want a North East Mayor or the concentration of power in the hands of one person or a small group of people.
- **It would be unfair or detrimental to some areas** (105 responses). These respondents said the proposals would be unfair or detrimental to some areas, particularly rural areas. Some comments referred to the area included in the proposals being too large or diverse.
- **Housing to remain under the control of individual authorities** (54 responses). These comments were opposed to the North East devolution deal, with many wanting to keep the existing arrangements.
- **Environmental sustainability and the protection of green belts** (41 responses). These respondents said the proposals would not improve environmental sustainability in the region. Many of the respondents were concerned that green belts would not be protected and that new properties would be substandard in terms of sustainability.
- **The provision of more affordable and social housing** (24 responses). Respondents believed that the housing needs of the North East would not be met. Many expressed the need for new affordable social housing but were uncertain whether this issue would be resolved.
- **Compulsory Purchase Orders (CPOs)** (21 responses). These respondents expressed opposition to compulsory purchase orders. Some comments outright rejected the devolution proposal based on this power.
- **Other** (100 responses). These comments referred to a variety of issues, including problems with new costs, rogue landlords, regeneration and some made suggestions on how to improve current housing issues.

## 4. Finance and investment

### Agree

- **Long-term investment that will create opportunities and improvement in the region** (110 responses). These comments suggested that devolution would attract strategic long-term investment that would improve the region by creating better infrastructure (e.g., transport) and opportunities for employment, thereby helping to close the North / South divide.

- **If there is fair distribution of funds** (63 responses). These comments agreed that devolution would be positive for the region as long as the finances were distributed evenly across the area without the need for a rise in council tax or other costs to local people.
- **Support better decisions based on local knowledge** (53 responses). These comments believe that devolved finances will allow better decisions to be made by local representatives who 'know' the area better than Whitehall.
- **Ensure transparency and accountability** (32 responses). These comments agreed with the idea of devolution but wanted reassurance about the transparency and accountability of decision making.

### Neither agree nor disagree

- **They did not understand the proposals** (39 responses). These comments suggested respondents did not understand the proposals and that more information was needed to make an informed decision about whether or not the devolution deal would be beneficial.
- **Concerns with increased costs** (36 responses). These comments said they were not sure about the devolution deal and were concerned that it may lead to increased costs for local people, including higher council tax.

### Disagree

- **It would increase costs to local people** (244 responses). These comments said the proposals were unfair as it would inevitably mean more costs for local people in order to fund the new Mayor's activities and result in higher council tax.
- **Concerns with distribution** (60 responses). These comments suggested that devolution would bring an unequal distribution of funds with the 'bigger' cities getting a higher proportion of resources compared to more rural areas.
- **Bureaucracy** (39 responses). These comments said that devolution would create more bureaucracy which would inhibit delivery.
- **Waste** (38 responses). These comments were opposed to the North East devolution deal, with respondents suggesting the deal is a waste of money and things should be kept as they are.

- **Undemocratic** (30 responses). These comments highlighted a belief that the process for agreeing a devolution deal is undemocratic as a referendum has not been held.

## 5. Education, skills and employment

### Agree

- **Skills and training should be delivered at the NEMCA level.** (327 responses). Respondents felt that national delivery was too out of touch with local needs and/or local authority level delivery was too small to be efficient or lacked synergies. Integration with other partners was often felt to be enhanced at this geographic level, as was efficient use of funding.
- **Agree with the proposals but with some caveats.** (108 responses). Respondents felt that apprenticeships should be included in scope; governance should include education providers and businesses and funding should be shared fairly across local authorities.
- **Increase in funding welcomed.** (43 responses). These respondents only cited the extra funding available.

### Neither agree nor disagree

- **A request for more information** (87 responses). These respondents wanted further information to help them form an opinion either about skills training in the region or the devolution proposals. Others wanted to understand more about how funding would be shared fairly between local authorities.
- **Will not improve** (22 responses). These respondents felt that these proposals would have no impact.
- **Should be a wider scope** (17 responses). A variety of levels of activity were offered including that proposals should include Higher Education; higher level qualifications; lower-level qualifications or schools.

### Disagree

- **NEMCA is too large an area for skills planning and delivery** (95 responses). These respondents felt that Local Authorities were best placed to deliver these proposals.
- **Concerns around governance** (79 responses). These comments said these respondents did not want a North East Mayor; or were worried about the

concentration of power in the hands of one person or a small group of people; many expressed distrust of politicians in general or noted that these proposals had not been subject to a referendum.

- **NEMCA was too small an area for skills planning and delivery** (39 responses). Respondents stated that the proposed activities were best coordinated and funded at a national level.
- **Felt the proposals would not work** (38 responses). These respondents stated that the proposed activities would not achieve improvements within NECMA. Often citing insufficient funding or inadequate scope.
- **Unfair or detrimental to some areas** (32 responses). These comments said the proposals would be unfair or detrimental to some areas, particularly rural areas or specific local authorities.

### **Leadership Board**

**Date:** 6 June 2023

**Subject:** Audit Completion Report and Follow Up Letters 2020/21

**Report of:** External Auditor

#### **Executive Summary**

The purpose of this report is to present the updated and final Audit Completion Report and associated follow up letters relating to the 2020/21 audit to the Leadership Board.

The Audit Completion Report and follow up letters dated 29 March 2022 and 3 April 2023 provide a complete record of the matters arising from the 2020/21 audit and how the audit has been concluded.

#### **Recommendations**

The Leadership Board is recommended to review the Audit Completion Report and follow up letters.

## Leadership Board

### 1. Background Information

- 1.1 There has been a substantial delay in being able to conclude the 2020/21 Audit. Mazars initially reported the Audit Completion Report to the meeting of the Leadership Board on 1 February 2022.
- 1.2 As require by International Standards on Auditing (UK) a follow up letter dated 29 March 2022 communicated an update on those matters that were marked outstanding within the Audit Completion Report. The follow up letter was presented to the Audit and Standards Committee on 5 April 2022.
- 1.3 In the follow up letter on 29 March 2022, Mazars reported an additional national issue that had arisen. This has only recently been finally resolved, and the follow up letter dated 3 April 2023 communicates an update on other matters since that date.
- 1.4 Together, the Audit Completion Report dated 17 January 2022, and follow up letters dated 29 March 2022 and 3 April 2023 provide a complete record of the matters arising from the audit and how the audit has been concluded.

### 2. Proposals

- 2.1 Appendices 1-3 contain the Audit Completion Report and follow up letters dated 29 March 2022 and 3 April 2023.

### 3. Reasons for the Proposals

- 3.1 The Audit Completion Report is presented to the Leadership Board for consideration. The Leadership Board is asked to consider the content of the Audit Completion Report and follow up letters provided by Mazars as external auditors to NECA and take the findings into account in their consideration of the Statement of Accounts for approval.

### 4. Alternative Options Available

- 4.1 There are no alternative options associated with this report.

### 5. Next Steps and Timetable for Implementation

- 5.1 The Statement of Accounts must be signed by the Chair of the Leadership Board and the Chief Finance Officer and published online.

### 6. Potential Impact on Objectives

- 6.1 There are no direct impacts on objectives arising from this report.



## Leadership Board

### 7. Financial and Other Resources Implications

- 7.1 The costs of the external audit are set by Public Sector Audit Appointments and were included in the budget for 2020/21. There are no financial or other resources implications arising from this report.

### 8. Legal Implications

- 8.1 There are no legal implications arising from this report. It is a requirement of the Local Government Act 2003 and the Accounts and Audit (England) Regulations 2015 for the Statement of Accounts to be produced in accordance with proper accounting practices.

### 9. Key Risks

- 9.1 An assessment of the Authority against key accounting risks is set out in the External Auditor's report attached here as Appendix 1.

### 10. Equality and Diversity

- 10.1 There are no equality and diversity implications arising from this report.

### 11. Crime and Disorder

- 11.1 There are no crime and disorder implications arising from this report.

### 12. Consultation/Engagement

- 12.1 Consultation on this report has taken place with NECA statutory officers. The Statement of Accounts was subject to a period of public inspection from 1 July to 11 August 2021. No enquiries or objections were raised during this time.

### 13. Other Impact of the Proposals

- 13.1 There are no other impacts arising from these proposals.

### 14. Appendices

- 14.1 Appendix 1 – Audit Completion Report  
Appendix 2 – Follow Up Letter 29 March 2022  
Appendix 3 – Follow Up Letter 3 April 2023

### 15. Background Papers

## Leadership Board

15.1 None

### 16. Contact Officers

16.1 Gavin Barker, Director, Mazars

[Gavin.barker@mazars.co.uk](mailto:Gavin.barker@mazars.co.uk)

### 17. Sign off

- 17.1
- Head of Paid Service: ✓
  - Monitoring Officer: ✓
  - Chief Finance Officer: ✓

# Appendix A

## Audit Completion Report

North East Combined Authority  
Year ended 31 March 2021

January 2022



# Contents

- 01** Executive summary
- 02** Status of the audit
- 03** Audit approach
- 04** Significant findings
- 05** Internal control recommendations
- 06** Summary of misstatements
- 07** Value for Money

Appendix A: Draft management representation letter

Appendix B: Draft audit report

Appendix C: Independence

Appendix D: Other communications

Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. Reports and letters prepared by appointed auditors and addressed to North East Combined Authority are prepared for the sole use of North East Combined Authority and we take no responsibility to any member or officer in their individual capacity or to any third party. Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.



The Leadership Board  
And Members of the Audit and Standards Committee  
North East Combined Authority  
c/o South Tyneside Council  
Town Hall & Civic Officers  
Westoe Road  
South Shields  
NE33 2RL

17 January 2022

Mazars LLP  
Bank Chambers  
26 Mosley Street  
Newcastle upon Tyne  
NE1 1DF

Dear Members

## **Audit Completion Report – year ended 31 March 2021**

We are pleased to present our Audit Completion Report for the year ended 31 March 2021. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented to the Audit Committee on 22 June 2021. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate. We noted in our Audit Strategy Memorandum that our risk assessment in respect of our VFM work was not complete; following completion of this risk assessment, we did not identify any significant risks of weaknesses in arrangements.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07896 684 771.

Yours faithfully

*Gavin Barker*

Gavin Barker  
Director  
Mazars LLP

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We are registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at [www.auditregister.org.uk](http://www.auditregister.org.uk) under reference number C001139861. VAT number: 839 8356 73

# 01

Section 01:

**Executive summary**

# 1. Executive summary

## Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2020/21 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 04 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of controls (relevant to NECA and Group);
- Revenue recognition - in relation to Tyne Tunnel tolls and grant income (relevant to NECA and Group); and
- Defined benefit liability valuation (relevant to NECA and Group).

Section 05 sets out internal control recommendations and section 6 sets out audit misstatements. Section 07 outlines our work on NECA's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

## Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2021.

At the time of preparing this report, matters remaining outstanding are as outlined in section 02. We will provide an update to you in relation to the matters outstanding through issuance of a follow-up letter.

Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions.



### Audit opinion

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.



### Value for Money

We anticipate having no significant weaknesses in arrangements to report in relation to the arrangements that NECA has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our Value for Money work is provided in section 07 of this report.



### Whole of Government Accounts (WGA)

At the time of preparing this report, we have not yet received group instructions from the National Audit Office in respect of our work on NECA's WGA submission. We are unable to commence our work in this area until such instructions have been received. Until this work is completed we are unable to issue our certificate.



### Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of NECA and to consider any objection made to the accounts. No questions or objections have been received.

# 1. Executive summary

## COVID-19 impacts

The Covid-19 pandemic continued to impact on NECA and its subsidiaries and on the audit process this year. The audit team continued to work remotely. Whilst challenging at times, through the effective use of technology and close liaison with finance and other officers, these challenges were overcome.

There were also delays in completing the audit this year. We highlighted these to officers and Members early in 2021. However, the eventual delays were longer than originally anticipated. We are grateful to officers and Members for their understanding in the difficult circumstances faced by the audit team in relation to completion of the 2020/21 audit work. We would particularly like to thank the finance team for their co-operation and for being available throughout the audit work to answer our queries.








# 02




Section 02:

**Status of the audit**

# 2. Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

Audit area	Status	Description of the outstanding matters
<b>Work still outstanding at the point of drafting this Audit Completion Report</b>		<p>We are finalising our testing in a number of areas, and continuing to write up our documentation of the audit file. We continue to discuss some matters arising with officers.</p> <p>We deem the risk of significant audit issues arising from the work that requires completion to be low. We will be able to provide a verbal update to Members when we present our report.</p> <p>In addition, we will provide a follow up letter setting out how any issues arising are resolved immediately prior to signing the audit opinion through issuance of a follow up letter.</p>
<b>WGA</b>		Our audit work will be completed once the Group Instructions have been received from the National Audit Office.
<b>Audit quality control and completion procedures</b>		Our audit work is subject to ongoing review and quality control procedures. In addition, there are residual procedures to complete, including agreeing the expected amendments to the final Statement of Accounts, updating post balance sheet event considerations to the point of issuing the opinion and reviewing management’s going concern assertion.

-  Likely to result in material adjustment or significant change to disclosures within the financial statements.
-  Potential to result in material adjustment or significant change to disclosures within the financial statements.
-  Not considered likely to result in material adjustment or change to disclosures within the financial statements.



# 03

## Section 03: **Audit approach**

# 3. Audit approach

## Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in June 2021. We have not made any changes to our audit approach since we finalised our Audit Strategy Memorandum.

## Materiality

Our provisional materiality at the planning stage of the audit was set at £12.196m for the Group and £6.286m for NECA using a benchmark of 2% of total assets. Our final assessment of materiality, based on the final financial statements is £11.961m and £5.740m for the Group and NECA respectively, using the same benchmark.

## Group audit approach

The Group consists of Nexus, North East Metro Operations Limited (NEMOL) and Tyneside Transport Services Limited. We are responsible for the direction, supervision and performance of the group audit. Mazars is also the external auditor for NEMOL.



# 04

## Section 04: **Significant findings**

# 4. Significant findings

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding other significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 15 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year; and
- any significant difficulties we experienced during the audit.

## Significant risk – management override of controls

Management override of controls (single entity and group)	Description of the risk
	<p>This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>
	<p><b>How we addressed this risk</b></p> <p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none"> <li>• accounting estimates impacting amounts included in the financial statements;</li> <li>• consideration of identified significant transactions outside the normal course of business; and</li> <li>• journals recorded in the general ledger and other adjustments made in preparation of the financial statements.</li> </ul>
	<p><b>Audit conclusion</b></p> <p>Subject to completion of outstanding work, there are no issues arising from our work that we are required to report to you.</p>



# 4. Significant findings – significant risk: revenue recognition

<b>Revenue recognition - in relation to Tyne Tunnel tolls and grant income (relevant to single entity and group accounts)</b>	<b>Description of the risk</b>
	Revenue recognition has been identified as a significant risk due to: <ul style="list-style-type: none"><li>• cut off considerations for Tyne Tunnel toll income given the cash nature of the receipts; and</li><li>• grant income is recognised when all conditions attached to the grant have been met so there is significant management judgement in determining if there are any conditions and if they have been met.</li></ul>
	<b>How we addressed this risk</b>
	We addressed this risk through performing audit work over: <ul style="list-style-type: none"><li>• the design and implementation of controls management had in place to ensure income was recognised in the correct period;</li><li>• cash receipts around the year end to ensure they had been recognised in the right year;</li><li>• the judgements made by management in determining when grant income was recognised;</li><li>• for Tyne Tunnel toll income, performed a substantive analytical review; and</li><li>• for major grant income, obtained counterparty confirmation.</li></ul>
	<b>Audit conclusion</b>
	Subject to completion of outstanding work, there are no issues arising from our work that we are required to report to you.



## 4. Significant findings – significant risk: net defined benefit liability (pensions)

<b>Defined benefit liability valuation (relevant to single entity and group accounts)</b>	<b>Description of the risk</b> <p>The financial statements contain material pension entries in respect of the retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>
	<b>How we addressed this risk</b> <p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none"> <li>evaluating the management controls you had in place to assess the reasonableness of the figures provided by the Actuary; and</li> <li>considered the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally which is commissioned annually by the National Audit Office.</li> </ul>
	<b>Audit conclusion</b> <p>The entries for the pension liability are derived from information provided by the actuary, and relate to pensions administered by Tyne and Wear Pension Fund.</p> <p>The actuary bases NECA and the Group entities share of the Pension Fund assets based on actual asset performance for part of the year, but with an estimate in relation to the final quarter of the financial year. In normal circumstances this results in an estimate that is not significantly different to the actual asset performance at the end of the financial year and is a fair basis for the disclosures. In the final quarter of 2020/21, there was more volatility in asset values than is normally the case. Consequently, during the audit officers requested an updated report from the actuary based on final asset performance to see whether any differences were material and would need to be adjusted in the financial statements.</p> <p>In relation to the NECA single entity statements, the difference in asset values was £1.88m, which is below the materiality level for NECA. Although this is not material to the NECA statements, management do intend to adjust for this and this is the position reflected on page 23 of this report.</p> <p>Nexus, a significant component within the NECA Group, also requested and obtained a revised report from the Actuary during their audit process. As Nexus has many more employees than NECA, the impact was much more significant and this led to a material adjustment to the Nexus financial statements. The outcome was an increase of £13.550m in the re-measurement gain on assets as measured by the Actuary in the revised valuation report.</p> <p>The impact on the NECA Group statements is estimated at £7.515m. Together with the NECA impact of £1.88m, this makes a total difference of £9.395m. Although this is below overall materiality of £11.961m, it is above our performance materiality level of £8.971m and is a significant value. Consequently, management do intend to adjust for this in the Group financial statements and this is the position reflected on page 24 of this report.</p> <p>It is important for Members to understand that although these figures seem significant, they are disclosures of estimated assets and liabilities at a point in time, and subject to significant estimation. In addition, none of these issues impact on the outturn position or the usable reserves available to the Authority or its Group entities.</p>



## 4. Significant findings

### Qualitative aspects of NECA's accounting practices

We have reviewed NECA's accounting policies and disclosures and concluded they comply with the 2020/21 Code of Practice on Local Authority Accounting, appropriately tailored to NECA's circumstances.

Draft accounts were received from NECA on 30 June 2021, well ahead of the revised statutory deadline and were of a good quality, supported by comprehensive working papers.

### Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

### Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2020/21 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No questions or objections have been raised.

### Delay in the audit certificate

The issue of the Audit Certificate confirms that we have discharged all of our audit responsibilities and that the audit is formally 'closed'. The Audit Certificate would normally be published in our Auditor's Report on the Statement of Accounts. We expect to issue the audit report but the Audit Certificate will not be issued until the following procedures are complete:

- Value for money - We are yet to complete our work in respect of the NECA's arrangements for the year ended 31 March 2021 and expect to report our findings in the 2020/21 Annual Auditors Report within 3 months of giving our audit opinion. At the time of preparing this report, we have not identified any significant weaknesses in the NECA's arrangements that require us to make any recommendations.
- Whole of Government Accounts - The NAO has not yet issued its Group Instructions to enable this work to be undertaken.

We will update Members when more information is known but at this stage the draft Auditor's Report at Appendix B assumes that we are not able to issue the Audit Certificate at this stage.

# 05

Section 05:

**Internal control recommendations**

# 5. Internal control recommendations

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal controls or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal controls we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
<b>1 (high)</b>	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0
<b>2 (medium)</b>	In our view, there is a need to strengthen internal controls or enhance business efficiency. The recommendations should be actioned in the near future.	1 (relates specifically to NECA)
<b>3 (low)</b>	In our view, internal controls should be strengthened in these additional areas when practicable.	2  (reflect the Group position, with two issues relating to subsidiary Nexus)



# 5. Internal control recommendations

## NECA – single entity issues

### Deficiencies in internal control – Level 2

#### Description of deficiency

##### Bank reconciliations

The bank reconciliations were not reviewed and approved in a timely manner. We reviewed the bank reconciliation for 30 April 2020, which was prepared on 12 May 2020, but which was not signed off as reviewed and approved until 21 January 2021.

#### Potential effects

Risk of material misstatement if the cashbook and bank statement are not reconciled to each other on a regular basis.

#### Recommendations

All bank reconciliations should be reviewed and approved in a timely manner.

#### Management response

Daily uploads from the NECA bank account are processed in the general ledger, with a reconciliation between the two forming part of this process. However this process was not formally documented until January 2021. Since then an additional monthly review and authorisation process has been in place for the bank reconciliation and is working well.



# 5. Internal control recommendations

## NECA: Follow-up on previous internal control points

In our 2019/20 work, we reported one internal control recommendation, and our follow up of this issue is set out below:

- Obtaining related party disclosures from senior officers and Members (Level 2 issue) – the returns have all been received in 2020/21 and this issue is now closed.

## Group position - Nexus reporting issues

Pages 19 and 20 of this report document the internal control recommendations and management response in the audit of Nexus, a significant subsidiary in the NECA group.



# 5. Internal control recommendations

## Nexus: Other deficiencies in internal control – Level 3

### Description of deficiency

#### Related Party Disclosures

We identified the following as part of audit work:

- It was noted that Nexus appointed five Non-Executive Directors during financial year 2020/21 and they were not initially included in requests to complete a Related Party confirmation return. During discussions regarding the returns, it was agreed to seek returns from the Non-Executive Directors. All five Non-Executive Directors subsequently submitted a return; and
- It was identified that some officers who have left the organisation did not complete a related party confirmation return as part of the exit process.

### Potential effects

- There is a risk that non-executive directors may not update the register of interests in a timely manner. As such at year end if there has been any material related party transactions with non-executive directors these may not be appropriately disclosed within the accounts; and
- There is a risk that at year end any material related party transactions with officers who have left the organisation part way through the year may not be appropriately disclosed within the accounts.

### Recommendations

- Non- Executive directors should continue to complete a declaration in subsequent years in line with current practices with the Directors and Heads of Service. This will ensure that appropriate related party transactions have been disclosed to Nexus and the relevant disclosures have been made in the accounts if required; and
- Officers leaving the organisation should complete a related party declaration form as part of the exit process. This will ensure that appropriate related party transactions have been disclosed to Nexus and the relevant disclosures have been made in the accounts if required.

### Management response

The recommendation was implemented during the course of the 2020/21 audit and the declarations will continue to be obtained going forward.



# 5. Internal control recommendations

## Nexus - Other deficiencies in internal control – Level 3

### Description of deficiency

#### Asset Impairment process

Managers are requested to look at “Major assets” (no definition given), that have been “damaged significantly or had become effectively obsolete and unusable”, to identify “only those exceptional situations where an asset which may be in the books at a high value has, for whatever reason, become incapable of being used properly.”

We are not aware of any asset lists being provided to Managers for them to assess, or even to identify assets with a high NBV.

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#### Potential effects

Impaired assets may not be identified.

Property, Plant and Equipment may be overstated in the Accounts.

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#### Recommendation

Full impairment review of all assets be performed. Each manager could be given a list of the assets under their supervision, and they could assess each one against its NBV. This would be a simpler task if the asset list could be summarised by “headline” assets, as the client intends.

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#### Management response

The impairment review process will be formalised by ensuring that each manager is given a list of assets to check for indication of impairment. Should any indication of impairment be found, an estimate of the recoverable value of the asset will be obtained and compared against the net book value of the asset, to assess if any impairment is required.

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## Nexus - Follow-up on previous internal control points

Our 2019/20 audit work did not identify any significant deficiencies which we needed to follow up.



# 06

Section 06:

## **Summary of misstatements**



# 6. Summary of misstatements

We set out below the misstatements identified for adjustment during the course of the audit, above the level of trivial threshold of £225,000 (NECA) and £375,000 (Group).

## Unadjusted misstatements

There are no unadjusted misstatements.

## Adjusted misstatements – NECA single entity accounts

There is one adjusted misstatement in relation to the NECA financial statements, as set out below.

		Comprehensive Income and Expenditure Statement / Movement in Reserves Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Pension Liability Cr: Pension Asset Dr: Adjustment through the Movement in Reserves Statement Cr: Re-measurement Gains on Assets	1,880	1,880	1,880	1,880
<p>Being an increase of £1.88m in re-measurement gain on assets as measured by the Actuary in a revised valuation report for NECA. As explained on page 14 of this report, this did not impact on the usable reserves position. Although this adjustment is not material to the NECA statements, management has decided to amend the financial statements.</p>					

Note that this does not impact on the outturn position or the usable reserves available to NECA.



# 6. Summary of misstatements

## Adjusted misstatements - Group

There is one adjusted misstatement in relation to the Group financial statements, which incorporates the NECA adjustment reported on page 23, as set out below.

		Comprehensive Income and Expenditure Statement / Movement in Reserves Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Pension Liability Cr: Pension Asset Dr: Adjustment through the Movement in Reserves Statement Cr: Re-measurement Gains on Assets	9,395	9,395	9,395	9,395

Being an increase of £7.515m in re-measurement gain on assets as measured by the Actuary in a revised valuation report for Nexus (The £7.515m is NECA's share based on the devolution population calculation of the total re-measurement gain of £13.550m).

The £7.515m is added to the equivalent NECA impact of £1.88m (see page 23), to give the total adjustment of £9.395m. As explained on page 14 of this report, although this is below overall materiality of £11.961m, it is above our performance materiality level of £8.971m and is a significant value. Consequently, management have adjusted for this in the Group financial statements.

Note that this does not impact on the outturn position or the usable reserves available to NECA or its Group entities.



# 6. Summary of misstatements

## Disclosure amendments

There are no significant disclosure amendments that need to be brought to the attention of Members.

## Other issues

The financial statements for NECA include a share of the Joint Transport Committee assets and liabilities. We have reported in previous years an unadjusted misstatement in relation to cash balances between NECA and NTCA (the North of Tyne Combined Authority). In 2019/20 the figure was £796k. We reported this as follows: "On recalculation of Cash split for the devolution a variance has arisen as cash is a balancing figure due to the number of estimations used during the process."

On reflection, our view is that we do not need to report this as an unadjusted misstatement, but we do note that there is a difference, and this year the value of the difference is £553k. The reason for not disclosing this as an error is that it is the result of a reasonable estimation process, but there is a relatively small and non-material variation when we carry out a comparison of this against the devolution percentages. No further action is required in relation to this issue.



# 07

## Section 07: **Value for Money**

# 7. Value for Money

## Approach to Value for Money

We are required to consider whether NECA has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** – how NECA plans and manages its resources to ensure it can continue to deliver its services
- **Governance** - how NECA ensures that it makes informed decisions and properly manages its risks
- **Improving economy, efficiency and effectiveness** - how NECA uses information about its costs and performance to improve the way it manages and delivers its services

At the planning stage of the audit, we undertake work to understand the arrangements that NECA has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report.

The primary output of our work on NECA's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report.

We intend to issue the Auditor's Annual Report no later than three months after the auditor's report on the financial statements is signed, in accordance with the latest guidance issued by the NAO.

## Status of our work

We are yet to complete our work in respect of NECA's arrangements for the year ended 31 March 2021. At the time of preparing this report, we have not identified any significant weaknesses in arrangements that require us to make a recommendation, however, we continue to undertake work on NECA's arrangements.

Our draft audit report at Appendix B outlines that we have not yet completed our work in relation to NECA's arrangements. As noted above, our commentary on NECA's arrangements will be provided in the Auditor's Annual Report no later than three months after the auditor's report on the financial statements is signed.



# Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

# Appendix A: Draft management representation letter

To: Mr Gavin Barker  
Director  
Mazars LLP

Date:

## North East Combined Authority (NECA) and Group - audit for year ended 31 March 2021

This representation letter is provided in connection with your audit of the financial statements of NECA and Group for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) and applicable law.

I confirm that the following representations, to the best of my knowledge and belief, are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

### My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

### My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within NECA and Group you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Chief Finance Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information. As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

### Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all NECA and Group committee meetings, have been made available to you.



# Appendix A: Draft management representation letter

## Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on NECA and Group’s financial position, financial performance and cash flows.

## Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by NECA and Group in making accounting estimates, including those measured at current or fair value, are reasonable.

## Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against NECA and Group have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

## Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

NECA and Group have complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.





# Appendix A: Draft management representation letter

## Fraud and error

I acknowledge my responsibility as Chief Finance Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting NECA and Group involving:
  - management and those charged with governance;
  - employees who have significant roles in internal control; and
  - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting NECA and Group's financial statements communicated by employees, former employees, analysts, regulators or others.

## Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law. I have disclosed to you the identity of NECA and Group's related parties and all related party relationships and transactions of which I am aware.

## Charges on assets

All NECA and Group's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

## Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is, therefore, not considered necessary.

## Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.



# Appendix A: Draft management representation letter

### Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed .Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

### Going concern

I confirm that I have carried out an assessment of the potential impact of the COVID-19 Virus pandemic on NECA and Group, including the impact of mitigation measures and uncertainties and I am satisfied that the going concern assumption remains appropriate and that no material uncertainty has been identified.

To the best of my knowledge there is nothing to indicate that NECA and Group will cease to continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the financial statements.

### Unadjusted misstatements

I confirm that there were no unadjusted misstatements in the 2020/21 statement of accounts. IF THERE ARE UNADJUSTED MISSTATEMENTS PLEASE LIST THEM HERE OR INCLUDE THEM IN AN APPENDIX.

Yours faithfully  
Chief Finance Officer  
Date: .....



# Appendix B: Draft audit report

## Independent auditor’s report to the Members of North East Combined Authority and the Group

### Report on the audit of the financial statements

#### Opinion on the financial statements

We have audited the financial statements of North East Combined Authority and Group for the year ended 31 March 2021, which comprise the North East Combined Authority and Group Comprehensive Income and Expenditure Statements, the North East Combined Authority and Group Balance Sheets, the North East Combined Authority and Group Movement in Reserves Statement, the North East Combined Authority and Group Cash Flow Statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of North East Combined Authority and Group as at 31<sup>st</sup> March 2021 and of North East Combined Authority and Group’s expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities section of our report. We are independent of North East Combined Authority and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Chief Finance Officers’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on North East Combined Authority and Group’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Finance Officer with respect to going concern are described in the relevant sections of this report.



# Appendix B: Draft audit report

## Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the Narrative Statement and the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Responsibilities of the Chief Finance Officer for the financial statements

As explained more fully in the Statement of the Chief Finance Officer’s Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view. The Chief Finance Officer is also responsible for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and prepare the financial statements on a going concern basis, on the assumption that the functions of North East Combined Authority and Group will continue in operational existence for the foreseeable future. The Chief Finance Officer is responsible for assessing each year whether or not it is appropriate for North East Combined Authority and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

## Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of North East Combined Authority and Group, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, and we considered the extent to which non-compliance might have a material effect on the financial statements.

We evaluated the Chief Finance Officer’s incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.



# Appendix B: Draft audit report

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management and Those Charged with Governance the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by North East Combined Authority and the Group which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and Those Charged with Governance on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and Those Charged with Governance. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Chief Finance Officer’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in April 2021.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor’s report.

## Report on North East Combined Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

### Matter on which we are required to report by exception

We are required to report to you if, in our view, we are not satisfied that North East Combined Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have not completed our work on North East Combined Authority’s arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in April 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2021.

We will report the outcome of our work on North East Combined Authority’s arrangements in our commentary on those arrangements within the Auditor’s Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.



# Appendix B: Draft audit report

## Responsibilities of North East Combined Authority

North East Combined Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

## Auditor’s responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that North East Combined Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of North East Combined Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021.

## Matters on which we are required to report by exception under the Code of Audit Practice

- We are required by the Code of Audit Practice to report to you if:
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

## Use of the audit report

This report is made solely to the members of North East Combined Authority, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of North East Combined Authority those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of North East Combined Authority, as a body, for our audit work, for this report, or for the opinions we have formed.



# Appendix B: Draft audit report

## Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed:

- the work necessary to issue our assurance statement in respect of the North East Combined Authority's Whole of Government Accounts consolidation pack; and
- the work necessary to satisfy ourselves that the North East Combined Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Gavin Barker  
Director  
For and on behalf of Mazars LLP

The Corner  
Bank Chambers  
26 Mosley Street  
Newcastle upon Tyne  
NE1 1DF

Date:



# Appendix C: Independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and, therefore, we remain independent.





# Appendix D: Other communications

Other communication	Response
<b>Compliance with laws and regulations</b>	We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations. We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.
<b>External confirmations</b>	We did not experience any significant issues with respect to obtaining external confirmations.
<b>Related parties</b>	<p>Issues were identified in respect of related parties disclosures for the subsidiary Nexus as outlined in the internal control recommendation raised in section 05.</p> <p>We will obtain written representations from management confirming that:</p> <ul style="list-style-type: none"> <li>a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and</li> <li>b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.</li> </ul>
<b>Going concern</b>	<p>We have not identified any evidence to cause us to disagree with the Chief Finance Officer that North East Combined Authority will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements.</p> <p>We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.</p>

# Appendix D: Other communications

Other communication	Response
<p><b>Subsequent events</b></p>	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor’s report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
<p><b>Matters related to fraud</b></p>	<p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and Those Charged with Governance, confirming that</p> <ul style="list-style-type: none"> <li>a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud;</li> <li>b. they have disclosed to the auditor the results of management’s assessment of the risk that the financial statements may be materially misstated as a result of fraud;</li> <li>c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving:               <ul style="list-style-type: none"> <li>i. management;</li> <li>ii. employees who have significant roles in internal control; or</li> <li>iii. others where the fraud could have a material effect on the financial statements; and</li> </ul> </li> <li>d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity’s financial statements communicated by employees, former employees, analysts, regulators or others.</li> </ul>



Gavin Barker, Director  
[gavin.barker@mazars.co.uk](mailto:gavin.barker@mazars.co.uk)

## Mazars

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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.





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The Leadership Board  
And Members of the Audit and Standards Committee  
North East Combined Authority  
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29 March 2022

Dear Members

**North East Combined Authority  
Follow Up Letter to the Audit Completion Report, 2020/21 Audit**

As required by International Standards on Auditing (UK), I am writing to communicate an update on those matters that were marked as outstanding within our Audit Completion Report dated 17 January 2022, and to draw your attention to an additional issue that has arisen since we presented our report to the Audit and Standards Committee on 25 January 2022 and to the Leadership Board on 1 February 2022.

The expectation when presenting our report was that the outstanding work at that time would be completed and we then anticipated being able to issue an unqualified opinion on the financial statements.

Unfortunately, an additional issue has arisen that has prevented the audit opinion being issued.

The paragraphs below:

- Outline the additional issue that has arisen; and
- How the other matters reported as outstanding in the Audit Completion Report have been concluded.

**Additional issue that has prevented the audit opinion being issued at this stage**

In early February a technical issue began to be discussed among the audit firms and sector lead bodies including the National Audit Office.

Mazars LLP is the UK firm of Mazars, an integrated international advisory and accountancy organisation. Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at Tower Bridge House, St Katharine's Way, London E1W 1DD.

We are registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at [www.auditregister.org.uk](http://www.auditregister.org.uk) under reference number C001139861.

VAT number: 839 8356 73

The issue impacts on authorities that have material infrastructure assets. NECA’s single-entity financial statements include Infrastructure at a net book value of £188.122m at 31 March 2021, and NECA’s Group financial statements include Infrastructure at a net book value of £450.876m at 31 March 2021. Clearly, Infrastructure assets are material to both the Authority’s and the Group’s financial statements.

As a result of this issue arising, our firm has instructed its auditors, in common we understand with the other audit firms in the sector, to pause the issue of audit opinions where financial statements include material infrastructure assets.

The issue is a technical accounting issue and relates to the arrangements in place to remove the original costs and associated depreciation from the Balance Sheet when Infrastructure is updated and the extent to which records are sufficient to enable such adjustments to be made accurately and in accordance with the current CIPFA Code on Practice on Local Authority Accounting.

This is a national issue and not an issue specific to the North East Combined Authority.

An important message for Members is that this issue does not impact on the underlying financial position, the outturn for the year or the usable reserves available to the Authority and the Group.

In terms of the resolution of this issue, we anticipate that steps are likely to be taken by CIPFA in the near future to determine and implement a national solution.

We will be unable to issue our audit opinion on the financial statements of the Authority and Group until this issue is resolved, and unfortunately this means a further delay in what has already been an extended process.

**Resolution of outstanding issues in the Audit Completion Report**

The outstanding matters and the conclusions we reached are detailed below:

Matter	Update/conclusion reached	Status
<p><b>Work still outstanding at the point of drafting the Audit Completion Report</b></p> <p>We are finalising our testing in a number of areas, and continuing to write up our documentation of the audit file. We continue to discuss some matters arising with officers.</p>	<p>The remaining work was completed.</p> <p>There were no significant issues arising.</p> <p>Based on further discussion with officers, there was a change to the adjustments included in the Audit Completion Report.</p> <p>A full updated set of adjustments is included in Appendix A.</p>	<p>Cleared</p>
<p><b>WGA</b></p> <p>Our audit work will be completed once the Group Instructions have been received from the National Audit Office.</p>	<p>Group Instructions are still not available to set out the work we are required to undertake. The timescale for this now appears to have moved towards the summer of 2022.</p>	<p>Still outstanding</p>

Matter	Update/conclusion reached	Status
<p><b>Audit quality control and completion procedures</b></p> <p>Our audit work is subject to ongoing review and quality control procedures. In addition, there are residual procedures to complete, including agreeing the expected amendments to the final Statement of Accounts, updating post balance sheet event considerations to the point of issuing the opinion and reviewing management’s going concern assertion.</p>	<p>Our review and closure procedures are now largely completed. However, we will still need to consider post balance sheet events and going concern at the point we are able to issue the audit opinion. We will also need to obtain a letter of representation at this point from the Chief Finance Officer.</p>	<p>Consideration of post balance sheet events and going concern at the point we are able to issue the audit opinion</p>

### Current status of our audit work

At the time of preparing this update letter, the following matters remain outstanding, which as we have explained will be reported at a later date:

Audit area	Status	Description of outstanding matters
<p>Infrastructure assets</p> <ul style="list-style-type: none"> <li>- National issue</li> </ul>		As summarised earlier in our letter, this is a national issue awaiting a national solution. We are unable to issue our audit opinion until this has been resolved.
<p>Value for money commentary</p>		<p>We are yet to complete our work in respect of the Authority’s arrangements for the year ended 31 March 2021.</p> <p>At the time of preparing this letter, we have not identified any significant weaknesses in arrangements that require us to make a recommendation, however we continue to undertake work on the Authority’s arrangements.</p>
<p>WGA</p>		We have not yet received group instructions from the National Audit Office. The timescale for this now appears to have moved towards the summer of 2022.

#### Status

- Likely to result in material adjustment or significant change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Not considered likely to result in material adjustment or change to disclosures within the financial statements

We will keep management informed of progress in resolving the national issue preventing the audit opinion being issued. When we are in a position to sign our audit opinion, we will provide a further update for Members.

If you wish to discuss these or any other points then please do not hesitate to contact me.

Yours faithfully

*Gavin Barker*

**Gavin Barker**  
Director



## APPENDIX A – SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified for adjustment during the course of the audit, above the level of trivial threshold of £225,000 (NECA) and £375,000 (Group).

### **Unadjusted misstatements**

There are no unadjusted misstatements.

### **Adjusted misstatements – NECA single entity accounts**

Although one adjustment was reported in the Audit Completion Report (£1.880m reduction in the pensions liability) this was not required.

The reason for this was that the NECA net pension liability was already capped at zero because NECA is in a net asset position.

### Adjusted misstatements - Group

There is one adjusted misstatement in relation to the Group financial statements. In the Audit Completion Report this incorporated the £1.880m NECA adjustment reported on the previous page, which is no longer required. The actual adjustment is now set out below:

		Comprehensive Income and Expenditure Statement / Movement in Reserves Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Pension Liability				7,515
	Cr: Pension Asset		7,515		
	Dr: Adjustment through the Movement in Reserves Statement	7,515			
	Cr: Re-measurement Gains on Assets			7,515	
	Being an increase of £7.515m in re-measurement gain on assets as measured by the Actuary in a revised valuation report for Nexus.				
	Note that this does not impact on the outturn position or the usable reserves available to NECA or its Group entities.				

### Disclosure amendments

There are no significant disclosure amendments that need to be brought to the attention of Members.

For completeness, we reproduce a full list of amendments below:

#### NORTH EAST COMBINED AUTHORITY SINGLE-ENTITY FINANCIAL STATEMENTS

Item of account / disclosure note	Description of the disclosure error	Has the error been amended?
Note 02a - Income and Expenditure Analysed by Nature	<p>The split of the lines was shown incorrectly as this had not been fully updated at time of producing draft accounts. Correct figures are:</p> <p>EXPENSES                      Employee benefit expenses - 511                      Other service expenses - 66,477                      Depreciation, impairment &amp; REFCUS - 12,793                      Interest - 4,507</p> <p>INCOME                      Fees, charges &amp; other - 11,393                      Interest and investment - 963                      Business rates on enterprise - 0                      Income from transport levy - 49,349                      Government grants and cont. - 34,268                      Other income - 4,537</p>	Yes
Note 19 - Defined Benefit Pension Schemes	<p>Page 33 - total closing balance for LGPS reconciliation of present value of scheme liabilities is £48,400k. Settlements are disclosed as £30k. Per the actuary report - settlements are disclosed as £1,500k (the £30k relates to increase in disposals/acquisitions, which has not been disclosed per the accounts). The closing balance (per the actuary report) should be £46,900k.</p>	Yes

Item of account / disclosure note	Description of the disclosure error	Has the error been amended?
Note 12 - Financial Instruments	Page 22 - the financial assets table at the top of the page does not include current investments (£34,383k per Balance Sheet).	Yes
Note 29 - Assumptions made about the Future and Other Major Sources of Estimation Uncertainty	Within the pensions liability disclosure, in the 'effect if actual results differ from assumptions' column, there is an analysis of the change in the defined benefit obligation should the post retirement mortality assumption increase by 1 year. The variance is stated to be £3.5m, but should actually be £1.69m.	Yes
Note 19 - Defined Benefit Pension Schemes	Actuary report has been updated with a second version (due to issues arising from Nexus Pensions testing) - figures updated per Note 19 in line with revised actuary report.	Yes
Note 13 - Nature and extent of risks arising from Financial Instruments	Page 26 - Credit risk table shows the investments figures for NTCA rather than NECA - should be NECA's share (£34,383k and £17,746k respectively).	Yes
Note 24 - Adjustments to net surplus or deficit on the provision of services	<p>Page 46 - on the top table, the movement in debtors/creditors is presented as follows:</p> <p><i>(Increase)/Decrease in Creditors</i>  <i>Increase/(Decrease) in Debtors</i></p> <p>The brackets are in the incorrect place - they should be presented as follows:</p> <p><i>Increase/(Decrease) in Creditors</i>  <i>(Increase)/Decrease in Debtors</i></p>	Yes

Item of account / disclosure note	Description of the disclosure error	Has the error been amended?
Note 19 - Defined Benefit Pension Schemes	Page 36 - on the 'Actual Return on Assets' table at the top of the page, the re-measurement gain is presented as £8,620k - this has not been updated for the new actuary report - this figure should be £10,500k.	Yes

GROUP FINANCIAL STATEMENTS:

Item of account / disclosure note	Description of the disclosure error	Has the error been amended?
Note G02 - Expenditure and Funding Analysis	Numerous figures have changed between draft accounts and updated accounts - updated note has been agreed.	Yes
Note G02a - Income and Expenditure Analysed By Nature	Interest payments incorrectly disclosed as £5,258k (this should be £9,039k) and interest income incorrectly disclosed as £414k (this should be £4,195k).	Yes
Note G06 - Property, Plant and Equipment	Multiple errors - including differences between figures per draft accounts and client working paper, and transfer between assets (£590k) was initially not included within note.	Yes
Note G08 - Financial Instruments	For current debtors - the split between amortised cost and non-financial assets is incorrect. For current creditors - the split between amortised cost and non-financial assets is incorrect.	Yes
Note G12 - Pensions	Multiple errors due to numbers not being updated/included from revised actuary reports for NECA and Nexus	Yes
Note G13 - Deferred Taxation	Figures have been updated since draft accounts - this is because deferred taxation figures were not available until after draft accounts produced.	Yes

Item of account / disclosure note	Description of the disclosure error	Has the error been amended?
Note G14 - Usable Reserves	General fund balance is disclosed as £36,911k (should be £36,234k per audit calculation), and earmarked reserves balance is disclosed as £10,776k (should be £11,452k per audit calculation).	Yes

### Other issues

The financial statements for NECA include a share of the Joint Transport Committee assets and liabilities. We have reported in previous years an unadjusted misstatement in relation to cash balances between NECA and NTCA (the North of Tyne Combined Authority). In 2019/20 the figure was £796k. We reported this as follows: “On recalculation of Cash split for the devolution a variance has arisen as cash is a balancing figure due to the number of estimations used during the process.”

On reflection, our view is that we do not need to report this as an unadjusted misstatement, but we do note that there is a difference, and this year the value of the difference is £553k. The reason for not disclosing this as an error is that it is the result of a reasonable estimation process, but there is a relatively small and non-material variation when we carry out a comparison of this against the devolution percentages. No further action is required in relation to this issue.



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3 April 2023

Dear Members

## **Update/conclusion of pending matters – Audit Completion Report 2020/21**

There has been a substantial delay in being able to conclude the 2020/21 Audit.

We initially reported our Audit Completion report to the meeting of the Audit and Standards Committee on 25 January 2022.

As required by International Standards on Auditing (UK), we then wrote a follow up letter dated 29 March 2022 to communicate an update on those matters that were marked as outstanding within our Audit Completion Report dated 17 January 2022. The follow up letter was presented to the Audit and Standards Committee on 5 April 2022.

In our follow up letter of 29 March 2022, we also reported an additional national issue that had arisen. This has only now been finally been resolved, and this follow up letter communicates an update on how this additional issue has been addressed, and includes an update on other matters since that date.

Together, our Audit Completion Report dated 17 January 2022, and our follow up letters dated 29 March 2022 and 3 April 2023 provide a complete record of the matters arising from the audit and how the audit has been concluded.

Mazars LLP

Mazars LLP is the UK firm of Mazars, an integrated international advisory and accountancy organisation. Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at 30 Old Bailey, London, EC4M 7AU. Registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at [www.auditregister.org.uk](http://www.auditregister.org.uk) under reference number C001139861. VAT number: GB 839 8356 73

The outstanding matters and the conclusions we reached are detailed below:

Matter	Update/conclusion reached	Status
<p><b>Infrastructure</b></p>	<p>As Members are aware, there has been a national issue in relation to accounting for infrastructure which has impacted on every local authority related entity with material infrastructure balances.</p> <p>The issue identified that there was insufficiently detailed information available to allow local authorities to demonstrate the material accuracy of the gross carrying value of infrastructure assets. Specifically, the information deficits related to the type of assets held within the infrastructure balance, their useful lives and whether or not any capitalised expenditure was incurred to replace existing components.</p> <p>Members should note that this issue was entirely technical in nature and it did not impact on the resources available to NECA or the level of usable reserves held by NECA.</p> <p>A statutory override was put in place by Government to address the information deficits and CIPFA guidance was issued to allow authorities to disclose net infrastructure and not disclose gross infrastructure and gross depreciation in the financial statements. The statutory override made it clear that adjustments were not required to previous infrastructure balances even where errors may have existed.</p> <p>NECA has adopted the statutory override in full. NECA also made amendments to the disclosures about infrastructure in the financial statements, as required by the guidance, but the figures relating to infrastructure have not been amended (See Appendix 1).</p> <p>As part of our review of NECA’s application of CIPFA’s “Update to the Code and Specifications for Future Codes for Infrastructure Assets (Code update)”, we considered NECA’s asset lives per its accounting policies for infrastructure assets.</p> <p>We considered CIPFA Bulletin 12, which includes a commentary on the useful lives of the components of the highways network by the “UK Roads Leadership Group Asset Management Board”. The guidance includes a range of “reasonable useful lives” for different types of assets which we compared to those applied by NECA.</p> <p>NECA’s assets are its tunnels, and the reasonable useful lives applied were within the range in the CIPFA guidance.</p> <p>We also reviewed the work of management’s expert in determining the useful economic lives of NECA’s assets and there were no issues arising from this.</p>	<p>Complete</p>



Matter	Update/conclusion reached	Status
	<p>Following completion of our work, we are satisfied that NECA has followed the relevant guidance when reviewing its infrastructure assets and has made the required disclosures in the financial statements.</p> <p>Nexus, as a significant component within the Group accounts, was also impacted by the infrastructure issue. Nexus also applied the statutory override and there are no matters arising to report in terms of the audit of the Group accounts.</p>	
<b>Value for money arrangements</b>	At the time of our previous reporting, we had not completed our VFM work. We have now completed this work and we did not identify any significant weaknesses or recommendations as part of our review.	Complete
<b>Whole of Government Accounts</b>	We have been unable to carry out the work necessary to report on WGA, as we were unable to complete this work until our audit opinion is issued. When we issue our audit opinion we will be able to report on WGA for 2020/21.	Ongoing
<b>Audit quality control and completion procedures</b>	We are awaiting the final version of the financial statements. Once received we will undertake our final closure procedures including a review of the management representation letter and post balance sheet events.	This will be completed at the point we are ready to issue our audit opinion

Our draft Audit Report is shown in Appendix 2. This highlights in red any changes from the previous version included in our Audit Completion Report. The main change is that we can now report in our audit opinion that we have completed our value for money work for the year ended 31 March 2021.

We will inform the Audit and Standards Committee of any further matters when we have completed the WGA work formally closing the audit of North East Combined Authority.

If you wish to discuss these or any other points then please do not hesitate to contact me.

Yours faithfully



**Gavin Barker**  
Director

## APPENDIX 1 SUMMARY OF MISSTATEMENTS

This Appendix only highlights the amendments made in relation to the infrastructure issue.

All previous misstatements were as reported in Appendix A of the Follow Up Letter dated 29 March 2022.

### **Infrastructure amendments:**

In accordance with CIPFA guidance, NECA updated its Accounting Policies and Infrastructure Assets notes to include:

- Clarification that the statutory override was claimed;
- To ensure that only net infrastructure assets are disclosed rather than the gross value and gross depreciation; and
- More information on the nature of the infrastructure assets and NECA's accounting treatment of them.

The values of infrastructure disclosed in the financial statements were unchanged.

## APPENDIX 2 – DRAFT AUDIT REPORT

### Independent auditor's report to the Members of North East Combined Authority and the Group

#### Report on the audit of the financial statements

#### Opinion on the financial statements

We have audited the financial statements of North East Combined Authority and Group for the year ended 31 March 2021, which comprise the North East Combined Authority and Group Comprehensive Income and Expenditure Statements, the North East Combined Authority and Group Balance Sheets, the North East Combined Authority and Group Movement in Reserves Statement, the North East Combined Authority and Group Cash Flow Statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of North East Combined Authority and Group as at 31<sup>st</sup> March 2021 and of North East Combined Authority and Group's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of North East Combined Authority and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Chief Finance Officers' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on North East Combined Authority and Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Finance Officer with respect to going concern are described in the relevant sections of this report.

#### Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the Narrative Statement and the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a

material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **Responsibilities of the Chief Finance Officer for the financial statements**

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view. The Chief Finance Officer is also responsible for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and prepare the financial statements on a going concern basis, on the assumption that the functions of North East Combined Authority and Group will continue in operational existence for the foreseeable future. The Chief Finance Officer is responsible for assessing each year whether or not it is appropriate for North East Combined Authority and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of North East Combined Authority and Group, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, and we considered the extent to which non-compliance might have a material effect on the financial statements.

We evaluated the Chief Finance Officer's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management and Those Charged with Governance the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by North East Combined Authority and the Group which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and Those Charged with Governance on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and Those Charged with Governance. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in April 2021.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Report on North East Combined Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

### **Matter on which we are required to report by exception**

We are required to report to you if, in our view, we are not satisfied that North East Combined Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

~~We have not completed our work on the Council's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in December 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2022.~~

~~We will report the outcome of our work on the Council's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.~~

~~We have nothing to report in this respect.~~

### **Responsibilities of North East Combined Authority**

North East Combined Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

### **Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that North East Combined Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of North East Combined Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021.

### **Matters on which we are required to report by exception under the Code of Audit Practice**

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

## Use of the audit report

This report is made solely to the members of North East Combined Authority, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of North East Combined Authority those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of North East Combined Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

## Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed:

- ~~the work necessary to satisfy ourselves that the North East Combined Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.~~
- ~~the work necessary to issue our assurance statement in respect of the North East Combined Authority's Whole of Government Accounts consolidation pack.; and~~

Gavin Barker  
Director  
For and on behalf of Mazars LLP

The Corner  
Bank Chambers  
26 Mosley Street  
Newcastle upon Tyne  
NE1 1DF

Date: To be confirmed

### Leadership Board

**Date:** 6 June 2023

**Subject:** Statement of Accounts 2020/21

**Report of:** Chief Finance Officer

#### Executive Summary

The purpose of this report is to present the updated and finalised 2020/21 Statement of Accounts for approval by the Leadership Board. The Leadership Board considered the audited accounts for 2020/21 on 1 February 2022 but final sign off was prevented due to a national issue arising in relation to accounting for infrastructure assets.

A temporary solution to this issue has been put in place and an update to the CIPFA Code of Practice produced. The temporary solution is in place until 31 March 2025.

The Statement of Accounts included as Appendix 2 have been updated to reflect the temporary solution, in line with the CIPFA guidance issued on the topic. The changes to the version of the accounts previously considered by the Leadership Board are as follows:

- Note 11 Property, Plant and Equipment updated to exclude Infrastructure;
- New Note 11a included to cover Property, Plant and Equipment (Infrastructure Assets);
- Note 30 Accounting Policies updated;
- Group Note 6 Property, Plant and Equipment updated to exclude Infrastructure;
- New Group Note 6a included to cover Property, Plant and Equipment (Infrastructure Assets).

The changes required are disclosures and have had no impact on the Balance Sheet or any of the other core financial statements, and no impact on the usable reserves of the Authority.

The report also provides an update on the Statement of Accounts for 2021/22, which have also been updated for the revised guidance on Infrastructure Assets but where further changes have been required as a result of the triennial valuation of the Local Government Pension Scheme (LGPS) being produced before auditors have provided their opinion.

The draft accounts for 2022/23 have been completed in line with the statutory deadline of 31 May.

## Leadership Board

### Recommendations

The Leadership Board is recommended to:

- i. Authorise the Chief Finance Officer to sign the Letter of Representation on behalf of the Authority;
- ii. Approve the Statement of Accounts for 2020/21, taking into account any views from the Audit and Standards Committee meeting on 11 April;
- iii. Authorise the Chair of the Leadership Board and the Chief Finance Officer to make any further adjustments required to the Statement of Accounts as a result of the conclusion of the external audit and to sign the Statement of Accounts for 2020/21;
- iv. Approve the Annual Governance Statement; and
- v. Authorise the Chair of the Leadership Board and the Head of Paid Service to sign the Annual Governance Statement; and
- vi. Note the update provided on the 2021/22 and 2022/23 Statements of Accounts.



## Leadership Board

### 1. Background Information

- 1.1 The audited Statement of Accounts for 2020/21 was presented to the Leadership Board for approval on 1 February 2022, but subsequently a national issue arose in relation to accounting for subsequent expenditure on Infrastructure Assets. A temporary solution has now been put in place to address this which applies until 31 March 2025.
- 1.2 The CIPFA Code has been updated in respect of Infrastructure Assets, including a temporary relief so that local authorities are not required to report the gross book value and accumulated depreciation for infrastructure assets. This temporary relief is applicable from the 2021/22 Code up to and including the Code applicable to the 2024/25 financial year but may also apply to local authority financial statements before this period where the auditor's opinion on those statements has not been given. Where a local authority chooses to apply this temporary relief, the Code requires that additional information is provided to explain an authority's rationale for this decision.
- 1.3 The updated Statement of Accounts and the Audit Completion Report and Follow Up Letters were considered by the NECA Audit and Standards Committee on 11 April.

### 2. Proposals

- 2.1 The updated Statement of Accounts for 2020/21 is included at Appendix 2. The Leadership Board is recommended to approve the Statement of Accounts.

#### **Update on 2021/22 and 2022/23 Accounts**

- 2.2 The 2021/22 draft Statement of Accounts were completed and published on 30 June 2022. The audit of these accounts is largely completed but final sign off was also prevented due to the same national issue in relation to infrastructure which caused delays in relation to the 2020/21 accounts.
- 2.3 This has now been resolved as described in relation to 2020/21, but a subsequent issue has arisen as a result of the triennial valuation of the Local Government Pension Scheme (LGPS) being produced before auditors have provided their opinion on the 2021/22 accounts. Section 3.8 of the Code of Practice on Local Authority Accounting in the United Kingdom ('the Code'), (Events after the Reporting Period) requires an assessment to be made of whether the triennial valuation includes information which might provide evidence of an adjusting or non-adjusting event. This will mean that for the net pension asset or liability, local authorities need to consider with their actuaries

## Leadership Board

whether the triennial valuation provides evidence of conditions which existed on 31 March 2022.

2.4 NECA has obtained a revised pension report from the actuaries to the Tyne and Wear Pension Fund and the 2021/22 Statement of Accounts have been updated accordingly.

2.5 For the 2022/23 Statement of Accounts, the deadline for category 1 authorities to make draft accounts available for public inspection has reverted to 31 May, following extensions to this deadline for the 2019/20 to 2021/22 accounts. NECA's draft Statement of Accounts for 2022/23 was published on 31 May and the public inspection period runs from 1 June to 12 July.

### 3. Reasons for the Proposals

3.1 It is the responsibility of the Leadership Board to approve the Statement of Accounts, which have been subject to review and challenge by both Mazars, the External Auditors, and the NECA Audit and Standards Committee.

3.2 The Statement of Accounts must be signed by the Chair of the Leadership Board and the Chief Finance Officer and published online.

### 4. Alternative Options Available

4.1 There are no alternative options associated with this report. There is a statutory requirement to prepare and publish an audited set of accounts for 2020/21, with a supporting external audit opinion and this report seeks to discharge that responsibility.

### 5. Next Steps and Timetable for Implementation

5.1 The Statement of Accounts must be signed by the Chair of the Leadership Board and the Chief Finance Officer and published online.

### 6. Potential Impact on Objectives

6.1 There are no direct impacts on objectives arising from this report. Sound financial stewardship improves the ability of the Authority to meet its objectives. The Accounts presented reflect a true and fair view of the financial position of NECA and the Group during 2020/21 and as at 31 March 2021/ The work of the external auditors has confirmed that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources.

### 7. Financial and Other Resources Implications

## Leadership Board

7.1 The costs of the external audit are set by Public Sector Audit Appointments and were included in the budget for 2020/21. The Statement of Accounts details the financial position of the authority as at 31 March 2021.

### 8. Legal Implications

8.1 The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 SI 1232/2022 – new regulation 30M (3) provides that where a local authority replaces a component of an infrastructure asset, the authority has a choice of how to identify the carrying amount to be derecognised in respect of that component (i.e. either a nil amount or to follow the Code). New regulation 30M applies to statements of accounts for financial years beginning on or before 1 April 2024, and to those statements of accounts that have not already been certified by a local auditor.

### 9. Key Risks

9.1 There are no risk implications arising from this report.

### 10. Equality and Diversity

10.1 There are no equality and diversity implications arising from this report.

### 11. Crime and Disorder

11.1 There are no crime and disorder implications arising from this report.

### 12. Consultation/Engagement

12.1 Consultation on this report has taken place with NECA statutory officers. The Statement of Accounts was subject to a period of public inspection from 1 July to 11 August 2021. No enquiries or objections were raised during this time.

### 13. Other Impact of the Proposals

13.1 There are no other impacts arising from these proposals.

### 14. Appendices

14.1 Appendix 1 – Draft Management Representation Letter  
Appendix 2 – Statement of Accounts 2020/21  
Appendix 3 – Annual Governance Statement 2020/21  
Appendix 4 – Narrative Report 2020/21

## Leadership Board

### 15. Background Papers

15.1 Statement of Accounts 2020/21 – Leadership Board 1 February 2022 [Agenda-Pack-1-February-20221.pdf \(northeastca.gov.uk\)](#)

Statement of Accounts 2020/21 – Audit and Standards Committee 11 April 2023  
[FINAL-Audit-and-Standards-Committee-Agenda-Pack-11-April-2023.pdf \(northeastca.gov.uk\)](#)

### 16. Contact Officers

16.1 Eleanor Goodman, NECA Finance Manager,  
[Eleanor.goodman@northeastca.gov.uk](mailto:Eleanor.goodman@northeastca.gov.uk), 0191 433 3860

### 17. Sign off

- 17.1
- Head of Paid Service: ✓
  - Monitoring Officer: ✓
  - Chief Finance Officer: ✓

### 18. Glossary

18.1 CIPFA – Chartered Institute of Public Finance and Accountancy



North East Combined Authority

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Paul Darby  
North East Combined Authority  
[paul.darby@durham.gov.uk](mailto:paul.darby@durham.gov.uk)  
03000 261 930

## Appendix A

To: Mr Gavin Barker  
Director  
Mazars LLP

Date:

### **North East Combined Authority (NECA) and Group – audit for year ended 31 March 2021**

This representation letter is provided in connection with your audit of the financial statements of NECA and Group for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) and applicable law.

I confirm that the following representations, to the best of my knowledge and belief, are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

#### **My responsibility for the financial statements and accounting information**

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

#### **My responsibility to provide and disclose relevant information**

I have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to individuals within NECA and Group you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Chief Finance Officer that I have taken all necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information. As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.



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### **Accounting records**

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all NECA and Group committee meetings, have been made available to you.

### **Accounting policies**

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on NECA and Group's financial position, financial performance and cash flows.

### **Accounting estimates, including those measured at fair value**

I confirm that any significant assumptions used by NECA and Group in making accounting estimates, including those measured at current or fair value, are reasonable

### **Contingencies**

There are no material contingent losses including pending or potential litigation that should be accrued where:

- Information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- The amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against NECA and Group have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

### **Laws and regulations**

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

NECA and Group have complied with all aspects of contractual agreements what would have a material effect on the accounts in the event of non-compliance.

### **Fraud and error**

I acknowledge my responsibility as Chief Finance Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- All the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- All knowledge of fraud or suspected fraud affecting NECA and Group involving:
  - Management and those charged with governance;
  - Employees who have significant roles in internal control; and
  - Others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting NECA and Group's financial statements communicated by employees, former employees, analysts, regulators or others.

### **Related party transactions**

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law. I have disclosed to you the identity of NECA and Group's related parties and all related party relationships and transactions of which I am aware.

### **Charges on assets**

All NECA and Group's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

### **Impairment review**

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their



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carrying value at the balance sheet date. An impairment review is, therefore, not considered necessary.

### **Future commitments**

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

### **Subsequent events**

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed. Should further material events occur after the date of the letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

### **Going concern**

I confirm that I have carried out an assessment of the potential impact of the COVID-19 Virus pandemic on NECA and Group, including the impact of mitigation measures and uncertainties and I am satisfied that the going concern assumption remains appropriate and that no material uncertainty has been identified.

### **Unadjusted misstatements**

I confirm that there were no unadjusted misstatements in the 2020/21 statement of accounts.

Yours faithfully

Paul Darby  
Chief Finance Officer

Date:





**North East Combined Authority**  
**Statement of Accounts 2020/21**



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## 1.0 Statement of Responsibilities for the Statement of Accounts

### 1.1 The Authority's Responsibilities

#### **The Authority is required:**

- To make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Chief Finance Officer.
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts.

#### **The Chief Finance Officer's Responsibilities:**

The Chief Finance Officer is responsible for the preparation of the Authority and Group Statement of Accounts in accordance with proper practices as set out in the CIPFA (Chartered Institute of Public Finance & Accountancy) Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

#### **In preparing this Statement of Accounts, the Chief Finance Officer has:**

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Local Authority Code.

#### **The Chief Finance Officer has also:**

- Kept proper accounting records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Certification of the Accounts**

I hereby certify that the Statement of Accounts for the year ended 31 March 2021, required by the Accounts and Audit Regulations 2015, are set out in the following pages.

I certify that the Statement of Accounts gives a true and fair view of the financial position of the North East Combined Authority and Group at 31 March 2021 and its income and expenditure for the year ended 31 March 2021.

Signed:

Signed:

Paul Darby  
Chief Finance Officer

Cllr Graeme Miller  
Chair of the North East Combined Authority  
Leadership Board

## 2.1 Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into Usable Reserves (i.e. those which can be applied to fund expenditure) and Unusable Reserves (which cannot). The Total Comprehensive Income and Expenditure line shows the accounting cost of providing NECA's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund balance. The net increase or decrease before transfers to earmarked reserves shows the statutory General Fund balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

	Note	Usable Reserves					Unusable Reserves	Total Authority Reserves
		General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves		
		£000	£000	£000	£000	£000		
<b>Balance at 1 April 2019</b>		<b>(22,831)</b>	<b>(9,792)</b>	<b>(2,503)</b>	<b>(11,672)</b>	<b>(46,796)</b>	<b>(67,485)</b>	<b>(114,281)</b>
Total Comprehensive Income and Expenditure		(9,988)	-	-	-	(9,988)	(870)	(10,858)
Adjustments between accounting basis & funding basis under regulations	3	9,005	-	(6,386)	(1,551)	1,068	(1,068)	-
Net (Increase)/Decrease before transfers to Earmarked Reserves		<b>(983)</b>	-	<b>(6,386)</b>	<b>(1,551)</b>	<b>(8,920)</b>	<b>(1,938)</b>	<b>(10,858)</b>
Transfers (To)/From Earmarked Reserves	21	2,581	(2,581)	-	-	-	-	-
<b>(Increase)/Decrease in 2019/20</b>		<b>1,598</b>	<b>(2,581)</b>	<b>(6,386)</b>	<b>(1,551)</b>	<b>(8,920)</b>	<b>(1,938)</b>	<b>(10,858)</b>
<b>Balance at 31 March 2020 carried forward</b>		<b>(21,233)</b>	<b>(12,373)</b>	<b>(8,889)</b>	<b>(13,223)</b>	<b>(55,716)</b>	<b>(69,423)</b>	<b>(125,139)</b>
Transfer to NTCA 1 April 2020		12,068	1,596	8,889	5,862	<b>28,415</b>	13,724	42,139
<b>Opening Balance at 1 April</b>		<b>(9,165)</b>	<b>(10,777)</b>	-	<b>(7,361)</b>	<b>(27,301)</b>	<b>(55,699)</b>	<b>(83,000)</b>
Total Comprehensive Income and Expenditure		(16,673)	-	-	-	(16,673)	360	(16,313)
Adjustments between accounting basis & funding basis under regulations	3	17,269	-	-	(16,324)	944	(944)	-
Net (Increase)/Decrease before transfers to Earmarked Reserves		<b>595</b>	-	-	<b>(16,324)</b>	<b>(15,729)</b>	<b>(584)</b>	<b>(16,313)</b>
Transfers (To)/From Earmarked Reserves	21	677	(677)	-	-	-	-	-
<b>(Increase)/Decrease in 2020/21</b>		<b>1,271</b>	<b>(677)</b>	-	<b>(16,324)</b>	<b>(15,730)</b>	<b>(583)</b>	<b>(16,313)</b>
<b>Balance at 31 March 2021 carried forward</b>		<b>(7,893)</b>	<b>(11,454)</b>	-	<b>(23,685)</b>	<b>(43,030)</b>	<b>(56,284)</b>	<b>(99,313)</b>

## 2.2 Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in year of providing services in accordance with generally accepted accounting practice, rather than the amount charged to the General Fund which is set out in the Movement in Reserves Statement.

2019/20				Note	2020/21		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
			<b>Continuing NECA Services</b>	1			
1,341	(678)	663	Corporate		574	(781)	(207)
290	(290)	-	Skills		-	-	-
143	-	143	Transport - Retained Levy Budget		73	-	73
15,552	-	15,552	Transport - Durham		15,456	-	15,456
31,010	-	31,010	Transport - Tyne and Wear		32,719	-	32,719
11,741	(13,609)	(1,868)	Transport - Other		11,618	(28,367)	(16,749)
14,250	(18,719)	(4,469)	Transport - Tyne Tunnels		13,267	(14,234)	(967)
-	-	-	Covid-19 Grants		6,074	(6,074)	-
<b>74,327</b>	<b>(33,296)</b>	<b>41,031</b>	<b>Cost of Services relating to continuing services excluding operations transferred to the NTCA</b>		<b>79,781</b>	<b>(49,456)</b>	<b>30,325</b>
375	(161)	214	Inward Investment		-	-	-
26,390	(26,053)	337	Local Growth Fund Programme		-	-	-
3,680	(3,752)	(72)	North East Local Enterprise Partnership		-	-	-
<b>30,445</b>	<b>(29,966)</b>	<b>479</b>	<b>Cost of Services relating to services transferred to the NTCA</b>		-	-	-
<b>104,772</b>	<b>(63,262)</b>	<b>41,510</b>	<b>Cost of Services</b>		<b>79,781</b>	<b>(49,456)</b>	<b>30,325</b>
			<b>Financing and Investment Income and Expenditure</b>	4			
4,196	(1,463)	2,733	- From continuing services		4,057	(963)	3,094
-	(761)	(761)	- From services transferred to the NTCA		-	-	-
			<b>Taxation and Non-Specific Grant Income</b>	5			
-	(51,319)	(51,319)	- From continuing services		-	(50,091)	(50,091)
-	(2,151)	(2,151)	- From services transferred to the NTCA				-
		<b>(9,988)</b>	<b>(Surplus)/Deficit on Provision of Services</b>				<b>(16,672)</b>
		(870)	Re-measurement of the defined benefit liability	19			360
		<b>(870)</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>360</b>
		<b>(10,858)</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(16,312)</b>

## 2.3 Balance Sheet

The Balance Sheet summarises NECA's financial position at 31 March each year. The Net Assets of the Authority (total assets less total liabilities) are matched by Reserves. Reserves are reported in two categories, Usable and Unusable. Unusable Reserves include those which hold unrealised gains and losses (e.g. the Revaluation Reserve) where amounts only become available to provide services if the assets are sold; and reserves that hold timing differences in the Movement in Reserves Statement line "adjustments between accounting basis and funding basis under regulations".

31 March 2020 £000		Note	31 March 2021 £000
193,200	Property, Plant and Equipment	11, 11a	190,648
31,935	Long Term Debtors	15	18,715
<b>225,135</b>	<b>Long Term Assets</b>		<b>209,363</b>
58,236	Short Term Investments	12	34,383
8,899	Short Term Debtors	14	5,050
22,017	Cash and Cash Equivalents	16	38,183
<b>89,152</b>	<b>Current Assets</b>		<b>77,616</b>
(1,298)	Short Term Borrowing	12	(1,274)
(39,984)	Short Term Creditors	17	(39,879)
(891)	Grants Receipts in Advance	6	(3,356)
(2,837)	New Tyne Crossing Deferred Income	18	(2,824)
<b>(45,010)</b>	<b>Current Liabilities</b>		<b>(47,333)</b>
(48,224)	New Tyne Crossing Deferred Income	18	(45,184)
(95,072)	Long Term Borrowing	12	(94,276)
(840)	Pension Liability	19	(870)
<b>(144,136)</b>	<b>Long Term Liabilities</b>		<b>(140,330)</b>
<b>125,141</b>	<b>Net Assets</b>		<b>99,316</b>
(55,717)	Usable Reserves	20	(43,032)
(69,424)	Unusable Reserves	22	(56,284)
<b>(125,141)</b>	<b>Total Reserves</b>		<b>(99,316)</b>

### Chief Finance Officer Certificate

I certify that the accounts set out on pages 5 to 78 give a true and fair view of the financial position of the North East Combined Authority as at the 31 March 2021.

Signed:

Paul Darby, Chief Finance Officer

## 2.4 Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows from operating, investing and financing activities. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

2019/20 £000		Note	2020/21 £000
9,988	Net Surplus/(Deficit) on the provision of services		16,672
(7,193)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	24	16,000
(41,940)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	24	(25,271)
<b>(39,145)</b>	<b>Net cash flows from Operating Activities</b>		<b>7,401</b>
47,036	Investing Activities	25	51,740
2,406	Financing Activities	26	(838)
<b>10,297</b>	<b>Net (Decrease)/Increase in cash and cash equivalents</b>		<b>58,303</b>
11,720	Cash and cash equivalents at the beginning of the reporting period	16	22,017
-	Transfer to the NTCA		(42,138)
<b>22,017</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>38,182</b>



## **Note 01: Transfer of Services to the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority**

On 2 November 2018, under the terms of the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority (Establishment and Functions) Order 2018 a new entity, the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority was created (referred to in this document as the North of Tyne Combined Authority, or NTCA).

At this date:

- Newcastle City Council, North Tyneside Metropolitan District Council and Northumberland County Council ceased to be members of the North East Combined Authority and became members of the new NTCA; and
- The business of the North East Combined Authority, and the associated assets and liabilities, relating to the geography of Newcastle upon Tyne, North Tyneside and Northumberland transferred to the new NTCA.

Under the Order, it is stated that NECA and NTCA must appoint a Joint Transport Committee (JTC), which is endowed with the powers of the Integrated Transport Authority previously endowed upon NECA. The Constitution of the JTC is such that it meets the definition of Joint Control and it is classified accordingly as a Joint Operation.

At its first meeting on 20 November 2018, the JTC appointed NECA as its accountable body. As the accountable body NECA must split the revenue, expenditure, assets and liabilities into those which relate to NECA and those which relate to NTCA:

- That which relates to Northumberland is wholly allocated to NTCA.
- That which relates to Durham is wholly allocated to NECA.
- That which relates to Tyne and Wear is allocated between NECA and NTCA on the basis of population using the ONS statistics used as the basis of dividing the levy contributions.

Paragraph 2.1.2.9 of the Code makes clear that combinations of public sector bodies are not to be taken as negating the presumption of going concern. The establishment of the NTCA and decisions about accountable body status therefore have no impact on the going concern basis of the NECA accounts.

On 1 April 2020, the Accountable Body role for the North East Local Enterprise Partnership transferred to the NTCA. This includes the employment of all North East LEP staff and administration of its income and expenditure. In addition, the Invest North East England function also transferred to the NTCA on the same date.

This has been accounted for in the 2020/21 financial statements as a transfer by absorption. Assets and liabilities have been transferred at carrying value. The Comprehensive Income and Expenditure Statement shows services transferred to NTCA separately from services continuing to be reported by NECA in the prior year results, in order to aid comparatives across financial years. In the notes to the accounts, a separate line disclosing the transfer is included after the balance brought forward from the previous year.

**Note 02: Expenditure and Funding Analysis**

The objective of the Expenditure and Funding Analysis is to demonstrate how the funding available to the authority (i.e. government grants and contributions) for the year has been used in providing services in comparison with those resources consumed or earned by the authority in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the authority's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

	2020/21				
	Net Expenditure Chargeable to the General Fund	Adjustments for Capital Purposes	Pension Adjustments	Other Differences	Net Expenditure in the CIES
	£000	£000	£000	£000	£000
Corporate Skills	93	-	(300)	-	(207)
Transport - Retained Levy Budget	-	-	-	-	-
Transport - Durham	361	(288)	-	-	73
Transport - Tyne and Wear	15,456	-	-	-	15,456
Transport - Other	32,719	-	-	-	32,719
Transport - Tyne Tunnels	(2,720)	(14,029)	-	-	(16,749)
	736	(1,653)	(50)	-	(967)
<b>Cost of services</b>	<b>46,645</b>	<b>(15,971)</b>	<b>(350)</b>	-	<b>30,325</b>
<b>Other Income and Expenditure</b>	<b>(46,050)</b>	<b>(741)</b>	20	<b>(225)</b>	<b>(46,997)</b>
<b>(Surplus)/Deficit on Provision of Services</b>	<b>595</b>	<b>(16,712)</b>	<b>(330)</b>	<b>(225)</b>	<b>(16,672)</b>
<b>Opening General Fund Balances</b>	<b>(33,607)</b>				
Transfer to NTCA 1 April 2020	13,664				
<b>Closing General Fund Balances</b>	<b>(19,348)</b>				

**Adjustments for Capital Purposes**

This column adds in depreciation and impairment and revaluation gains and losses in the service line, and adjusts for:

- Other operating expenditure - adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure - the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure - capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied during the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

## Net Change for the Pension Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and investment income and expenditure - the net interest on the defined benefit liability is charged to the CIES.

## Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For Financing and investment income and expenditure, the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

	2019/20				
	Net Expenditure Chargeable to the General Fund	Adjustments for Capital Purposes	Pension Adjustments	Other Differences	Net Expenditure in the CIES
	£000	£000	£000	£000	£000
Corporate	(177)	-	840	-	663
Inward Investment	214	-	-	-	214
Local Growth Fund Programme	2,031	(1,694)	-	-	337
North East Local Enterprise Partnership Skills	(72)	-	-	-	(72)
Transport - Retained Levy Budget	438	(295)	-	-	143
Transport - Durham	15,552	-	-	-	15,552
Transport - Tyne and Wear	31,010	-	-	-	31,010
Transport - Other	409	(2,277)	-	-	(1,868)
Transport - Tyne Tunnels	(3,184)	(1,235)	(50)	-	(4,469)
<b>Cost of services</b>	<b>46,221</b>	<b>(5,501)</b>	<b>790</b>	<b>-</b>	<b>41,510</b>
<b>Other Income and Expenditure</b>	<b>(50,540)</b>	<b>(389)</b>	<b>20</b>	<b>(589)</b>	<b>(51,498)</b>
<b>(Surplus)/Deficit on Provision of Services</b>	<b>(4,319)</b>	<b>(5,890)</b>	<b>810</b>	<b>(589)</b>	<b>(9,988)</b>
<b>Opening General Fund Balances</b>	<b>(32,624)</b>				
Transfer from Capital Receipts Reserve	3,336				
<b>Closing General Fund Balances</b>	<b>(33,607)</b>				

**Note 02a: Income and Expenditure Analysed by Nature**

	<b>2019/20 £000</b>	<b>2020/21 £000</b>
<b>Expenditure</b>		
Employee benefit expenses	3,007	511
Other service expenses	61,910	66,477
Depreciation, impairment and Revenue Expenditure Funded from Capital Under Statute (REFCUS)	39,855	12,793
Interest payments	4,196	4,057
<b>Total expenditure</b>	<b>108,968</b>	<b>83,838</b>
<b>Income</b>		
Fees, charges and other service income (Tyne Tunnels tolls)*	(15,866)	(11,393)
Interest and investment income	(2,224)	(963)
Income from business rates on enterprise zones	(2,151)	-
Income from transport levy	(49,598)	(49,349)
Government grants and contributions	(45,684)	(34,268)
Other income	(3,433)	(4,537)
<b>Total income</b>	<b>(118,956)</b>	<b>(100,510)</b>
<b>Surplus/Deficit on the provision of services</b>	<b>(9,988)</b>	<b>(16,672)</b>

\* Fees, charges and other service income relates wholly to tolls paid by users of the Tyne Tunnels.

**Note 3: Adjustments between Accounting Basis and Funding Basis Under Regulations**

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2019/20				Adjustments between Accounting Basis and Funding Basis Under Statute	2020/21			
General Fund	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves		General Fund	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
£000	£000	£000	£000		£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Adjustment Account (CAA)</b>								
<b>Reversal of items debited or credited to the CIES</b>								
(2,317)	-	-	2,317	Charges for depreciation and impairment of non current assets	(2,402)	-	-	2,402
2,837	-	-	(2,837)	Other income that cannot be credited to the General Fund	2,824	-	-	(2,824)
35,904	-	-	(35,904)	Capital grants and contributions applied	7,052	-	-	(7,052)
(37,538)	-	-	37,538	Revenue expenditure funded from capital under statute	(10,391)	-	-	10,391
<b>Insertion of items not debited or credited to the CIES</b>								
964	-	-	(964)	Statutory provision for the financing of capital investment	1,391	-	-	(1,391)
5	-	-	(5)	Capital expenditure charged against the General Fund	19	-	-	(19)
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>								
6,036	-	(6,036)	-	Grants and contributions unapplied credited to the CIES	18,219	-	(18,219)	-
-	-	4,485	(4,485)	Application of grants to capital financing transferred to the CAA	-	-	1,895	(1,895)
<b>Adjustments involving the Capital Receipts Reserve</b>								
2,481	(8,042)	-	5,561	Loan principal repayments	-	(841)	-	841
855	778	-	(1,633)	Use of Capital Receipts Reserve to finance new capital expenditure	-	-	-	-
-	878	-	(878)	Application of Capital Receipts to repayment of debt	-	841	-	(841)
<b>Adjustments involving the Financial Instruments Adjustment Account</b>								
589	-	-	(589)	Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	225	-	-	(225)
<b>Adjustments involving the Pensions Reserve</b>								
(860)	-	-	860	Reversal of items relating to retirement benefits debited or credited to the CIES	280	-	-	(280)
50	-	-	(50)	Employer's pension contributions and direct payments to pensioners payable in the year	50	-	-	(50)
<b>9,006</b>	<b>(6,386)</b>	<b>(1,551)</b>	<b>(1,069)</b>	<b>Total Adjustments</b>	<b>17,268</b>	<b>-</b>	<b>(16,324)</b>	<b>(943)</b>

**Note 04: Financing and Investment Income and Expenditure**

	Note	2019/20		2020/21
		Continuing Services	Services transferred to NTCA	
			£000	£000
Interest Payable and Similar Charges		4,176	-	4,037
Interest Payable on defined benefit liability	19	20	-	20
Interest Receivable and similar income		(1,463)	(761)	(963)
<b>Total</b>		<b>2,733</b>	<b>(761)</b>	<b>3,094</b>

**Note 05: Taxation and Non Specific Grant Income**

		2019/20		2020/21
		Continuing Services	Services transferred to NTCA	
			£000	£000
Transport Levy		(49,598)	-	(49,349)
Enterprise Zones Income		-	(2,151)	-
Non-Specific Capital Grants		(1,721)	-	(741)
<b>Total</b>		<b>(51,319)</b>	<b>(2,151)</b>	<b>(50,090)</b>

**Note 06: Grant Income**

		2019/20		2020/21
		Continuing Services	Services transferred to NTCA	
			£000	£000
LEP Core and Capacity Grant		-	(500)	-
Growth Hub		-	(442)	-
Local Authority Contributions to NECA		(352)	-	(161)
Local Authority Contribution to North East LEP		-	(253)	-
Local Growth Fund		-	(28,063)	(679)
Local Transport Plan		(7,770)	-	(7,736)
European Grants		-	(979)	(176)
North East Smart Ticketing Initiative		(202)	-	(113)
Transforming Cities Fund		(5,516)	-	(13,907)
LEP Local Industrial Strategy Grant		-	(224)	-
Office for Low Emission Vehicles		(302)	-	(70)
COVID-19		-	-	(6,074)
Other Grants		-	(1,082)	(5,352)
<b>Total</b>		<b>(14,142)</b>	<b>(31,543)</b>	<b>(34,268)</b>

The Government have provided Grants to cover some losses, identified by Local Authorities and NEXUS, due to the COVID-19 pandemic. These have been identified separately in the table above.

The Authority has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that, if not met, will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

<b>Grants Receipts in Advance</b>	<b>31 March 2020 £000</b>	<b>31 March 2021 £000</b>
North East Smart Ticketing Initiative	(114)	-
Office for Low Emission Vehicles	(141)	(127)
Other Grants	(636)	(3,229)
<b>Total</b>	<b>(891)</b>	<b>(3,356)</b>

Shown as Short-Term Liability on the Balance Sheet	(891)	(3,356)
Short as Long-Term Liability on the Balance Sheet	-	-
<b>Total</b>	<b>(891)</b>	<b>(3,356)</b>

#### **Note 7: Members' Allowances**

The Authority paid the following amounts to independent members of its various committees during the year. Representatives from constituent authorities receive no allowances from NECA.

	<b>2019/20 £000</b>	<b>2020/21 £000</b>
Allowances	12	12
<b>Total</b>	<b>12</b>	<b>12</b>

**Note 08: Officers' Remuneration**

The remuneration paid to the Authority's Senior Officers was as follows:

		Salary, Fees and Allowances £000	Pension Contributions £000	Total £000
Managing Director of Transport Operations	2020/21	131	-	131
	2019/20	127	-	127

All three of the Authority's statutory officers in 2020/21 were not formal employees of the authority (and are not therefore included in the statutory disclosure above). Their services are provided by Service Level Agreements between the authority and their Local Authority employers. The individuals involved received no additional remuneration for these roles.

The number of other officers who received remuneration greater than £50,000 (excluding employers' pension contributions) was as follows:

	2019/20 £000	2020/21 £000
£50,000-£54,999	5	0
£55,000-£59,999	0	1
£60,000-£64,999	2	0
£65,000-£69,999	3	0
£70,000-£74,999	0	0
£75,000-£79,999	0	0
£80,000-£84,999	0	0
£85,000-£89,999	1	0
£90,000-£94,999	0	0
£95,000-£99,999	0	1
<b>Total</b>	<b>11</b>	<b>2</b>

The reduction in numbers from the 2019/20 figures is due to the removal of LEP staff who were transferred to the North of Tyne Combined Authority on 01/04/2020.



**Note 9: External Audit Costs**

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspection and for non-audit services provided by the Authority's external auditors.

	<b>2019/20 £000</b>	<b>2020/21 £000</b>
Scale fee for the audit of the Statement of Accounts	19	19
Additional fee in relation to the audit of the 2019/20 Accounts (paid during 2020/21)	6	8
<b>Total</b>	<b>25</b>	<b>27</b>

## **Note 10: Related Parties**

The Authority is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

In this context, related parties include:

- Central Government
- Members of the Authority
- Officers of the Authority
- NECA Constituent Authorities
- Joint Transport Committee Constituent Authorities
- Other Public Bodies
- Other Entities

### **Central Government**

Central Government is responsible for providing the statutory framework within which the Authority operates, provides much of its funding in the form of grants and prescribes the terms of some of the transactions that the Authority has with other parties (e.g. Concessionary Fares reimbursement). Grants received from government departments are set out in Note 6.

### **Elected Members of the Authority**

Members of the Authority have a direct control over the Authority's financial and operating policies. No members allowances are payable to elected members of the Authority. During 2020/21 no works or services were commissioned from companies in which any members had an interest.

### **Officers**

There has been no pecuniary interest involving the Head of Paid Service, the Chief Finance Officer or the Monitoring Officer to the Authority.

### **NECA Constituent Authorities**

The Leaders of the four NECA constituent Authorities serve as members of the NECA Leadership Board. Prior to 2 November 2018, the Leaders and Elected Mayor of the seven North East local authorities were members of the NECA Leadership Board. Details of material transactions with the seven Authorities are set out in the table below.

### **Joint Transport Committee Constituent Authorities**

From 2 November 2018, the Joint Transport Committee has been in establishment, comprised of the seven North East local authorities. Figures reported in these accounts include the NECA share of Joint Transport Committee activity, and details of material transactions with the seven Authorities are set out in the table below.

**Other Public Bodies**

The Authority has a direct relationship with the Passenger Transport Executive for Tyne and Wear (Nexus). NECA (via its participation in the Joint Transport Committee) sets the policy which is delivered by Nexus, and agrees its budget and revenue grant. Details of material transactions with Nexus are set out in the table below.

**Other Entities**

Newcastle International Airport Ltd - the seven Constituent Authorities of NECA are shareholders in Newcastle Airport.

	2019/20				2020/21			
	Receivables	Income	Expenditure	Payables	Receivables	Income	Expenditure	Payables
	£000	£000	£000	£000	£000	£000	£000	£000
<b>NECA Constituent Authorities</b>								
Durham	(3)	(15,699)	19,330	595	-	(15,499)	18,960	1,187
Gateshead	(245)	(6,463)	4,525	2,625	-	(10,291)	1,136	137
South Tyneside	(3)	(4,689)	981	791	-	(8,112)	926	206
Sunderland	(763)	(9,582)	13,099	898	-	(14,949)	1,327	131
<b>Remaining JTC Constituent Authorities</b>								
Newcastle	(528)	(8,940)	3,126	1,308	-	(10)	2,879	691
North Tyneside	(433)	(8,542)	3,640	290	-	(10)	1,061	130
Northumberland	(351)	(496)	3,389	271	-	(10)	2,014	315
<b>Other Public Bodies</b>								
North of Tyne Combined Authority	(8)	(8)	-	-	-	-	-	-
Nexus	(845)	(81)	31,803	28,695	(695)	(761)	37,234	33,671

NECA is the accountable body for the Joint Transport Committee and as such must split revenue, expenditure and assets and liabilities into those which relate to NECA and those which relate to NTCA. The basis of dividing the levy contributions is done on a proportion of population in respect of the five Tyne and Wear authorities, with North of Tyne Authorities proportion based on Newcastle and North Tyneside population and the NECA authorities split on the population of the Gateshead, South Tyneside and Sunderland. The contribution relating to Northumberland, however, is administered by North of Tyne and therefore shown as wholly allocated within the North of Tyne accounts and Durham is wholly shown in the NECA accounts.

## Note 11: Property, Plant and Equipment (excluding Highways Infrastructure Assets)

	2020/21			
	Vehicles, Plant, Furniture & Equipment	Assets Under Construction	Total Property, Plant & Equipment (excluding Highways Infrastructure Assets)	Service Concession Assets included in Property, Plant and Equipment
	£000	£000	£000	£000
<b>Cost or Valuation</b>				
<b>At 1 April 2020</b>	2,204	1,049	3,253	-
Additions	-	189	189	-
Reclassification from Assets Under Construction	677	(677)	-	-
impairment recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-
Other Adjustments	-	-	-	-
<b>At 31 March 2021</b>	<b>2,881</b>	<b>561</b>	<b>3,442</b>	<b>-</b>
<b>Accumulated Depreciation and Impairment</b>				
<b>At 1 April 2020</b>	(754)	-	(754)	-
Depreciation charge for the Year	(160)	-	(160)	-
<b>At 31 March 2021</b>	<b>(914)</b>	<b>-</b>	<b>(914)</b>	<b>-</b>
<b>Net Book Value</b>				
<b>At 1 April 2020</b>	1,450	1,049	2,499	-
<b>At 31 March 2021</b>	<b>1,967</b>	<b>561</b>	<b>2,528</b>	<b>-</b>

	2019/20			
	Vehicles, Plant, Furniture & Equipment	Assets Under Construction	Total Property, Plant & Equipment (excluding Highways Infrastructure Assets)	Service Concession Assets included in Property, Plant and Equipment
	£000	£000	£000	£000
<b>Cost or Valuation</b>				
<b>At 1 April 2019</b>	1,785	10,067	11,852	-
Additions	-	1,594	1,594	-
Reclassification from Assets Under Construction	419	(10,612)	(10,193)	-
<b>At 31 March 2020</b>	<b>2,204</b>	<b>1,049</b>	<b>3,253</b>	-
<b>Accumulated Depreciation and Impairment</b>				
<b>At 1 April 2019</b>	(661)	-	(661)	-
Depreciation charge for the Year	(93)	-	(93)	-
<b>At 31 March 2020</b>	<b>(754)</b>	-	<b>(754)</b>	-
<b>Net Book Value</b>				
<b>At 1 April 2019</b>	1,124	10,067	11,191	-
<b>At 31 March 2020</b>	<b>1,450</b>	<b>1,049</b>	<b>2,499</b>	-

;) )

**Note 11a: Property, Plant and Equipment (Highways Infrastructure Assets)****Movements on balances**

In accordance with the temporary relief offered by the Update to the Code on Infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

	2019/20	2020/21
	£000	£000
<b>Net book value (modified historical cost)</b>		
<b>At 1 April</b>	<b>182,732</b>	<b>190,701</b>
Additions	10,193	528
Derecognition	-	-
Depreciation	(2,224)	(2,222)
Impairment	-	(20)
Other movements in cost	-	(865)
<b>At 31 March</b>	<b>190,701</b>	<b>188,122</b>

**Reconciliation to Balance Sheet**

	2019/20	2020/21
	£000	£000
Infrastructure assets	190,701	188,122
Other PPE assets	2,499	2,528
<b>Total PPE assets</b>	<b>193,200</b>	<b>190,650</b>

The authority has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

**Structures - net book value**

The authority has estimated a net book value at 31 March 2021 for its structures at £2.222m. This is fully represented by the tunnels owned by the authority. The remaining useful lives for its tunnels are assessed to be as follows:

Northbound vehicle tunnel	62 years
Southbound vehicle tunnel	110 years
Pedestrian and cyclist tunnels	62 years

Depreciation for the tunnels (and total annual depreciation for 2020/21 on structures) is £2.222m.

**Note 12: Financial Instruments****Financial Assets**

A financial asset is a right to future economic benefits controlled by the Authority that is represented by cash or other instruments or a contractual right to receive cash or another financial asset. The financial assets held by the Authority during the year are held under the following classifications.

	Non-current				Current			
	Investments		Debtors		Investments		Debtors	
	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021
	£000	£000	£000	£000	£000	£000	£000	£000
Amortised cost	-	-	31,935	18,715	58,236	34,383	6,926	2,242
<b>Total financial assets</b>	-	-	<b>31,935</b>	<b>18,715</b>	<b>58,236</b>	<b>34,383</b>	<b>6,926</b>	<b>2,242</b>
Non-financial assets	-	-	-	-	-	-	1,973	2,808
<b>Total</b>	-	-	<b>31,935</b>	<b>18,715</b>	<b>58,236</b>	<b>34,383</b>	<b>8,899</b>	<b>5,050</b>

**Financial assets at amortised cost**

Financial assets are classified at amortised cost only if both of the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows; and
- The contractual terms give rise to cash flows that are solely payments of principal and interest

All of NECA's financial assets fit these criteria and are classified at amortised cost.

**Trade receivables**

Trade receivables are amounts due for goods and services delivered. They are generally due for settlement within 30 days and are therefore classified as current. Trade receivables are recognised initially at the amount of the consideration. Trade receivables are held with the objective of collecting the contractual cash flows and are therefore measured at amortised cost using the effective interest method.

Due to the short-term nature of held to maturity investments their carrying value is considered to be the same as their fair value.

**Financial Liabilities held at amortised cost**

A financial liability is an obligation to transfer economic benefits controlled by the Authority and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Authority.

	Non-current				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021
	£000	£000	£000	£000	£000	£000	£000	£000
Amortised cost	(95,072)	(94,276)	-	-	(1,298)	(1,274)	(32,487)	(33,933)
<b>Total financial liabilities</b>	<b>(95,072)</b>	<b>(94,276)</b>	<b>-</b>	<b>-</b>	<b>(1,298)</b>	<b>(1,274)</b>	<b>(32,487)</b>	<b>(33,933)</b>
Non-financial liabilities	-	-	-	-	-	-	(7,497)	(5,946)
<b>Total</b>	<b>(95,072)</b>	<b>(94,276)</b>	<b>-</b>	<b>-</b>	<b>(1,298)</b>	<b>(1,274)</b>	<b>(39,984)</b>	<b>(39,879)</b>

The contractual terms for NECA's financial liabilities give rise to cash flows that are solely payments of principal and interest, and they have been accordingly classified at amortised cost.



## Income, Expense, Gains and Losses

The gains and losses recognised in the CIES in relation to financial instruments are made up as follows:

31 March 2020				31 March 2021		
£000	£000	£000		£000	£000	£000
Financial Liabilities at amortised cost	Financial assets: measured at amortised cost	Total		Financial Liabilities at amortised cost	Financial assets: measured at amortised cost	Total
4,176	-	4,176	Interest expense	4,037	-	4,037
4,176	-	4,176	<b>Total expense in Surplus on Provision of Services</b>	4,037	-	4,037
-	(2,092)	(2,092)	Investment income	-	(963)	(963)
-	(132)	(132)	Movement on soft loans adjustment	-	-	-
-	(2,224)	(2,224)	<b>Total income in Surplus on Provision of Services</b>	-	(963)	(963)
4,176	(2,224)	1,952	<b>Net (gain)/loss for the year</b>	4,037	(963)	3,074

## Fair Value of Assets & Liabilities carried at Amortised Cost

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2021, using the following methods and assumptions:

- Loans borrowed by the Authority have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority
- The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options. Lender's options to propose an increase to the interest rate of the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31st March.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

For 2020/21 the fair values shown in the table below are split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability: Fair values have been estimated by discounting the loans' contractual cash flows over the whole life of the instruments at the appropriate market rates for local authority loans of equivalent remaining term. The value of “Lender’s Option Borrower’s Option” (LOBO) loans have been increased by the value of the embedded options: lenders’ options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps; borrower’s contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- Level 3 – fair value is determined using unobservable inputs: consideration of the estimated creditworthiness of the organisation receiving the loans based on their financial performance and track record of payment.

The fair values calculated are as follows:

	Level	31 March 2020		31 March 2021	
		Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial liabilities held at amortised cost	2	(96,370)	(166,167)	(95,550)	(151,970)
<b>Total</b>		<b>(96,370)</b>	<b>(166,167)</b>	<b>(95,550)</b>	<b>(151,970)</b>
<b>Financial Assets at amortised cost</b>					
Held to maturity investments		58,236	58,236	34,383	34,383
Nexus loan debtor	2	19,614	34,148	18,715	30,051
Other loan debtors	3	14,510	14,510	-	-
<b>Total</b>		<b>92,360</b>	<b>106,894</b>	<b>53,098</b>	<b>64,434</b>

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

## Soft Loans

Soft loans are loans made to third parties at a preferential rate of interest, i.e. below the market rate. In previous years, the LEP issued a small number of loans as part of its North East Investment Fund activity to encourage economic development in the region. Details of the loans are set out in the table below.

- Durham University - Development of Centre for Innovation and Growth, research and development facility to work with partners and private companies to develop new technologies and processes.
- Neptune Test Centre - construction of deep water test tank at Neptune Enterprise
- Cobalt Data Centre - Network improvements to support development of 23km 'superfast' broadband loop through Newcastle and North Tyneside.
- Boiler Shop - Development including office and conferencing space at South Street/Boiler Shop, Stephenson Quarter.

Since the transfer of Accountable Body responsibility for the North East LEP to the North of Tyne Combined Authority on 1 April 2020, NECA no longer holds any soft loans so no values are shown for 2020/21.

Description	2019/20							
	Term (Years)	Contracted Rate	Fair Value Rate	Opening Balance Fair Value	Loans Repaid	Increase in discounted amount	Closing Balance (fair value)	Closing Balance (Nominal)
				£000	£000	£000	£000	£000
Durham University	12	1.90%	4.95%	9,244	(1,282)	458	8,420	8,916
Neptune Test Centre	9	0.00%	4.99%	3,397	(440)	169	3,126	4,397
Cobalt Data Centre	6	6.00%	7.00%	1,589	(1,589)	-	-	-
Boiler Shop	3	4.50%	5.02%	1,699	(80)	90	1,709	1,465

**Note 13: Nature and Extent of risks arising from Financial Instruments**

The Authority's activities expose it to a variety of financial risks:

- Credit risk - the possibility that other parties might fail to pay amounts due to the Authority.
- Liquidity risk - the possibility that the Authority might not have funds available to meet its commitments to make payments.
- Market risk - the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and financial market movements.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Authority in the Annual Treasury Management Strategy Statement. The statement provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

**Credit risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. This deposit risk is minimised through the Treasury Management Statement, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The Treasury Management Statement also imposes a maximum sum to be invested with a financial institution located within each category. The credit criteria in respect of financial assets held by the Authority are detailed fully in the Annual Treasury Management Strategy Statement.

The following table summarises the Authority's maximum exposure to credit risk on financial assets. This analysis is based on credit rating advice received by Treasury Management advisors and focuses on the long-term investment grade rating issued to each financial institution. The highest possible rating is AAA and the lowest rating is BBB:

Rating	2019/20 £000	2020/21 £000
n/a - investments with UK local authorities	52,446	34,383
n/a - investments with unrated building societies <sup>1</sup>	5,790	-
<b>Total Short-Term Investments</b>	<b>58,236</b>	<b>34,383</b>
AAA	13,348	17,746
AA2	3,621	-
<b>Total Cash Equivalents</b>	<b>16,969</b>	<b>17,746</b>

<sup>1</sup> In line with its agreed Investment Strategy, NECA places investments for up to 1 year and up to £5m each with UK building societies without credit ratings with assets greater than £250m.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non recovery applies to all of the Authority's deposits, but there was no evidence at the 31 March 2021 that this was likely to crystallise. Actions are taken immediately if an institution is downgraded and deposits withdrawn in line with Treasury Management Strategy.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, within individual credit limits being set in accordance with internal ratings within parameters set by the Authority. The Authority has a low risk of default from its customers for goods and services, since these are predominantly other local authorities or other public bodies such as Nexus.

Credit risk is taken into account in determining the appropriate rate of interest to be applied to the North East Investment Fund loans and in whether an investment decision is agreed.

### Liquidity Risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Authority has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Authority sets limits on the proportion of its fixed rate borrowing during specified periods. The strategy is to ensure maturing loans may be replaced through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments. The maturity analysis of financial liabilities is as follows:

	31 March 2020 £000	31 March 2021 £000
Between 1-2 years	(371)	(370)
Between 2-5 years	(1,114)	(1,109)
Between 5-10 years	(557)	(185)
More than 10 years	(93,029)	(92,612)
	<b>(95,071)</b>	<b>(94,276)</b>
Less than 1 year	(1,298)	(1,274)
Total borrowing	<b>(96,369)</b>	<b>(95,550)</b>

All trade and other payables are due to be paid in less than one year.

### Market Risk

## Interest Rate Risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates - the interest expense charged to the Surplus or Deficit on the Provision of Services will rise;
- Borrowings at fixed rates - the fair value of liabilities will fall;
- Investments at variable rates - the interest income credited to the Surplus or Deficit on the Provision of Services will rise;
- Investments at fixed rates - the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Authority has a number of strategies for managing interest rate risk. The policy is to ensure that the level of its borrowings in variable rate loans does not expose the portfolio to excessive movements in interest rates. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

**Interest rate sensitivity analysis:** an example of the impact of a change in interest rates is calculated in the risk assessment shown below. The assessment has been carried out assuming a 1% increase in interest rates (with all other variables such as principal and maturity periods being held constant). The results of this assessment are shown in the following table:

	31 March 2020 £000	31 March 2021 £000
Increase in interest payable on variable rate borrowing	-	-
Increase in interest receivable on variable rate investments	(520)	(95)
<b>Impact on the (Surplus)/Deficit on Provision of Services</b>	<b>(520)</b>	<b>(95)</b>

The increase in interest payable on variable rate borrowings is nil, because all NECA's borrowings are at fixed rates. A decrease in the fair value of fixed rate borrowings liabilities would have no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. The impact of a 1% fall in interest rates would be as above, but with the movements being reversed. There have been no changes from the previous period in the methods and assumptions used.

If interest rates had been 1% higher with all other variables held constant, the financial effect would be a decrease of £30.616m in the fair value of fixed rate borrowings, although this would not impact on the Surplus/Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

**Note 14: Short Term Debtors**

	31 March 2020 £000	31 March 2021 £000
Central Government bodies	3,375	610
Other local authorities	4,327	2,303
Other entities and individuals	1,197	2,137
<b>Total</b>	<b>8,899</b>	<b>5,050</b>

**Note 15: Long Term Debtors**

	31 March 2020 £000	31 March 2021 £000
Nexus borrowing	19,614	18,715
North East Investment Fund loans	12,321	-
<b>Total</b>	<b>31,935</b>	<b>18,715</b>

**Note 16: Cash and Cash Equivalents**

	31 March 2020 £000	31 March 2021 £000
Cash held in Authority's bank account	5,048	20,437
Cash equivalents	16,969	17,746
<b>Total</b>	<b>22,017</b>	<b>38,183</b>

**Note 17: Short Term Creditors**

	31 March 2020 £000	31 March 2021 £000
Central government bodies	(38)	(33)
Other local authorities	(7,213)	(2,188)
Other entities and individuals		
- Nexus	(28,224)	(33,672)
- TT2	(1,693)	(1,212)
- Other	(2,816)	(2,774)
<b>Total</b>	<b>(39,984)</b>	<b>(39,879)</b>



**Note 18: Private Finance Initiatives and Similar Contracts**

In November 2007, the then Tyne and Wear Passenger Transport Authority entered into a 30 year contract with TT2 Ltd to construct a second vehicle tunnel under the River Tyne, refurbish the existing Tyne Tunnel and operate both vehicle tunnels alongside the pedestrian and cycle tunnels for the life of the contract. The second tunnel was opened on 25 February 2011, and the refurbished original tunnel opened on 21 November 2011. Both are included on the public sector balance sheet.

In 2020/21 the total payment under the contract was £12.717m (2019/20 £21.123m) of which £7.052m is shown in the account of NECA and £5.665m shown in the accounts of NTCA. The reduction between years is a direct result of the consequences of reduced traffic volumes in 2020/21 due to the Covid-19 pandemic.

The contribution to the capital works by the private sector partner is recognised as a deferred income balance with a 2020/21 value of £86.568m (2019/20 £91.661m), of which £48.008m is shown on the NECA balance sheet and £38.561m shown on the NTCA balance sheet

	Deferred Income Release	
	2019/20 £000	2020/21 £000
Payable in 2021/22	(2,837)	(2,824)
Payable within 2 to 5 years	(11,347)	(11,296)
Payable within 6 to 10 years	(14,183)	(14,120)
Payable within 11 to 15 years	(14,184)	(14,120)
Payable within 16 to 20 years	(8,510)	(5,648)
<b>Total</b>	<b>(51,062)</b>	<b>(48,008)</b>

**Payments**

Payments made by the Authority to TT2 Ltd are based on actual traffic volumes using the tunnel, and so will vary from year to year.

## **Note 19: Defined Benefit Pension Schemes**

The Authority participates in two post-employment schemes:

- (i) The largest of the two, the Tyne and Wear Pension Fund is administered locally by South Tyneside Council - this is a funded, defined benefit scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investments.
- (ii) Unfunded defined benefit arrangements for the award of discretionary post-employment benefits upon early retirement. Under this type of scheme liabilities are recognised when awards are made. However there are no investment assets built up to meet these liabilities and cash has to be generated to meet actual pension payments as they fall due.

The Tyne and Wear Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme. The governance of the scheme is the responsibility of the Fund's Pension Committee which consists of eight members from South Tyneside Council (which has legal responsibility for the Fund), four members from the other councils in Tyne and Wear, and three members each nominated by the trades unions and the employers. During 2017/18, the Fund, along with eleven other funds, created and now owns a Financial Conduct Authority (FCA) regulated investment management company called Border to Coast Pensions Partnership Limited.

### **Transactions Relating to Post-employment Benefits**

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against the General Fund is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

## Amounts recognised in profit and loss and other comprehensive income

	Local Government Pension Scheme		Discretionary Benefits	
	2019/20	2020/21	2019/20	2020/21
	£000	£000	£000	£000
<b>Comprehensive Income and Expenditure Statement</b>				
<b>Cost of Services:</b>				
Current service cost	840	320	-	-
Settlement cost	-	(620)	-	-
<b>Financing and Investment Income and Expenditure</b>				
Interest on net defined benefit liability (asset)	-	-	20	20
<b>Pension expense recognised in profit and loss</b>	<b>840</b>	<b>(300)</b>	<b>20</b>	<b>20</b>
<b>Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement:</b>				
Return on plan assets (in excess of)/below that recognised in net interest	2,630	(10,570)	-	-
Actuarial (gains)/losses due to changes in financial assumptions	-	4,310	-	70
Actuarial (gains)/losses due to changes in demographic assumptions	(390)	-	(20)	-
Actuarial (gains)/losses due to changes in liability assumptions	3,090	320	(10)	(10)
Adjustment in respect of paragraph 58	(6,170)	6,210	-	-
<b>Total amount recognised in OCI</b>	<b>(840)</b>	<b>270</b>	<b>(30)</b>	<b>60</b>
<b>Total amount recognised</b>	<b>-</b>	<b>(30)</b>	<b>(10)</b>	<b>80</b>

North East Local Enterprise Partnership employees were transferred to the North of Tyne Combined Authority on 01 April 2020. The settlement cost in the table above reflects the transfer between employers.

## Assets and Liabilities in Relation to Post-employment Benefits

## Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Local Government Pension Scheme		Discretionary Benefits	
	2019/20	2020/21	2019/20	2020/21
	£000	£000	£000	£000
<b>Opening balance at 1 April</b>	<b>(39,520)</b>	<b>(42,750)</b>	<b>(900)</b>	<b>(840)</b>
Current service cost	(840)	(320)	-	-
Interest cost	(930)	(950)	(20)	(20)
Contributions by participants	(170)	(70)	-	-
Actuarial gains/(losses) on liabilities - financial assumptions	-	(4,310)	-	(70)
Actuarial gains/(losses) on liabilities - demographic assumptions	390	-	20	-
Actuarial gains/(losses) on liabilities - experience	(3,090)	(320)	10	10
Net benefits paid out	1,410	350	50	50
Past service costs	-	-	-	-
Net increase in liabilities from disposals/acquisitions	-	(30)	-	-
Settlements	-	1,500	-	-
<b>Closing balance at 31 March</b>	<b>(42,750)</b>	<b>(46,900)</b>	<b>(840)</b>	<b>(870)</b>

## Reconciliation of the fair value of the scheme assets:

	Local Government Pension Scheme		Discretionary Benefits	
	2019/20	2020/21	2019/20	2020/21
	£000	£000	£000	£000
<b>Opening balance at 1 April</b>	<b>48,300</b>	<b>45,570</b>	-	-
Interest income on assets	1,140	1,020	-	-
Remeasurement gains/(losses) on assets	(2,630)	10,500	-	-
Employer contributions	-	-	50	50
Contributions by scheme participants	170	70	-	-
Net benefits paid out	(1,410)	(350)	(50)	(50)
Settlements	-	(880)	-	-
<b>Closing balance at 31 March</b>	<b>45,570</b>	<b>55,930</b>	-	-

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

Scheme History	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
<b>Fair value of LGPS assets</b>	<b>45,050</b>	<b>45,980</b>	<b>48,300</b>	<b>45,570</b>	<b>55,930</b>
Present value of liabilities:					
- LGPS liabilities	(37,590)	(38,950)	(39,520)	(42,750)	(46,900)
- Impact of minimum funding	(7,460)	(7,030)	(8,780)	(2,820)	(9,030)
<b>Deficit on funded defined benefit scheme</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Discretionary benefits	(980)	(960)	(900)	(840)	(870)
<b>Total (Deficit)</b>	<b>(980)</b>	<b>(960)</b>	<b>(900)</b>	<b>(840)</b>	<b>(870)</b>

The split of the defined benefit obligation at the last valuation date between the various categories of members was as follows: active members 9%, deferred pensioners 13% and pensioners 78%.

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £54.920m has an impact on the net worth of the Authority recorded on the balance sheet, resulting in a negative pension balance of £0.870m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- The deficit on the local government scheme will be made good by contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

- The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2022 is nil. In addition, Strain on the Fund contributions may be required. Expected payments direct to beneficiaries in the year to 31 March 2022 are £0.05m in relation to unfunded benefits.

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Aon, an independent firm of actuaries. Due to the current and unprecedented market conditions, estimates for the pension fund are based on the latest full valuation of the scheme as at 31 March 2019.

The weighted average duration of the defined benefit obligation for scheme members is 13.5 years.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits	
	2019/20	2020/21	2019/20	2020/21
<b>Mortality assumptions:</b>				
Longevity at 65 for current pensioners:				
- Men	21.8	21.9	21.8	21.9
- Women	25.0	25.1	25.0	25.1
Longevity at 65 for future pensioners:				
- Men	23.5	23.6	n/a	n/a
- Women	26.8	26.9	n/a	n/a
<b>Principal financial assumptions (% per annum)</b>				
Rate for discounting scheme liabilities	2.3%	2.1%	2.3%	2.1%
Rate of inflation - Consumer Price Index	2.1%	2.7%	2.1%	2.7%
Rate of increase in pensions	2.1%	2.7%	2.1%	2.7%
Pension accounts revaluation rate	2.1%	2.7%	n/a	n/a
Rate of increase in salaries	3.6%	4.2%	n/a	n/a

The approximate split of assets for the Fund as a whole is shown in the table below:

	31 March 2020	31 March 2021		
	% Total	% Quoted	% Unquoted	% Total
Equity investments	54.8%	48.4%	7.1%	55.5%
Property	9.0%	0.0%	7.9%	7.9%
Government bonds	4.1%	2.2%	0.0%	2.2%
Corporate bonds	15.3%	19.8%	0.0%	19.8%
Cash	2.3%	4.0%	0.0%	4.0%
Other*	14.5%	4.7%	5.9%	10.6%
<b>Total</b>	<b>100.0%</b>	<b>79.1%</b>	<b>20.9%</b>	<b>100.0%</b>

\* Other holdings may include hedge funds, currency holdings, asset allocation futures and other financial instruments. It is assumed that these will generate a return in line with equities.

**Actual Return on Assets**

	<b>Local Government Pension Scheme</b>	
	<b>2019/20</b>	<b>2020/21</b>
	<b>£000</b>	<b>£000</b>
Interest Income on Assets	1,140	1,020
Remeasurement gain/(loss) on assets	(2,630)	10,500
<b>Actual Return on Assets</b>	<b>(1,490)</b>	<b>11,520</b>

**Sensitivity Analysis**

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the tables above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Sensitivity analysis of unfunded benefits has not been included on materiality grounds.

<b>Discount rate assumption</b>	<b>+0.1% per annum</b>	<b>Base Figure</b>	<b>-0.1% per annum</b>
<b>Adjustment to discount rate</b>			
Present value of total obligation (£M)	46.29	46.90	47.56
% change in present value of total obligation	-1.30%		1.40%
Projected service cost (£M)	0.41	0.42	0.43
Approximate % change in projected service cost	-2.70%		2.80%

<b>Rate of general increase in salaries</b>	<b>+0.1% per annum</b>	<b>Base Figure</b>	<b>-0.1% per annum</b>
<b>Adjustment to salary increase rate</b>			
Present value of total obligation (£M)	46.90	46.90	46.90
% change in present value of total obligation	0.00%		0.00%
Projected service cost (£M)	0.42	0.42	0.42
Approximate % change in projected service cost	0.00%		0.00%

Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption	+0.1% per annum	Base Figure	-0.1% per annum
<b>Adjustment to pension increase rate</b>			
Present value of total obligation	47.51	46.90	46.29
% change in present value of total obligation	1.30%		-1.30%
Projected service cost (£M)	0.43	0.42	0.42
Approximate % change in projected service cost	2.80%		-2.70%

Post retirement mortality assumption	- 1 year	Base Figure	+ 1 year
<b>Adjustment to mortality age rating assumption *</b>			
Present value of total obligation (£M)	48.59	46.90	45.26
% change in present value of total obligation	3.60%		-3.50%
Projected service cost (£M)	0.44	0.42	0.40
Approximate % change in projected service cost	4.20%		-4.10%

\* a rating of +1 year means that members are assumed to follow the mortality pattern of the base table for an individual that is 1 year older than them

The Pension Fund actuaries have assessed the impact of the Covid 19 pandemic on pension liabilities. Mortality during March to May 2020 was around 30% higher than the fund average for equivalent periods in the previous 10 years. However, for the 12 months to 31 May 2020, mortality was only 10% higher. The impact of this increase in mortality was small in liability terms i.e. an estimated reduction in pensioner liabilities of 0.1%. A decision was made not to change the mortality assumption on the funding valuation.

## McCloud Judgement

All public sector pension schemes were reviewed in 2011 and subsequently reformed to reduce the cost to the taxpayer. Transitional protections were provided to members who were closest to retirement. The transitional protections applied to all active members of public services schemes who were within 10 years of their normal pension age on 1 April 2012. In relation to the LGPS, all members were moved into the new 2014 Scheme, but members within 10 years of normal retirement were given an underpin (or 'better of both') promise, so their benefits would be at least as valuable in terms of amount and when they could be drawn than if they had remaining in the 2008 Scheme.

In December 2018 the Court of Appeal ruled against the Government in the 'McCloud/Sargeant' judgement which found that the transitional protection arrangements put in place when the firefighters' and judges' pensions schemes were reformed were age discriminatory. The ruling potentially has implications for all public sector schemes which were reformed around the same time and could lead to members who were discriminated against being compensated.

The Government applied to the Supreme Court for permission to appeal this judgement. On 27 June 2019, the Supreme Court denied this request for an appeal.

MHCLG published its McCloud consultation for the LGPS (in England and Wales) on 16 July 2020 setting out proposed changes aimed at removing the unlawful age discrimination in the LGPS. The consultation closed on 8 October 2020 but has not yet published its consultation response.

Although it is unknown what impact this will have on future employer pension contributions at this stage, the Pension Fund's Actuary had calculated a potential IAS 19 account liability of 2.75% of pensionable pay for 2019/20 which had been included in the current service cost for that year. Where an additional liability arises relating to past service this will result in increased employer contribution rates in the future. Employer contributions towards future service may also increase if the 'better of both' test is extended beyond members within 10 years of normal pension age at 1 April 2012. No further remeasurements have been carried out for 2020-21

### **Guaranteed Minimum Pension (GMP) Equalisation and Indexation**

Guaranteed Minimum Pension (GMP) is a portion of pension that was accrued by individuals who were contracted out of the State Second Pension between 6 April 1978 and 6 April 1997.

Prior to 6 April 2016, public service pension schemes and the State Pension worked together to ensure pension increases on State Pension and LGPS Pension kept in line with inflation. The LGPS was not required to pay any pension increases on GMPs accrued before April 1988. The Additional Pension (AP) element of the State Pension paid top-up payments to pensioners to give inflation protection on the GMP element where this was not provided by the LGPS. However reforms were made to the State Pension system in April 2016 which scrapped AP and therefore removed the facility for central government to fully index the combined pension through AP. The government has since introduced 'interim solutions' for public sector schemes to pay full inflationary increases on GMPS for those reaching the State Pension Age (SPA) to ensure that members continue to receive full inflationary increases on the combined public sector scheme and State pensions.

The government has since introduced 'interim solutions' for public sector schemes to pay full inflationary increases on GMPS for those reaching the State Pension Age (SPA) to ensure that members continue to receive full inflationary increases on the combined public sector scheme and State pensions. This applied to those reaching SPA between 6 April 2016 and 5 April 2021. The Government has also indicated that it is committed to continuing to compensate all members of public sector pension schemes reached SAP after 5 April 2021.

On 7 October 2020 MHCLG consulted on proposed solutions to compensate members reaching SPA after 5 April 2021 which focused on making further extensions to GMP indexation followed by ultimate conversion or indefinite indexation as a permanent solutions for public sector pension schemes. The expectation is that full indexation will extend until at least April 2024 with conversion to be brought in as a longer term option.



The rate of which GMP was accrued, and the date it is payable, is different for men and women. On 26 October 2018 the High Court ruled in the Lloyds Bank case that equalisation for the effect of unequal GMPs is required. On 20 November 2020 the High Court ruled on the equalisation for GMPs of historic transfers out of the three largest Lloyds Banking Group pension schemes. The judgement requires all transfers between 17 May 1990 and 5 April 1997 with GMPs to be equalised. Schemes will be expected to pay a top-up to the receiving scheme with interest at Bank base rate +1%. At this point in time, it is unknown if there will be a blanket exemption on the application of this ruling to public sector schemes. The Pension Actuaries have not made any allowance for a potential liability resulting from this ruling in the accounting figures for this financial year.

**Note 20: Usable Reserves**

	Note	31 March 2020 £000	31 March 2021 £000
General Fund Balance		(21,232)	(7,894)
Earmarked Reserves	21	(12,372)	(11,452)
Capital Receipts Reserve		(8,889)	-
Capital Grants Unapplied Reserve		(13,224)	(23,686)
<b>Total</b>		<b>(55,717)</b>	<b>(43,032)</b>

The **General Fund Balance** is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the authority is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the authority is required to recover) at the end of the financial year.

**Earmarked Reserves** are amounts which the authority has chosen to set aside from the General Fund Balance to be used for specific purposes.

The **Capital Receipts Reserve** holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

The **Capital Grants Unapplied Reserve** holds the grants and contributions received towards capital projects for which the authority has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

**Note 21: Transfers (to)/From Earmarked Reserves**

This note sets out amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure.

	Opening Balance 1 April 2019	Transfers Out 2019/20	Transfers In 2019/20	Balance at 31 March 2020	Transfer to NTCA 1 April 2020	Transfers Out 2020/21	Transfers In 2020/21	Balance at 31 March 2021
	£000	£000	£000	£000	£000	£000	£000	£000
Metro Reinvigoration Reserve	(5,108)	-	(42)	(5,150)	-	-	(14)	(5,164)
Metro Fleet Replacement Reserve	(3,730)	-	(1,895)	(5,625)	-	-	(16)	(5,641)
North East LEP Restricted Cashable Reserve - RGF Interest	(934)	232	(628)	(1,330)	1,330	-	-	-
North East LEP Restricted Cashable Reserve - GPF Loan Repayments	-	609	(876)	(267)	267	-	-	-
Transforming Cities Fund Support	(20)	20	-	-	-	-	-	-
Metro and Rail Studies	-	-	-	-	-	-	(389)	(389)
Nexus contribution to Bus Partnership Project	-	-	-	-	-	-	(258)	(258)
<b>Total</b>	<b>(9,792)</b>	<b>861</b>	<b>(3,441)</b>	<b>(12,372)</b>	<b>1,597</b>	<b>-</b>	<b>(677)</b>	<b>(11,452)</b>

**Note 22: Unusable Reserves****Summary**

	<b>31 March 2020 £000</b>	<b>31 March 2021 £000</b>
Capital Adjustment Account	(68,818)	(53,027)
Financial Instruments Adjustment Account	3,092	309
Revaluation Reserve	(4,538)	(4,436)
Pension Reserve	840	870
<b>Total</b>	<b>(69,424)</b>	<b>(56,284)</b>

**Capital Adjustment Account**

The Capital Adjustment Account (CAA) absorbs the timing differences arising from the different arrangements for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The CAA is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisation are charges to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures on a historical cost basis). The CAA is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement of assets.

The CAA also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 3 provides details of the source of all the transactions posted to the CAA, apart from those involving the Revaluation Reserve.

	<b>2019/20 £000</b>	<b>2020/21 £000</b>
<b>Opening Balance 1 April</b>	<b>(67,448)</b>	<b>(68,819)</b>
<b>Transferred to the NTCA</b>	-	<b>16,282</b>
<b>Reversal of items relating to capital expenditure debited or credited to the CIES:</b>		
Charges for depreciation and impairment of non current assets	2,317	2,402
Other income that cannot be credited to the General Fund	(2,837)	(2,824)
Revenue expenditure funded from capital under statute	37,538	10,391
Write down of long term debtors	5,560	841
<b>Adjusting amounts written out of the Revaluation Reserve</b>	<b>(81)</b>	<b>(102)</b>
<b>Capital financing applied in the year:</b>		
Capital grants and contributions credited to the CIES that have been applied to capital financing	(40,389)	(8,947)
Statutory provision for the financing of capital investment	(964)	(1,391)
Capital expenditure charged against the General Fund	(5)	(19)
Debt redeemed using capital receipts	(2,510)	(841)
<b>Balance at 31 March</b>	<b>(68,819)</b>	<b>(53,027)</b>

## Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account (FIAA) absorbs the timing differences arising from the different arrangements for accounting for income and expense relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions. It provides a balancing mechanism between the different rates at which gains and losses (e.g. premiums on the early repayment of debt) are recognised under the Code and are required by statute to be met from the General Fund.

	2019/20	2020/21
	£000	£000
<b>Opening Balance 1 April</b>	<b>3,681</b>	<b>3,092</b>
<b>Transferred to the NTCA</b>	-	(2,558)
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(457)	(225)
finance costs chargeable in the year in accordance with statutory requirements	(132)	-
<b>Balance at 31 March</b>	<b>3,092</b>	<b>309</b>

## Revaluation Reserve

The Revaluation Reserve (RR) contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation
- Disposed of and the gains are realised

The RR only contains revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the CAA.

	2019/20	2020/21
	£000	£000
<b>Opening Balance 1 April</b>	<b>(4,619)</b>	<b>(4,538)</b>
Difference between fair value depreciation and historical cost depreciation written off to the CAA	81	102
<b>Balance at 31 March</b>	<b>(4,538)</b>	<b>(4,436)</b>

**Pensions Reserve**

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2019/20	2020/21
	£000	£000
<b>Opening Balance 1 April</b>	<b>900</b>	<b>840</b>
Remeasurements of the net defined benefit liability (asset)	(870)	360
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	860	(280)
Employer's pension contributions and direct payments to pensioners payable in the year	(50)	(50)
<b>Balance at 31 March</b>	<b>840</b>	<b>870</b>

**Note 23: Capital Expenditure and Capital Financing**

	2019/20 £000	2020/21 £000
<b>Opening Capital Financing Requirement 1 April</b>	<b>107,602</b>	<b>102,866</b>
<b>Capital Investment</b>		
Property, Plant and Equipment	1,594	717
Revenue Expenditure Funded from Capital Under Statute	37,538	10,391
<b>Sources of Finance</b>		
Capital receipts - repayment of principal from long term debtors	(2,510)	(841)
Government Grants and other contributions	(40,389)	(8,947)
<b>Sums set aside from revenue</b>		
Direct revenue contributions	(5)	(19)
Minimum Revenue Provision	(964)	(975)
Additional Voluntary Provision	-	(416)
<b>Closing Capital Financing Requirement 31 March</b>	<b>102,866</b>	<b>102,776</b>
Decrease in underlying need to borrow (unsupported by government financial assistance)	(4,736)	(90)

**Note 24: Adjustments to net surplus or deficit on the provision of services for non cash movements and items that are Investing or Financing activities**

	2019/20 £000	2020/21 £000
Surplus/(Deficit) on the provision of services	9,988	16,673
<b>Adjustments to Surplus/(Deficit) on Provision of Services for Non-Cash Movements</b>		
Depreciation and Impairment	2,317	2,402
Increase/(Decrease) in Creditors	(11,144)	(86)
(Increase)/Decrease in Debtors	3,677	17,067
Movement in Pension Liability	810	(330)
Other non-cash items charged to the net surplus or deficit on the provision of services	(2,853)	(3,053)
	<b>(7,193)</b>	<b>16,000</b>
<b>Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b>		
Capital grants credited to surplus/(deficit) on provision of services	(41,940)	(25,271)
<b>Net cash flow from operating activities</b>	<b>(39,145)</b>	<b>7,402</b>

The cash flows for operating activities include the following items:

	2019/20 £000	2020/21 £000
Interest received	2,224	963
Interest paid	(4,196)	(4,057)

**Note 25: Cash Flow Statement - Investing Activities**

	2019/20 £000	2020/21 £000
Purchase of property, plant and equipment, investment property and intangible assets	(1,596)	150
Purchase of short-term and long-term investments	(101,107)	(41,592)
Proceeds from short-term and long-term investments	101,107	65,445
Other receipts from investing activities	48,632	27,737
<b>Net cash flows from investing activities</b>	<b>47,036</b>	<b>51,740</b>

**Note 26: Cash Flow Statement - Financing Activities**

	2019/20 £000	2020/21 £000
Repayments of short and long-term borrowing	2,406	(838)
<b>Net cash flows from financing activities</b>	<b>2,406</b>	<b>(838)</b>



**Note 26a: Reconciliation of liabilities arising from Financing Activities**

	1 April 2020	Financing Cash Flows	Changes which are not financing cash flows		31 March 2021
	£000	£000	Acquisition	Other	£000
Long term borrowings	(95,071)	796			(94,275)
Short term borrowings	(1,298)			24	(1,274)
<b>Total Liabilities from financing activities</b>	<b>(96,369)</b>	<b>796</b>	<b>-</b>	<b>24</b>	<b>(95,549)</b>

	1 April 2019	Financing Cash Flows	Changes which are not financing cash flows		31 March 2020
	£000	£000	Acquisition	Other	£000
Long term borrowings	(92,685)	(2,386)	-	-	(95,071)
Short term borrowings	(1,288)	-	-	(10)	(1,298)
<b>Total Liabilities from financing activities</b>	<b>(93,973)</b>	<b>(2,386)</b>	<b>-</b>	<b>(10)</b>	<b>(96,369)</b>

## Note 27: Accounting Standards Issued, Not Yet Adopted

### Impact of the adoption of new accounting standards on the 2020/21 Financial Statements

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

**IFRS 16 Leases** will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is a recognition exemption for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS 16 for local government to 1 April 2022. Work to date has shown that NECA leases identified will not have a material effect on the 2021/22 statements.

**IFRS 17 Insurance Contracts** sets out the requirements for local authorities reporting information about insurance contracts it issues and reinsurance contracts it holds. The amendments are aimed at helping local authorities implement the Standard and making it easier for them to explain their financial performance. The amendments are effective from annual reporting periods beginning on or after 1 January 2023.

The following amendments have been made to the IFRS Standards and are effective from 1 January 2020.

**Definition of a Business: Amendments to IFRS 3 Business Combinations** determines whether an acquired set of activities and assets is a business or not. It clarifies the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements and narrow the definition of outputs.

**Interest Rate Benchmark Reform: Amendments to IFRS9, IAS 39 and IFRS 7** enable users of financial statements to understand how the uncertainty arising from interest rate benchmark reform affects an entity's hedging relationships. These amendments provide temporary exceptions to specific hedge relationships solely due to the uncertainty arising from the reform.

**Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS9, IAS 39, IFRS 7 IFRS 4 and IFRS 16** do not supersede the Phase 1 amendments. The amendments are applied retrospectively and include the potential reinstatements of hedge relationships that were discontinued solely due to changes directly required by the reform.

Most of these standards will not apply to the Authority or the Group. For those that do apply, they are not anticipated to have a material impact on the financial statements.

## **Note 28: Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out in these accounts, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

### **Service Concession Arrangements**

The Local Authority Accounting Code of Practice requires arrangements where private sector contractors provide a service for a period using a dedicated asset to be assessed under an application of the principles within IFRIC 12. There are two criteria used to determine whether arrangements fall under the scope of IFRIC 12:

- The public sector entity controls or regulates the services that the operator must provide with the infrastructure, to whom it must provide them, and at what price.
- The public sector entity controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the service arrangement.

For arrangements falling under the scope of IFRIC 12, the public sector entity will recognise the cost of the Property, Plant and Equipment underlying the service concession as a tangible fixed asset. The New Tyne Crossing concession has been judged to meet both of the IFRIC 12 criteria and, accordingly, the cost of the new Tunnel and the refurbishment of the existing Tunnel are recorded within the Authority's Property, Plant and Equipment on the Balance Sheet.

### **Transferred Assets and Liabilities in Local Government Pension Scheme transferred to TT2 Ltd**

Assets and liabilities relating to membership accrued before 1 February 2008 transferred to TT2 Ltd on commencement of the concessionaire agreement. The project agreement provides that should there be a shortfall in the TT2 fund at the actuarial valuation, which can be attributed to pre-2008 benefits, the authority will be required to reimburse the shortfall. As a result of the most recent triennial valuation, there is currently no reimbursement due.

### **Accounting for the North East Joint Transport Committee**

As set out in Note 1, on 2 November 2018 the boundaries of NECA changed and the North East Joint Transport Committee was created. The assets and liabilities which transferred from the former Tyne and Wear Integrated Transport Authority to NECA on its creation in April 2014 are now jointly owned by NECA and the NTCA, and assets, liabilities, income and expenditure (from the date of establishment) must be divided between the accounts of the two Combined Authorities.

For many of the assets and liabilities and revenue streams, these cannot be separated into those which relate to the authorities which are part of NECA and those which relate to the authorities which are part of NTCA. As a result, these balances have been apportioned between the two Combined Authorities on the basis of Tyne and Wear population.

### **Accounting for the Transfer of the North East Local Enterprise Partnership**

As set out in Note 1, on 1 April 2020 the Accountable Body role for the North East Local Enterprise Partnership transferred to NTCA.

This has been accounted for in the 2020/21 financial statements as a transfer by absorption. Assets and liabilities have been transferred at carrying value. The Comprehensive Income and Expenditure Statement shows services transferred to NTCA separately from services continuing to be reported by NECA in the prior year results, in order to aid comparatives across financial years. In the notes to the accounts, a separate line disclosing the transfer is included after the balance brought forward from the previous year.

### Note 29: Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2021 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	<p>The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 March 2021 and the projected service cost for the year ending 31 March 2022 are set out below.</p> <p>Discount rate assumption, an adjustment to the discount rate of +0.1% p.a. would decrease the present value of the total obligation to £46.29m, a variance of £0.61m, whereas a decrease of (0.1%) p.a. results in an increase to £47.56m, a variance of £0.66m. The percentage change in the present value of the total obligation would be (1.3%) and 1.4% respectively.</p>

		<p>Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption: an adjustment to the pension increase rate of +0.1% p.a. would increase the present value of the total obligation by £0.61m to £47.51m, whereas a decrease of (0.1%) p.a. results in a decrease to £46.29m, a variance of £0.61m. The percentage change in the present value of the total obligation would be 1.3% and (1.3%) respectively.</p>
		<p>Post retirement mortality assumption: an adjustment to the mortality age rating assumption of -1 year would change the present value of the total obligation to £48.59m, an increase of £1.69m, whereas an adjustment of +1 year results in a reduction to £45.26m, a variance of £1.69m. The percentage change in the present value of the total obligation would be 3.6% and (3.5%) respectively.</p>
<p>Government Funding</p>	<p>There is no certainty about the amount of government funding for Local Authorities until the outcome of the Comprehensive Spending Review is known in 2021</p>	<p>Possible impact could be reductions in;</p> <ul style="list-style-type: none"> <li>- funding for the North East region's transport infrastructure and initiatives</li> <li>- contributions from Local Authorities</li> <li>- grant funding from government</li> </ul>

<p>Government Funding</p>	<p>The outcome of the Fair Funding Review which aims to distribute government funding in a fairer way to Local Authorities - expected to be implemented in 2022/23</p>	<p>Possible impact could be reductions in;</p> <ul style="list-style-type: none"> <li>- funding for the North East region's transport infrastructure and initiatives</li> <li>- contributions from Local Authorities</li> <li>- grant funding from government</li> </ul>
<p>Brexit</p>	<p>The outcome of Brexit negotiations has implications for each local authority in the sense that any subsequent volatility in stock markets, exchange rates, interest rates and future availability of funding could potentially impact on amounts disclosed within the financial statements.</p>	<p>Areas impacted could include:</p> <ul style="list-style-type: none"> <li>- The availability of grant funding and impact on other funding streams.</li> <li>- The fair value of long-term borrowing (but not the principal sum or interest payable).</li> <li>- The liability related to defined benefit pension schemes, which is dependent on a large number of factors including investment performance, bond yields and inflation.</li> <li>- Unusable reserves - any movement in the liability related to defined benefit pension schemes will be offset within unusable reserves.</li> </ul>

<p>Covid-19</p>	<p>The exact consequences of the outbreak of the Covid-19 virus are currently unknown. Some possible areas of concern are:-</p> <ul style="list-style-type: none"> <li>- Possible reduction in Government Funding to Local Authorities</li> <li>- Possible reduction in income from the Tyne Tunnels due to changes in working practices and Government guidelines</li> <li>- Pension Scheme Assets</li> </ul>	<p>Possibility of Local Authorities reducing their spend on Transport related services / schemes as they prioritise services. This would lead to a reduction of levy income.</p> <p>Reduction of Tunnel use due to employers' new ways of working, which would, in turn, reduce the income from the Tunnels This would impact on the finances of the company who run the Tunnels on behalf of the authority.</p> <p>The Authority's net pensions liability includes a share of the overall Pension Fund investment assets. The Pension Fund has disclosed an uncertainty, due to Covid-19, in respect of mortality rates and the impact of longevity for the Fund's members which could be positive or negative.</p>
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## Note 30: Accounting Policies

### 1. General Principles

The Statement of Accounts summarises the Authority's transactions for 2020/21 financial year and its position at the year-end of 31 March 2021. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The Code requires that a Local Authority's Statement of Accounts is prepared on a 'going concern' basis, that is, the accounts are based on the assumption that the Authority will continue in operational existence for the foreseeable future.

### 2. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that the economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliability the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payments on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument, rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded on the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. The Authority has a policy of not accruing for manual sundry creditor or sundry debtor provisions for less than £1,000, other than in exceptional circumstances.

### **3. Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in less than 90 days from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

### **4. Exceptional Items**

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

### **5. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

## 6. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the services where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise the levy to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance.

Depreciation, revaluation and impairment losses are therefore replaced by a contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## 7. Employee Benefits

### Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. Due to the small number of employees the Authority has, the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year is immaterial and therefore an accrual will not be made. This approach will be reviewed each year to ensure it is still an appropriate treatment.

### Termination Benefits

Termination benefits are amounts which would be payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non-Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

No such amounts are payable in 2020/21.

## 8. Post-Employment Benefits

NECA is a member of the Local Government Pension Scheme, which provides members with defined benefits relating to pay and service. Its pension obligations relate primarily to former employees.

The relevant fund is the Tyne and Wear Pension Fund, administered by South Tyneside Metropolitan Borough Council, from whom a copy of the annual report may be obtained. The Fund website may be visited at [www.twpf.info](http://www.twpf.info).

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate determined annually, based on the indicative rate of return on high quality corporate bonds.
- The assets of the pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - o Quoted securities at current bid price
  - o Unquoted securities based on professional estimate
  - o Unitised securities at current bid price
  - o Property at market value.

The change in the net pensions liability is analysed into the following components:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the NECA Corporate line.
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of the NECA Corporate line.

- Net interest on the net defined liability (asset), i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Corporate Costs.
- Remeasurements comprising:
  - o The return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - o Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - o Contributions paid to the pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Further details are provided in Note 19 to the accounts.

## **9. Events after the Balance Sheet Date**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

## 10. Fair Value Measurement

The Authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority can access at the measurement date;

- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 – unobservable inputs for the asset or liability.

## 11. Financial Instruments

### Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charged required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

### Financial Assets

Financial assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of the financial instrument and are classified into three types using an approach that is based on the business model for holding the financial assets and their cashflow characteristics

- Amortised Cost – assets held within a business model with the sole objective of collecting contractual cash flows on specified dates that are solely payments of principal and interest.
- Fair value through other comprehensive income (FVOCI) – assets held within a business model with the objective to either sell the asset or collect contractual cash flows on specified dates that are solely payments of principal and interest.
- Fair value through profit and loss (FVPL) – objectives are achieved by any other means than collecting contractual cash flows.

The Authority can, at initial recognition of the asset, override the above classifications in the following circumstances and the decision is irrevocable:

- An equity instrument can be elected into FVOCI rather than FVPL if it is not held for trading.
- Any financial asset can be designated as measured as FVPL if this removes any deemed inconsistency in measurement by treating assets based upon the above classification.

### **Amortised Cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

However, the authority can make loans to organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.



Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains or losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

### **Expected Credit Loss Model**

The Authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

### **Fair Value Through Other Comprehensive Income (FVOCI)**

Changes in fair value are recorded against Other Comprehensive Income and Expenditure gain/loss by an entry in the Financial Instrument Revaluation Reserve through the Movement in Reserves Statement.

However, interest is charged to the Surplus/Deficit on the Provision of Services as though the asset had been measured at amortised cost.

Where assets are identified as impaired, because of a likelihood arising from a future event that cashflows due under the contract will not be made, a charge for the value of the impairment is made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement with a corresponding entry being recognised in Other Comprehensive Income through the Financial Instruments Revaluation Reserve on the Balance Sheet.

When the asset is de-recognised the cumulative gain or loss previously recognised in Other Comprehensive Income is reclassified from the Financial Instrument Revaluation Reserve to the Surplus/Deficit on the Provision of Services as a reclassification adjustment.

## **Fair Value through Profit and Loss (FVPL)**

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services. The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

## **12. Government Grants & Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments.
- The grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions and capital grants used to fund Revenue Expenditure Funded from Capital Under Statute) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

### **13. Property, Plant & Equipment (Excluding Highways Infrastructure Assets)**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

#### **Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

#### **Measurement**

Assets are initially measured at cost, comprising:

- The purchase price.
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Authority does not capitalise borrowing costs incurred whilst assets are under

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Assets Under Construction - cost
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV).

The following useful economic lives are used for NECA's PPE assets: Plant and Equipment 10-30 years.

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. These revaluations are detailed within the Notes to the Core Financial Statements. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### **De Minimis Levels**

The use of a de minimis level for capital expenditure means that in the above categories assets below the de minimis level are charged to the revenue account and are not classified as capital expenditure, i.e. the asset is not included in the balance sheet unless they are part of an overall project costing more than the established de minimis level. For all capital expenditure the de minimis level is £10,000.

### **Impairment**

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss and adjusted for depreciation that would have been charged if the loss had not been recognised.

### **Depreciation**

Depreciation is provided on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land) and assets that are not yet available for use (i.e. assets under construction).

Depreciation on all Property, Plant and Equipment assets (except vehicles) is calculated by taking the asset value at 31 March 2021, divided by remaining life expectancy. Depreciation is charged in the year of acquisition, but not the year of disposal. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation that would have been chargeable based on their historic cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Where an item of Property, Plant and Equipment assets has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

## **Disposals**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Receipts are required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against the general fund, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

#### **14. Property, Plant and Equipment (Highways Infrastructure Assets)**

Highways infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges and tunnels), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network. NECA holds highways infrastructure assets in the form of the Tyne Tunnels - the two vehicle tunnels and the pedestrian and cyclist tunnels.

##### **Recognition**

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the authority and the cost of the item can be measured reliably.

##### **Measurement**

Highways infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost - opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed at 1 April 1994, which was deemed at that time to be historical cost.

### **Impairment**

Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

### **Depreciation**

Depreciation is provided on the parts of the highways infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis.

Annual depreciation is the depreciation amount allocated each year.

Useful lives of the various parts of the highways network have been assessed by the authority using industry standards where applicable as follows:

- Structures (Tunnels) - useful life of up to 120 years

### **Disposals and derecognition**

When a component of the network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the 'Other operating expenditure' line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal).

The written-off amounts of disposals are not a charge against the General Fund, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

## **15. Public Private Partnership (PPP) Contracts**

Public Private Partnerships are agreements to receive services and provide capital jointly with the private sector. The New Tyne Crossing Partnership is judged to be such an arrangement.

The Code requires these arrangements to be assessed under an application of the principles within International Financial Reporting Interpretation Committee 12 (IFRIC 12) 'Service Concessions'.



Arrangements fall in scope of the Application where both of the following 'IFRIC 12' criteria are met:

- The public sector entity ('grantor') controls or regulates the services that the operator must provide with the infrastructure, to whom it must provide them, and at what price; and
- The grantor controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the service arrangement.

For any service concession within the scope of the Application, the grantor will recognise the cost of the property, plant and equipment underlying the service concession as a tangible fixed asset. The New Tyne Crossing is considered to meet both of the IFRIC 12 criteria, and NECA therefore recognises the costs of the new tunnel on its Balance Sheet.

In most arrangements within the scope of the Application, the grantor will account for the arrangement's financing by recording and measuring a long term liability in accordance with IAS 17. This treatment reflects an obligation to pay the operator for the full value of the asset along with the operator's cost of finance. However, in the New Tyne Crossing project, TT2 Ltd. (the Operator) receives a defined proportion of the total toll revenue and uses this to meet its cost of constructing and operating both vehicle tunnels. NECA may therefore have no long term obligation to transfer economic resources to TT2, and hence should not recognise a liability.

The provisions within the Payment Mechanism for payment of toll revenue to the operator are as follows:

- In each month NECA pays a Shadow Toll to the Operator; this being a fixed amount per vehicle, adjusted for changes in RPI;
- Throughout the Term, Formula Tolls for each vehicle type are defined to equal the corresponding vehicle Shadow Tolls;
- The Formula Tolls are the initially-defined sequence of tolls to be charged to users and collected by NECA. If NECA varies a Real Toll from its corresponding Formula Toll beyond a certain level, the Operator is compensated for the effect of this adjustment on demand.

NECA therefore has no exposure to any risk and reward associated with the Operator revenue, but only an executor contract to transfer the Operator's share of total revenues to the operator as it is collected.

It therefore follows from this conclusion that NECA has no long-term obligation to transfer economic resources to the Operator, since the Operator revenue is in substance transferred directly to it. NECA therefore should not recognise a long term liability to finance the project assets.

In relation to such an arrangement, the Code and the accompanying notes do not provide clear guidance. However, the guidance notes accompanying the Code suggest that the credit that matches the asset should be a deferred income balance. NECA has therefore recognised a deferred credit balance, added to as each of Phase 1 and Phase 2 of the project were completed, and equal to the fair value of the asset addition under each Phase. This balance is then released to the Comprehensive Income and Expenditure Statement over the life of the contract.

## 16. Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation. For example, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

## 17. Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts. There are no contingent liabilities disclosed in 2021/22.

## **18. Reserves**

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against the levy for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority.

## **19. Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the levy.

## **20. VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from HM Revenue & Customs. VAT receivable is excluded from income.

## **21. Overheads**

The costs of central support services e.g. Finance and Legal Services have been allocated to NECA on the basis of Service Level Agreements in accordance with guidance given by the Chartered Institute of Public Finance and Accountancy (CIPFA). A percentage is allocated to the different areas of NECA activity (e.g. Transport, Economic Development, Corporate) in accordance with estimated work done on each area.

## **22. Tyne Tunnels Income**

The majority of the income from tolls is received on a cash basis. Accruals are made to apportion income credited to the bank account to the correct financial year. Prepayments on permit accounts are also received, and the balance on these accounts are accrued as income received in advance at the year end.

### **23. Group Accounts**

NECA is required by the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 to produce Group Accounts to include services provided to Council Tax payers in the North East by organisations other than the Authority itself in which the Authority has an interest.

Although there has been no definitive ruling by CIPFA or central government in relation to Combined Authorities and Passenger Transport Executives, it is recognised that the accounts of Nexus fall within the definition of a subsidiary. As such, group accounts have been prepared on the basis of a full consolidation of the financial transactions and balances of NECA and Nexus. Nexus has been incorporated as a subsidiary, whereby the accounts of the two organisations are combined and any intra-group transactions are cancelled out.

For the 2020/21 accounts, NECA has fully complied with the requirements of the Code, providing Group figures for 2020/21 and comparators for 2019/20. From 2010/11, Passenger Transport Executives have been required to produce their accounts under International Financial Reporting Standards, and as if the proper practices in relation to accounts applicable to a local authority were, so far as appropriate, applicable to an Executive. The group financial statements are prepared in accordance with the policies set out in the Statement of Accounting Policies above.

### **24. Joint Transport Committee**

On 2 November 2018, the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority (Establishment and Functions) Order 2018 (the Order) changed the boundaries of NECA and established the new mayoral combined authority.

The reconfiguration of NECA has been classed as a transfer by absorption meaning:

- NECA has accounted for its control up to the date of the reconfiguration albeit with clear disaggregation of the financial results relating to the functions being transferred; and
- Assets and liabilities transferred at book value.

The Order establishing the NTCA also required the seven local authorities to establish the Joint Transport Committee (JTC). Under the CIPFA Code, the JTC meets the definition of a 'joint operation', which determines its accounting treatment. Where a Joint Committee is accounted for as a Joint Arrangement each Joint Operator (in this case NECA and NTCA) must account for their own share of the assets, liabilities, revenues and expenses held or incurred jointly in their own single entity financial statements.

In order to comply with the CIPFA Code, NECA must:

- Split the revenues between that which relates to NECA and NTCA. In this case the constitution of the JTC and its funding arrangements suggests that, in the first instance, the revenues should be divisible into that which relates to Northumberland (allocated wholly to NTCA), that which relates to Durham (allocated wholly to NECA) and that which relate to Tyne and Wear (requires further division into NECA and NTCA).

- The revenues which relate to Tyne and Wear must then be divided into that which relates wholly to Newcastle and/or North Tyneside (allocated to NTCA), that which relates wholly to Gateshead, South Tyneside and/or Sunderland (allocated to NECA) and that which relates to activities not wholly attributable under the preceding two points which requires apportionment.

The Order gives no clear instruction on the basis of division of revenues, but the Deed of Cooperation made on 4 July 2018 between the seven local authorities in the area provides that "those costs and liabilities which are attributable to the exercise of functions exclusively in the area of the Tyne and Wear Authorities...shall be shared between the Tyne and Wear Authorities on a per capita basis relating to their resident populations at that time."

By similar rationale and argument, the division of assets, liabilities and expenditure incurred will also be divided on this basis.

## **Note 31: Events After the Balance Sheet Date**

### **Adjusting events after the Balance Sheet date**

Where events take place after 31 March which provide information about conditions existing at 31 March, the financial statements and notes are adjusted to reflect the impact of this information. No such events have taken place.

### **Non-adjusting Events after the Balance Sheet date**

Where events take place after 31 March which do not relate to conditions at 31 March but which provide information that is relevant to an understanding of the Authority's financial position, the financial statements and notes are not adjusted but the relevant information is disclosed. No such events have taken place.

## 3.1 Group Movement in Reserves Statement

	Note	NECA Usable Reserves	NECA Unusable Reserves	Total NECA Reserves	Authority Share of Nexus	Total Group Reserves
		£000	£000	£000	£000	£000
<b>Balance at 1 April 2019 carried forward</b>		<b>(46,798)</b>	<b>(67,485)</b>	<b>(114,283)</b>	<b>(245,804)</b>	<b>(360,087)</b>
Total Comprehensive Income and Expenditure		(9,988)	(870)	<b>(10,858)</b>	(18,084)	(28,942)
Adjustments between accounting basis & funding basis under regulations		1,068	(1,068)	-	-	-
<b>(Increase)/Decrease in 2019/20</b>		<b>(8,920)</b>	<b>(1,938)</b>	<b>(10,858)</b>	<b>(18,084)</b>	<b>(28,942)</b>
<b>Balance at 31 March 2020 carried forward</b>		<b>(55,718)</b>	<b>(69,423)</b>	<b>(125,141)</b>	<b>(263,888)</b>	<b>(389,029)</b>
<b>Transfer of Services to the NTCA at 1 April 2020</b>		<b>28,415</b>	<b>13,724</b>	<b>42,138</b>	<b>-</b>	<b>42,138</b>
Total Comprehensive Income and Expenditure		(16,673)	360	<b>(16,313)</b>	(6,879)	(23,193)
Adjustments between accounting basis & funding basis under regulations		943	(943)	-	-	-
<b>(Increase)/Decrease in 2020/21</b>		<b>(15,730)</b>	<b>(583)</b>	<b>(16,313)</b>	<b>(6,879)</b>	<b>(23,193)</b>
<b>Balance at 31 March 2021 carried forward</b>		<b>(43,033)</b>	<b>(56,282)</b>	<b>(99,316)</b>	<b>(270,767)</b>	<b>(370,084)</b>

## 3.2 Group Comprehensive Income and Expenditure Statement

2019/20				2020/21			
Gross Expenditure	Gross Income	Net Expenditure		Note	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
			<b>Continuing NECA Services</b>				
1,341	(597)	744	Corporate		574	(781)	(207)
290	(290)	-	Skills		-	-	-
143	-	143	Transport - Retained Levy Budget		73	-	73
15,552	-	15,552	Transport - Durham		15,456	-	15,456
95,268	(44,887)	50,381	Transport - Tyne and Wear		102,107	(47,022)	55,085
9,983	(13,609)	(3,626)	Transport - Other		7,576	(27,606)	(20,030)
14,250	(18,719)	(4,469)	Transport - Tyne Tunnels		13,267	(14,234)	(967)
-	-	-	Covid-19 Grants		3,878	(3,878)	-
<b>136,827</b>	<b>(78,102)</b>	<b>58,725</b>	<b>Cost of Services relating to continuing services excluding operations transferred to the NTCA</b>		<b>142,931</b>	<b>(93,521)</b>	<b>49,410</b>
375	(161)	214	Inward Investment		-	-	-
23,562	(26,053)	(2,491)	Local Growth Fund Programme		-	-	-
3,680	(3,752)	(72)	North East Local Enterprise Partnership		-	-	-
<b>27,617</b>	<b>(29,966)</b>	<b>(2,349)</b>	<b>Cost of Services relating to services transferred to the NTCA</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>164,444</b>	<b>(108,068)</b>	<b>56,376</b>	<b>Cost of Services</b>		<b>142,931</b>	<b>(93,521)</b>	<b>49,410</b>
			<b>Financing and Investment Income and Expenditure</b>	G03			
5,373	(1,058)	4,315	- From continuing services		9,039	(4,195)	4,844
-	(761)	(761)	- From services transferred to the NTCA		-	-	-
			<b>Taxation and Non-Specific Grant Income</b>	G04			
-	(74,763)	(74,763)	- From continuing services		-	(81,465)	(81,465)
-	(2,151)	(2,151)	- From services transferred to the NTCA		-	-	-
		116	(Gain)/Loss on disposal or derecognition of non-current assets				-
		<b>(16,868)</b>	<b>(Surplus)/Deficit on Provision of Services</b>				<b>(27,211)</b>
		<b>(437)</b>	<b>Taxation of Group Entities</b>				<b>(311)</b>
		<b>(17,305)</b>	<b>Group (Surplus)/Deficit</b>				<b>(27,522)</b>
		(10,648)	Re-measurement of the defined benefit liability	G12			4,331
		(988)	Gains on Revaluation of Property	G06			-
		<b>(11,636)</b>	<b>Other Comprehensive Income and Expenditure</b>				<b>4,331</b>
		<b>(28,941)</b>	<b>Total Comprehensive Income and Expenditure</b>				<b>(23,192)</b>



## 3.3 Group Balance Sheet

31 March 2020 £000		Note	31 March 2021 £000
479,019	Property, Plant and Equipment	G6, G6a	492,886
2,501	Intangible Assets	G7	2,974
12,321	Long Term Debtors	G8	-
1	Long Term Investments	G8	1
<b>493,842</b>	<b>Long Term Assets</b>		<b>495,860</b>
58,236	Short Term Investments	G8	34,383
17,008	Short Term Debtors	G9	14,806
38,685	Cash and Cash Equivalents	G10	52,493
2,007	Inventories		504
<b>115,936</b>	<b>Current Assets</b>		<b>102,185</b>
(1,298)	Short Term Borrowing	G8	(1,274)
(28,118)	Short Term Creditors	G11	(26,065)
(891)	Grants Receipts in Advance	G5	(3,356)
(2,837)	New Tyne Crossing Deferred Income		(2,824)
<b>(33,144)</b>	<b>Current Liabilities</b>		<b>(33,519)</b>
(48,224)	New Tyne Crossing Deferred Income		(45,184)
(95,072)	Long Term Borrowing	G8	(94,276)
(39,251)	Pension Liability	G12	(50,015)
(2,898)	Provisions		(3,152)
(2,161)	Deferred Taxation	G13	(1,816)
<b>(187,606)</b>	<b>Long Term Liabilities</b>		<b>(194,443)</b>
<b>389,028</b>	<b>Net Assets</b>		<b>370,083</b>
(76,530)	Usable Reserves	G14	(71,372)
(312,498)	Unusable Reserves	G15	(298,711)
<b>(389,028)</b>	<b>Total Reserves</b>		<b>(370,083)</b>

## Chief Finance Officer Certificate

I certify that the accounts set out on pages 79 to 110 give a true and fair view of the financial position of the North East Combined Authority Group as at the 31 March 2021.

Signed: Paul Darby, Chief Finance Officer

## 3.4 Group Cash Flow Statement

2019/20 £000		Note	2020/21 £000
16,868	Surplus/(Deficit) on the provision of services	G16	27,211
23,586	Adjustments to net surplus or deficit on the provision of services for non-cash movements	G16	47,919
(69,297)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	G16	(58,890)
<b>(28,843)</b>	<b>Net cash flows from Operating Activities</b>	G16	<b>16,240</b>
44,584	Investing Activities	G17	43,089
981	Financing Activities	G18	(3,383)
<b>16,722</b>	<b>Net (Decrease)/Increase in cash and cash equivalents</b>		<b>55,946</b>
21,964	Cash and cash equivalents at the beginning of the reporting period		38,685
-	Transfer to the NTCA		(42,138)
38,686	<b>Cash and cash equivalents at the end of the reporting period</b>	G10	52,493

### 3.5 Explanatory Notes to the Group Financial Statements

#### Note G1: Group Accounts

Under 9.1.17 of the Code of Practice for Local Authority Accounting 2020/21, authorities with interests in subsidiaries, associates and/or joint ventures shall prepare Group Accounts in addition to their single entity financial statements, unless their interest is considered to be not material.

Nexus is the only subsidiary for the North East Combined Authority, and the Group Accounts have been prepared on a consolidation basis. The accounting policies adopted by Nexus are largely aligned with those of NECA with the following minor differences:

#### Deferred Taxation

NECA does not require a policy on Deferred Taxation. Deferred Taxation (which arises from the differences in the timing of the recognition of items, principally depreciation, in the accounts and by the tax authorities) has been calculated by Nexus on the liability method. Deferred tax is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of reversal.

#### Property, Plant and Equipment and Intangible Assets

Nexus uses the following estimated useful lives for each class of asset:

- Freehold buildings - 40 years
- Short leasehold buildings - over the lease term
- Infrastructure assets - 20 to 50 years
- Plant and Equipment - 5 to 30 years
- Vehicles - 5 to 10 years
- Marine Vessels - 30 years
- Intangibles - 5 to 10 years

Details of NECA depreciation policy can be found on page 70 of the single entity accounts.

Nexus' policy is to commence depreciation on assets with effect from the month following capitalisation, whereas NECA charges a full year of depreciation in the year of acquisition.

Where Group Accounts are required, authorities must provide the main financial statements and the disclosure notes which add value to the understanding of the accounts. Disclosure notes have been produced to add more detail where the Group Accounts are materially different from the single entity accounts.

Copies of the single entity accounts for Nexus are available at [www.nexus.org.uk](http://www.nexus.org.uk)

As described in Note 1 to the single entity accounts, the establishment of the North of Tyne Combined Authority (NTCA) and the North East Joint Transport Committee on 2 November 2018 necessitates the division of income and expenditure, assets and liabilities relating to Joint Transport Committee activity between the NECA and NTCA accounts. Since all Nexus activity reported in the NECA group accounts relates to Transport at the Tyne and Wear level, it has been fully apportioned between NECA and NTCA on the basis of Tyne and Wear population using the ONS statistics used as the basis of dividing the levy contributions.

For more details see Note 1 on page 8.

**Note G02: Expenditure and Funding Analysis**

	2020/21				
	Net Expenditure Chargeable to the General Fund	Adjustments for Capital Purposes	Pension Adjustments	Other Differences	Net Expenditure in the CIES
	£000	£000	£000	£000	£000
Corporate Skills	93	-	(300)	-	(207)
Transport - Retained Levy Budget	-	-	-	-	-
Transport - Durham	361	(288)	-	-	73
Transport - Tyne and Wear	15,456	-	-	-	15,456
Transport - Other	24,323	16,352	14,410	-	55,098
Transport - Tyne Tunnels	(6,001)	(14,029)	-	-	(20,030)
Covid-19 Grants	736	(1,653)	(50)	-	(967)
	-	-	-	-	-
<b>Cost of services</b>	<b>34,968</b>	<b>382</b>	<b>14,060</b>	<b>-</b>	<b>49,423</b>
<b>Other Income and Expenditure</b>	<b>(41,899)</b>	<b>(34,807)</b>	<b>-</b>	<b>86</b>	<b>(76,621)</b>
<b>(Surplus)/Deficit on Provision of Services</b>	<b>(6,931)</b>	<b>(34,426)</b>	<b>14,060</b>	<b>86</b>	<b>(27,198)</b>
<b>Opening General Fund Balances</b>	<b>(54,418)</b>				
Transfer of services to NTCA 1 April 2020	13,664				
<b>Closing General Fund Balances</b>	<b>(47,685)</b>				

**Adjustments for Capital Purposes**

This column adds in depreciation and impairment and revaluation gains and losses in the service line, and adjusts for:

- Other operating expenditure - adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure - the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure - capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied during the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

**Net Change for the Pension Adjustments**

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and investment income and expenditure - the net interest on the defined benefit liability is charged to the CIES.

### Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For Financing and investment income and expenditure, the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

	2019/20				
	Net Expenditure Chargeable to the General Fund	Adjustments for Capital Purposes	Pension Adjustments	Other Differences	Net Expenditure in the CIES
	£000	£000	£000	£000	£000
Corporate	(96)	-	840	-	744
Inward Investment	214	-	-	-	214
Local Growth Fund Programme	(797)	(1,694)	-	-	(2,491)
North East Local Enterprise Partnership Skills	(72)	-	-	-	(72)
Transport - Retained Levy Budget	-	-	-	-	-
Transport - Durham	438	(295)	-	-	143
Transport - Tyne and Wear	15,552	-	-	-	15,552
Transport - Other	22,363	12,644	15,374	-	50,381
Transport - Tyne Tunnels	(1,349)	(2,277)	-	-	(3,626)
	(3,184)	(1,235)	(50)	-	(4,469)
<b>Cost of services</b>	<b>33,068</b>	<b>7,143</b>	<b>16,164</b>	<b>-</b>	<b>56,376</b>
<b>Other Income and Expenditure</b>	<b>(46,755)</b>	<b>(28,339)</b>	<b>1,014</b>	<b>399</b>	<b>(73,681)</b>
<b>(Surplus)/Deficit on Provision of Services</b>	<b>(13,687)</b>	<b>(21,196)</b>	<b>17,178</b>	<b>399</b>	<b>(17,305)</b>
<b>Opening General Fund Balances</b>	<b>(44,067)</b>				
Transfer from Capital Receipts Reserve	3,336				
<b>Closing General Fund Balances</b>	<b>(54,418)</b>				

## Note G02a: Income and Expenditure Analysed by Nature

	2019/20 £000	2020/21 £000
<b>Expenditure</b>		
Employee benefit expenses	31,879	23,546
Other service expenses	77,150	90,931
Support Services Recharges	-	2,940
Depreciation, impairment and Revenue Expenditure Funded from Capital Under Statute (REFCUS)	55,531	25,514
Interest payments	5,372	9,039
<b>Total expenditure</b>	<b>169,932</b>	<b>151,970</b>
<b>Income</b>		
Fees, charges and other service income	(44,513)	(24,500)
Interest and investment income	(1,818)	(4,195)
Income from business rates on enterprise zones	(2,151)	-
Income from transport levy	(49,598)	(49,349)
Government grants and contributions	(85,333)	(97,361)
Other income	(3,388)	(3,776)
<b>Total income</b>	<b>(186,801)</b>	<b>(179,182)</b>
<b>Surplus/Deficit on the provision of services</b>	<b>(16,869)</b>	<b>(27,212)</b>

**Note G03: Financing and Investment Income and Expenditure**

	Note	2019/20		2020/21
		Continuing Services	Services transferred to NTCA	
		£000		£000
Interest Payable and Similar Charges	G12	4,358	-	4,211
Interest Payable on defined benefit liability		1,014	-	1,027
Interest Receivable and similar income		(1,058)	(761)	(394)
<b>Total</b>		<b>4,314</b>	<b>(761)</b>	<b>4,844</b>

**Note G04: Taxation and Non-Specific Grant Income**

	Note	2019/20		2020/21
		Continuing Services	Services transferred to NTCA	
		£000		£000
Transport Levy		(49,598)	-	(49,349)
Enterprise Zones Income		-	(2,151)	-
Non-Specific Capital Grants		(25,165)	-	(32,115)
<b>Total</b>		<b>(74,763)</b>	<b>(2,151)</b>	<b>(81,464)</b>

**Note G05: Grant Income**

	Note	2019/20		2020/21
		Continuing Services	Services transferred to NTCA	
		£000		£000
LEP Core and Capacity Grant		-	(500)	-
Growth Hub		-	(442)	-
Local Authority Contributions to NECA		(352)	-	(161)
Local Authority Contribution to North East LEP		-	(253)	-
Local Growth Fund		-	(28,063)	(679)
Local Transport Plan		(7,770)	-	(7,736)
European Grants		-	(979)	(176)
North East Smart Ticketing Initiative		(202)	-	(113)
Transforming Cities Fund		(5,516)	-	(13,907)
LEP Local Industrial Strategy Grant		-	(224)	-
Office for Low Emission Vehicles		(302)	-	(70)
COVID-19		-	-	(23,371)
Other Grants		(1,527)	(1,082)	(6,449)
Metro Rail Grant		(14,534)	-	(14,746)
Heavy Rail Grant		(144)	-	(146)
Nexus Non-Specific Grants		(23,444)	-	(31,374)
<b>Total</b>		<b>(53,791)</b>	<b>(31,543)</b>	<b>(98,928)</b>



**Note G06: Property, Plant and Equipment (excluding Infrastructure Assets)**

	2020/21				
	Vehicles, Plant, Furniture & Equipment £000	Assets Under Construction £000	Land and Buildings £000	Total Property, Plant & Equipment (excluding Infrastructure Assets) £000	Service Concession Assets included in PPE £000
<b>Cost or Valuation</b>					
At 1 April 2020	21,210	25,823	1,812	48,845	-
Additions	-	36,354	-	36,354	-
Transfers from Assets Under Construction	677	(27,404)	-	(26,727)	-
Transfers between categories	(590)	-	590	-	-
Derecognition - Disposals	(1,679)	(25)	(193)	(1,897)	-
Revaluation Recognised in Revaluation Reserve	-	-	-	-	-
Impairment recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-
Other Adjustments	-	-	-	-	-
<b>At 31 March 2021</b>	<b>19,618</b>	<b>34,748</b>	<b>2,209</b>	<b>56,575</b>	<b>-</b>
<b>Accumulated Depreciation and Impairment</b>					
At 1 April 2020	(14,075)	-	(415)	(14,490)	-
Depreciation charge	(858)	-	(23)	(881)	-
Derecognition - Disposals	675	-	130	805	-
<b>At 31 March 2021</b>	<b>(14,258)</b>	<b>-</b>	<b>(308)</b>	<b>(14,567)</b>	<b>-</b>
<b>Net Book Value</b>					
At 1 April 2020	7,135	25,823	1,397	34,355	-
At 31 March 2021	5,360	34,748	1,901	42,009	-

	2019/20				
	Vehicles, Plant, Furniture & Equipment £000	Assets Under Construction £000	Land and Buildings £000	Total Property, Plant & Equipment £000	Service Concession Assets included in PPE £000
<b>Cost or Valuation</b>					
At 1 April 2019	20,852	23,725	969	45,546	-
Additions	-	31,126	-	31,126	-
Transfers from Assets Under Construction	420	(27,935)	-	(27,516)	-
Transfers between categories	-	80	(145)	(65)	-
Transfers to Intangibles	-	(824)	-	(824)	-
Derecognition - Disposals	(61)	(349)	-	(410)	-
Revaluation Recognised in Revaluation Reserve	-	-	988	988	-
<b>At 31 March 2020</b>	<b>21,210</b>	<b>25,823</b>	<b>1,812</b>	<b>48,845</b>	<b>-</b>
<b>Accumulated Depreciation and Impairment</b>					
At 1 April 2019	(13,065)	-	(393)	(13,458)	-
Depreciation charge	(1,071)	-	(22)	(1,094)	-
Derecognition - Disposals	61	-	-	61	-
<b>At 31 March 2020</b>	<b>(14,075)</b>	<b>-</b>	<b>(415)</b>	<b>(14,490)</b>	<b>-</b>
<b>Net Book Value</b>					
At 1 April 2019	7,787	23,725	576	32,088	-
At 31 March 2020	7,135	25,823	1,396	34,355	-

**Note G06a: Property, Plant and Equipment (Infrastructure Assets)****Movements on balances**

In accordance with the temporary relief offered by the Update to the Code on Infrastructure assets this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

	2019/20	2020/21
	£000	£000
<b>Net book value (modified historical cost)</b>		
<b>At 1 April</b>	<b>434,628</b>	<b>444,744</b>
Additions	27,516	27,255
Derecognition	(809)	(927)
Depreciation	(16,736)	(17,948)
Impairment	-	(20)
Other movements in cost	145	(2,227)
<b>At 31 March</b>	<b>444,744</b>	<b>450,877</b>

**Reconciliation to Balance Sheet**

	2019/20	2020/21
	£000	£000
Infrastructure assets	444,744	450,877
Other PPE assets	34,355	42,009
<b>Total PPE assets</b>	<b>479,099</b>	<b>492,886</b>

The authority has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil.

**Note G07: Intangible Assets**

Intangible assets in the Group Accounts relate wholly to Nexus.

	2019/20 £000	2020/21 £000
<b>Cost or Valuation</b>		
Opening Balance	4,780	5,962
Additions	397	767
Transfers from assets under construction	824	-
Derecognition - Disposals	(39)	(24)
<b>Total</b>	<b>5,962</b>	<b>6,705</b>
<b>Amortisation</b>		
Opening Balance	(3,297)	(3,461)
Amortisation provided during the period	(164)	(271)
<b>Total</b>	<b>(3,461)</b>	<b>(3,732)</b>
<b>Net Book Value at 31 March</b>	<b>2,501</b>	<b>2,973</b>

**Note G08: Financial Instruments****Financial Assets**

A financial asset is a right to future economic benefits controlled by the Authority that is represented by cash or other instruments or a contractual right to receive cash or another financial asset. The financial assets held by the Authority during the year are held under the following classifications.

	Non-current				Current			
	Investments		Debtors		Investments		Debtors	
	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021
	£000	£000	£000	£000	£000	£000	£000	£000
Amortised cost	1	1	12,321	-	58,236	34,383	12,653	14,108
<b>Total financial assets</b>	1	1	12,321	-	58,236	34,383	12,653	14,108
Non-financial assets	-	-	-	-	-	-	4,354	698
<b>Total</b>	1	1	12,321	-	58,236	34,383	17,007	14,806

**Financial assets at amortised cost**

Financial assets are classified at amortised cost only if both of the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows; and
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

All of NECA's financial assets fit these criteria and are classified at amortised cost.

**Trade receivables**

Trade receivables are amounts due for goods and services delivered. They are generally due for settlement within 30 days and are therefore classified as current. Trade receivables are recognised initially at the amount of the consideration. Trade receivables are held with the objective of collecting the contractual cash flows and are therefore measured at amortised cost using the effective interest method.

Due to the short-term nature of held to maturity investments their carrying value is considered to be the same as their fair value.

**Financial Liabilities held at amortised cost**

A financial liability is an obligation to transfer economic benefits controlled by the Authority and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to Authority.

	Non-current				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021
	£000	£000	£000	£000	£000	£000	£000	£000
Amortised cost	(95,072)	(94,276)	-	-	(1,298)	(1,274)	(18,458)	(18,138)
<b>Total financial liabilities</b>	<b>(95,072)</b>	<b>(94,276)</b>	<b>-</b>	<b>-</b>	<b>(1,298)</b>	<b>(1,274)</b>	<b>(18,458)</b>	<b>(18,138)</b>
Non-financial liabilities	-	-	-	-	-	-	(9,570)	(7,927)
<b>Total</b>	<b>(95,072)</b>	<b>(94,276)</b>	<b>-</b>	<b>-</b>	<b>(1,298)</b>	<b>(1,274)</b>	<b>(28,028)</b>	<b>(26,065)</b>

The contractual terms for NECA's financial liabilities give rise to cash flows that are solely payments of principal and interest, and they have been accordingly classified at amortised cost.

### Income, Expense, Gains and Losses

The gains and losses recognised in the CIES in relation to financial instruments are made up as follows:

31 March 2020				31 March 2021		
£000	£000	£000		£000	£000	£000
Financial Liabilities at amortised cost	Financial assets: measured at amortised cost	Total		Financial Liabilities at amortised cost	Financial assets: measured at amortised cost	Total
4,358	-	4,358	Interest expense	4,211	-	4,211
<b>4,358</b>	<b>-</b>	<b>4,358</b>	<b>Total expense in Surplus on Provision of Services</b>	<b>4,211</b>	<b>-</b>	<b>4,211</b>
-	(1,686)	(1,686)	Investment income	-	(394)	(394)
-	(132)	(132)	Movement on soft loans	-	-	-
-	<b>(1,818)</b>	<b>(1,818)</b>	<b>Total income in Surplus on Provision of Services</b>	<b>-</b>	<b>(394)</b>	<b>(394)</b>
<b>4,358</b>	<b>(1,818)</b>	<b>2,540</b>	<b>Net (gain)/loss for the year</b>	<b>4,211</b>	<b>(394)</b>	<b>3,817</b>

## Fair Value of Assets & Liabilities carried at Amortised Cost

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2020, using the following methods and assumptions:

- Loans borrowed by the Authority have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options. Lender's options to propose an increase to the interest rate of the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

The fair values are shown in the table below are split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability: Fair values have been estimated by discounting the loans' contractual cash flows over the whole life of the instruments at the appropriate market rates for local authority loans of equivalent remaining term. The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options: lenders' options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps; borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- Level 3 – fair value is determined using unobservable inputs: consideration of the estimated creditworthiness of the organisation receiving the loans based on their financial performance and track record of payment.

The fair values calculated are as follows:

	Level	31 March 2020		31 March 2021	
		Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial liabilities held at amortised cost	2	(96,370)	(166,167)	(95,550)	(151,970)
<b>Total</b>		<b>(96,370)</b>	<b>(166,167)</b>	<b>(95,550)</b>	<b>(151,970)</b>
<b>Financial Assets at amortised cost</b>					
Held to maturity investments		58,236	58,236	34,383	34,383
Loan debtors <sup>1</sup>	3	14,510	14,510	-	-
<b>Total</b>		<b>72,746</b>	<b>72,746</b>	<b>34,383</b>	<b>34,383</b>

<sup>1</sup> For details of soft loans held by NECA, please see note 12 of the single entity accounts.

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

Details of the nature and extent of risks arising from Financial Instruments are set out in Note 13 of the single entity accounts.



**Note G09: Short Term Debtors**

	31 March 2020 £000	31 March 2021 £000
Central Government bodies	10,281	6,153
Other local authorities	6,419	6,221
NHS bodies	2	1
Other entities and individuals	305	2,431
<b>Total</b>	<b>17,007</b>	<b>14,806</b>

**Note G10: Cash and Cash Equivalents**

	31 March 2020 £000	31 March 2021 £000
Cash	21,716	34,747
Short-term deposits with financial institutions	16,969	17,746
<b>Total</b>	<b>38,685</b>	<b>52,493</b>

**Note G11: Short Term Creditors**

	31 March 2020 £000	31 March 2021 £000
Central government bodies	(1,439)	(3,287)
Other local authorities	(7,844)	(4,392)
Other entities and individuals	(18,835)	(18,386)
<b>Total</b>	<b>(28,118)</b>	<b>(26,065)</b>

## **Note G12: Defined Benefit Pension Schemes**

NECA and Nexus participate in the Tyne and Wear Pension Fund (the Fund) administered locally by South Tyneside Council, which is part of the Local Government Pension Scheme (LGPS). This is a funded defined benefit scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

In addition, there are arrangements for the award of discretionary post-retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

### **Consolidated Pension Liability**

The Group pension liability of £50.015m (2020 £39.251m) is the sum of the NECA, Nexus and NEMOL pension liability. The details of the total NEMOL pension liability of £nil (2020 £13.702m) are set out within the NEMOL Annual Report and Accounts using the FRS 101 disclosure framework.

Following the TUPE of employees from Nexus to Stadler Rail Service UK Limited on 4 October 2020, the pension assets and liabilities in connection with active employees have transferred to Stadler. In addition, the remaining pension assets and liabilities associated with pensioners and deferred members in NEMOL have been subsumed by Nexus. In the Nexus Group accounts this has resulted in a one-off gain of £1.839m arising from differences in actuarial assumptions between NEMOL and Nexus. This is presented in the disclosures below as well as in the Comprehensive Income and Expenditure Statement as an exceptional item.

### **Transactions Relating to Post-employment Benefits**

The following transactions relating to the Local Government Pension Scheme and Unfunded Benefits provided by the NECA Group have been included in the Comprehensive Income and Expenditure Statement and in the Movement in Reserves Statement during the year.

## Comprehensive Income and Expenditure Statement

	LGPS		Discretionary Benefits	
	2019/20	2020/21	2019/20	2020/21
	£000	£000	£000	£000
<b>Cost of Services:</b>				
Current service cost <sup>1</sup>	8,222	9,535	-	-
Past service cost	65	-	-	-
Settlement cost	-	(620)	-	-
Exceptional loss on transfer of pension liability	1,693	(992)	-	-
<b>Financing and Investment Income and Expenditure</b>				
Interest cost	5,086	4,774	65	53
Expected Return on Scheme Assets	(4,137)	(3,800)	-	-
<b>Total Post-Employment benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>10,929</b>	<b>8,898</b>	<b>65</b>	<b>53</b>
Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement:				
Return on plan assets (in excess of)/below that recognised in net interest	(14,941)	(50,604)	-	-
Remeasurement of the net Defined Benefit Liability	10,789	48,568	(325)	127
Adjustment in respect of paragraph 58	(6,170)	6,210	-	-
<b>Total amount recognised in Other Comprehensive Income and Expenditure</b>	<b>(10,322)</b>	<b>4,174</b>	<b>(325)</b>	<b>127</b>
<b>Total amount recognised in CIES</b>	<b>607</b>	<b>13,072</b>	<b>(260)</b>	<b>180</b>

1. The Current Service cost includes an allowance for administration expenses of £0.01m for NECA and £0.170m for the Nexus Group (of which £0.094m attributable to NECA).

## Reconciliation of the Present Value of Scheme Liabilities:

	LGPS		Discretionary Benefits	
	2019/20	2020/21	2019/20	2020/21
	£000	£000	£000	£000
<b>Opening balance at 1 April</b>	<b>(251,679)</b>	<b>(271,818)</b>	<b>(2,880)</b>	<b>(2,381)</b>
Current service cost	(8,206)	(9,537)	-	-
Interest cost	(6,016)	(5,725)	(65)	(53)
Contributions by participants	(1,680)	(1,678)	-	-
Remeasurement of the net Defined Benefit liability	(10,789)	(47,487)	325	(122)
Net benefits paid out	8,312	6,600	239	227
Past service costs	(67)	-	-	-
Net increase in liabilities from disposals/acquisitions	-	(30)	-	-
Settlements	-	1,500	-	-
Net (increase)/decrease in liabilities from NEMOL/Stadler transfer	(1,693)	9,555	-	-
<b>Closing balance at 31 March</b>	<b>(271,818)</b>	<b>(318,620)</b>	<b>(2,381)</b>	<b>(2,329)</b>

## Reconciliation of the Fair Value of the Scheme Assets:

	LGPS		Discretionary Benefits	
	2019/20	2020/21	2019/20	2020/21
	£000	£000	£000	£000
<b>Opening balance at 1 April</b>	<b>220,326</b>	<b>237,768</b>	-	-
Interest income on assets	5,279	4,819	-	-
Remeasurement gains/(losses) on assets	14,940	49,622	-	-
Employer contributions	3,855	2,118	239	68
Contributions by scheme participants	1,680	1,678	-	-
Net benefits paid out	(8,312)	(6,600)	(239)	(68)
Settlement costs	-	(880)	-	-
Net decrease in assets from Stadler transfer	-	(8,562)	-	-
<b>Closing balance 31 March</b>	<b>237,768</b>	<b>279,963</b>	-	-

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

Scheme History	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
<b>Fair value of LGPS assets</b>	<b>271,850</b>	<b>335,520</b>	<b>220,327</b>	<b>237,767</b>	<b>279,963</b>
Present value of liabilities:					
- LGPS liabilities	(301,460)	(395,160)	(251,678)	(271,818)	(318,620)
- Impact of minimum funding	(7,460)	(7,030)	(8,780)	(2,820)	(9,030)
<b>Deficit on funded defined benefit scheme</b>	<b>(37,070)</b>	<b>(66,670)</b>	<b>(40,131)</b>	<b>(36,871)</b>	<b>(47,687)</b>
Discretionary benefits	(5,130)	(4,870)	(2,880)	(2,380)	(2,329)
<b>Total (Deficit)</b>	<b>(42,200)</b>	<b>(71,540)</b>	<b>(43,011)</b>	<b>(39,251)</b>	<b>(50,016)</b>

The split of the defined benefit obligation at the last valuation date between the various categories of members was as follows:

	NECA	Nexus	NEMOL
Active members	9%	37%	85%
Deferred pensioners	13%	13%	5%
Pensioners	78%	50%	10%

The weighted average duration of the defined benefit obligation for scheme members is 13.5 years for NECA, 19.3 years for Nexus and 25.6 years for NEMOL.

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £327.650m has an impact on the net worth of the Authority recorded on the balance sheet, resulting in a negative pension balance of £50.015m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- The deficit on the local government scheme will be made good by contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.
- The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2021 is nil for NECA, £3.600m for Nexus (of which £1.996m is attributable to NECA) and nil for NEMOL. Additional contributions may also become due in respect of any employer discretions to enhance members' benefits in the Fund over the next accounting period.

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Aon, an independent firm of actuaries, estimates for the pension fund being based on the latest full valuation of the scheme as at 31 March 2019.

The principal assumptions used by the actuary have been:

NECA and Nexus	LGPS		Discretionary Benefits	
	2019/20	2020/21	2019/20	2020/21
<b>Mortality assumptions:</b>				
Longevity at 65 for current pensioners:				
Men	21.8	21.9	21.8	21.9
Women	25.0	25.1	25.0	25.1
Longevity at 65 for future pensioners:				
Men	23.5	23.6	n/a	n/a
Women	26.8	26.9	n/a	n/a
Rate for discounting scheme liabilities	2.3%	2.1%	2.3%	2.1%
Rate of inflation - Retail Price Index	n/a	n/a	n/a	n/a
Rate of inflation - Consumer Price Index	2.0%	2.7%	2.0%	2.7%
Rate of increase in pensions	2.0%	2.7%	2.0%	2.7%
Pension accounts revaluation rate	2.0%	2.7%	n/a	n/a
Rate of increase in salaries	3.5%	4.2%	n/a	n/a

NEMOL	LGPS	
	2019/20	2020/21
<b>Mortality assumptions:</b>		
Longevity at 65 for current pensioners:		
Men	21.8	21.9
Women	25.0	25.1
Longevity at 65 for future pensioners:		
Men	23.5	23.6
Women	26.8	26.9
Rate for discounting scheme liabilities	2.3%	1.6%*
Rate of inflation - Retail Price Index	n/a	n/a
Rate of inflation - Consumer Price Index	1.9%	2.2%*
Rate of increase in pensions	1.9%	2.2%*
Pension accounts revaluation rate	1.9%	2.2%*
Rate of increase in salaries	3.4%	3.7%*

\* At date of transfer (4 October 2020)

The approximate split of assets for the Fund as a whole is shown in the table below:

	31 March 2020	31 March 2021		
	% Total	% Quoted	% Unquoted	% Total
Equity investments	54.8%	48.4%	7.1%	55.5%
Property	9.0%	0.0%	7.9%	7.9%
Government bonds	4.1%	2.2%	0.0%	2.2%
Corporate bonds	15.3%	19.8%	0.0%	19.8%
Cash	2.3%	4.0%	0.0%	4.0%
Other*	14.5%	4.7%	5.9%	10.6%
<b>Total</b>	<b>100.0%</b>	<b>79.1%</b>	<b>20.9%</b>	<b>100.0%</b>

\* Other holdings may include hedge funds, currency holdings, asset allocation futures and other financial instruments. It is assumed that these will generate a return in line with equities.

#### Actual Return on Assets

	Local Government	
	2019/20	2020/21
	£000	£000
Interest Income on Assets	5,279	4,819
Remeasurement gain/(loss) on assets	14,940	49,622
<b>Actual Return on Assets</b>	<b>20,219</b>	<b>54,441</b>

#### Sensitivity Analysis

Sensitivity analysis of NECA pension liabilities is set out in Note 19 of the single entity accounts. Sensitivity analysis of the Nexus pension liabilities is shown below.

The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation for Nexus as at 31 March 2021 and the projected cost for the period ending 31 March 2022 is set out below. In each case, only the assumption mentioned is altered; all other assumptions remain the same and are summarised above. The NEMOL sensitivity analysis, data summary and pensioner numbers are set out within the NEMOL Annual Report.

Sensitivity analysis of unfunded benefits has not been included on materiality grounds.

<b>Discount rate assumption</b>	<b>+0.1% per annum</b>	<b>Base Figure</b>	<b>-0.1% per annum</b>
<b>Adjustment to discount rate</b>			
Present value of total obligation (£M)	480.66	489.97	499.28
% change in present value of total obligation	-1.90%		1.90%
Projected service cost (£M)	18.25	18.89	19.55
Approximate % change in projected service cost	-3.40%		3.50%

<b>Rate of general increase in salaries</b>	<b>+0.1% per annum</b>	<b>Base Figure</b>	<b>-0.1% per annum</b>
<b>Adjustment to salary increase rate</b>			
Present value of total obligation (£M)	491.93	489.97	488.50
% change in present value of total obligation	1.40%		-0.30%
Projected service cost (£M)	18.89	18.89	18.89
Approximate % change in projected service cost	0.00%		0.00%

<b>Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts</b>	<b>+0.1% per annum</b>	<b>Base Figure</b>	<b>-0.1% per annum</b>
<b>Adjustment to pension increase rate</b>			
Present value of total obligation	497.32	489.97	482.13
% change in present value of total obligation	1.60%		-1.60%
Projected service cost (£M)	19.55	18.89	18.25
Approximate % change in projected service cost	-3.40%		3.50%

<b>Post retirement mortality assumption</b>	<b>-1 year</b>	<b>Base Figure</b>	<b>+1 year</b>
<b>Adjustment to mortality age rating assumption *</b>			
Present value of total obligation (£M)	506.61	489.97	472.82
% change in present value of total obligation	3.60%		-3.50%
Projected service cost (£M)	19.68	18.89	18.12
Approximate % change in projected service cost	4.20%		-4.10%

\* a rating of +1 year means that members are assumed to follow the mortality pattern of the base table for an individual that is 1 year older than them

**Note G13: Deferred Taxation**

The movement for the year comprises:

	2019/20 £000	2020/21 £000
Capital Allowances	(312)	153
Roll over relief on capital gains	-	-
Other timing differences	(105)	49
Tax effect of losses	-	(539)
<b>Total</b>	<b>(417)</b>	<b>(337)</b>

The balance at the year end comprises:

	31 March 2020 £000	31 March 2021 £000
Excess of capital allowances over depreciation	(1,580)	(1,725)
Roll over relief on capital gains	(687)	(683)
Other timing differences	105	54
Tax effect of losses	-	539
<b>Total</b>	<b>(2,162)</b>	<b>(1,815)</b>

**Note G14: Usable Reserves**

	31 March 2020 £000	31 March 2021 £000
General Fund Balance	(49,684)	(36,234)
Earmarked Reserves	(12,372)	(11,452)
Capital Receipts Reserve	(8,889)	-
Capital Grants Unapplied Reserve	(13,224)	(23,686)
Pensions (NEMOL)	7,638	-
<b>Total</b>	<b>(76,531)</b>	<b>(71,372)</b>



**Note G15: Unusable Reserves**

**Summary**

	<b>31 March 2020 £000</b>	<b>31 March 2021 £000</b>
Capital Adjustment Account	(341,308)	(343,230)
Financial Instruments Adjustment Account	3,093	309
Revaluation Reserve	(5,908)	(5,805)
Pension Reserve	31,625	50,016
<b>Total</b>	<b>(312,498)</b>	<b>(298,711)</b>

Details of movements on the Financial Instruments Adjustment Account is shown in Note 22 of the NECA single entity accounts. This reserve relates to NECA only.

**Revaluation Reserve**

The Revaluation Reserve (RR) contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through
- Disposed of and the gains are realised

The RR only contains revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the CAA.

	<b>£000</b>
<b>Opening Balance 1 April 2019</b>	<b>(5,000)</b>
Difference between fair value depreciation and historical cost depreciation written off to the CAA	81
Revaluation Gain recognised in Revaluation Reserve	(988)
<b>Balance at 31 March 2020</b>	<b>(5,907)</b>
Difference between fair value depreciation and historical cost depreciation written off to the CAA	102
Revaluation Gain recognised in Revaluation Reserve	-
<b>Balance at 31 March 2021</b>	<b>(5,805)</b>

## Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	£000
<b>Balance at 1 April 2019</b>	<b>25,095</b>
Remeasurements of the net defined benefit liability to 31 March 2020	(10,648)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES to 31 March 2020	11,784
Employer's pension contributions and direct payments to pensioners to 31 March 2020	(2,724)
NEMOL pension transfer	8,118
<b>Balance at 31 March 2020</b>	<b>31,625</b>
Remeasurements of the net defined benefit liability to 31 March 2021	4,331
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES to 31 March 2020	16,290
Employer's pension contributions and direct payments to pensioners to 31 March 2020	(2,229)
NEMOL pension transfer	-
<b>Balance at 31 March 2021</b>	<b>50,015</b>

## Capital Adjustment Account

The Capital Adjustment Account (CAA) absorbs the timing differences arising from the different arrangements for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The CAA is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisation are charges to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures on a historical cost basis). The CAA is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement of assets.

The CAA also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

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	£000
<b>Balance at 1 April 2019</b>	<b>(325,619)</b>
<b>Reversal of items relating to capital expenditure debited or credited to the CIES:</b>	
Charges for depreciation and impairment of non current assets	17,019
Other income that cannot be credited to the General Fund	(2,837)
Revenue expenditure funded from capital under statute	37,538
Write down of long term debtors	5,560
Non Current Assets written off on disposal	988
<b>Adjusting amounts written out of the Revaluation Reserve</b>	<b>(81)</b>
<b>Capital financing applied in the year:</b>	
Capital grants and contributions credited to the CIES that have been applied to capital financing	(68,339)
Statutory provision for the financing of capital investment	(964)
Capital expenditure charged against the General Fund	(2,063)
Debt redeemed using capital receipts	(2,510)
<b>Balance at 31 March 2020</b>	<b>(341,308)</b>
<b>Transfer to NTCA</b>	<b>16,282</b>
<b>Reversal of items relating to capital expenditure debited or credited to the CIES:</b>	
Charges for depreciation and impairment of non current assets	18,300
Other income that cannot be credited to the General Fund	(2,824)
Revenue expenditure funded from capital under statute	10,391
Write down of long term debtors	841
Non Current Assets written off on disposal	2,028
<b>Adjusting amounts written out of the Revaluation Reserve</b>	<b>(102)</b>
<b>Capital financing applied in the year:</b>	
Capital grants and contributions credited to the CIES that have been applied to capital financing	(43,013)
Statutory provision for the financing of capital investment	(1,391)
Capital expenditure charged against the General Fund	(1,593)
Debt redeemed using capital receipts	(841)
<b>Balance at 31 March 2020</b>	<b>(343,230)</b>

**Note G16: Adjustments to net surplus or deficit on the provision of services for non-cash movements and items that are Investing or Financing activities**

	2019/20 £000	2020/21 £000
Surplus/(Deficit) on the provision of services	16,868	27,211
<b>Adjustments to Surplus/(Deficit) on Provision of Services for Non-Cash Movements</b>		
Depreciation, Impairment and Amortisation	17,596	19,119
Loss on disposal of non-current assets	1,185	2,043
(Increase)/Decrease in Creditors	(432)	19,973
Increase/(Decrease) in Debtors	1,044	170
Increase/(Decrease) in Inventories	(361)	1,495
Movement in Pension Liability	6,900	6,606
Other non-cash items charged to the net surplus or deficit on the provision of services	(2,346)	(1,487)
	<b>23,586</b>	<b>47,919</b>
<b>Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b>		
Capital grants credited to surplus/(deficit) on provision of services	(69,889)	(60,641)
Other adjustments for items that are financing or investing activities	592	1,751
<b>Net cash flow from operating activities</b>	<b>(28,843)</b>	<b>16,240</b>

The cash flows for operating activities include the following items:

	2019/20 £000	2020/21 £000
Interest received	2,224	963
Interest paid	(4,196)	(4,057)

**Note G17: Cash Flow Statement - Investing Activities**

	2019/20 £000	2020/21 £000
Purchase of property, plant and equipment, investment property and intangible assets	(31,207)	(36,794)
Purchase of short-term and long-term investments	(101,107)	(41,592)
Other payments for investing activities	-	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	11	-
Proceeds from short-term and long-term investments	101,139	61,973
Other receipts from investing activities	75,748	59,502
<b>Net cash flows from investing activities</b>	<b>44,584</b>	<b>43,089</b>

**Note G18: Cash Flow Statement - Financing Activities**

	2019/20 £000	2020/21 £000
Repayments of short and long-term borrowing	1,529	(1,679)
Other payments for financing activities	(548)	(1,704)
<b>Net cash flows from financing activities</b>	<b>981</b>	<b>(3,383)</b>

**Note G18a: Reconciliation of liabilities arising from Financing Activities**

	1 April 2020	Financing Cash Flows	Changes which are not financing cash flows		31 March 2021
	£000	£000	Acquisition £000	Other £000	£000
Long term borrowings	(95,072)	796	-	-	(94,276)
Short term borrowings	(1,298)	-	-	24	(1,274)
<b>Total Liabilities from financing activities</b>	<b>(96,370)</b>	<b>796</b>	<b>-</b>	<b>24</b>	<b>(95,550)</b>

	1 April 2019	Financing Cash Flows	Changes which are not financing cash flows		31 March 2020
	£000	£000	Acquisition £000	Other £000	£000
Long term borrowings	(92,508)	(2,564)	-	-	(95,072)
Short term borrowings	(1,288)	-	-	(10)	(1,298)
<b>activities</b>	<b>(93,796)</b>	<b>(2,564)</b>	<b>-</b>	<b>(10)</b>	<b>(96,370)</b>

**Note G19: Capital Expenditure and Capital Financing**

	<b>£000</b>
	<b>£000</b>
<b>Opening Capital Financing Requirement 1 April 2019</b>	<b>107,602</b>
<b>Capital Investment</b>	
Property, Plant and Equipment	31,204
Intangible Assets	397
Revenue Expenditure Funded from Capital Under Statute	37,538
Capital receipts - repayment of principal from long term debtors	(2,510)
Government Grants and other contributions	(68,338)
<b>Sums set aside from revenue</b>	
Direct revenue contributions	(2,063)
Minimum Revenue Provision	(964)
Additional Voluntary Provision	-
<b>Closing Capital Financing Requirement 31 March 2020</b>	<b>102,866</b>
assistance)	<b>(4,736)</b>

<b>Opening Capital Financing Requirement 1 April 2020</b>	<b>102,866</b>
<b>Capital Investment</b>	
Property, Plant and Equipment	36,882
Intangible Assets	779
Revenue Expenditure Funded from Capital Under Statute	10,391
<b>Sources of Finance</b>	
Capital receipts - repayment of principal from long term debtors	(841)
Government Grants and other contributions	(44,317)
<b>Sums set aside from revenue</b>	
Direct revenue contributions	(1,593)
Minimum Revenue Provision	(975)
Additional Voluntary Provision	(416)
<b>Closing Capital Financing Requirement 31 March 2021</b>	<b>102,776</b>
assistance)	<b>(90)</b>

## 4.0 Supplemental Information

### 4.1 Glossary of Terms

Abbreviations	The symbol 'k' following a figure represents £ thousand. The symbol 'm' following a figure represents £ million.
Accruals	Income and expenditure are recognised as they are earned or incurred, not as money is received or paid.
Accounting policies	Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements.
Actuarial gains or losses (Pensions)	For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise either because events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses), or the actuarial assumptions themselves have changed.
Amortise	To write off gradually and systematically a given amount of money within a specific number of time periods.
Assets	Items of worth which are measurable in terms of money.
Assets Held for Sale	Those assets, primarily long-term assets, that the Authority wishes to dispose of through sale to others.
Balances	The total level of surplus funds the Authority has accumulated over the years.
Budgets	A statement of the Authority's forecast expenditure, that is, net revenue expenditure for the year.
Capital Expenditure	Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.
Capital Adjustment Account	The account accumulates (on the debit side) the write down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (revenue expenditure funded from capital under statute). The balance on the account represents timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

Capital Receipts	Monies received from the disposal of land and other fixed assets, and from the repayment of grants and loans made by the Authority.
Code of Practice on Local Authority Accounting in the UK	The Code specifies the principles and practices of accounting to give a 'true and fair' view of the financial position and transactions of a local authority.
Comprehensive Income & Expenditure Statement	This account summarises the resources that have been generated and consumed in providing services and managing the Authority during the financial year.
Consistency	The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.
Contingent Asset	A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control.
Contingent Liability	A contingent liability is either (i) a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control, or (ii) a present obligation from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.
Corporate & Democratic Core	The corporate & democratic core comprises all activities which local authorities engage in specifically because they are elected, multipurpose authorities.
Creditors	An amount owed by the Authority for work done, goods received or services rendered, but for which payment has not been made.
Current Service Cost (Pensions)	The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.
Curtailment (Pensions)	For a defined benefit pension scheme an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Examples include termination of employee's service through redundancy or amendment of the terms affecting future benefits.



Debtors	Monies owed to the Authority but not received at the balance sheet date.
Defined Benefit Scheme (Pensions)	A pension or other retirement scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.
Depreciation	The measure of the wearing out, consumption or other reduction in the useful economic life of an asset.
Earmarked Reserve	A sum set aside for a specific purpose.
Emoluments	Payments received in cash and benefits for employment.
Events after the Balance Sheet Date	Events after the balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the statement of Accounts is authorised for issue.
Expected Rate of Return on Pensions Assets	This is an actuarially calculated estimate of the return on the scheme's investment assets during the year.
Fair Value	The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the assets.
Fees and Charges	Income arising from the provision of services, for example, charges for the use of leisure facilities.
Finance Lease	A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. The payments usually cover the full cost of the asset together with a return for the cost of finance.
Financial Instrument	Document (such as a cheque, draft, bond, share, bill of exchange, futures or options contract) that has a monetary value or evidences a legally enforceable (binding) agreement between two or more parties regarding a right to payment of money.
Financial Instruments Adjustment Account	The reserve records the accumulated difference between the financing costs included in the Comprehensive Income & Expenditure Account and the accumulated financing costs required in accordance with regulations to be charged to the General Fund Balance.
General Fund	The total services of the Authority.

Going Concern	The concept that the Authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.
Impairment	A reduction in the value of a fixed asset below its carrying amount on the balance sheet resulting from causes such as obsolescence or physical damage.
Intangible Assets	An asset that is not physical in nature, e.g. software licences.
Interest Cost (Pensions)	For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.
Investment Properties	Interest in land and buildings where construction work and development has been completed and the asset is held for its investment potential, any rental income being negotiated at arms length.
Liabilities	Any amounts owed to individuals or organisations which will have to be paid at some time in the future.
Liquid Resources	Current asset investments that are readily disposable by the Authority without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.
Materiality	An item is material if its omission, non-disclosure or misstatement in the financial statements could be expected to lead to a distortion of the view given by the financial statements.
Minimum Revenue Provision (MRP)	An amount charged by the Authority to the Comprehensive Income & Expenditure Account, for debt redemption or for the discharge of other credit liabilities.
Movement in Reserves Statement	The statement shows the movement in the year on the different reserves held by the Authority.
Net Book Value	The amount at which fixed assets are included in the balance sheet being the historical cost or current value less the cumulative amounts provided for depreciation.
Net Debt	The Authority's borrowings less cash and liquid resources.
Operating Leases	Leases other than a finance lease.

Property, Plant & Equipment (PPE)	Assets that yield benefits to the Authority and the services that it provides for a period of more than one year. Examples include land, buildings and vehicles.
Provisions	These are sums set aside to meet liabilities or losses which have been incurred but where the amount and/or timing of such costs are uncertain.
Prudence	This accounting concept requires that revenue is not anticipated until realisation can be assessed with reasonable certainty. Provision is made for all known liabilities whether the amount is certain or can only be estimated in the light of information available.
Public Works Loan Board	This is a Government agency which provides loans to local authorities at favourable rates.
Related Party Transactions	A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. An example could be the purchase, sale, lease, rental or hire of assets between related parties.
Reserves	These are sums set aside to meet possible future liabilities where there is no certainty about whether or not these liabilities will be incurred.
Residual Value	The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.
Revaluation Reserve	The reserve records the accumulated gains on the fixed assets held by the Authority arising from increases in value as a result of inflation or other factors.
Revenue Expenditure	Expenditure on providing day-to-day services, for example employee costs and premises costs.
Revenue Expenditure Funded from Capital under Statute	Expenditure which may be properly incurred, but which does not result in an asset owned by the Authority e.g. grants to other organisations for capital purposes.

Unusable Reserves	The Authority cannot use this category of reserves to provide services. Includes reserves that hold unrealised gains and losses (e.g. revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'adjustments between accounting basis and funding basis under regulation'.
Usable Reserves	Those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.
Useful Life	The period over which the Authority will derive benefits from the use of a fixed asset.



## **Narrative Report for the Year ended 31 March 2021**

## 1. Introduction

This Narrative Report provides information about the North East Combined Authority (NECA), including the key issues affecting the Authority and its accounts. It provides an explanatory narrative to key elements of the statements and sections in the accounts and also provides a summary of the Authority's financial performance for 2020/21 and its future financial prospects.

This report provides the reader with:

- A guide to the different financial statements within the Statement of Accounts.
- An overview of the activities and significant matters which occurred during the year.
- A summary of the Authority's financial performance during the year ending 31 March 2021 and its financial position at that date.
- A look ahead to 2021/22 and beyond.

The Statement of Accounts sets out the financial performance of the Authority for the year ending 31 March 2021 and its financial position at that date. They have been prepared in accordance with proper practices as set out in the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Code requires that the accounts give a true and fair view of the financial position of the Authority. In line with the Code, suitable accounting policies have been applied and where necessary prudent judgements and estimates have been made.

The accounts feature four main financial statements:

- Movement in Reserves Statement.
- Comprehensive Income and Expenditure Statement.
- Balance Sheet.
- Cash Flow Statement.

The purpose of each of the above statements is described at the end of this report and the actual statements are contained within the accompanying Statement of Accounts document, which also includes detailed notes providing further information relating to specific amounts and balances.

The main statements are supplemented by a further section which presents the Group Accounts, consolidating the figures of Nexus with those of the Authority.

These statements and accounts collectively provide a comprehensive view of the Authority's financial position during the period to which they relate. The format of the accounts changed in 2018/19 to reflect the impact of the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority (Establishment and Functions) Order 2018 (the [Order](#)) which changed the boundaries of NECA on 2 November 2018.

The Authority seeks to make the best possible use of resources available with regard to economy, efficiency and effectiveness. This is a responsibility shared by Members and Officers of the Authority, with the Chief Finance Officer having a specific role in ensuring the adequacy of resources and proper financial administration. Our budget proposals for 2021/22, available on the NECA website ([www.northeastca.gov.uk](http://www.northeastca.gov.uk)) sets out how we will do this looking forward. The Statement of Accounts accompanying this report looks back at our performance over the past year. Reviewed together they provide the reader with an understanding of the financial position of the Authority.

### 2. What is the North East Combined Authority?

The North East Combined Authority (NECA) was established in April 2014 as a legal body that brought together the seven councils which serve Durham, Gateshead, Newcastle upon Tyne, North Tyneside, Northumberland, South Tyneside and Sunderland. It had transport and economic development powers and its ambition was to create the best possible conditions for growth in jobs, investment and living standards, making the North East an excellent location for business and enabling residents to develop high-level skills so they can benefit long into the future.

The North of Tyne authorities secured a devolution deal with devolution funding for the North of Tyne area, which required the establishment of a separate North of Tyne Mayoral Combined Authority during 2018/19. On the 2 November 2018, the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority (Establishment and Functions) Order 2018 changed the boundaries of NECA.

As a result of these governance changes, from 2 November 2018 the boundary of NECA covers the Local Authorities of Durham, Gateshead, South Tyneside and Sunderland. At the same time the North of Tyne Combined Authority was established, and the North East Joint Transport Committee was created, which continues to exercise the Transport functions over the area covered by the two Combined Authorities.

A Deed of Cooperation was made on the 4 July 2018 between the seven Constituent Authorities in the area that outlines a framework for collaborative working across the region, the Deed of Cooperation was updated in March 2020. On 20 November 2018 NECA was formally confirmed as retaining the Accountable Body role for Transport on behalf of the North East Joint Transport Committee.

NECA continued to be the accountable body for the North East Local Enterprise Partnership (North East LEP) until the North of Tyne Mayoral Combined Authority (NTCA) was fully established. The role of accountable body for the North East LEP transferred on 1 April 2020.

NECA continues to work closely with other bodies in the region to secure external funding, including funding for transport; infrastructure; economic development; skills and employment activities.

NECA works closely with the North East LEP and the wider business community to deliver the Strategic Economic Plan for the North East and capitalise on these opportunities.

### Revenue Financial Summary 2020/21

Revenue expenditure covers the cost of the Authority's day to day operations and contributions to and from reserves. A summary of NECA expenditure against the budget is set out in the Table 1 below. Expenditure totalling £125.049m was slightly higher than the revenue budget of £124.794m due to slightly higher than forecast payments made to constituent authorities for Covid 19 transport grants. Income received was £118.463m, which resulted in a net deficit to fund from reserves of £6.586m. This was in line with forecasts presented to the Leadership Board and the JTC during the year and included an advance to TT2 Ltd in connection with the Tyne Pass project, funded from Tyne Tunnels reserves.

**Table 1: Summary of Revenue Expenditure**

	2020/21 Revised Budget	2020/21 Actual	Variance
	£000	£000	£000
<b>Expenditure</b>			
Joint Transport Committee			
- Retained Levy Budget	1,991	1,907	(84)
- Grant to Durham	15,456	15,456	-
- Grant to Nexus	59,000	59,000	-
- Grant to Northumberland	6,224	6,224	-
Tyne Tunnels			
- Contract Payments	13,933	12,717	(1,216)
- TT2 Advance (Tyne Pass)	6,670	6,670	-
- JTC costs	263	457	194
- Financing Costs	6,507	7,428	921
Other Transport Activity			
- Transport Strategy Unit	1,273	1,062	(211)
- Covid Grants	13,211	13,868	657
Corporate/Central Budget	266	260	(6)
<b>Total Expenditure</b>	<b>124,794</b>	<b>125,049</b>	<b>255</b>
<b>Income</b>			
External Grant Funding	(14,114)	(14,655)	(541)
Transport Levies	(82,800)	(82,800)	-
Tolls Income	(20,650)	(20,544)	106
Interest/Investment Income	(80)	(107)	(27)
Contributions from Constituent Authorities	(161)	(161)	-
Other Income	(178)	(196)	(18)
<b>Total Income</b>	<b>(117,983)</b>	<b>(118,463)</b>	<b>(480)</b>
<b>Net Revenue Expenditure to fund from Reserves</b>	<b>6,811</b>	<b>6,586</b>	<b>(225)</b>

This statement provides a comparison of the outturn position with the NECA (including JTC) revised revenue budget for 2020/21, before any allocation of costs and income between the accounts of NECA and NTCA. The purpose of this statement is to give the reader an understanding of overall spending and income for the whole year, in comparison with the revised budget.

Within the accompanying Statement of Accounts document the **Comprehensive Income & Expenditure Statement** (CIES, page 6 of the Statement of Accounts) sets out the Authority's financial position for the year before taking account of statutory adjustments required to be made to



the accounts. The figures presented in the accounts can appear different from the budgeted revenue income and expenditure as they include accounting adjustments for costs such as Depreciation, Revenue Expenditure Funded by Capital Under Statute and certain pensions account adjustments not included in the revenue budget.

The **Movement in Reserves Statement** (MIRS, page 5 of the Statement of Accounts) reflects these statutory adjustments and shows how the financial performance for the year has impacted on the Authority's reserves. There has been a decrease in reserves from £125.141m at 31 March 2020 to £99.316m at 31 March 2021, mainly due to the transfer of reserves relating to the North East LEP to the North of Tyne Combined Authority on 1 April 2020.

The gross cost of services during the year including capital grants to third parties as well as revenue expenditure was £79.781m (£104.772m in 2019/20). This includes a significant amount of 'Revenue Expenditure Funded by Capital Under Statute' – representing investment in capital assets owned by third parties, not by the Authority itself.

After deducting specific grants and income from fees and charges, the net cost of services was £30.325m (£41.510m in 2019/20). This was funded from sources including the Transport Levy, other contributions from Constituent Authorities and Government Grants. The net cost was lower than in 2019/20 because the previous year included income and expenditure relating to the North East LEP which is now accounted for by the NTCA.

The balance of usable reserves at the year-end was £43.032m, which is a £12.685m decrease on the previous year. This is made up of a number of different elements, most of which are held for specific purposes. The decrease is due to the transfer of usable reserves to the NTCA partially offset by an increase in capital grants received which have not yet been applied to fund expenditure (known as the Capital Grants Unapplied reserve) and the creation of new earmarked reserves to hold funds relating to the Bus Partnership and Metro Studies projects.

### 3. Capital Investment

Capital investment (including Nexus as part of the NECA Group) during the year totalled £83.449m. Expenditure consisted of capital expenditure on the Authority's own assets and capital expenditure via capital grants to third parties. An analysis of capital investment by programme are shown in the following table.

**Table 2: Capital Expenditure by Programme**

	2020/21 Revised Programme	2020/21 Actual	2020/21 Variance
	£000	£000	£000
Transforming Cities Fund Tranche 1	2,725	1,932	(793)
Transforming Cities Fund Tranche 2	1,517	726	(791)
Go Ultra Low	384	426	42
Ultra-Low Emission Vehicles - Taxi Project	497	419	(78)
Metro Asset Renewal Plan	24,635	20,990	(3,645)
Metro Fleet Replacement	48,605	43,689	(4,916)
Nexus Other Capital Projects	2,074	770	(1,304)
Metro Flow	1,702	1,142	(560)
Tyne Tunnels	1,007	952	(55)
Local Transport Plan *	11,309	11,246	(63)
Active Travel Fund (capital elements)	1,157	1,157	-
<b>Total Capital Programme</b>	<b>95,612</b>	<b>83,449</b>	<b>(12,163)</b>

\* Amounts shown in these lines are net of LTP funded expenditure included within the Metro Asset Renewal Plan to avoid double-counting.

A summary of how this capital investment was financed is shown in the following table:

**Table 3: Capital Funding 2020/21**

	2020/21 Actual	2020/21
	£000	%
Local Growth Fund Grant	1,057	1.3%
Local Transport Plan Grant	14,226	17.0%
Metro Capital Grant	23,605	28.3%
Metro Fleet Grant	35,800	42.9%
Transforming Cities Fund Grant	3,883	4.7%
Other Capital Grants	2,032	2.4%
Reserves	2,846	3.4%
<b>Total Funding</b>	<b>83,449</b>	<b>100.0%</b>

#### 4. Treasury Management

The Balance Sheet on page 7 of the accounts shows external borrowing of £95.550m at the end of the year, which is split between short term borrowing (£1.274m) and long term borrowing (£94.276m), after the allocation of part of the transport borrowing to NTCA accounts. This is a small decrease compared to balance of £96.37m the previous year due to repayments made on Equal

Instalment of Principal (EIP) loans during the year. The average rate of interest on external borrowing for the year was 4.3%, which is comparable with the previous year.

The Balance Sheet also shows short term external investments of £34.383m in the NECA accounts at the end of the year compared to £58.236m at the end of the previous year. The total of investments included £6.655m of investments held on behalf of Nexus. A further £22.182m cash equivalents were held, including £11.091m on behalf of Nexus. The decrease compared to the previous year is due to NECA no longer holding balances on behalf of the North East LEP since these were transferred to NTCA.

### 5. Debtors

The Balance Sheet on page 7 of the accounts shows a short-term debtors balance at 31 March 2021 of £5.050m (£8.899m at 31 March 2020). This relates mainly to interest and principal repayments due within 12 months on borrowing by Nexus and is analysed in more detail in Note 14.

### 6. Creditors

Short term creditors at 31 March 2021 were £39.879m (£39.984m at 31 March 2020). These balances are analysed in more detail in Note 17. This includes a creditor for balances owed to Nexus for short term investments and cash equivalents placed on their behalf (£54m total creditor of which £29.946m is shown in the NECA accounts).

### 7. Pensions Costs

The Authority is an employer in the Tyne and Wear Pension Fund (the pension fund), which is part of the Local Government Pension Scheme (LGPS), which provides defined benefits based on members' final pensionable salary and years of service. In accordance with IAS19, the Authority is required to value all pension liabilities that have accumulated at the end of the year consisting of -

- Pension benefits that are being paid out to former employees who have retired.
- Pension benefits earned to date by current employees but not yet paid out.

IAS19 also requires the Authority to value all investments held by the pension fund at market value at the end of the year.

When assets and liabilities at year-end are compared this results in a surplus or deficit.

NECA has two types of pension liabilities – described as funded and unfunded. Funded pension liabilities are within the LGPS and are backed by assets attributable to the Authority. For the funded element of the scheme, the NECA pension fund is in a notional surplus position amounting to £9.03m at 31 March 2021, compared with £2.82m at 31 March 2020. The increase in year is due to market conditions at 31 March 2021 and the impact on asset values. For accounting purposes this surplus is restricted to nil on the NECA balance sheet. NECA gets a benefit from the surplus in the form of savings on employers' pension contributions for current employees, which has enabled significant savings on the revenue budget.

Unfunded or discretionary benefits (such as early retirement awards) sit outside the Authority's funded part of the scheme and are therefore not backed by assets and must be paid as incurred on a monthly basis. These costs relate to former Tyne Tunnels employees and are paid from the Tyne Tunnels revenue account, at a cost of approximately £50,000 in 2020/21. At the end of the year there was an unfunded liability of £0.87m (£0.84m at 31 March 2020) and this is disclosed on the Balance Sheet.

The deficit as at 31 March 2021 takes into account the national judgements on McCloud and Guaranteed Minimum Pensions (GMP). The actuarial valuation is influenced by a number of economic factors. Note 19 to the accounts provides further analysis and disclosure of the Pension Fund liability.

### 8. Net Assets

Net assets in the NECA accounts have decreased from £125.141m at 31 March 2020 to £99.316m at 31 March 2021. The decrease in total net assets is due to the transfer of net assets relating to the North East LEP to NTCA on 1 April 2020.

### 9. Group Results

The Group Accounts included as part of the Statement of Accounts fully incorporate the results of Nexus (The Tyne and Wear Passenger Transport Executive). More details can be found in Group Note G01 on page 81.

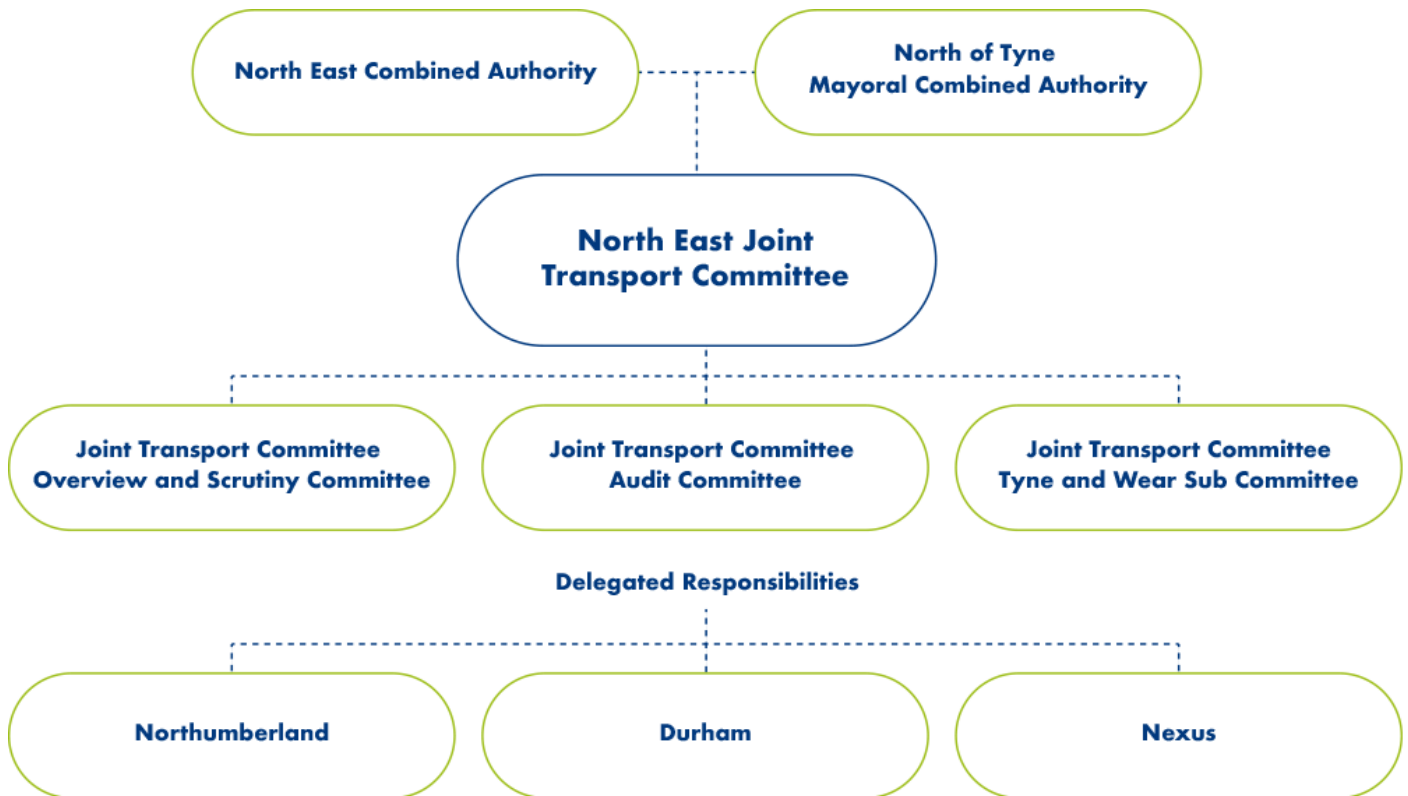
The Nexus accounts are apportioned between NTCA and NECA accounts (after elimination of intra-Group transactions), with the balance sheet information at 31 March 2021 allocated between the two Combined Authorities in proportion to their relative share of Tyne and Wear Population as set out in table 4. The full accounts for the Nexus Group and more information about their activity and performance can be obtained from the Nexus website at <https://www.nexus.org.uk>.

### 10. Accounting for the North East Joint Transport Committee

The North East Joint Transport Committee brings together a total of seven members from each of the Constituent Authorities of the region; four Members from the North East Combined Authority and three Members from the North of Tyne Combined Authority in accordance with the Order and was created on the 2nd November 2018.

Transport is of strategic importance to the North East, and the collaborative working of both Combined Authorities allows effective decision making across the region, which ensures that the local needs and priorities are delivered.

The structure for Transport that was established in November 2018 is shown in the diagram below.



Under the CIPFA Code, the JTC meets the definition of a ‘joint operation’, which determines its accounting treatment. Where a Joint Committee is accounted for as a Joint Arrangement each Joint Operator (in this case NECA and NTCA) must account for their own share of the assets, liabilities, revenues and expenses held or incurred jointly in their own financial statements. In order to comply with the CIPFA Code, NECA must:

1. Split the revenues between that which relates to NECA and NTCA. In this case, the constitution of the JTC and its funding arrangements suggests that, in the first instance, the revenues should be divisible into that which relates to Northumberland (allocated wholly to NTCA), that which relates to Durham (allocated wholly to NECA) and that which relate to Tyne and Wear (requires further division into NECA and NTCA).
2. The revenues which relate to Tyne and Wear must be divided into that which relates wholly to the NECA or NTCA area and that which relates to activities now wholly attributable under the preceding two points which requires apportionment.

The Order gives no clear instruction on the basis of division of revenues, but the Deed of Cooperation made on 4 July 2018 between the seven local authorities in the area indicates that resident populations shall be used as a basis of apportionment.

For the 2020/21 accounts the mid-year estimated population published by the Office of National Statistics as at June 2018 is used, which is the basis on which the Transport Levy payments for the year are required to be calculated. The calculation of the proportion used to allocate the figures in the accounts at 31 March 2021 is shown in Table 4 below.

**Table 4 - Population used to allocate Transport Assets/Liabilities between NECA and NTCA**

	Mid-Year 2018 Population	Proportion
	People	Proportion
<b>NECA</b>		
- Gateshead	202,508	
- South Tyneside	150,265	
- Sunderland	277,417	
	<b>630,190</b>	0.55456
<b>NTCA</b>		
- Newcastle	300,196	
- North Tyneside	205,985	
	<b>506,181</b>	0.44544
<b>Tyne and Wear Total</b>	<b>1,136,371</b>	

## 11. The Statement of Accounts

The Statement of Accounts is set out in the accompanying document, they consist of the following statements that are required to be prepared under the Code of Practice:

### **Movement in Reserves Statement (Statement of Accounts page 5)**

This statement shows the movement in the year on the different reserves held by the Authority, analysed into Usable Reserves (i.e. those which can be applied to fund expenditure) and Unusable Reserves (which cannot). The surplus or deficit on the provision of services line shows the economic cost in accounting terms of providing NECA's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for the purposes of setting the levy. The net increase or decrease before transfers to earmarked reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

### **Comprehensive Income and Expenditure Statement (Statement of Accounts page 6)**

The Comprehensive Income and Expenditure Statement shows the accounting cost in year of providing services in accordance with generally accepted accounting practice, rather than the amount to be funded from the levy and other sources of income which is set out in the MiRS, as described above.

### **Balance Sheet (Statement of Accounts page 7)**

The Balance Sheet summarises the Authority's financial position at 31 March each year. The net assets of the Authority (total assets less total liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories, Usable and Unusable as described above. Unusable Reserves include those which hold unrealised gains and losses (e.g. the Revaluation Reserve) where amounts only become available to provide services if the assets are sold; and

reserves that hold timing differences shown in the MiRS line “adjustments between accounting basis and funding basis under regulations”.

### **Cash Flow Statement (Statement of Accounts page 8)**

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows from operating, investing and financing activities. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority’s future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

### **Group Financial Statements and Notes (Statement of Accounts page 77 onwards)**

Reports the financial picture of all activities conducted by the Authority, including those delivered through partnership and separate undertakings controlled by the Authority.

## **12. Annual Governance Statement**

To accompany the Narrative Report and Statement of Accounts, the leadership of the Authority prepares an Annual Governance Statement that sets out the principal arrangements that operate to ensure proper governance of the Authority’s affairs and the stewardship of resources at its disposal. It also outlines the principal arrangements that are in place to ensure that a sound system of internal control is maintained.

## **13. Non-Financial Performance**

The Statement of Accounts is focused on the financial performance of the Authority. NECA also reports non-financial Performance through thematic updates on Economic Development and Digital, Transport and Finance, Skills & Employability. These are available on the NECA website under the Leadership Board agendas, with some examples picked out below:

### **Economic Development and Digital**

- Inward Investment – 2020/21 was a challenging year for inward investment due to Covid-19, with a significant decrease in active inward investment project numbers and a very difficult environment in which to attract new investment. Provisional full-year success figures for the North East LEP area for 2020/21 are as follows: a total of 68 inward investment projects resulting in 2,935 jobs. Of these, 53 were foreign direct investment (FDI) projects leading to 2,713 jobs, the rest were new UK companies locating to the North East. The new jobs figure was helped significantly by Amazon’s investment in County Durham which led to 1,500 new jobs.
- There has been excellent collaboration on Digital Connectivity across the NECA area through the Digital Durham programme to boost superfast broadband (30mbps) across the NECA area. Digital Durham allows subsidised (through Government and Local Authority funding) rollout to areas which would not have been commercially viable. Subsequently, over 87,000 premises in the NECA area can now access superfast broadband as a result:
  - Durham – Over 63,700 (with some delivery left to complete)
  - Gateshead – Over 14,100
  - South Tyneside – Over 4,600
  - Sunderland – Over 4,600

- Current broadband coverage in the NECA area is ahead of the national average for superfast and ultrafast, but behind on gigabit-capable connectivity.

### Finance, Skills and Employability

- Central to the Skills and Employability agenda are the issues of financing particularly the reliance on external funding as we approach the final stages of the current European Structural Investment Fund (ESIF) programme with little detail as yet as to the operation of the UK Shared Prosperity fund after the current Community Renewal Fund pilot exercise, alongside the ongoing development of good partnership and inter authority working arrangements that have been developed.

### Transport

In March 2021, the JTC approved the first region-wide Transport Plan for the North East. The approval of the Transport Plan represents a significant milestone for the JTC and sets out collective ambitions up to 2035 to create a modern transport network, with schemes totalling £6.8 billion included.

The Plan seven Delivery Plan categories for implementing the objectives of the Plan and achieving the vision of 'moving to a green, healthy, dynamic and thriving north-east'.

- Helping people make the right travel choice
- Upgrading north east active travel infrastructure
- Bus, ferry and first and last mile
- Local rail and Metro
- Road infrastructure
- Maintaining and renewing our transport network
- National and international connectivity

NECA owns the Tyne Tunnels, which link the A19 under the River Tyne between Howdon and Jarrow. There are two tolled vehicle tunnels, and tunnels for both pedestrians and cyclists. The Tunnels are entirely self-financing from the tolls income raised, i.e. there is no call on the Authority's budget or local taxpayers to support them, and assets and liabilities associated with the tunnels are ringfenced to the Tyne and Wear constituent councils within the Authority. The Tyne Pedestrian and Cyclist Tunnels reopened to the public in August 2019 and have been well received and well used, although work is still ongoing on the completion of the glass inclined lifts. This was delayed in 2020/21 due to the impact of the Covid-19 pandemic.

Traffic flows at the Tyne Tunnel have been significantly reduced since March 2020 when the impact of the Covid-19 pandemic took effect. The normal level of traffic pre-Covid was approximately 55,000 vehicles per day. As a result of Covid-19 lockdown measures, traffic levels dropped drastically during March and April 2020 to approximately 17,000 vehicles per day which is 30% of normal levels. This is the lowest level of traffic seen during the life of the TT2 contract.

During the summer months of 2020 traffic increased and by the end of August was almost 85% of normal levels. However, local Covid-19 restrictions put in place from mid-September onwards saw usage levels drop off again. Traffic during the November national lockdown was 73% of normal levels. During the early months of 2021 traffic dropped again to 65% under the January national lockdown restrictions and has remained around 70-75% of normal levels during March.



**Table 5 – Tyne Tunnel Traffic Flow data**

	Class 1	Class 2	Class 3	Exempt	Total
2020/21	99,990	10,441,472	775,745	423,317	11,740,524
2019/20	153,474	14,928,809	824,798	648,435	16,555,516
2018/19	171,626	14,839,928	823,469	631,444	16,466,467
2017/18	172,655	14,802,233	855,656	584,809	16,415,353
2016/17	197,688	15,705,319	951,785	605,670	17,460,462
2015/16	204,751	16,218,493	989,451	581,377	17,994,072
2014/15	195,798	15,265,379	873,270	508,444	16,842,891
2013/14	185,471	13,970,360	804,147	464,529	15,424,507

Class 1 = Motorcycles; Class 2 = Car, Van or Bus less than 3m high with 2 axles; Class 3 = HGV, Van or Bus more than 3m high or 3 axles or more; Exempt = emergency vehicles and blue badge holders

The tolls were increased in line with inflation on 25 August 2020 from £3.60 to £3.70 (or £3.33 with a pre-paid permit) for Class 3 vehicles. There was no increase applied during the financial year for Class 2 vehicles which remained at £1.80 (or £1.62 with a pre-paid permit).

### **Tyne and Wear Passenger Transport Executive – Nexus**

The North East Joint Transport Committee sets public transport policy for the region, which in Tyne and Wear is delivered operationally by Nexus. The following performance indicators describe the general performance of public transport in Tyne and Wear during 2020/21.

- The number of passenger journeys across all modes within Tyne and Wear in 2020/21 was estimated at 49.6 million; a 67.9% decline when compared to 154.5 million in the previous year:
  - Bus patronage reduced to 39.8 million in 2020/21; a 66.7% decline when compared to 119.4 million in the previous year.
  - Metro patronage reduced to 9.4 million; a 71.6% decline when compared to 33.1 million in the previous year;
  - Ferry patronage reduced to 0.154 million passengers in 2020/21; a 56.4% decline when compared to 0.353 million journeys in the previous year.
  - Rail patronage reduced to 0.250 million journeys in 2020/21; an 85.1% decline when compared to 1.680 million journeys in the previous year.
- Metro reliability (operated mileage) was 95.8% during 2020/21, stable versus the figure of 95.7% achieved in the previous year.
- Metro reliability (Charter punctuality) was 87.4% during 2020/21, an increase on the 80.8% achieved in the previous year.

### **NECA Staffing**

- NECA continues to adapt and change to meet the requirements of the area, while keeping costs to a minimum. Many services are provided through Service Level Agreements with constituent local authorities.
- On 1 April 2020 the Accountable Body responsibility for the North East LEP transferred to NTCA and the TUPE transfer of LEP and Invest North East England staff to NTCA was also completed.
- On the same date, the TUPE transfer of 10 staff previously employed by Newcastle City Council and Nexus and seconded to NECA was completed. The majority of these staff work in the North East Transport Strategy Unit.

- Changes have been made to support arrangements during 2020/21, including the transfer of provision of financial systems support from Newcastle City Council to Durham County Council, and the provision of ICT support from Newcastle City Council to Gateshead Council.

**Table 6 – Change in Staffing numbers since 2015/16**

	Total NECA Employees at the year end	Employed on behalf of North East LEP
2020/21	16	0
2019/20	63	56
2018/19	43	39
2017/18	29	21
2016/17	21	18
2015/16	15	11

### 14. Impact of the Covid-19 pandemic

It is clear that the pandemic has had a profound economic impact with the NECA area hit hard given the high proportion of jobs across the area in at-risk sectors (particularly hospitality, retail, visitor economy and travel). Town and city centres were hit by the major drop in footfall and national retailer restructuring and store closures, while manufacturers, particularly automotive, experienced supply chain issues. Many firms exhausted reserves and cash flows, with real concerns about survival.

The impact on the labour market was also significant, with a rise in total unemployment since March 2020 (5.4% in North East compared to 4.8% nationally) and the unemployment claim count in the NECA area up from 4.7% in March 2020 to 7.5% in April 2021, particularly amongst 18-24s (up 4,000). The rate has flatlined since the Autumn with Furlough keeping this down; circa 60,000 workers (13% of workforce) were on Furlough at the end of March 2021.

Over the past year transport has also been dominated by Covid-19. The major reductions in public transport use, and uncertainties over the scale and pace of any recovery in this remains a major challenge for the area. At the same time the rapid recovery of general traffic levels, in some cases to levels above those seen before the pandemic, emphasise the continued need to focus investment on more sustainable and less polluting forms of transport.

### The NECA Response

The four Local Authorities have supported businesses throughout the pandemic, including:

- Restart Grants
- Open, Closed & Sector Local Restriction Support Grant schemes
- Additional Restrictions Grants
- Christmas Support Payments for Wet-led Pubs
- Helping businesses to access Government loans
- Signposting to support (particularly on import/export re EU Exit)
- Coordinating Kickstart six-month placements
- Accessing Getting Building Funds to accelerate key projects

This is alongside monitoring the impact upon key sectors and trends (an anecdotal rise in start-up activity and industrial unit demand is being seen) and reporting feedback and concerns to BEIS and MHCLG, such as issues around those excluded from support.

In Transport, NECA acting through the JTC has provided support to TT2 Ltd which experienced significant reductions in traffic volumes using the tunnels. Bids have been coordinated by Transport North East to obtain much needed grant funding support for transport activity for the seven north east councils and Nexus.

Staff working through our delivery partners including Nexus and TT2 have continued working on the front line throughout the pandemic delivering excellent customer service, often in difficult circumstances, to enable essential journeys to continue.

Delays have been experienced on some areas of the capital programme in 2020/21 as a result of the pandemic, particularly on Transforming Cities Fund schemes. This presents a challenge for future years as funding is time-limited and significant works are required by local authority scheme promoters to complete delivery.

### 15. Looking Ahead

#### Transport

During 2021/22 the North East Joint Transport Committee will need to publish a Bus Service Improvement Plan by the end of October, and by April 2022 will need to have a formal Enhanced Partnership with operators in place or be following the statutory process to decide whether to implement a franchising scheme.

Transport Programmes coordinated by Transport North East on behalf of the JTC area include Transforming Cities Fund (TCF) and Active Travel Fund. TCF will deliver major improvements to the area's sustainable transport infrastructure. The 'Metro Flow' project will deliver dualling of the single-track sections of Metro between Pelaw and Bede on the South Shields route. This will allow for improved reliability and potentially higher frequency services over much of the Metro network. Other schemes being funded from this source include a new bus station for Durham, improvements to Sunderland rail station and major improvements to pedestrian and cycle routes in Gateshead. A region wide scheme providing improvements to traffic signals on the main bus routes is also under development.

The Government's strategy for walking and cycling, Gear Change, published in July 2020, sets out a commitment to further investment in improving active travel. Local authorities are already developing ambitious proposals for improving active travel infrastructure and the additional funding promised in the strategy should help build on current work to provide further improvements in future.

Publication of the Government's Integrated Rail Plan (IRP) is still awaited. This will give greater clarity on future priorities for investment in key connections such as the East Coast Main Line. A programme board has been established to develop the business case for re-opening of the Leamside Line. This will bring together the various projects and interests involved in this to develop a single focused approach to re-opening the full extent of the line between Pelaw and Ferryhill.

Further improvements to infrastructure for Electric Vehicles, including the new Electric Vehicle filling station in Sunderland, have been delivered as part of the Go Ultra Low (North East) project. Further

funding has now also been secured by the North East Joint Transport Committee from the Local Growth Fund to fund further expansion of the network of charge points available.

It is estimated that increases in traffic levels at the Tyne Tunnels will occur at each stage of lockdown easing in spring/summer 2021, but there is no certainty that traffic levels will again reach the previous pre-covid levels. Many businesses and individuals have changed their journey habits due to Covid, for example shifts in modes of transport, more online meetings and more home-working, all of which may mean fewer journeys overall on a permanent basis.

Work is continuing in developing the 'Tyne Pass' project to introduce a fully automated payment system using Automatic Number Plate Recognition (ANPR) technology at the Tyne Tunnels, to replace the existing coin and permit systems, and it is planned to launch later in the 2021/22 financial year.

### **Economic Development and Digital**

The inward investment outlook for 2021/22 is more promising, with a number of big projects opening or shortly to be announced.

Invest North East England continues working with partners on significant new projects in a variety of sectors which involve many thousands of new jobs. A particular focus this year will be on developing a Northshoring campaign; attracting energy sector projects; strengthening relationships with key overseas Department of International Trade posts, particularly in Europe, USA and India; contracting with Department for International Trade and programme managing the Northern Powerhouse Key Account Management programme in the North East and continuing to work on proactive lead generation.

Local Authorities are working on applications for the Levelling Up Fund, launched by Government in March 2021.

There has been excellent progress on broadband coverage following Digital Durham collaboration and the attraction of commercial rollout. There is now a need to collaborate further with the private sector and Government to drive gigabit-capable coverage.

### **Finance, Skills and Employability**

Employment and Skills issues and opportunities for development remain under development through meetings of the Skills and Employment Working Group. In responding to the Further Education Reform White Paper, areas of interest and focus currently being examined by member authorities as part of the development of improved Employment and Skills working across the NECA area include:

- Strategic Development Funding to foster College-LA collaboration;
- Create a further Institute of Technology (based around digital or green growth) and/or widen sector focus of current North East IoT at New College Durham
- Pilot a sector-specific Skills Bootcamp linked to the National Retraining Strategy in a skills shortage area (i.e. manufacturing)
- Marketing push from Gov on Lifetime Skills Guarantee across LA7 (and potentially piloting something similar for higher level technical skills)
- Offer to be a pilot area for the new Skills and Productivity Board to look at employment projections and labour market needs analysis (with a real focus on reskilling and progression)
- Dedicated College Business Centres linked to key business sites
- Prioritise North East bids to FE Capital Transformation Fund

- AEB devolution across whole area LA7 so ensuring the whole of the North East can shape provision (with ability to tailor Skills Guarantee)
- DfE to work in partnership to ensure coherent place-based offer (by devolving Traineeship funds too)
- Raise 25% apprenticeship levy transfer threshold to 50% (and recycle levy underspend)
- Funding for more trained and qualified careers guidance specialists in schools and communities (pilot more locally based activity with the aim of reducing NEET levels)
- Creation of an Adult Education Maintenance Allowance to meet living costs (if UC changes allowing people to train full time covers training costs)
- Strengthened partnership with National Careers Service (beyond the new website being created) to realise their aim of an all-age careers system
- Further support for Furloughed employees who will need to change jobs/retraining

### 16. Further Information Available

Access to this report, the accounts and the Annual Governance Statement will be made available to the general public via the Authority's website. If this information is needed in another format or language, please use the contact below.

If you have any problems understanding this publication, any general enquiries on the accounts or have any suggestions on how it may be improved, please contact:

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## ANNUAL GOVERNANCE STATEMENT 2020/21

In partnership with



Durham County Council



Gateshead Council



South Tyneside Council



Sunderland City Council



North East LEP



NEXUS

## Annual Governance Statement 2020/21

<b>Section 1</b>	Introduction
<b>Section 2</b>	Scope of Responsibility
<b>Section 3</b>	The Purpose of the Governance Framework
<b>Section 4</b>	The Governance Framework
<b>Section 5</b>	Annual Review of Effectiveness of Governance Framework
<b>Section 6</b>	North East Joint Transport Committee and North of Tyne Combined Authority
<b>Section 7</b>	Significant Weaknesses in Governance and Internal Control
<b>Section 8</b>	Conclusion

### Section 1: Introduction

This Annual Governance Statement provides an overview of how the North East Combined Authority's governance arrangements operate, including how they are reviewed annually to ensure they remain effective.

### Section 2: Scope Of Responsibility

The North East Combined Authority (NECA) was established in April 2014 and brought together the seven councils which serve Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland.

Following the establishment of a North of Tyne Mayoral Combined Authority (NTCA), On 2 November 2018 the boundaries of NECA were changed. As a result of these governance changes the boundaries of NECA now cover the Local Authorities of Durham, Gateshead, South Tyneside and Sunderland.

NECA and the NTCA continue to work together on a number of areas to support the region, including transport. To oversee strategic transport functions a new North East Joint Transport Committee has been established with members from both Combined Authorities. All seven Local Authorities will remain members of the North East Local Enterprise Partnership to



deliver the objectives of the regions Strategic Economic Plan, which is the North East's plan for growing and developing a more productive, inclusive and sustainable regional economy.

NECA is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It is also responsible for ensuring that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Authority 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.

In discharging this overall responsibility, the Authority's Leadership Board and Statutory Officers are responsible for putting in place proper arrangements (known as a Governance Framework) for:

- (i) the governance of our affairs and
- (ii) facilitating the effective exercise of our functions, including arrangements for the management of risk

In relation to (ii) the Authority has put in place a system of internal control designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve 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:

- a) identify and prioritise the risks to the achievement of our aims and objectives; and
- b) evaluate the likelihood of those risks being realised, the impact should they be realised, and to manage them efficiently, effectively and economically.

The Combined Authority has developed a Risk Management Strategy and Strategic Risk Register, which is reported to regular meetings of the Authority's Audit and Standards Committee. This information can be found under the [Audit and Standards Committee on the Authority's web-site.](#)

### **Section 3: Purpose Of The Governance Framework**

In addition to the above the Authority's Governance Framework comprises the systems, processes, culture, values and activities through which we are directed and controlled and through which we account to, engage with, creating the conditions of economic growth and investment. It enables us to monitor the achievement of the Authority's objectives and to consider whether those objectives have led to the delivery of appropriate services which represent value for money.

The Governance Framework has been in place for the year ended 31 March 2021 and up to the date of approval of the Authority's Annual Report and Accounts.

This Annual Governance Statement meets the requirements of the Accounts and Audit Regulations 2015 (Amended 2020) (6) (1) to conduct a review of the effectiveness of the

system of internal controls required by Regulation 3 and prepare an Annual Governance Statement.

## Section 4: The Governance Framework

The core principles and outcomes of our Governance framework are set out below and through these we will aim to provide strong governance to achieve our objectives:

### 1. Ensuring openness and comprehensive stakeholder engagement

1.1 We ensure that we are clear on delivering the objectives of the Combined Authority and intended outcomes of our [Strategic Economic Plan, January 2019](#), to create the best possible conditions for growing and developing a more productive, inclusive and sustainable regional economy.

1.2 We ensure we assess and review our vision and the implications for our governance arrangements through the budget and performance management framework.

1.3 Meetings, agendas and minutes are accessible via [NECA's website](#). A Forward Plan is available which contains matters which are expected to be the subject of key decisions taken by the Leadership Board. All meetings are held in public (other than where consideration of confidential or exempt information)

1.4 During the COVID 19 pandemic meetings have been held remotely up until April 2021. The AGM for NECA was held in June 2021 in person in line with the change in Governments Policy.

1.5 We publish a register of key decisions to notify the public of the most significant decisions it is due to take. Details of each decision are included on the [Forward Plan](#) 28 days before the report is considered and any decision is taken. This allows an opportunity for people to find out about major decisions that the Combined Authority is planning to take.

1.6 Our [Freedom of Information Scheme](#) is published on our website.

1.7 The Authority maintains a list of significant partners which set out the purpose of the partnerships, link officers and review dates.

1.8 Transport is of strategic importance to the North East and together with the North of Tyne Mayoral Combined Authority a [North East Joint Transport Committee](#) has been established bringing together members from both Combined Authorities, allowing effective decision making across the region to ensure that the local needs and transport priorities are delivered.

### 2. Developing the entity's capacity, including the capability of its leadership and the individuals within it

2.1 We have defined and documented in our [Constitution](#) the roles and responsibilities of the Board, Scrutiny and 'proper' officer functions (Head of Paid Service, Monitoring Officer, Chief Finance Officer), with clear delegation arrangements and protocols for effective

communication. The collective and individual roles and responsibilities of the Leadership Board, Members and Officers have been agreed by the Combined Authority.

2.2 We identify and aim to address the development needs of members and officers in relation to their strategic roles, and support these with appropriate training.

### 3. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

3.1 We review and update our standing orders, standing financial instructions, scheme of delegation and supporting procedure notes/manuals – these clearly define how decisions are taken and the processes and controls required to manage risks. We ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. The Monitoring Officer advises on compliance with our policy framework, ensuring that decision making is lawful, fair and ethical. Our financial management arrangements conform to the CIPFA Statement on the Role of the Chief Finance Officer and are the responsibility of the Chief Finance Officer.

3.2 We develop, communicate and embed codes of conduct set out in the Constitution, defining standards of behaviour for Members and Officers working on behalf of the Authority. Audit and Standards Committee deals with issues of conduct and generally promotes high standards among officers and members, reporting annually to Leadership Board. The [Constitution is available on the NECA website](#).

3.3 We ensure that there are effective arrangements for “Whistle-blowing” and for receiving and investigating complaints from the public. Administration of the Authority’s policies on anti-fraud and corruption is undertaken by Internal Audit. [Whistleblowing policy and procedure is at Part 6.5 of our Constitution](#)

3.4 A [Deed of Cooperation](#) was made on the 4 July 2018 between the seven Constituent Authorities in the area that outlines a framework for collaborative working across the region.

3.5 A register of Members’ interests (including gifts and hospitality) is also maintained.

### 4. Determining the interventions necessary to optimise the achievement of the intended outcomes

4.1 Our scrutiny arrangements enhance accountability and transparency of decision making, The Overview and Scrutiny Call-in Sub Committee acts in accordance with the principles of decision making as set out in our Constitution (Part 13.3) and will call-in decisions where there is evidence which suggests that the decision was not taken in accordance with the principles.

4.2 The Authority’s procurement procedures are carried out in line with financial regulations set out in Part 5 of the Constitution through Service Level Agreements.

4.3 The [Accounts and Transparency](#) page of our website contains the most recent accounts of the North East Combined Authority, and includes monthly spending reports, procurement procedures, lists and registers.

## 5. Managing risks and performance through robust internal control and strong public financial management

5.1 Our Risk Management Policy and Strategy outlines our arrangements for managing risk. Risk management is an integral part of our decision-making processes. To inform decision making all committee reports include a section which highlights the key risks to the decisions or proposed recommendations and how they are being addressed.

5.2 We have an information governance strategy and framework in place to ensure the effective safeguarding, collection, storage and sharing of the Authority's data. A Data Protection Officer has been appointed to oversee the data protection strategy and its implementation to ensure compliance with the General Data Protection Regulations.

5.3 We have arrangements in place to manage significant change evidenced by the establishments of the Combined Authorities Reconfiguration Programme to oversee the implementation of the governance arrangements for NECA following its split with the North of Tyne Authorities.

5.4 The control and financial management arrangements are reviewed by Internal and External Audit throughout the year. The outcome for 2020/21 are noted in Section 5 of this Statement - Annual Review of Effectiveness of Governance Framework.

5.5 The Authority has a robust internal control process in place which supports the achievement of its objectives while managing risks. The Audit and Standards Committee acts as principle advisory committee to NECA, providing independent assurance on the adequacy of the risk management framework and internal control environment.

5.6 An assessment of the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the Authority's internal auditors. The chief internal auditor will provide an annual opinion for 2020/21 to support this AGS.

## 6. Defining outcomes in terms of sustainable economic social and environmental benefits

6.1 The North East LEP works with its partners to produce and deliver the Strategic Economic Plan (SEP). The SEP was updated January 2019 at a time of significant change for the global and national economy. New opportunities in technology and areas such as ageing, and the management of climate risks provide potential for economic growth.

6.2 We incorporate good governance arrangements in our partnerships and reflect these in our overall governance arrangements.

## 7. Implementing good practices to transparency, reporting and audit to deliver effective accountability

7.1 Section 5 of this Annual Governance Statement provides the views of our internal and external auditors. Auditors report regularly to Audit and Standards Committee and provide their annual opinion on the adequacy and effectiveness of our governance, risk and control framework.

7.2 We publish details of [delegated decisions on our website](#).

7.3 We ensure that our Audit and Standards Committee undertakes the core functions identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities 2018.

## Section 5: Annual Review Of Effectiveness Of Governance Framework

We have a legal responsibility to conduct an annual review of the effectiveness of our governance framework, including the system of internal control. The review is led by Officers and Members of Audit and Standards Committee who provide independence and challenge. The outcomes of the review will be reported to the Audit and Standards Committee.

The review is informed by:

- (a) The views of our internal auditors, reported to Audit and Standards Committee through regular progress reports, and the Annual Internal Audit Opinion. The Annual Internal Audit Opinion for 2020/21 is that the authority has good control arrangements in place. The internal Audit service complies with the CIPFA Statement on the Role of the Head of Internal Audit (2010) and the Public Sector Internal Audit Standards. The service receives a regular independent review against these standards, the last being in December 2018 which concluded:  
  
‘We conclude that the IA is compliant with the requirements of the PSIAS and the CIPFA Application Note.’
- (b) An annual review of the effectiveness of internal audit (as required by Public Sector Internal Audit Standards).
- (c) The views of our external auditors, reported to Audit and Standards Committee through regular progress reports, the Annual Audit Letter and Annual Completion Report.
- (d) The activities and operations of the themes (economic development and regeneration, employability & inclusion, and transport & digital connectivity) and significant partnerships through written assurance statements.
- (e) The views of the Authority's Monitoring Officer, Chief Finance Officer and Senior Information Risk Owner, through written statements (Appendix 2 of the Annual Governance Review 2020/21 Report).
- (f) The views of Members through the ongoing activities of Audit and Standards Committee (providing independent assurance on the effectiveness of the governance and internal control environment). And an Overview and Scrutiny Committee who review and scrutinise Leadership Board decisions as well as other Transport committee's decisions.

- (g) The Risk Management process, particularly the Strategic Risk Register.
- (h) Performance information which is reported to Leadership Board and other meetings on a regular basis.
- (i) The assurance framework that is in place to ensure Local Growth Fund monies are subject to appropriate levels of internal control and are focussed on the delivery of the Combined Authority's objectives and delivery of the Strategic Economic Plan.
- (j) An Assurance Statement from Nexus has been obtained and is attached at Appendix 4 of the Annual Governance Statement 2020/21 Report. The opinion of the Nexus Chief Internal Auditor for 2020/21 is "*The opinion of the Chief Internal Auditor (Nexus), based on the internal audit work undertaken in year, is that there is an adequate and effective framework of governance, risk management and control.*"

## **Section 6: North East Joint Transport Committee and North of Tyne Combined Authority**

The North East Combined Authority's decision not to proceed with a Mayoral Combined Authority in September 2016 and the withdrawal of the devolution deal has resulted in the seven local authorities that made up a single Combined Authority splitting and forming two combined authorities. This change happened on 2 November 2018. NECA now constitutes the four Local Authority areas south of the River Tyne. The North of Tyne Mayoral Combined Authority now constitutes the three Local Authority's north of the River Tyne, Newcastle, North Tyneside and Northumberland.

Regional transport remains to operate and be governed at the seven Local Authority geography through a newly formed North East Joint Transport Committee, bringing together the two Combined Authorities which allows effective decision-making across the region to ensure that the local needs and transport priorities are delivered.

NECA as accountable body for the Joint Transport Committee and the functions delegated to it, are responsible for overseeing the legal and financial management of all regional transport resources, recognising that the assets are, in many cases jointly owned by the two Combined Authorities. NECA will also host the Transport Strategic Unit (formerly named the Regional Transport Team), including the newly appointed Proper Officer for Transport.

## **Section 7: Significant Weaknesses In Governance and Internal Control**

The system of governance (including the 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, that value for money is being secured and that significant risks impacting on the achievement of our objectives have been mitigated.

The review highlighted no significant weaknesses in governance or internal control during 2020/21.

## Section 8: Conclusion

We consider the governance and internal control environment operating during 2020/21 to provide reasonable and objective assurance that any significant risks impacting on the achievement of our principal objectives will be identified and actions taken to avoid or mitigate their impact.

Systems are in place to continually review and improve the governance and internal control environment. Mid-year checks are undertaken to provide assurance that improvements are being implemented and that the assessment is improving.

The annual review has shown that the arrangements for 2020/21 are in place and operating as planned.

We have been advised on the implications of the review by the Audit and Standards Committee and propose over the coming year to continue to improve our governance and internal control arrangements.

**Head of Paid Service**

**Chair of the North East Combined Authority**

**Full Name:**

**Full Name:**

**Signature:**

**Signature:**

**Date:**

**Date:**