

A meeting of the: **Audit and Standards Committee**
will be held on: **Tuesday 8 April 2025**
at: **10.00am**
in: **Committee Room 1A, County Hall, Durham, DH1 5UL**
to consider the following

AGENDA

Page No

1. **Apologies**
To record any apologies for absence and the attendance of any substitute members.
2. **Declarations of Interest**
Members of the committee are required to declare any registerable and/or non-registerable interests in matters appearing on the agenda, and the nature of that interest, in accordance with the Authority's [Code of Conduct for Members](#).
3. **Minutes**
To confirm as a correct record the minutes of the previous meeting held on 18 February 2025 3 - 6
4. **Internal Audit Quarterly Update**
To consider a quarterly update on progress against the 2024/25 internal audit plan and update on development of the internal audit plan for 2025/26. 7 - 10
5. **Annual Review of Effectiveness of Audit and Standards Committee Arrangements**
To agree a self-assessment of the effectiveness of Audit and Standards Committee arrangements as the basis of the 2024/25 annual report. 11 - 24
6. **Accounting Policies for Application in the 2024/25 Financial Statements**
To review the accounting policies approve their use in the preparation of the 2024/25 financial statements. 25 - 42
7. **Final Auditor's Annual Reports 2023/24 for the former North East Combined Authority and North of Tyne Combined Authority**
To review the final Auditor's Annual Reports following completion of the audits. 43 - 115

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| 8. | Strategic Risk Review
To consider a refreshed Strategic Risk Register following a review. | 116 - 151 |
| 9. | Inclusive Growth Risk
To examine in more detail the strategic risk St003 in relation to inclusive growth and how it is being mitigated, incorporating a presentation in relation to development of the North East Local Growth Plan. | |
| 10. | Strengthening the Standards and Conduct Framework for Local Authorities in England
To consider further information requested by the Committee in relation to the operation of the standards regimes currently in place across the region. | To follow |
| 11. | Work Programme 2025/26
To approve a work programme for meetings of the Committee in 2025/26. | 152 - 157 |
| 12. | Date and Time of Next Meeting
To note that the next meeting is scheduled to be held on Tuesday 8 July 2025 at 10.00am in City Hall, Sunderland. | |

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Audit and Standards Committee

18 February 2025

(10.00am)

Meeting held in: The Council Chamber, City Hall, Sunderland

Minutes

Present:

- Dave Willis OBE (Chair)
- Councillor Caroline Ball
- Councillor Ged Bell
- Councillor Ken Dawes
- Councillor Louise Fenwick
- Councillor Michael Hartnack
- Councillor David Herbert
- Councillor Mark Mitchell
- Councillor John O'Shea
- Councillor Ian Patterson
- Councillor Julie Simpson
- Councillor Alison Smith
- Councillor Mark Swinburn
- Councillor Alex Watson

In attendance: Eric Richards (Independent Person - Standards)

ASC18/2/25 Apologies for Absence and Substitutes

Apologies for absence were received from:

Councillor Tracy Dodds (Councillor Alison Smith attended the meeting as substitute.)

Councillor John Harrison

Councillor Frank Lott (Councillor John O'Shea attended the meeting as substitute.)

ASC19/2/25 Declarations of Interest

There were no declarations of interest.

ASC20/2/25 Minutes

Resolved that the minutes of the previous meeting held on 17 September 2024 be confirmed as a correct record and signed by the Chair.

ASC21/2/25 Internal Audit Quarterly Update

In September 2024 the Committee had approved the 2024/25 Internal Audit Plan, The Chief Internal Auditor presented a report setting out details of the progress made against the assignments included in the plan. It was noted that the majority of the plan would be completed towards the end of the financial year to reflect the developing nature of the organisation.

Resolved that the progress made in delivering the 2024/25 Internal Audit Plan be noted.

ASC22/2/25 Approach to Review of Effectiveness of Audit and Standards Committee Arrangements

Good practice guidance recommended that the Committee's annual report should include the results of a performance assessment in relation to the terms of reference and the effectiveness of the Committee in meeting its purpose. Following consultation with the Chair, the Chief Internal Auditor proposed that as this would be the first annual review of the effectiveness of the Committee, a desktop review be undertaken to include:

- a. the completion of a draft self-assessment by the Chair and key officers by the end of February 2025;
- b. circulation of the draft self-assessment to members in early March for consideration and comment; and
- c. the presentation of an updated draft, reflecting feedback and comments received from members, to the Committee for discussion and agreement at its meeting in April 2025.

The Chair encouraged members of the Committee to contribute to the review when the draft self-assessment was circulated.

Members noted that the Authority did not currently comply with good practice guidance in that it did not have a dedicated audit committee that was not combined with other functions such as standards. The Chair proposed that members discuss this issue in considering the Monitoring Officer's report in relation to strengthening standards and conduct elsewhere on the agenda. (see Minute AC25/2/25).

Resolved that the proposed approach to completing an annual review of effectiveness of the Audit and Standards Committee be approved.

ASC23/2/25 Audit Completion Report and Auditor's Annual Reports 2022/23 for former North East Combined Authority and North of Tyne Combined Authority

Representatives from the Authority's External Auditors, Forvis Mazars, presented the Audit Completion Reports and Draft Auditor's Annual Reports for the former North East Combined Authority (NECA) and North of Tyne Combined Authority (NTCA) for the 2023/24 financial year.

Subject to the satisfactory completion of closing procedures, the two Audit Completion Reports set out the following conclusions:

- a) the external auditors anticipated issuing an unqualified opinion, without modification, on the financial statements. The proposed audit opinions were included in the Draft Auditor's Annual Reports which included an emphasis of matter paragraph, drawing attention to the disclosures around the demise of the Authorities and the transfer of their functions to the new Mayoral Combined Authority from 7 May 2024.
- b) the external auditors anticipated having no significant weaknesses in value for money arrangements or any recommendations to report in relation to the arrangements that the Authorities had in place to secure economy, efficiency and effectiveness in the use of resources.

The Chair and officers expressed their thanks and appreciation to the External Auditors for their work so that the Authority were likely to receive an unqualified opinion prior to the backstop date of 28 February 2025. This placed the Authority in a strong position to proceed with the 2024/25 financial year end processes. The External Auditors also expressed their thanks to officers for the help and support they had received in undertaking the audit.

The Committee noted that the NTCA audit had identified that some related party declarations were missing and had recommended that declarations be updated and collected annually from all members and reviewed. Members were assured that this issue was being addressed within the North East CA in terms of obtaining declarations from those decision makers required to do so. Whilst Internal Audit would not routinely check related party declarations, they would be audited if they were considered to be a risk.

Resolved that the Audit Completion Reports and Draft Auditor's Annual Reports for the former North East Combined Authority (NECA) and North of Tyne Combined Authority (NTCA) for the 2023/24 financial year be received and noted.

ASC24/2/25 Final Statements of Accounts 2023-24 for the former North East Combined Authority and North of Tyne Combined Authority

The Director of Finance and Investment presented the 2023/24 Audited Statements of Accounts, including Narrative Reports and Annual Governance Statements, for the former North East Combined Authority (NECA) and the North of Tyne Combined Authority (NTCA). The Statements of Accounts had previously been presented to Cabinet on 28 January 2025 when it had granted delegated authority to the Director of Finance and Investment, in consultation with the Mayor and Chief Executive, to agree any final amendments or changes to the Statements arising from the completion of the external audits and, after taking into account the views of the Audit and Standards Committee.

Officers highlighted a number of changes to the Statements of Accounts since the draft statements had been presented to members at an informal workshop held in November 2024.

Members raised a number of queries in relation to:

- a) the transfer of assets and debt from the former authorities to the new North East CA;
- b) the reasons for significant variations in the former NECA's Pensions Reserve. Officers undertook to provide members with supplementary information to explain the reasons for the variations;
- c) seeking assurances that the former NECA had not lost money on its investment activity. The Chair proposed that the Committee ought to consider in more detail the Authority's Treasury Management Strategy as part of its future work programme.
- d) the reasons for a capital accounting adjustment of £7.336m within the North East Investment Fund Reserve. Officers undertook to provide a written reply.
- e) the number of employees and costs associated with exit packages from the NTCA; and
- f) how the transfer of balances from the former authorities to the North East CA would be accounted for.

The Committee were provided with an indication of the scale of the provisional opening balance sheet for the North East CA as at 7 May 2024. Officers undertook to provide members with further detailed information following the meeting.

Resolved that Director of Finance and Investment be recommended to finalise the Statements of Accounts 2023-24 for the former North East Combined Authority and North of Tyne Combined Authority, subject to any outstanding issues which may arise from the completion of the External Audit.

ASC25/2/25 Strengthening the Standards and Conduct Framework for Local Authorities

The Committee considered a report from the Monitoring Officer which provided an overview of the standards regimes currently in place across the region and presented details of the Government's consultation on proposals to strengthen the standards framework.

Councillor Lott had asked that the matter be considered by the Committee but was unable to attend the meeting. The Chair had therefore discussed the matter with Councillor Lott prior to the meeting. Councillor Lott had expressed his view that there should be:

- a) greater consistency in standards arrangements across the North East CA's constituent authorities;
- b) a national standards authority;
- c) stronger sanctions available to local authorities; and
- d) more support for complainants.

The Chair commented that on the basis of the evidence contained in the Monitoring Officer's report, there already appeared to be a high degree of consistency across the constituent authorities and the North East CA. The Chair noted that the establishment of a national standards authority and the strength of sanctions available to local authorities were matters for the Government to determine and beyond the scope of the Committee. These matters were likely to be clearer once the Government had concluded its consultation exercise. The Committee were interested to know more about the range of sanctions imposed by local authorities.

The Committee acknowledged that combined authorities, due to their strategic role, receive significantly fewer complaints regarding the conduct of its members than local authorities. However, any complaints about regional leaders may be subject to greater public interest. The Authority therefore needed to be prepared and ready to deal with any complaints.

Members considered the advantages and disadvantages of dividing the standards and audit functions between two separate committees within the North East CA. A dedicated audit committee without responsibility for any other functions would comply with audit good practice guidance. However, a dedicated standards committee was unlikely to meet very often due to the historically low number of complaints received. There were therefore advantages in combining the audit and standards functions within one committee which would meet regularly and whose members would develop a knowledge and understanding of the Authority's operation. It was noted that the Audit and Standards Committee may appoint a sub-committee to exercise its standards functions.

The Authority's Independent Person for Standards was invited to share his experiences and views on arrangements for dealing with standards complaints.

Resolved that:

1. the Committee await the outcome of the ongoing Government consultation on strengthening standards and conduct in local government,
2. members of the Committee be encouraged to respond to the Government's consultation as individual councillors,
3. the North East CA's arrangements for dealing with allegations of breaches of its Code of Conduct for Members be circulated to members of the Committee so that they are familiar with the process,
4. the question of whether the standards and audit functions within the North East CA should be exercised by two separate committees be given further consideration should the number of complaints regarding member conduct increase significantly and
5. the Monitoring Officer be asked to obtain and provide members of the Committee with further information from constituent councils regarding the sanctions recently imposed on members.

Audit and Standards Committee

8 April 2025

Subject: Internal Audit Quarterly Update and development of the 2025/26 Internal Audit Plan

Report of: Ian Pattison, Chief Internal Auditor

Report Summary

This report provides Audit and Standards Committee (ASC) with a quarterly update on progress against the 2024/25 internal audit plan and update on development of the internal audit plan for 2025/26.

Recommendations

The Audit and Standards Committee is recommended to consider and note:

- a) progress against the 2024/25 internal audit plan, and
- b) arrangements for developing the 2025/26 internal audit plan.

1. Progress against 2024/25 plan

- 1.1 The 2024/25 Internal Audit Plan (the Plan) was approved by ASC in September 2024 and, at that time, it was noted that delivery would be completed towards the end of the financial year given the embryonic nature of the organisation. Delivery is progressing but will now extend beyond the end of the year and outcomes will be reported to the next ASC in July 2025.
- 1.2 The table below sets out the current status for each assignment within the Plan.

Assignment	Status	Comments
Grant Certification and Counter Fraud		
Grant Work	In Progress	<ul style="list-style-type: none"> Local Transport Plan (complete) Traffic Signal Obsolescence (complete) Made Smarter (scheduled) Growth Hub (scheduled)
NFI Data Matching Exercise	In Progress	Required data was collected and submitted and matches have now been received. The review of matches, relating primarily to trade creditors and payroll, is well progressed with no issues identified to date.

Assurance Audits		
Key Financial Systems Health Check	In Progress	Progress has been made to review the self-assessment against key controls completed by CA officers. Currently awaiting completion of final elements of the self-assessment which will allow audit review to be completed.
Project and Programme Management	In Progress	This work is being delivered as an advisory assignment and supporting the CA's ongoing review of these arrangements.
Performance Management	Not Yet Started	Preparatory work has now commenced and requires a discussion with the new Director of Operations.

- 1.3 In addition to these specific assignments internal audit provides ad-hoc advice and guidance, undertake audit support activity such as internal audit planning and follow up of internal audit recommendations (including those made for predecessor organisations), and prepare reports for / attend ASC.

2. Development of the 2025/26 Internal Audit Plan

- 2.1 Global Internal Audit Standards in the UK Public Sector requires that chief audit executives (Chief Internal Auditors) must create an internal audit plan that supports the achievement of the organisation's objectives. This must be based on a documented assessment of the organisation's strategies, objectives, and risks and be informed by input from the board (Audit and Standards Committee) and senior management as well as the chief audit executive's understanding of the organisation's governance, risk management, and control processes.
- 2.2 One key strand of audit planning is input from senior management. With three new directors having only recently started with the North East CA it is the Chief Internal Auditor's view that they should be given sufficient time to form a view on the effectiveness of arrangements in their area and identify potential priorities for consideration as part of audit planning. As such, the audit plan will be presented to the July 2025 meeting of the ASC, rather than this meeting, to allow for appropriate consultation.
- 2.3 Whilst there is a delay to allow for this consultation, work has commenced on the risk assessment which will underpin the Plan for 2025/26. This is based around the approach taken last year and includes, but is not limited to, consideration of matters such as:
- requirements within the Single Assurance Framework alongside other governance and key policy documents such as the Devolution Deal agreement, the Constitution, the Investment Framework, the Corporate Plan, portfolio plans and Medium-Term Financial Plan
 - known assurance requirements, e.g. grant certification required by government departments and mandatory participation in the National Fraud Initiative (NFI)
 - the Strategic Risk Register
 - CAKE (cumulative audit knowledge and experience)

3. Potential Impact on Objectives

- 3.1 Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve the North East CA's operations. It helps the North East CA accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

- 3.2 Audit and Standards Committee is a key component of the North East CA's governance framework. It is an important source of assurance about the North East CA's arrangements for managing risk, maintaining an effective control environment, and reporting on financial and other performance.
- 3.3 The work of Internal Audit and the Audit and Standards Committee has a remit across the vision, policies, and priorities of the North East CA.

4. Key Risks

- 4.1 There are no key risks associated with this report. The work undertaken reflects the risk-based internal audit plan agreed by Audit and Standards Committee and is conducted in conformance with Public Sector Internal Audit Standards (PSIAS) which was in place throughout 2024/25. Committee receive details of conformance with PSIAS (replaced by Global Internal Audit Standards in the UK Public Sector from 1 April 2025).
- 4.2 Internal Audit is a key strand in the governance arrangements of the North East CA and the outcomes of its work support effective risk management and provide assurances which can be taken into account as part of the annual governance statement.

5. Financial and Other Resources Implications

- 5.1 There are no direct financial or other resource implications arising from the recommendations set out in this report.
- 5.2 Effective internal audit and an effective Audit and Standards Committee are an essential part of the North East CA's governance arrangements. The Internal Audit Plan examines the North East CA's internal control environment and considers the economy, efficiency, and effectiveness with which resources are deployed. This activity promotes good financial governance, value for money and reduces the potential for financial loss through fraud, waste and inefficiency.

6. Legal Implications

- 6.1 There are no direct legal implications arising from this report. However, the report supports conformance with PSIAS and Global Internal Audit Standards in the UK Public Sector which specifies the Chief Internal Auditor should report periodically to senior management and the board on Internal Audit matters, including "performance relating to its plan".
- 6.2 It also supports the Audit and Standards Committee to deliver the functions of an 'Audit Committee', as set out in The Cities and Local Government Devolution Act 2016, which include reviewing and assessing the authority's risk management, internal control, and corporate governance arrangements.

7. Equalities Implications

- 7.1 There are no direct equalities implications arising out of the recommendations in this report. The Audit and Standards Committee is mindful of its duty under the Public Sector Equality Duty and will always consider whether what is before them eliminates discrimination, harassment and victimisation; advances equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and fosters good relations between persons who share a relevant protected characteristic and persons who do not share it.

8. Consultation and Engagement

- 8.1 There has been no consultation or engagement undertaken directly in respect of this report.
- 8.2 Senior management and the Audit and Standards Committee were consulted as part of agreeing the Internal Audit plan for 2024/25. There are no requirements or expectations to undertake external consultation or engagement in relation to the matters in this report.

9. Appendices

None

10. Background Papers

[The North East Combined Authority Internal Audit Plan 2024/25, September 2024](#)

[The North East Combined Authority Constitution, May 2024](#)

[Public Sector Internal Audit Standards Chartered Institute of Public Finance & Accountancy \(CIPFA\) / Institute of Internal Auditors, April 2017](#)

11. Contact Officers

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12. Glossary

Not applicable

Audit and Standards Committee

8 April 2025

Subject: Annual Review of Effectiveness of Audit and Standards Committee Arrangements

Report of: Dave Willis OBE, Chair of Audit and Standards Committee
Ian Pattison, Chief Internal Auditor

Report Summary

The purpose of this report is to support Audit and Standards Committee to complete its annual review of effectiveness.

Recommendations

The Audit and Standards Committee is recommended to:

- (a) Subject to discussions and amendments as agreed by Committee, endorse the self-assessment of Audit and Standards Committee arrangements against good practice attached as Appendix A.
- (b) Agree that the self-assessment will form the basis of the 2024/25 annual report of Audit and Standards Committee and delegate responsibility to the Chair to compile this report on behalf of Committee for presentation to Cabinet.

1. Background and Summary of Self-Assessment of Effectiveness

Background

- 1.1 Audit Committees – Practical Guidance for Local Authorities and Police, published in October 2022 by the Chartered Institute of Public Finance and Accountancy (CIPFA), sets out good practice guidance covering the role, functions, and operation of Audit Committees and includes a template for self-assessment against good practice. CIPFA Position Statement on Audit Committees in Local Authorities and Police 2022 sets out the principles CIPFA recommend committees operating in local government follow and also that the Committee's annual report should include the results of a performance assessment in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
- 1.2 Whilst as a Combined Authority the prevailing legislation for Audit Committees is the Cities and Local Government Devolution Act 2016 and the subsequent Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017, the principles within the CIPFA good practice are relevant to the operation of Audit and Standards Committee.

Summary of Self-Assessment of Effectiveness

- 1.3 As agreed by Audit and Standards Committee at its meeting on 18 February 2025 the Chair, in conjunction with Senior Officers, completed an initial self-assessment against CIPFA's good practice. This draft was then shared with all Committee members on 10 March 2025 for comment. A small number of minor comments / suggestions were received and will be highlighted for discussion at the ASC meeting on 8 April 2025.

- 1.4 Subject to any further amendments at this meeting, there are a small number of areas where scores could be improved. Some of these scores are lower solely due to the embryonic nature of the Combined Authority and will naturally improve over time, such as presentation of the Committee's first annual report to Cabinet which is already planned to be completed early in the new municipal year. The following actions have also been identified to enhance arrangements:

Question		Action
5	Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?	Meeting(s) to be scheduled between the Chair and new directors.
24	Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks, and action plans with the responsible officers?	A rolling programme of risk 'deep dives' will be scheduled with strategic risk owners invited to attend meetings and discuss their risks in detail with ASC.

- 1.5 There are also a small number of areas where, for pragmatic reasons, no further action is planned to be taken to improve scores against the good practice recommendations. These include:
- continuation of a single Audit and Standards Committee rather than splitting into separate Committees,
 - maintenance of powers to conduct standards hearings and grant dispensations to members.

It should be noted that the Committee continues to operate in accordance with all statutory guidance, and the areas where scores are lower are just good practice recommendations.

- 1.6 Overall, the self-assessment shows that ASC arrangements are working well with a good level of performance against the good practice recommendations. The arrangements will also strengthen naturally over time as they embed and with implementation of the identified actions.
- 1.7 The self-assessment will form the basis of the 2024/25 Annual Report from Audit and Standards Committee, and which will be presented to Cabinet. The Annual Report will also include an update on the work of the Committee throughout the municipal year and commentary on how it is meeting its terms of reference.

2. Potential Impact on Objectives

- 2.1 The North East CA's corporate plan sets out its strategic objectives and priorities. The work of Audit and Standards Committee contributes to the overall achievement of these objectives and priorities.

3. Key Risks

- 3.1 There are no key risks identified within, or arising from, this report. The report considers an assessment of the effectiveness of the Audit and Standards Committee with the aim of identifying areas for improvement.

4. Financial and Other Resources Implications

- 4.1 There are no direct financial or other resource implications arising from this report.

5. Legal Implications

- 5.1 There are no direct legal implications arising from this report, but it does consider conformance with the Cities and Local Government Devolution Act 2016, and subsequent Combined Authorities (Overview and Scrutiny Committee, Access to Information and Audit Committee) Order 2017 in respect of the appointment of an Audit Committee and sets out the functions of an Audit Committee.

6. Equalities Implications

- 6.1 There are no direct equalities implications arising out of the recommendations in this report.

7. Consultation and Engagement

- 7.1 The Independent Chair of Audit and Standards Committee was consulted on the approach to the review of effectiveness. Consultation around the draft review will be undertaken with members of Audit and Standards Committee.

8. Appendices

Appendix A: Self-Assessment of Audit and Standards Committee Arrangements

9. Background Papers

- (a) The Cities and Local Government Devolution Act 2016
- (b) The Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017
- (c) The Accounts and Audit Regulations 2015, as amended June 2022
- (d) Audit Committees, Practical Guidance for Local Authorities and Police, CIPFA, 2022
- (e) North East Combined Authority Constitution, May 2024

10. Contact Officers

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11. Glossary

Not applicable

Audit Committee Arrangements: Self-Assessment of Good Practice – March 2025

(Extract from CIPFA, Audit Committees: Practical Guidance for Local Authorities and Police, published October 2022)

CIPFA outlines that the checklist below provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement on Audit Committees in Local Authorities, and broader practical guidance referred to above. Within the practical guidance CIPFA specifically states:

“Where an audit committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee. A regular self-assessment should be used to support the planning of the audit committee work programme and training plans. It will also inform the annual report.”

Good Practice Question		Does not comply	Partly Complies and extent of improvement needed			Fully Complies	Comment
		Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement	
Weighting of Answers		0	1	2	3	5	
Audit Committee Purpose and Governance							
1	Does the authority have a dedicated audit committee that is not combined with other functions (e.g., standards, ethics, scrutiny)?				3		The Audit Committee is established in line with requirements of the Cities and Local Government Devolution Act 2016. Whilst it is combined with Standards, there is little work in relation to Standards. It is felt that it would be disproportionate to split the Committee as the duties associated with Standards do not impact upon the effectiveness of the Committee. In addition, the current arrangements would allow a sub-committee to be established to consider standards issues should it be required. As such,

							<p>there are no plans to change the current Committee structure.</p> <p>The Committee considered and debated this question at its meeting in February 2025. Following discussion, the Committee agreed that the matter would be reconsidered should there be any complaints regarding member conduct which required action by the Committee.</p>
2	Does the audit committee report directly to the governing body (PCC and chief constable / full council / fire authority etc)					5	Whilst not directly applicable, the Committee reports to Cabinet which is the only decision-making body for the Combined Authority and as such is the closest thing to a governing body.
3	Has the audit committee maintained its advisory role by not taking on any decision-making powers?				3		The Committee does have powers to grant dispensations to members and conduct hearings and determine complaints of breaches of the Code of Conduct for Members in its Standards role, so is not purely advisory. However, this element is minor and does not impact upon the effectiveness or independence of the Committee or limit its advisory capacity on audit matters in any way.
4	<p>Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFAs 2022 Position Statement?</p> <p>Additionally, as a Combined Authority does the terms of reference set out the purpose of the Committee in accordance with the Cities and Local Government Devolution Act 2016 and The Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017</p>					5	The terms of reference, set out in the Constitution, make clear the purpose of the Committee. The purpose is similar to that in the Position Statement and covers the core functions and powers specified within the Cities and Local Government Devolution Act 2016.
5	Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?				3		Charged with Governance - Cabinet is made up of political leaders / mayors of constituent authorities and as such are aware of the role and purpose of ASC. In addition, the

							<p>presentation of the ASC annual report to Cabinet raises awareness of the audit committee.</p> <p>Leaders - as a new organisation and with a number of new senior officer / director appointments this is an area that is still being considered as the North East CA (the CA) matures. It is not anticipated that there will be any issues, but the score reflects the embryonic status and work that is ongoing to assess, develop and build relationships and understanding of the role of the Committee.</p> <p>Action Meeting(s) to be scheduled between the Chair and new directors.</p>
6	Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?					5	<p>An example of this occurred in year, as the Chair asked the external auditor to provide Committee with an update on the national issue on the delays in the external audit of accounts, and associated risks. In addition, the Chair has asked for certain information to be provided and made available to Committee members extraneous to normal papers, and this has been facilitated and provided by leaders.</p>
7	Does the governing body hold the audit committee to account for its performance at least annually?				3		<p>As a new organisation this has not yet happened, but this will be achieved through presentation of ASC's Annual Report to Cabinet. The Annual Report will include the results of the Committee's self-assessment of effectiveness, commentary on how it has met its Terms of Reference (ToR), and a summary of the work completed in year. This will allow Cabinet to ask questions and hold the Committee to account.</p>

							<p>At the September 2024 Cabinet, the Chair of ASC presented the Annual Report for the ASC of the North of Tyne Combined Authority, one of its predecessor organisations. As part of this presentation the Chair also provided an update on the establishment of the CA's ASC.</p> <p>The score reflects the current position at this time. The 2024/25 Annual Report is scheduled to be taken to Cabinet later in 2025. As such, no specific action is needed to address this.</p>
8	Does the audit committee publish an annual report in accordance with the 2022 guidance, including:						
	<ul style="list-style-type: none">Compliance with the CIPFA position statement 2022				3		As per earlier comments, this has not yet happened due to timings of the assessment, but the planned Annual Report will cover these items as standard. The score reflects the current position at this stage. As the 2024/25 Annual report is already scheduled to be taken to Cabinet an additional action plan item is not required.
	<ul style="list-style-type: none">Results of the annual evaluation, development work undertaken and planned improvements				3		
	<ul style="list-style-type: none">How it has fulfilled its terms of reference and the key issues escalated in the year?				3		
9	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's position statement and, additionally as a Combined Authority, requirements for Audit Committees within the Cities and Local Government Devolution Act 2016 and The Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017 as follows:						
	Governance arrangements					5	Yes
	Risk management arrangements					5	Yes

	Internal control arrangements, including <ul style="list-style-type: none"> Financial management Value for money Ethics and standards Counter fraud and corruption 					5	Requirements within Cities and Local Government Devolution Act 2016 are referenced. In respect of CIPFA's position statement, financial management is not explicitly referenced in the terms of reference but adherence to the CIPFA Financial Management Code (FMC) will be reported within the Annual Governance Statement.
	Annual governance statement					5	Yes
	Financial reporting					5	Yes
	Assurance framework					5	Yes
	Internal Audit					5	Yes
	External Audit					5	Yes
10	Over the last year, has adequate consideration been given to all core areas?				3		<p>As a new organisation less than one year old some areas, such as the Annual Governance Statement, have not yet been covered but they are scheduled to be. An annual work programme is agreed by the Committee at the beginning of each municipal year and identifies when reports on each of the key areas will be provided to Committee.</p> <p>The score reflects the current position at this stage. As all core area items not yet considered are scheduled, an additional action plan item is not required.</p>
11	Over the last year, has the committee only considered agenda items that align with its core functions, as set out in the 2022 guidance?				3		Partially. The Committee has only considered items aligned to its core functions in respect of

							audit activities but as highlighted earlier, matters on Standards have and will be considered.
12	Has the committee met privately with the external auditors and head of internal audit in the last year?					5	<p>The Chair has actively engaged on numerous occasions with both the Head of Internal Audit and the External Auditor across the year.</p> <p>Action</p> <p>Although we consider a full score to be achieved, the following question will be put to Committee at its meeting in April 2025.</p> <p><i>“Would Committee like to meet privately (and separately) with the external auditor and head of internal audit at least on an annual basis?”</i></p>
Membership and Support							
13	Has the committee been established in accordance with the 2022 guidance and, additionally as a Combined Authority, requirements for Audit Committees within the Cities and Local Government Devolution Act 2016 and The Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017 as follows?						
	<ul style="list-style-type: none"> Separation from executive 					5	The ToR makes clear that Committee members will not be members of Cabinet.
	<ul style="list-style-type: none"> A size that is not unwieldy and avoids use of substitutes 				3		The number of members of Committee, two per each of the seven constituent councils, has been established to comply with legislation as far as possible. The ‘Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017’ requires the audit committee to reflect, as far as possible, the political balance of the combination of the constituent councils.

							<p>The Committee's ToR permits the use of substitute members as this helps maintenance of the political balance, and quoracy at meetings. It is not currently intended to change this position as being able to hold quorate meetings (2/3 of membership in attendance) is considered a higher priority. We will endeavour to ensure the substitute members also have the requisite skills and knowledge to perform the role as the full members.</p> <p>The use of substitutes is not extensive and there have only been four substitute attendances across the three meetings held.</p>
	<ul style="list-style-type: none"> Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation. 					5	<p>The Chair is appointed as a co-opted independent member. This fulfils the mandatory requirements around lay/co-opted independent members under Schedule 5A (referred to in Schedule 3) of the Cities and Local Government Devolution Act 2016.</p>
14	Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?				3		<p>The co-opted, independent Chair was appointed based upon their experience, knowledge and skills in matters relating to the business of the Committee.</p> <p>In respect of elected members, the CA provides an information pack to each of the constituent authorities setting out its expectation in terms of the knowledge and skills of the members they appoint to the ASC. However, the appointments are reflective of the democratic process and members appointed by constituent authorities may not necessarily meet the expectations, but this is out with the CA's control. To mitigate this risk, the CA provides standard training workshops for ASC members.</p>

							No further action is proposed.
15	Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?					5	Members and substitutes were asked to complete an assessment of their skills and knowledge against the areas identified in CIPFAs good practice guide during summer 2024. The response rate was 50%.
16	Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?					5	<p>An induction workshop was held prior to the first meeting of ASC and included training in key areas such as:</p> <ul style="list-style-type: none"> • Role of ASC • Overview of Single Assurance Framework and Risk Management Framework • Role of Internal Audit. <p>A further workshop was held in November 2024, and included training and development in relation to:</p> <ul style="list-style-type: none"> • A detailed look at the Statement of Accounts utilising 2023/24 draft accounts as example to work through • A detailed look, using examples of actual projects, to walk through the operation of the Single Assurance Framework.
17	Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?					5	The skills and knowledge survey (Q15) identified that there was a good level of knowledge across the Committee as a whole. Further to this, a number of challenging and insightful questions have been asked by Committee members during meetings throughout the year, which helps to confirm skills and knowledge.
18	Is adequate secretariat and administrative support provided to the committee?					5	The Committee is fully supported by the Combined Authority's governance team.
19	Does the committee have good working relations with key people and organisations, including external audit, internal audit, and the CFO?					5	The independent Chair regularly meets with the Chief Finance Officer (CFO). They have direct links with other key officers and Chair of Overview and Scrutiny Committee and meets as

							required. The CFO and other key officers attend Audit and Standards Committee meetings.
Effectiveness of the Committee							
20	Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?				3		<p>As a new organisation it is too early for the Committee to have received feedback. However, formal feedback will be sought from Cabinet when the Committee's Annual report for 2024/25 is presented in June / July 2025.</p> <p>The score reflects the current position at this stage. As the Annual report is already scheduled to be taken to Cabinet an additional action plan item is not required.</p>
21	Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?					5	Yes, the independent Chair ensures that meetings are well run in accordance with the agenda.
22	Are meetings effective with a good level of discussion and engagement from all the members?					5	Yes, there has been a good level of discussion at all meetings so far.
23	Has the committee maintained a non-political approach to discussions throughout?					5	Yes, the business of the Committee has been conducted in an apolitical manner and all questions and discussions have been objective.
24	Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks, and action plans with the responsible officers?				3		<p>As per earlier comments, relationships with newly appointed Directors are still to be established and embedded. However, a number of key leaders regularly attend ASC, including the Director of Finance and Investment (S73), Monitoring Officer, Head of Finance and Strategic Governance Lead.</p> <p>The Chair and Director of Finance and Investment have discussed how to further raise awareness around the strategic risks for the CA.</p>

							<p>It is felt a rolling programme of risk 'deep dives' will help to achieve this.</p> <p>Action</p> <ul style="list-style-type: none"> • Meeting(s) to be scheduled between the Chair and new Directors (as per Q5) • A rolling programme of risk 'deep dives' will be scheduled with strategic risk owners invited to attend meetings and discuss their risks in detail with ASC.
25	Does the committee make recommendations for the improvement of governance, risk, and control arrangements?					5	As a new organisation this has not happened yet, but the Chair and Committee are aware of their roles and would make recommendations if necessary.
26	Do audit committee recommendations have traction with those in leadership roles?					5	Further to the response above, the Committee is confident that any recommendations it made would be considered and implemented by Leaders.
27	Has the committee evaluated whether and how it is adding value to the organisation?				3		<p>As per responses to earlier questions, it is too early for this to have been completed. The 2024/25 Annual report will set out how the Committee has met its responsibilities outlined in its ToR and as such, provide an assessment of how it has 'added value'.</p> <p>The score reflects the current position at this stage, but as the Annual report is already scheduled an additional action plan item is not required.</p>
28	Does the committee have an action plan to improve any areas of weakness?					5	Yes, an action has been established as part of this self-assessment exercise, and the actions will also form part of the Annual report.

29	Has this assessment been undertaken collaboratively with the audit committee members?					5	<p>This draft self-assessment was completed by the Chair in conjunction with key officers and circulated to all members of the Committee for comment.</p> <p>This draft will be subject to final discussion and agreement with ASC at the meeting in April 2025.</p>
	Subtotal Score				42	130	
	Total Score (max score is 200 – 40 questions multiplied by 5)	172					

Audit and Standards Committee

8 April 2025

Subject: Accounting Policies for Application in the 2024/25 Financial Statements

Report of: Mags Scott, Director of Finance and Investment

Report Summary

The purpose of this report is to update the Audit and Standards Committee on the North East Combined Authority's accounting policies in the preparation of the 2024/25 Statement of Accounts and to seek the Committee's confirmation that appropriate policies are being applied.

The material accounting policies applied within the 2023/24 Statement of Accounts remain appropriate at this stage for the preparation of the 2024/25 Statement of Accounts, with the exception of (14) Leases, due to the mandatory implementation of IFRS 16 Leases in the 2024/25 CIPFA Code. Other CIPFA Code changes for 2024/25 are considered minor and there are no further accounting policies which require amendment as a result of changes in the Code.

Recommendations

The Audit and Standards Committee is recommended to:

- a) Review the accounting policies and the amendment to policy (14) in relation to leases;
- b) Approve their use in the preparation of the 2024/25 financial statements;
- c) Authorise the Director of Finance and Investment to review the accounting policies as necessary, including for materiality, and report any changes to the Audit and Standards Committee.

1. Background Information, Proposals and Timetable for Implementation

- 1.1 In preparing the annual Statement of Accounts we closely follow CIPFA's Code of Practice for Local Authority Accounting in the UK (the Code), which is based upon approved accounting standards.
- 1.2 The Code is based on International Financial Reporting Standards (IFRS) and has been developed by the joint CIPFA/Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code Board overseen by the Financial Reporting Advisory Board. It is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements.
- 1.3 The Code also draws on approved accounting standards issued by the International Public Sector Accounting Standards Board and the UK Financial Reporting Council where these provide additional guidance. The latest edition of the Code applies for accounting periods commencing on or after 1 April 2024. It supersedes the 2023/24 Code.
- 1.4 In England and Wales, the Code constitutes a 'proper accounting practice' under the terms of section 21(2) of the Local Government Act 2003.

- 1.5 The CIPFA/LASAAC Code Board, overseen by the Financial Reporting Advisory Board, is in a position to issue mid-year updates to the Code. This will only be done in exceptional circumstances.
- 1.6 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.
- 1.7 Accounting policies are defined in the Code as “the specific principles, bases, conventions, rules and practices applied by an authority in preparing and presenting financial statements.”
- 1.8 Accounting policies need not be applied if the effect of applying them would be immaterial. Materiality is defined in the Code as it applied to omissions and misstatements:

Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.
- 1.9 The proposed material accounting policies are in line with those used for the 2023/24 accounts for the former NECA and NTCA, with the exception of (14) Leases. The section where the authority is a lessee has been amended following the mandatory implementation of IFRS 16 Leases in the 2024/25 CIPFA Code.
- 1.10 The other CIPFA Code changes for 2024/25 are considered minor and don't result in changes to accounting policies.

2. Potential Impact on Objectives

- 2.1 The North East CA's corporate plan sets out its strategic objectives and priorities with its policies contributing to the overall achievement of these objectives and priorities.

3. Key Risks

- 3.1 There are no direct risk implications arising from this report.

4. Financial and Other Resources Implications

- 4.1 The report considers the Accounting Policies for the North East CA's Statement of Accounts for 2024/25.

5. Legal Implications

- 5.1 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.

6. Equalities Implications

- 6.1 There are no direct equalities implications arising from the recommendations in this report.

7. Consultation and Engagement

- 7.1 The proposed accounting policies have been discussed with the statutory Chief Finance Officer, relevant Finance staff and the External Auditor.

8. Appendices

Appendix 1 – Accounting Policies 2024/25

9. Background Papers

Code of Practice on Local Authority Accounting in the United Kingdom, 2024/25

10. Contact Officers

Eleanor Goodman, Interim Head of Finance, eleanor.goodman@northeast-ca.gov.uk

11. Glossary

CIPFA – Chartered Institute of Public Finance and Accountancy

IFRS – International Financial Reporting Standard

NECA – (former) North East Combined Authority

North East CA – North East (Mayoral) Combined Authority

NTCA – North of Tyne Combined Authority

Accounting Policies 2024/25

Accounting Policy		New policy	Amended policy	No change	In line with Code
1	General Principles			✓	✓
2	Accruals of Income and Expenditure			✓	✓
3	Cash and Cash Equivalents			✓	✓
4	Exceptional Items			✓	✓
5	Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors			✓	✓
6	Charges to Revenue for Non-Current Assets			✓	✓
7	Employee Benefits			✓	✓
8	Post-Employment Benefits				
9	Events After the Balance Sheet Date			✓	✓
10	Fair Value Measurement			✓	✓
11	Financial Instruments			✓	✓
12	Government Grants and Contributions			✓	✓
13	Property, Plant and Equipment			✓	✓
14	Leases		✓		✓
15	Public Private Partnership (PPP) Contracts			✓	✓
16	Provisions			✓	✓
17	Contingent Liabilities			✓	✓
18	Reserves			✓	✓
19	Revenue Expenditure Funded from Capital Under Statute (REFCUS)			✓	✓
20	VAT			✓	✓
21	Overheads			✓	✓
22	Tyne Tunnels Income			✓	✓
23	Group Accounts			✓	✓

Accounting Policies

1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2024/25 financial year and its position at the year-end of 31 March 2025. 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 2024/25, 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.

2024/25 is the first set of accounts for the North East CA and will cover the period from 7 May 2024 to 31 March 2025, following the demise of the two previous combined authorities. Section 2.5 of the Code sets out the accounting requirements for combinations of public sector bodies (including local government reorganisation).

2.5.2.2 states that the combination of two or more local authorities into one new authority shall be accounted for using the principles that apply to group reconstructions and shall be accounted for as either a transfer by absorption or a transfer by merger.

It is considered more appropriate for the formation of the North East CA and transfer of functions from NECA and NTCA to be treated as a transfer by absorption. This is because a transfer by merger would mean treating the balances as if North East CA had always been in place, whereas it is a completely new organisation established by the North East (Mayoral) Combined Authority (Establishment and Functions) Order 2024. Transfer by absorption mirrors the approach taken to the formation of NTCA in November 2018 and the creation of the original NECA (and dissolution of the Tyne and Wear Integrated Transport Authority) in 2014.

As a result the accounts for 2024/25 are the first for the new North East CA and there will be no prior year comparators as a result. Opening balances will be derived from an analysis of the audited closing balances of the former NECA and NTCA, with any intra-transactions between the two organisations eliminated on consolidation.

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.

8. Post-Employment Benefits

North East CA 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.

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:
 - Quoted securities at current bid price
 - Unquoted securities based on professional estimate
 - Unlisted securities at current bid price
 - 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 North East CA 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 North East CA 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:
 - 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.
 - 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.
 - 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.

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

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 construction.

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:

- Infrastructure assets – depreciated historical cost.
- 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 North East CA's PPE assets: Tyne Tunnels 120 years, Tunnels Vehicles, Plant and Equipment 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 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. All valuations will be undertaken by or under the supervision of a fully qualified Chartered Surveyor (MRICS – Member of the Royal Institution of Chartered Surveyors). 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 of 31 March 2020, 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. In the most recent valuations of the Tyne Tunnels it was assessed that, although Mechanical and Electrical Services and the Toll Plazas have an economic life of 20 years, these formed less than 20% of the overall valuation and have not therefore been classed as significant components.

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. Leases

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

The Authority as Lessee

The Authority classifies contracts as leases based on their substances. Contracts and parts of contracts, including those described as contracts for services, are analysed to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use. The Code expands the scope of IFRS 16 Leases to include arrangements with nil consideration, peppercorn or nominal payments.

Transition to IFRS 16

IFRS 16 is implemented in the Code for accounting periods beginning on or after 1 April 2024. The Code includes the following interpretations for transition arrangements:

- Authorities shall not reassess whether a contract is or contains at lease at the date of initial application, except for leases for nil consideration.
- For lessee arrangements transition will be undertaken to restate balances on the date of initial application for the cumulative effect of initial application. The option to retrospectively restate prior period comparative information is not permitted.
- For lessee arrangements the option to make adjustments on transition where the underlying asset is of low value is not permitted.

- For lessee arrangements the option to make adjustments on transition for leases where the lease term ends within 12 months is not permitted.
- For lessees, nil consideration leases are required to be identified with the measurement of the right-of-use asset required, and a gain on transition recognised where applicable.
- For lessors, nil consideration finance leases are required to be identified, with the asset provided to the third party required to be derecognised, and any unguaranteed residual value recognised, where applicable.

Any adjusting reconciliations between the accounting treatment and the statutory capital controls regime is managed through the capital adjustment account.

Initial Measurement

Leases are recognised as right-of-use assets with a corresponding liability at the date from which the leased asset is available for use (or the IFRS 16 transition date, if later). The leases are typically for fixed periods in excess of one year but many have extension options.

The Authority initially recognises lease liabilities measured at the present value of lease payments, discounting by applying the Authority's incremental borrowing rate where the interest rate implicit in the lease cannot be determined. Lease payments included in the measurement of the lease liability include:

- Fixed payments, including in-substance fixed payments.
- Variable lease payments that depend on an index or rate, initially measured using the prevailing index or rate as at the adoption date.
- Amounts expected to be payable under a residual value guarantee.
- The exercise price under a purchase option that the Authority is reasonably certain to exercise.
- Lease payments in an optional renewal period if the Authority is reasonably certain to exercise an extension option.
- Penalties for early termination of a lease unless the Authority is reasonably certain not to terminate early.

The right-of-use asset is measured at the amount of the lease liability, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received. However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

Subsequent Measurement

The right-to-use asset is subsequently measured using the fair value model. The Authority considers the cost model to be a reasonable proxy except for:

- Assets held under non-commercial leases.
- Leases where rent reviews do not necessarily reflect market conditions.
- Leases with terms of more than five years that do not have any provision for rent reviews.
- Leases where rent reviews will be at periods of more than five years.

For these leases, the asset is carried at a revalued amount. In these financial statements, right-of-use assets held under index-linked leases would be adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration leases would be valued using market prices or rentals for equivalent land and properties.

The right-of-use asset is depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption.

The lease liability is subsequently measured at amortised cost, using the effective interest method. The liability is remeasured when:

- There is a change in future lease payments arising from a change in index or rate.
- There is a change in the group's estimate of the amount expected to be payable under a residual value guarantee.

- The Authority changes its assessment of whether it will exercise a purchase, extension or termination option, or
- There is a revised in-substance fixed lease payment.

When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any further adjustment required from remeasurement being recorded in the Comprehensive Income and Expenditure Statement.

Low Value and Short Lease Exemption

As permitted by the Code, the Authority will exclude leases:

- For low-value items that cost less than £10,000 when new, provided they are not highly dependent on or integrated with other items, and
- With a term shorter than 12 months (comprising the non-cancellable period plus any extension options that the Authority is reasonably certain to exercise and any termination options that the Authority is reasonably certain not to exercise).

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 non-current asset. The New Tyne Crossing is considered to meet both of the IFRIC 12 criteria and the Authority 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. North East CA 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, North East CA 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 the Authority. If the Authority 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.

The Authority CA 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 the Authority has no long-term obligation to transfer economic resources to the Operator, since the Operator revenue is in substance transferred directly to it. The Authority 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. The Authority 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 2024/25.

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 (REFCUS)

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. Value Added Tax (VAT)

VAT is payable and 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 and Support Services

The costs of central support service e.g. Finance and Legal Services have been allocated to North East CA 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 the Authority's activity (e.g. its Directorates) 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

The Authority is required by the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 to produce Group Accounts to include services provided to council tax payers 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 North East CA 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 2024/25 accounts, the Authority has fully complied with the requirements of the Code providing Group figures for 2024/25. 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.

Audit and Standards Committee

8 April 2025

Subject: Final Auditor's Annual Reports 2023/24 for former North East Combined Authority and North of Tyne Combined Authority
Report of: External Auditor

Report Summary

The purpose of this report is to present the Final Auditor's Annual Reports for the former North East Combined Authority (NECA) and North of Tyne Combined Authority (NTCA) for the 2023/24 financial year.

The reports were presented to the Committee in draft form at the last meeting, pending completion of the audits. The audits were completed and the final audit reports issued on 26 February 2025.

Recommendations

The Audit and Standards Committee is recommended to review the reports of the external auditor included as Appendices 1 and 2.

1. Background Information, Proposals and Timetable for Implementation

- 1.1 The reports of the external auditors, Forvis Mazars, are set out at Appendices 1 and 2.
- 1.2 The Auditor's Annual Reports for both former combined authorities have now been finalised following the conclusion of the audit. These summarise the work Forvis Mazars have undertaken as the auditors for NECA and NTCA for the period ending 6 May 2024.

2. Potential Impact on Objectives

- 2.1 There are no direct implications arising from this report in respect of the North East CA's vision, policies and priorities.

3. Key Risks

- 3.1 There are no specific risk implications directly arising from this report.

4. Financial and Other Resources Implications

- 4.1 There are no financial implications directly arising from this report.

5. Legal Implications

- 5.1 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.

6. Equalities Implications

- 6.1 There are no equalities and diversity implications arising from this report.

7. Consultation and Engagement

- 7.1 Reports have been discussed with Combined Authority statutory officers and the Chair of Audit and Standards Committee.

8. Appendices

Appendix 1 – Auditor’s Annual Report – North of Tyne Combined Authority – period ending 6 May 2024

Appendix 2 – Auditor’s Annual Report – North East Combined Authority – period ending 6 May 2024

9. Background Papers

None

10. Contact Officers

Eleanor Goodman, Interim Head of Finance, North East Combined Authority,

Eleanor.goodman@northeast-ca.gov.uk

11. Glossary

CIPFA	Chartered Institute of Public Finance and Accountancy
JTC	Joint Transport Committee
NECA	North East Combined Authority (former)
NTCA	North of Tyne Combined Authority

Auditor's Annual Report
North East Combined Authority (in respect of demised North of Tyne Combined Authority)
– period ended 6 May 2024

26 February 2025

Contents

- 01 Introduction
- 02 Audit of the financial statements
- 03 Commentary on VFM arrangements
- 04 Other reporting responsibilities
- 05 Audit fees and other services

- A Appendix A: Further information on our audit of the Authority’s financial statements

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 the Authority are prepared for the sole use of the Authority and we take no responsibility to any member or officer in their individual capacity or to any third party.
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01

Introduction

Introduction

Purpose of the Auditor’s Annual Report

Our Auditor’s Annual Report (AAR) summarises the work we have undertaken as the auditor for the North of Tyne Combined Authority (‘the Authority’) for the period ended 6 May 2024. Although this report is addressed to the Authority, it is designed to be read by a wider audience including members of the public and other external stakeholders. This report is addressed to the North East Combined Authority as the successor body to the now demised North of Tyne Combined Authority.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice (‘the Code’) issued by the National Audit Office (‘the NAO’). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



Opinion on the financial statements

We issued our audit report on 26 February 2025. Our opinion on the financial statements was unqualified.



Value for Money arrangements

We did not identify any significant weaknesses in the Authority’s arrangements to secure economy, efficiency and effectiveness in its use of resources. Section 3 provides our commentary on the Authority’s arrangements.



Wider reporting responsibilities

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We are awaiting group instructions from the National Audit Office to enable us to complete this work.

As in previous years, we anticipate a significant delay before we will be able to issue our 2023/24 audit certificate, as we await NAO clearance on whether we will be required to undertake additional procedures as a sampled component.

02

Audit of the financial statements

Audit of the financial statements

Our audit of the financial statements

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Authority and whether they give a true and fair view of the Authority’s financial position as at 6 May 2024 and of its financial performance for the period then ended. Our audit report, issued on 26 February 2025 gave an unqualified opinion on the financial statements for the period ended 6 May 2024.

A summary of the significant risks we identified when undertaking our audit of the financial statements and the conclusions we reached on each of these is outlined in Appendix A. In this appendix we also outline the uncorrected misstatements we identified and any internal control recommendations we made.

Qualitative aspects of the Authority’s accounting practices

We reviewed the Authority’s accounting policies and disclosures and concluded they comply with the 2023/24 Code of Practice on Local Authority Accounting, appropriately tailored to the Authority’s circumstances.

Significant difficulties during the audit

During the course of the audit we encountered a number of difficulties this included the following:

- Timing of the publication of draft accounts;
- Quality of the draft financial statements;
- Consolidation issues arising out of the extended year end; and
- Delays due to competing demands on staff time and the impact of a number of retirements of experienced officers.

However, we fully acknowledge that throughout the audit we received the full co-operation of management. We could not have completed the audit within the challenging backstop timetable without the commitment and dedication of the Authority’s relatively small finance team.

Other reporting responsibilities

Reporting responsibility	Outcome
Narrative Report	We did not identify any significant inconsistencies between the content of the Narrative Report and our knowledge of the Authority.
Annual Governance Statement	We did not identify any matters where, in our opinion, the governance statement did not comply with the guidance issued by CIPFA/LASAAC Code of Practice on Local Authority Accounting.

03

Our work on Value for Money
arrangements

VFM arrangements


Overall Summary





VFM arrangements – Overall summary

Approach to Value for Money arrangements work

We are required to consider whether the Authority 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 the Authority plans and manages its resources to ensure it can continue to deliver its services.
- 

Governance - How the Authority ensures that it makes informed decisions and properly manages its risks.
- 

Improving economy, efficiency and effectiveness - How the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Authority has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources, including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with officers

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 there are further risks of significant weaknesses.

Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

We outline the risks that we have identified and the work we have done to address those risks on page 10.

Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.




We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Authority. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements** - we make these recommendations for improvement where we have identified a significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.
- **Other recommendations** - we make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant, but which still require action to be taken.

The table on the following page summarises the outcome of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements, or made other recommendations.

VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 Financial sustainability	11	No	No	No
 Governance	14	No	No	No
 Improving economy, efficiency and effectiveness	18	No	No	No

VFM arrangements

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services



3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

Risks of significant weaknesses in arrangements

We identified no risks of significant weaknesses in arrangements.

Background

This commentary describes the arrangements in place prior to 7 May 2024, when there were two Combined Authorities covering the North East, the North East Combined Authority and the North of Tyne Combined Authority. This commentary refers specifically to the arrangements of the now demised North of Tyne Combined Authority. On the 7 May 2024 the functions of both Combined Authorities transferred to the newly created North East Mayoral Combined Authority (operating as the North East Combined Authority). Since the 7 May 2024, the new Combined Authority has ensured that the legacy issues of the now demised North of Tyne Combined Authority have been addressed, including preparing the final set of financial statements for the period ended 6 May 2024 and ensuring that governance is in place to carry out the necessary approvals.

How NTCA identifies significant financial pressures that are relevant to its short and medium-term plans

The North of Tyne Combined Authority (NTCA) covers the local authorities of Newcastle, North Tyneside and Northumberland.

The 2023/24 Revenue Budget and Medium-Term Financial Strategy (MTFS), was approved by the Cabinet in January 2023.

Due to Transport being of such a strategic importance to the North East, collaborative working of both Combined Authorities allows effective decision making across the region, which helps to ensure that the local needs and priorities are delivered. This resulted in the introduction of the North East Joint Transport Committee (JTC) which brings together all seven of the constituent authorities of the region, being the three Members from NTCA and the four Members from the North East Combined Authority (NECA) in accordance with the Order that was created on the 2nd November 2018.

Regular budget monitoring/forecast of outturn reports are presented to the Cabinet, including updates on the North East Local Enterprise Partnership (LEP) and Invest North East budgets. The LEP Budget and Outturn is reported first to the LEP Board prior to appending the NTCA Cabinet Budget and Outturn report.

Budget monitoring is reported quarterly to Cabinet to monitor any financial pressures to help ensure that NTCA remains within budget. Cabinet membership includes the Lead Member and their Deputy of each of the three constituent authorities as well as the Mayor and the Head of Paid Service of NTCA. All budget monitoring, budget and outturn reports are approved by Cabinet and are then subsequently scrutinised by the Overview and Scrutiny Committee.

As at 6 May 2024, NTCA reported useable reserves of £267.8 million in the draft accounts (£217.8 million as at 31 March 2023).

A timetable for the production and consultation of the 2023/24 Budget / Medium Term Financial Strategy (MTFS) was agreed by Cabinet in September 2022. The budget and MTFS has a clear link to the Corporate Plan which is taken to the NTCA Annual Meeting annually, in June.

How NTCA plans to bridge its funding gaps and identifies achievable savings

The annual Budget/MTFS sets out NTCA's spending plans over the period and how any funding gaps will be met. This is developed through and consulted with the constituent local authorities of NTCA.

Regular budget monitoring/forecast of outturn reports highlight any financial pressures developing, allowing action to be taken at an early stage.

How NTCA plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The budget development process enables resources to be identified to support the delivery of services in accordance with the strategic priorities of NTCA through its clear links with the Corporate Plan. This developed through working with key delivery partners and the constituent local authorities of NTCA.

3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria - continued

How NTCA ensures that its financial plan is consistent with other plans

Consultation on budget proposals is built into Part 3.2 (Budget and Policy Framework) of the Authority's Constitution and aims to ensure that appropriate and effective consultation takes place with all Members and other stakeholders on the content of the Budget.

In line with the Prudential Code, revenue implications of capital investment decisions are fully considered and form part of the budget setting process ensuring that investments are fully funded –e.g. agreement of Minimum Revenue Provision (MRP) strategy.

The annual budget/MTFS report considers relevant implications including resources, equality, legal, human rights and risks as part of the approval process.

How NTCA identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

There is an established risk management framework for the Authority and the JTC with regular reviews and reporting to the Authority's Audit & Standards Committee and JTC Audit Committee. This includes risks to financial resilience. Support is provided to NTCA by Newcastle City Council through a service level agreement (SLA).

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.

Budget managers have direct access to the financial management system for up-to-date financial information but also get the support of the Authority's finance officers. The Authority uses North Tyneside Council's financial systems. Financial systems are being developed to meet the need of service users and to enable the Authority to meet internal deadlines and statutory reporting. Systems have been developed to enable more up-to-date budget information to be obtained from Service budget managers and finance staff.

Revenue Budget Monitoring/Forecast of Outturn reports are brought to the Cabinet and JTC on a regular basis for challenge and comment before subsequently being reported to the relevant Overview & Scrutiny Committee.

Financial Management Standards support the NTCA Financial Regulations set out in the Constitution. The Financial Regulations provide the overall high-level framework for managing the authority's financial affairs, and Financial Procedure Notes set out in more detail how these procedures are implemented to embed sound financial management across the authority.

The 2023/24 Revenue Budget and Medium-Term Financial Strategy (MTFS), was approved by the Cabinet in January 2023.

The Authority has a history of achieving financial targets as evidenced by financial and performance reports.

Relevant HR policies and procedures are in place.

North East Devolution

The leaders of County Durham, Gateshead, Newcastle, Northumberland, North Tyneside, South Tyneside and Sunderland councils agreed to a devolution deal which has now been enacted.

The North East mayoral election was held on 2 May 2024 to elect the mayor for the North East and the North East Mayoral Combined Authority came into existence on 7 May 2024. It is operating as the North East Combined Authority. The new authority replaced the North of Tyne and the North East Combined Authorities.

In the final year of the now demised North of Tyne Combined Authority, the Authority was focused along with its partners on putting arrangements in place to ensure a smooth transfer of functions to the successor body. In our view, these arrangements were effective in achieving this outcome and helped to enable the new entity to function properly from the outset.

VFM arrangements

Governance

How the body ensures that it makes informed decisions and properly manages its risks



3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

Risks of significant weaknesses in arrangements

We identified no risks of significant weaknesses in arrangements.

Background

This commentary describes the arrangements in place prior to 7 May 2024, when there were two Combined Authorities covering the North East, the North East Combined Authority and the North of Tyne Combined Authority. This commentary refers specifically to the arrangements of the now demised North of Tyne Combined Authority. On the 7 May 2024 the functions of both Combined Authorities transferred to the newly created North East Mayoral Combined Authority (operating as the North East Combined Authority). Since the 7 May 2024, the new Combined Authority has ensured that the legacy issues of the now demised North of Tyne Combined Authority have been addressed, including preparing the final set of financial statements for the period ended 6 May 2024 and ensuring that governance is in place to carry out the necessary approvals.

How NTCA monitors and assesses risk and how NTCA gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

NTCA has an Anti-Fraud and Corruption Policy (Constitution Part 5.4) and seeks in the first instance to prevent fraud and corruption through staffing policies, making members aware of their responsibilities, internal control systems and liaison with outside agencies.

NTCA is a participant in the National Fraud Initiative, a data matching exercise that helps prevent and detect fraud across the public sector.

NTCA endeavours to deal effectively with fraud and corruption, misuse of power and breaches of legal and regulatory provisions.

NTCA seeks to align the risk management strategy and policies on internal control with achieving objectives, as well as evaluating and monitoring risk management and internal control on a regular basis.

The Authority uses an Internal Audit service provided by Newcastle City Council. They produce a risk-based Internal Audit plan to determine the priorities of the internal audit activity, consistent with the authority's goals.

Internal audit reviews highlight weaknesses and recommend action when required to strengthen process/procedures. These are regularly reported to Audit and Standards Committee.

The Chief Internal Auditor provides an independent opinion on the adequacy and effectiveness of the system of

How NTCA approaches and carries out its annual budget setting process

The Constitution outlines NTCA's budget setting process, including in its role as accountable body for the North East LEP. This must be followed to ensure that appropriate and effective consultation takes place with all Members and other stakeholders on the content of the budget and that it is agreed in accordance with the requirements of the Constitution and the JTC Standing Orders.

Outline proposals are developed in discussion with member and officer groups, including North of Tyne Chief Executives, Economic Development Directors, Voluntary and Community Sector and Business Community in addition to the Public consultation notice on the website. Finance Directors across the NTCA area and wider region, in relation to the North East LEP will be involved throughout the process.

After consideration and comment by the Overview and Scrutiny Committees (NTCA and JTC) and the results of consultation, the final proposals (including consideration of the final proposals and decision of the JTC) are then considered by the Cabinet, which may or may not include the recommendations and/or observations from the Overview and Scrutiny Committees. The Cabinet must agree the final proposals in relation to NTCA's budget unanimously. The JTC must approve the final proposals in relation to the North East Transport Budget unanimously.

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

How NTCA ensures effective processes and systems are in place to ensure budgetary control

We noted that regular reporting of the financial position took place throughout the 2023/24 financial year. Quarterly forecasts of outturn reports were presented to the Cabinet and Scrutiny Committees. The reports included details of movements in the budget between quarters and remedial measures taken. The positions reported did not indicate a weakness in the Council's monitoring and reporting arrangements.

Our audit of the financial statements did not identify any matters to indicate a significant weakness in the accuracy of the financial information reported or the process for preparing the accounts. It is our experience that management takes action to address audit matters in a timely and appropriate manner.

How NTCA ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency

NTCA has a Constitution in place.

Principles of decision making are set out in the Authority's constitution and all decisions are made in accordance with these. Report templates are set out to prompt consideration of each of the principles/implications of the decision under consideration.

The Authority has an Overview and Scrutiny Committee established to enable local councillors, on behalf of their communities, to scrutinise and challenge all matters within the remit of the Combined Authority. The Overview and Scrutiny Committee also investigates matters of significant importance to residents within the areas covered by the four councils with a view to influencing decisions made in respect of all matters within the remit of the Combined Authority.

From a JTC perspective, there is also an established JTC Overview and Scrutiny Committee, which enables local councillors to scrutinise and challenge the JTC, its committees and Nexus, and to investigate matters of strategic importance to residents within the LA7 Area with a view to influencing and adding value to the decisions.

The Cabinet is made up of the Leaders of the three constituent bodies and is supplemented by elected members who serve on a number of committees along with non-executives.

The Authority publishes a Forward Plan which lists all decisions that committees or officers of the Authority intend to take in the coming months. Details of each are usually included 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, to review any related reports and background papers, and to submit comments to the decision maker in advance of the decision being made.

Briefings for members are held between key public meetings to discuss particular topics in depth and allow for challenge and informed decision making by members of committees such as the Joint Transport Committee and the Tyne and Wear Sub Committee.

The Authority's Leadership Board receive appropriate and regular reports on the financial position of the Authority.

The Head of Paid Service and Chief Executive leads a very experienced senior officer team at the Authority.

Risk management arrangements along with an up to date risk register are in place. A risk update is reported regularly to the Audit and Standards Committee, who provide challenge in this area.

An annual governance statement is prepared, reviewed and approved before being included in the financial statements.

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

How NTCA monitors and ensures appropriate standards are maintained

The NTCA Constitution sets out the how the authority operates, how its decisions are made and the procedures that are followed to ensure that NTCA operates efficiently, effectively and is both transparent and accountable.

NTCA has an agreed Code of Conduct for Members which sets out the conduct that is expected of elected members appointed to NTCA when they are acting in that capacity, and which is consistent with Nolan's Seven Principles of Public Life.

NTCA has a Code of Conduct for Officers which is intended to support officers in maintaining standards and to help protect officers from misunderstanding or criticism. The Code applies to all officers of NTCA.

NTCA has a Member/Officer Relations Protocol to provide 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 and is intended to offer guidance on some of the issues that commonly arise.

With the exception of co-opted Independent Members on the Audit & Standards and Overview & Scrutiny Committees, Members are elected councillors of constituent local authorities and also subject to their own Council's Codes of Conduct.

There is a NTCA Register of Members Interests which contains declarations of any Disclosable Pecuniary Interest and any other interest. These are published on the NTCA website Interests for Senior Officers are also recorded.

NTCA has an Audit and Standards Committee, which seeks to promote and maintain high standards of conduct by NTCA members and co-opted members, and ensure NTCA members and co-opted members observe the Members' Code of Conduct.

North East Devolution

The leaders of County Durham, Gateshead, Newcastle, Northumberland, North Tyneside, South Tyneside and Sunderland councils agreed to a devolution deal which has now been enacted.

The North East mayoral election was held on 2 May 2024 to elect the mayor for the North East and the North East Mayoral Combined Authority came into existence on 7 May 2024. It is operating as the North East Combined Authority. The new authority replaced the North of Tyne and the North East Combined Authorities.

In the final year of the now demised North of Tyne Combined Authority, the Authority was focused along with its partners on putting arrangements in place to ensure a smooth transfer of functions to the successor body. In our view, these arrangements were effective in achieving this outcome and helped to enable the new entity to function properly from the outset.

VFM arrangements

Improving Economy, Efficiency and Effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services



3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

Risks of significant weaknesses in arrangements

We identified no risks of significant weaknesses in arrangements.

Background

This commentary describes the arrangements in place prior to 7 May 2024, when there were two Combined Authorities covering the North East, the North East Combined Authority and the North of Tyne Combined Authority. This commentary refers specifically to the arrangements of the now demised North of Tyne Combined Authority. On the 7 May 2024 the functions of both Combined Authorities transferred to the newly created North East Mayoral Combined Authority (operating as the North East Combined Authority). Since the 7 May 2024, the new Combined Authority has ensured that the legacy issues of the now demised North of Tyne Combined Authority have been addressed, including preparing the final set of financial statements for the period ended 6 May 2024 and ensuring that governance is in place to carry out the necessary approvals.

How financial and performance information has been used to assess performance to identify areas for improvement

The Narrative Report accompanying the Statement of Accounts includes key financial performance information to help inform users of the accounts.

Final Outturn reports build on the regular reporting during the year to set out financial performance against budget for the NTCA revenue budgets and Capital element of the NTCA Investment Programme. The outturn is used to update the forecasts for the year as part of the regular forecast of outturn reports.

Treasury Management Prudential Indicators are set and updated through the Treasury Management Policy and Strategy, mid-year update and outturn update.

How NTCA evaluates the services it provides to assess performance and identify areas for improvement

The new Transport Plan for the whole JTC area sets out Key Performance Indicators that are designed to monitor the overall progress of the Transport Plan with respect to the 5 key objectives (Carbon neutral North East, Overcome inequality and grow our economy, Healthier North East, Sustainable transport choices and Safe, secure network).

NTCA deliver against the Investment Plan, Adult Education Devolved Budget and the Brownfield Housing Fund. Regular updates are taken to Investment Panel which is attended by Senior Officers of the NTCA constituent authorities and to Cabinet to inform on performance against delivery.

There is a 5-year Gateway Review led by Central Government to determine delivery at 5 year intervals against the Investment Fund and ensure economic growth has been achieved. The North East LEP report regularly to their LEP Board on delivery against their Economic Plan.

How NTCA ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

The Authority's Constitution sets out that the Procurement Procedure Rules for the Constituent Authority designated as lead authority for the following exercises shall apply and be followed wherever the Combined Authority wishes to arrange for:

- The purchases of goods, materials and related services;
- The execution of works; or
- The provision of other services (including consultancy).

The Authority receives procurement services from North Tyneside Council via a Service Level Agreement. The service specification includes the undertaking of legally compliant procurement and production of procurement documentation and correspondence via competitive quote/tender process.

3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria - continued

Newcastle City Council Legal Officers provide a Legal SLA, part of which is to sign off all contracts and provide legal advice on contracts NTCA and the North East LEP enter into.

A service concession exists in relation to the Tyne Tunnel. This is subject to a detailed 30 year agreement with the operator TT2 Ltd which was introduced in 2008. The partnership with TT2 Ltd is governed by the Project Agreement which specifies levels of performance which must be met and roles and responsibilities of both partners, and is managed by the Tyne Tunnels Contract Manager.

How NTCA ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve - continued

There is a register which sets out associated partners to NTCA, the purpose of the partnerships, link officer and review dates for each one.

The Authority works very closely with the North East Local Enterprise Partnership (NELEP). This is a business-led, strategic partnership responsible for promoting and developing economic growth in the area. The Authority supports the work of the enterprise partnership and they work together to ensure co-ordination across their range of activities.

The NELEP Chief Executive attends Cabinet and Overview and Scrutiny to provide an update on the LEP. The Chair of NELEP Board sits on the NTCA Cabinet.

NTCA provides the formal accountability arrangements for the enterprise partnership.

Organisational change took place on 1 April 2020 with the transfer of Accountable Body responsibility for North East LEP to North of Tyne Combined Authority and resulting TUPE of staff from NECA to NTCA

NTCA meets regularly and engages with the Voluntary and Community Sector and Business Community Sector.

There is a register which sets out associated partners to NTCA, the purpose of the partnerships, link officer and review dates for each one.

Nexus is not included in the significant partner register due to its status as an officer of the Combined Authority. NTCA reports regularly to the Joint Transport Committee and the Tyne and Wear Sub Committee on its financial performance, and performance against its Corporate Business Plan and Risk Register. The relationship between NTCA and Nexus is set out in the Constitution.

North East Devolution

The leaders of County Durham, Gateshead, Newcastle, Northumberland, North Tyneside, South Tyneside and Sunderland councils agreed to a devolution deal which has now been enacted.

The North East mayoral election was held on 2 May 2024 to elect the mayor for the North East and the North East Mayoral Combined Authority came into existence on 7 May 2024. It is operating as the North East Combined Authority. The new authority replaced the North of Tyne and the North East Combined Authorities.

In the final year of the now demised North of Tyne Combined Authority, the Authority was focused along with its partners on putting arrangements in place to ensure a smooth transfer of functions to the successor body. In our view, these arrangements were effective in achieving this outcome and helped to enable the new entity to function properly from the outset.

Other reporting responsibilities

Other reporting responsibilities

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power 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 the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

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. We did not receive any such objections or questions.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We are awaiting group instructions from the National Audit Office to enable us to complete this work.

As in previous years, we anticipate a significant delay before we will be able to issue our 2023/24 audit certificate, as we await NAO clearance on whether we will be required to undertake additional procedures as a sampled component.

05

Audit fees and other services

Audit fees and other services

Fees for our work as the Authority's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum dated 5 September 2024 which was presented to the Audit and Standards Committee on 17 September 2024. This reflected the scale fee set by Public Sector Audit Appointments (PSAA) as part of the latest national procurement exercise.

Having completed our work for the 2023/24 financial year, we are able to confirm the final fee for the audit as set out below.

Area of work	2023/24 fees	2022/23 fees
Planned fee in respect of our work under the Code of Audit Practice (PSAA scale fee)	£88,339	£28,195
2022/23 Additional fees in agreed fee variations		£18,500
Additional fees in respect of ISA 315 (risks of material misstatement) and ISA 240 (auditor's responsibilities relating to fraud) *	£9,410*	
Additional fees in respect of consideration of the accounting treatment adopted for the extended period end to 6 May 2024	£8,200	
Additional fees in respect of impact of errors in the draft financial statements	£2,900	
Total fees	£108,849	£46,695

*The additional fee of £9,410 is because PSAA did not consolidate additional fees for these aspects into the 2023/24 scale fees, because at the time the 2023/24 scale fees were set PSAA had not reached a conclusion on what would be the appropriate fee for this. An explanation for this including that there would therefore be a need to treat this as an additional fee variation is set out on the PSAA website: <https://www.psaa.co.uk/appointing-auditors-and-fees/auditor-appointments-and-scale-fees-2023-24-2027-28/2023-24-auditor-appointments-and-audit-fee-scale/consultation-document-2023-24-audit-fee-scale/3/>

PSAA have subsequently determined the appropriate fees for these aspects as part of its 2024/25 scale fee process <https://www.psaa.co.uk/appointing-auditors-and-fees/auditor-appointments-and-scale-fees-2023-24-2027-28/2024-25-auditor-appointments-and-audit-fee-scale/2024-25-audit-fee-scale/3/>

Fees for other work

We confirm that we have not undertaken any non-audit services for the Authority in the year.

Appendices

Appendix A: Further information on our audit of the Authority's financial statements

Appendix A: Further information on our audit of the Authority’s financial statements

Significant risks and audit findings

As part of our audit of the Authority we identified significant risks to our opinion on the financial statements during our risk assessment. The table below summarises these risks, how we responded and our findings.

Management override of controls (Single entity and the Group accounts)	<p>Description of the risk</p> <p>This is a mandatory significant risk on all audits due to the unpredictable way in such override would occur. Management at various levels within an organization 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, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.</p> <hr/> <p>How we addressed this risk</p> <p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none">• accounting estimates impacting amounts included in the financial statements;• consideration of identified significant transactions outside the normal course of business; and• journal entries recorded in the general ledger and other adjustments made in preparation of the financial statements. <hr/> <p>Audit conclusion</p> <p>We have completed our work and there was no evidence of management override of controls.</p>
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Appendix A: Further information on our audit of the Authority’s financial statements

Significant risks and audit findings (continued)

As part of our audit of the Authority we identified significant risks to our opinion on the financial statements during our risk assessment. The table below summarises these risks, how we responded and our findings.

Revenue recognition - in relation to Tyne Tunnel tolls and grant income (Single entity and the Group accounts)	<p>Description of the risk</p> <p>The risk of fraud in revenue recognition is presumed to be a significant risk on all audits due to the potential to inappropriately shift the timing and basis of revenue recognition as well as the potential to record fictitious revenues or fail to record actual revenues.</p> <p>For the Authority we deem the risk to relate specifically to:</p> <ul style="list-style-type: none">• cut off considerations for Tyne Tunnel toll income; and• 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. <hr/> <p>How we addressed this risk</p> <p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none">• the design and implementation of controls management has in place to ensure income is recognised in the correct period;• Tyne Tunnel toll income around the year end to ensure it has been recognised in the right year;• the judgements made by management in determining when grant income is recognised;• for Tyne Tunnel toll income, performing a substantive analytical review; and• for major grant income, obtaining counterparty confirmation. <hr/> <p>Audit conclusion</p> <p>There are no issues arising from our work that we are required to report to you.</p>
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Appendix A: Further information on our audit of the Authority’s financial statements

Significant risks and audit findings (continued)

As part of our audit of the Authority we identified significant risks to our opinion on the financial statements during our risk assessment. The table below summarises these risks, how we responded and our findings.

Net defined benefit liability / asset valuation	Description of the risk
(Single entity and the Group accounts)	<p>The financial statements contain material pension entries in respect of 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> <p>In 2023/24 there is a net pensions asset, and the appropriate method of accounting for this is uncertain and complex.</p>
	<p>How we addressed this risk</p> <p>We discussed with management any significant changes to the pensions estimates prior to the preparation of the final accounts. In addition to our standard programme of work in this area, we have performed the following procedures:</p> <ul style="list-style-type: none">• evaluated the management controls in place to assess the reasonableness of the figures provided by the actuary; and• Considered the reasonableness of the actuary’s outputs, referring to an expert’s report on all actuaries nationally which is commissioned annually by the National Audit Office.• We also obtained an assurance letter from the auditor of Tyne & Wear Pension Fund. We also specifically reviewed the accounting treatment of the net pension asset against the latest technical guidance available confirming that a pension asset ceiling calculation had been undertaken in accordance with IFRIC 14 and that the disclosures were properly supported by the information provided by the actuary.
	<p>Audit conclusion</p> <p>There are no issues arising from our work that we are required to report to you.</p>

Appendix A: Further information on our audit of the Authority’s financial statements

Significant risks and audit findings (continued)

Estimation used for the extended financial period to 06 May 2024	Description of the risk
(Single entity and the Group accounts)	<p>The financial period end has been extended to 6 May 2024, making an accounting period of just over 13 months. This is a significant risk because this is a new situation for NTCA to deal with and there will be considerable use of management estimation and judgement in how to account for the extended period and the source of transactions.</p>
	How we addressed this risk
	<p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none">• the design and implementation of controls management has in place to ensure income and expenditure is recognised in the correct period;• reviewing the accounting treatments adopted and any estimation techniques used by management to ensure that the risk of material misstatement is mitigated;• reviewed events occurring after the extended period end that may impact the financial statements;• ensured all relevant disclosures are in accordance with applicable accounting standards. <p>We identified a substantial increase in estimation risk stemming from the consolidation of Nexus into the Group financial statements. Nexus prepares its financial accounts with a year end date of 31 March 2024, whereas NTCA's financial year concluded on 6 May 2024. This misalignment in reporting dates necessitated a considerable degree of reliance on management's estimation and judgment. As a result, we undertook a series of additional procedures to ensure the accurate consolidation of Nexus into the Group's accounts. These procedures included, but were not limited to:</p> <ul style="list-style-type: none">• examination and critical assessment of the management's consolidation working papers and underlying assumptions;• technical review of the consolidation treatment of Nexus in accordance with Code guidance;• comprehensive testing of the revised Nexus pensions position, which including a thorough review of the updated actuarial assumptions;• examination of Nexus's capital activity within Assets Under Construction (AUC) and the subsequent transfers to infrastructure;• examination of the investment balances;• reviews of cash movement analysis assessing the cash position to year end.
	Audit conclusion
	<p>There are no issues arising from our work that we are required to report to you.</p>

Appendix A: Further information on our audit of the Authority’s financial statements

Significant risks and audit findings (continued)

As part of our audit of the Authority we identified significant risks to our opinion on the financial statements during our risk assessment. The table below summarises these risks, how we responded and our findings.

Income and Expenditure Cut-off (Single entity and the Group accounts)	Description of the risk Following the formation of the new North East Mayoral Combined Authority on 7 May 2024, NTCA reported on an extended period of accounting from 1 April 2023 to 6 May 2024 resulting in an accounting period that spans just over 13 months. As a result we note that there is a likelihood of a risk of material misstatement in income and expenditure recognition at cut-off date. As a consequence, we carried out additional testing focused on this area as part of our audit. <hr/> How we addressed this risk We addressed this risk through performing audit work over: <ul style="list-style-type: none">• the design and implementation of controls management has in place to ensure income and expenditure is recognised in the correct period;• the judgements made by management in determining when income and expenditure is recognised;• sample testing transactions around year end ensuring that transactions are recorded in the correct accounting period.. <hr/> Audit conclusion There are no issues arising from our work that we are required to report to you.
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Appendix A: Further information on our audit of the Authority’s financial statements

Summary of uncorrected misstatements – the Authority as Single Entity

Management assessed the misstatements in the table below as not being material, individually or in aggregate, to the financial statements and did not adjust for these in the financial statements. We only report to you unadjusted misstatements that are either material by nature or which exceed our reporting threshold.

	Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	DR Debtors			515	
	CR Income		(515)		
	NTCA have not recognised any levy for the 6 days in May. We note that the Levy is monthly and as such NTCA should have recognised 6 days in May 2024. We performed a recalculation based on the April levy figure which has been pro rated to reflect 6 days in May. This demonstrates that the impact was not material.				

Appendix A: Further information on our audit of the Authority’s financial statements

Summary of uncorrected misstatements – the Authority as Single Entity (continued)

	Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
2	DR Expenditure	475			
	CR Short Term Creditors				(475)
	NTCA have not recognised any Transport Tyne & Wear expenditure for the 6 days in May. We note that the expenditure is monthly and as such NTCA should've recognised 6 days in May. We have performed a recalculation based on the April figure which has been pro rated to reflect 6 days in May. This demonstrates that the impact was not material.				
	Aggregate effect of unadjusted misstatements on Pages 31 and 32	475	(515)	515	(475)

Appendix A: Further information on our audit of the Authority’s financial statements

Summary of uncorrected misstatements – Group

Management assessed the misstatements in the table below as not being material, individually or in aggregate, to the financial statements and did not adjust for these in the financial statements. We only report to you unadjusted misstatements that are either material by nature or which exceed our reporting threshold.

	Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
	Aggregate unadjusted misstatements from Page 23 also impact on the Group position	475	(515)	515	(475)
1	DR Net Pension Assets			680	
	CR Remeasurement of Net defined Pension Liability		(680)		
	Our review of the Pension Fund auditor report identified that the value of pension fund assets was understated compared to those originally reported, which was entirely due to timing issues compared to when the actuary prepares their report, and the final valuations received during the Pension Fund auditor’s audit of the pension fund. The Group share of the pension fund assets misstatement is £680k. This is an estimate and is designed to demonstrate that the impact of this is not material.				
	Aggregate effect of unadjusted misstatements	475	(1,195)	1,195	(475)

During the audit procedures conducted for the Group consolidation, it was observed that the volume of transactions recorded for Nexus was notably low during the 36-day period from April 1, 2024, to May 6, 2024. As part of our audit work, we performed several procedures to ensure the accuracy and completeness of the financial records. While we have not enumerated the specific adjustments made during this process, we can confirm that our audit work has not identified any material issues that warrant reporting.

Appendix A: Further information on our audit of the Authority’s financial statements

Internal control observations for the Authority

We did not identify any deficiencies or significant deficiencies in the Authority’s internal controls; we do have one other internal control observation as part of our audit and this is set out below.

Related party transactions

Description of deficiency

Our audit identified that some related party declarations were missing. To ensure full compliance and transparency, it is recommended that related party declarations be updated and collected annually from all members and reviewed.

Potential effects

Related party declarations may be incomplete as a result there may be conflicts of interest which the authority are unaware of.

Recommendation

To address this issue, it is important that related party declarations be updated and obtained annually for all members. Implementing a systematic and comprehensive review process will ensure that all declarations are accurately recorded and promptly reviewed.

Management response

Additional processes have been carried out in 2023/24 to ensure all material transactions with related parties to 6 May 2024 have been recorded, since this runs beyond the usual year end of 31 March. All transactions which took place between 1 April 2024 and 6 May 2024 were reviewed and no material transactions other than those with parties already recorded as related parties were found to have taken place.

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Auditor's Annual Report
North East Combined Authority (in respect of demised North East Combined Authority)
– period ended 6 May 2024

26 February 2025

Contents

- 01 Introduction
- 02 Audit of the financial statements
- 03 Commentary on VFM arrangements
- 04 Other reporting responsibilities
- 05 Audit fees and other services

- A Appendix A: Further information on our audit of the Authority’s financial statements

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.
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01

Introduction

Introduction

Purpose of the Auditor’s Annual Report

Our Auditor’s Annual Report (AAR) summarises the work we have undertaken as the auditor for the North East Combined Authority (‘the Authority’) for the period ended 6 May 2024. Although this report is addressed to the Authority, it is designed to be read by a wider audience including members of the public and other external stakeholders. This report is addressed to the North East Combined Authority as the successor body to the now demised North East Combined Authority.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice (‘the Code’) issued by the National Audit Office (‘the NAO’). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



Opinion on the financial statements

We issued our audit report on 26 February 2025. Our opinion on the financial statements was unqualified.



Value for Money arrangements

We did not identify any significant weaknesses in the Authority’s arrangements to secure economy, efficiency and effectiveness in its use of resources. Section 3 provides our commentary on the Authority’s arrangements.



Wider reporting responsibilities

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We are awaiting group instructions from the National Audit Office to enable us to complete this work.

As in previous years, we anticipate a significant delay before we will be able to issue our 2023/24 audit certificate, as we await NAO clearance on whether we will be required to undertake additional procedures as a sampled component.

02

Audit of the financial statements

Audit of the financial statements

Our audit of the financial statements

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Authority and whether they give a true and fair view of the Authority’s financial position as at 6 May 2024 and of its financial performance for the period then ended. Our audit report, issued on 26 February 2025 gave an unqualified opinion on the financial statements for the period ended 6 May 2024.

A summary of the significant risks we identified when undertaking our audit of the financial statements and the conclusions we reached on each of these is outlined in Appendix A. In this appendix we also outline the uncorrected misstatements we identified and any internal control recommendations we made.

Qualitative aspects of the Authority’s accounting practices

We reviewed the Authority’s accounting policies and disclosures and concluded they comply with the 2023/24 Code of Practice on Local Authority Accounting, appropriately tailored to the Authority’s circumstances.

Significant difficulties during the audit

During the course of the audit we encountered a number of difficulties this included the following:

- Timing of the publication of draft accounts;
- Quality of the draft financial statements;
- Consolidation issues arising out of the extended year end; and
- Delays due to competing demands on staff time and the impact of a number of retirements of experienced officers.

However, we fully acknowledge that throughout the audit we received the full co-operation of management. We could not have completed the audit within the challenging backstop timetable without the commitment and dedication of the Authority’s relatively small finance team.

Other reporting responsibilities

Reporting responsibility	Outcome
Narrative Report	We did not identify any significant inconsistencies between the content of the Narrative Report and our knowledge of the Authority.
Annual Governance Statement	We did not identify any matters where, in our opinion, the governance statement did not comply with the guidance issued by CIPFA/LASAAC Code of Practice on Local Authority Accounting.

03

Our work on Value for Money
arrangements

VFM arrangements


Overall Summary





VFM arrangements – Overall summary

Approach to Value for Money arrangements work

We are required to consider whether the Authority 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 the Authority plans and manages its resources to ensure it can continue to deliver its services.
- 

Governance - How the Authority ensures that it makes informed decisions and properly manages its risks.
- 

Improving economy, efficiency and effectiveness - How the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Authority has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources, including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with officers

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 there are further risks of significant weaknesses.

Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

We outline the risks that we have identified and the work we have done to address those risks on page 10.

Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.




We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Authority. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements** - we make these recommendations for improvement where we have identified a significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.
- **Other recommendations** - we make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant, but which still require action to be taken.

The table on the following page summarises the outcome of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements, or made other recommendations.

VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria		Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
	Financial sustainability	11	No	No	No
	Governance	14	No	No	No
	Improving economy, efficiency and effectiveness	18	No	No	No

VFM arrangements

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services



VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

Risks of significant weaknesses in arrangements

We identified no risks of significant weaknesses in arrangements.

Background

This commentary describes the arrangements in place prior to 7 May 2024, when there were two Combined Authorities covering the North East, the North East Combined Authority and the North of Tyne Combined Authority. This commentary refers specifically to the arrangements of the now demised North East Combined Authority. On the 7 May 2024 the functions of both Combined Authorities transferred to the newly created North East Mayoral Combined Authority (operating as the North East Combined Authority). Since the 7 May 2024, the new Combined Authority has ensured that the legacy issues of the now demised North East Combined Authority have been addressed, including preparing the final set of financial statements for the period ended 6 May 2024 and ensuring that governance is in place to carry out the necessary approvals.

How NECA identifies significant financial pressures that are relevant to its short and medium-term plans

The North East Combined Authority (the Authority) covers the Local Authorities of Durham, Gateshead, South Tyneside and Sunderland.

The 2023/24 Revenue Budget and Medium-Term Financial Strategy (MTFS), was approved by the Leadership Board in February 2023.

Due to Transport being of such a strategic importance to the North East, collaborative working of both Combined Authorities allows effective decision making across the region, which helps to ensure that the local needs and priorities are delivered. This resulted in the introduction of the North East Joint Transport Committee (JTC) which brings together all seven of the Constituent Authorities of the region, being the four Members from the North East Combined Authority and three Members from the North of Tyne Combined Authority (NTCA) in accordance with the Order that was created on the 2nd November 2018.

Regular budget monitoring reports are presented to the Authority's Leadership Board and JTC throughout the year. These reports monitor financial pressures and delivery of savings to help ensure that the Authority remains within budget. The Authority's Leadership Board (NELB) reports are agreed by the constituent authorities Chief Executive's and are scrutinised by the Overview and Scrutiny Committee. In addition, JTC reports are agreed with the Transport North East Senior Officers Oversight Group, the Transport Strategy Board and are scrutinised by JTC Overview and Scrutiny Committee.

As at 6 May 2024, the Authority reported useable reserves of £126.3 million in the draft accounts (£145.5 million as at 31 March 2023).

A timetable for the production and consultation of the 2023/24 Revenue Budget/MTFS was in place and builds in financial information from JTC's delivery bodies (Nexus, Durham, Northumberland) as well as the Transport Strategy Unit and Tyne Tunnels.

How NECA plans to bridge its funding gaps and identifies achievable savings

The annual budget/MTFS process sets out the Authority's spending plans over the period and how any funding gaps will be met. This process is developed through working with key delivery partners for public transport services (Nexus, Durham and Northumberland) and the constituent local authorities of the Authority and the JTC.

Regular budget monitoring/forecast of outturn reports highlight any financial pressures developing, allowing action to be taken at an early stage.

How NECA plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The budget development process enables resources to be identified to support the delivery of services in accordance with the strategic priorities of the Authority and the JTC. This is developed through working with key delivery partners for public transport services (Nexus, Durham, Northumberland) and the constituent local authorities of the Authority and the JTC.

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria – continued

How NECA ensures that its financial plan is consistent with other plans

Consultation on budget proposals is built into Part 4.4 (Budget and Policy Framework Rules of Procedure) of the Authority's Constitution (updated June 2023) and aims to ensure that appropriate and effective consultation takes place with all Members and other stakeholders on the content of the Budget.

In line with the Prudential Code, revenue implications of capital investment decisions are fully considered and form part of the budget setting process ensuring that investments are fully funded – e.g. agreement of Minimum Revenue Provision (MRP) strategy.

The annual budget/MTFS report considers relevant implications including resources, equality, legal, human rights and risks as part of the approval process.

How NECA identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

There is an established risk management framework for the Authority and the JTC with regular reviews and reporting to the Authority's Audit & Standards Committee and JTC Audit Committee. This includes risks to financial resilience. Support is provided to the Authority by Sunderland City Council through a service level agreement.

As set out in the 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.

Budget managers have direct access to the financial management system for up-to-date financial information but also get the support of the Authority's finance officers. The Authority uses Durham County Council's (DCC) financial systems. DCC has been streamlining its financial systems which are continuously being developed to meet the need of service users and to enable the Authority to meet internal deadlines and statutory reporting. Systems have been developed to enable more up-to-date budget information to be obtained from Service budget managers and finance staff.

Revenue Budget Monitoring/Forecast of Outturn reports are brought to the Leadership Board and JTC on a regular basis for challenge and comment before subsequently being reported to the relevant Overview & Scrutiny Committee.

The Chief Finance Officer and Finance Manager are part of the Transport North East (TNE) Senior Officers Oversight Group which meets monthly to discuss TNE service and budget issues with the JTC Statutory Officers. There is a monthly meeting with all TNE budget managers and the Authority's Finance Manager to discuss any service and budget issues.

Financial Management Standards support the Authority's Financial Regulations set out in the Constitution. The Financial Regulations provide the overall high-level framework for managing the authority's financial affairs, and Financial Procedure Notes set out in more detail how these procedures are implemented to embed sound financial management across the authority.

The 2023/24 Revenue Budget and Medium-Term Financial Strategy (MTFS), was approved by the Leadership Board in February 2023.

The Authority has a history of achieving financial targets as evidenced by financial and performance reports.

Relevant HR policies and procedures are in place.

North East Devolution

The leaders of County Durham, Gateshead, Newcastle, Northumberland, North Tyneside, South Tyneside and Sunderland councils agreed to a devolution deal which has now been enacted.

The North East mayoral election was held on 2 May 2024 to elect the mayor for the North East and the North East Mayoral Combined Authority came into existence on 7 May 2024. It is operating as the North East Combined Authority. The new authority replaced the North of Tyne and the North East Combined Authorities.

In the final year of the now demised North East Combined Authority, the Authority was focused along with its partners on putting arrangements in place to ensure a smooth transfer of functions to the successor body. In our view, these arrangements were effective in achieving this outcome and helped to enable the new entity to function properly from the outset.

VFM arrangements

Governance

How the body ensures that it makes informed decisions and properly manages its risks



VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

Risks of significant weaknesses in arrangements

We identified no risks of significant weaknesses in arrangements.

Background

This commentary describes the arrangements in place prior to 7 May 2024, when there were two Combined Authorities covering the North East, the North East Combined Authority and the North of Tyne Combined Authority. This commentary refers specifically to the arrangements of the now demised North East Combined Authority. On the 7 May 2024 the functions of both Combined Authorities transferred to the newly created North East Mayoral Combined Authority (operating as the North East Combined Authority). Since the 7 May 2024, the new Combined Authority has ensured that the legacy issues of the now demised North East Combined Authority have been addressed, including preparing the final set of financial statements for the period ended 6 May 2024 and ensuring that governance is in place to carry out the necessary approvals.

How NECA monitors and assesses risk and how NECA gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Authority has an Anti-Fraud and Corruption Policy in place and seeks in the first instance to prevent fraud and corruption through staffing policies, making members aware of their responsibilities, internal control systems and liaison with outside agencies.

The Authority is a participant in the National Fraud Initiative, a data matching exercise that helps prevent and detect fraud across the public sector.

The Authority endeavours to deal effectively with fraud and corruption, misuse of power and breaches of legal and regulatory provisions. They also seek to align the risk management strategy and policies on internal control with achieving objectives, as well as evaluating and monitoring risk management and internal control on a regular basis.

The Authority uses an Internal Audit service provided by Sunderland City Council. They produce a risk-based Internal Audit plan to determine the priorities of the internal audit activity, consistent with the authority's goals.

Internal audit reviews highlight weaknesses and recommend action when required to strengthen process/procedures. These are regularly reported to Audit and Standards Committee.

How NECA approaches and carries out its annual budget setting process

The Constitution (updated) June 2023 sets out the Authority's budget setting process, including in its role as accountable body for the JTC. This must be followed to ensure that appropriate and effective consultation takes place with all Members and other stakeholders on the content of the Budget and that it is agreed in accordance with the requirements of the Constitution and the JTC Standing Orders.

Outline proposals are developed in discussion with member and officer groups. In addition, Finance Directors across the Authority area will be involved throughout the process.

Proposals made by the JTC, in relation to levies and the distribution of those levies to the Constituted Authorities and Combined Authorities, will be considered by the Leadership Board. The Leadership Board also consider the funding necessary to discharge the functions of the Authority and make proposals for the funding of the Authority taking into account the JTC's proposals or decisions in relation to the levies and the wider transport budget.

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 responsibilities 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.

The final proposals (including consideration of the final proposals and decision of the JTC) 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 agree the final proposals in relation to the Authority's budget unanimously. The JTC must approve the final proposals in relation to the North East Transport Budget unanimously.

How NECA ensures effective processes and systems are in place to ensure budgetary control

Quarterly forecasts of outturn reports were presented to the Chief Officers' Group, Cabinet and Scrutiny Committees during the 2023/24 financial year. The reports included details of movements in the budget between quarters and remedial measures taken. These did not indicate a weakness in monitoring and reporting arrangements.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

Our audit of the financial statements did not identify any matters to indicate a significant weakness in the accuracy of the financial information reported or the process for preparing the accounts. It is our experience that management takes action to address audit matters in a timely and appropriate manner.

How NECA ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency

There is an up-to-date Constitution (June 2023) in place.

Principles of decision making are set out in the Authority's constitution and all decisions are made in accordance with these. Report templates are set out to prompt consideration of each of the principles/implications of the decision under consideration.

The Authority has an Overview and Scrutiny Committee established to enable local councillors, on behalf of their communities, to scrutinise and challenge all matters within the remit of the Combined Authority. The Overview and Scrutiny Committee also investigates matters of significant importance to residents within the areas covered by the four councils with a view to influencing decisions made in respect of all matters within the remit of the Combined Authority.

There is also an established JTC Overview and Scrutiny Committee, which also enables local councillors to scrutinise and challenge the JTC, its committees and the Authority, and to investigate matters of strategic importance to residents within the LA7 Area (being the 5 Councils of Tyne and Wear along with Durham and Northumberland Counties) with a view to influencing and adding value to the decisions.

The North East Leadership Board is made up of the Leaders of the four constituent bodies and is supplemented by elected members who serve on a number of committees along with non-executives.

The Authority publishes a Forward Plan which lists all decisions that committees or officers of the Authority intend to take in the coming months. Details of each are usually included 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, to review any related reports and background papers, and to submit comments to the decision maker in advance of the decision being made.

Briefings for members are held between key public meetings to discuss particular topics in depth and allow for challenge and informed decision making by members of committees such as the Joint Transport Committee and the Tyne and Wear Sub Committee.

The Authority's Leadership Board receive appropriate and regular reports on the financial position of the Authority.

The Head of Paid Service and Chief Executive leads a very experienced senior officer team at the Authority.

Risk management arrangements along with an up-to-date risk register are in place. A risk update is reported regularly to the Audit and Standards Committee, who provide challenge in this area.

An annual governance statement is prepared, reviewed and approved before being included in the financial statements.

How NECA monitors and ensures appropriate standards are maintained

The Authority's constitution sets out the how the authority operates, how decisions are made and the procedures that are followed to ensure that the Authority operates efficiently, effectively and is both transparent and accountable.

The Authority has an agreed Code of Conduct for Members which sets out the conduct that is expected of elected members appointed to the Authority when they are acting in that capacity, and which is consistent with Nolan's Seven Principles of Public Life.

In addition, the Authority has a Code of Conduct for Officers which is intended to support officers in maintaining standards and to help protect officers from misunderstanding or criticism. The Code applies to all officers of the Authority.

A Member/Officer Relations Protocol is also in place to provide 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 and is intended to offer guidance on some of the issues that commonly arise.

With the exception of co-opted Independent Members on the Audit & Standards and Overview & Scrutiny Committees, Members are elected councillors of constituent local authorities and also subject to their own Council's Codes of Conduct.

The Authority has an Audit and Standards Committee, which seeks to promote and maintain high standards of conduct by the Authority's members and co-opted members, and ensure the Authority's members and co-opted members observe the Members' Code of Conduct.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

An Authority Register of Members Interests is in place which contains declarations of any Disclosable Pecuniary Interest and any other interest. These are published on the Authority website and must be registered within 28 days of appointment as a member of the Authority or any change taking place. Non-registerable interests in an item of business must be disclosed by members to the meeting before consideration of that item begins, and this is a standing item on the meeting agendas. Interests for Senior Officers are also recorded.

North East Devolution

The leaders of County Durham, Gateshead, Newcastle, Northumberland, North Tyneside, South Tyneside and Sunderland councils agreed to a devolution deal which has now been enacted.

The North East mayoral election was held on 2 May 2024 to elect the mayor for the North East and the North East Mayoral Combined Authority came into existence on 7 May 2024. It is operating as the North East Combined Authority. The new authority replaced the North of Tyne and the North East Combined Authorities.

In the final year of the now demised North East Combined Authority, the Authority was focused along with its partners on putting arrangements in place to ensure a smooth transfer of functions to the successor body. In our view, these arrangements were effective in achieving this outcome and helped to enable the new entity to function properly from the outset.

VFM arrangements

Improving Economy, Efficiency and Effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services



VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria - continued

Risks of significant weaknesses in arrangements

We identified no risks of significant weaknesses in arrangements.

Background

This commentary describes the arrangements in place prior to 7 May 2024, when there were two Combined Authorities covering the North East, the North East Combined Authority and the North of Tyne Combined Authority. This commentary refers specifically to the arrangements of the now demised North East Combined Authority. On the 7 May 2024 the functions of both Combined Authorities transferred to the newly created North East Mayoral Combined Authority (operating as the North East Combined Authority). Since the 7 May 2024, the new Combined Authority has ensured that the legacy issues of the now demised North East Combined Authority have been addressed, including preparing the final set of financial statements for the period ended 6 May 2024 and ensuring that governance is in place to carry out the necessary approvals.

How financial and performance information has been used to assess performance to identify areas for improvement

The Narrative Report accompanying the Statement of Accounts includes key financial performance information to help inform users of the accounts.

Final Outturn reports build on the quarterly reporting during the year to set out financial performance against budget for the Authority and JTC for both revenue budgets and Capital Programme. The outturn is used to update the forecasts for the year as part of the regular forecast of outturn reports.

Treasury Management Prudential Indicators are set and updated through the Treasury Management Policy and Strategy, mid-year update and outturn update.

How NECA evaluates the services it provides to assess performance and identify areas for improvement

Durham County Council and Northumberland County Council report to the JTC on the Discharge of Transport Functions setting out performance against the Transport Functions delegated to them by the JTC.

The Authority report to the Tyne and Wear Sub Committee on its performance against its agreed Corporate Plan priorities.

The new Transport Plan for the whole JTC area sets out Key Performance Indicators that are designed to monitor the overall progress of the Transport Plan with respect to the 5 key objectives (Carbon neutral North East, Overcome inequality and grow our economy, Healthier North East, Sustainable transport choices and Safe, secure network).

How NECA ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

The Authority's Constitution sets out that the Procurement Procedure Rules for the Constituent Authority designated as lead authority for the following exercises shall apply and be followed wherever the Combined Authority wishes to arrange for:

- The purchases of goods, materials and related services;
- The execution of works; or
- The provision of other services (including consultancy).

The Authority receives procurement services from Durham County Council via a Service Level Agreement. The service specification includes the undertaking of legally compliant procurement and production of procurement documentation and correspondence via competitive quote/tender process.

All Procurement staff are either fully qualified or studying for Chartered Institute of Procurement and Supply to ensure the highest performance standards are achieved and is the first Council team to achieve the CIPS Corporate Ethics Standard.

VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

A service concession exists in relation to the Tyne Tunnel. This is subject to a detailed 30 year agreement with the operator TT2 Ltd which was introduced in 2008. The partnership with TT2 Ltd is governed by the Project Agreement which specifies levels of performance which must be met and roles and responsibilities of both partners, and is managed by the Tyne Tunnels Contract Manager.

How NECA ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve (continued)

The Authority works very closely with the North East Local Enterprise Partnership (NELEP). This is a business-led, strategic partnership responsible for promoting and developing economic growth in the area. The Authority supports the work of the enterprise partnership and they work together to ensure co-ordination across their range of activities.

The NELEP Board includes representatives from across the private and public sectors. Each of the leaders and the elected Mayor representing the seven local authorities that are members of the NELEP and the Chair of the NELEP is a non-voting member of the NELB.

There is a register which sets out associated partners to the Authority, the purpose of the partnerships, link officer and review dates for each one.

Nexus is not included in the significant partner register due to its status as an officer of the Combined Authority. The Authority reports regularly to the Joint Transport Committee and the Tyne and Wear Sub Committee on its financial performance, and performance against its Corporate Business Plan and Risk Register. The relationship between the Authority and Nexus is set out in the Constitution.

North East Devolution

The leaders of County Durham, Gateshead, Newcastle, Northumberland, North Tyneside, South Tyneside and Sunderland councils agreed to a devolution deal which has now been enacted.

The North East mayoral election was held on 2 May 2024 to elect the mayor for the North East and the North East Mayoral Combined Authority came into existence on 7 May 2024. It is operating as the North East Combined Authority. The new authority replaced the North of Tyne and the North East Combined Authorities.

In the final year of the now demised North East Combined Authority, the Authority was focused along with its partners on putting arrangements in place to ensure a smooth transfer of functions to the successor body. In our view, these arrangements were effective in achieving this outcome and helped to enable the new entity to function properly from the outset.

Other reporting responsibilities

Other reporting responsibilities

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power 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 the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

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. We did not receive any such objections or questions.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We are awaiting group instructions from the National Audit Office to enable us to complete this work.

As in previous years, we anticipate a significant delay before we will be able to issue our 2023/24 audit certificate, as we await NAO clearance on whether we will be required to undertake additional procedures as a sampled component.

05

Audit fees and other services

Audit fees and other services

Fees for our work as the Authority's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum dated 5 September 2024 which was presented to the Audit and Standards Committee on 17 September 2024. This reflected the scale fee set by Public Sector Audit Appointments (PSAA) as part of the latest national procurement exercise.

Having completed our work for the 2023/24 financial year, we are able to confirm the final fee for the audit as set out below.

Area of work	2023/24 fees	2022/23 fees
Planned fee in respect of our work under the Code of Audit Practice (PSAA scale fee)	£66,274	£19,404
2022/23 Additional fees in agreed fee variations		£16,500
Additional fees in respect of ISA 315 (risks of material misstatement) and ISA 240 (auditor's responsibilities relating to fraud) *	£9,410*	
Additional fees in respect of consideration of the accounting treatment adopted for the extended period end to 6 May 2024	£8,200	
Additional fees in respect of impact of errors in the draft financial statements	£2,900	
Total fees	£86,784	£35,904

*The additional fee of £9,410 is because PSAA did not consolidate additional fees for these aspects into the 2023/24 scale fees, because at the time the 2023/24 scale fees were set PSAA had not reached a conclusion on what would be the appropriate fee for this. An explanation for this including that there would therefore be a need to treat this as an additional fee variation is set out on the PSAA website: <https://www.psaa.co.uk/appointing-auditors-and-fees/auditor-appointments-and-scale-fees-2023-24-2027-28/2023-24-auditor-appointments-and-audit-fee-scale/consultation-document-2023-24-audit-fee-scale/3/>

PSAA have subsequently determined the appropriate fees for these aspects as part of its 2024/25 scale fee process <https://www.psaa.co.uk/appointing-auditors-and-fees/auditor-appointments-and-scale-fees-2023-24-2027-28/2024-25-auditor-appointments-and-audit-fee-scale/2024-25-audit-fee-scale/3/>

Fees for other work

We confirm that we have not undertaken any non-audit services for the Authority in the year.

Appendices

Appendix A: Further information on our audit of the Authority's financial statements

Appendix A: Further information on our audit of the Authority’s financial statements

Significant risks and audit findings

As part of our audit of the Authority we identified significant risks to our opinion on the financial statements during our risk assessment. The table below summarises these risks, how we responded and our findings.

Management override of controls (Single entity and the Group accounts)	<p>Description of the risk</p> <p>This is a mandatory significant risk on all audits due to the unpredictable way in such override would occur. Management at various levels within an organization 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, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.</p> <hr/> <p>How we addressed this risk</p> <p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none">• accounting estimates impacting amounts included in the financial statements;• consideration of identified significant transactions outside the normal course of business; and• journal entries recorded in the general ledger and other adjustments made in preparation of the financial statements. <hr/> <p>Audit conclusion</p> <p>We have completed our work and there was no evidence of management override of controls.</p>
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Appendix A: Further information on our audit of the Authority’s financial statements

Significant risks and audit findings (continued)

As part of our audit of the Authority we identified significant risks to our opinion on the financial statements during our risk assessment. The table below summarises these risks, how we responded and our findings.

Revenue recognition - in relation to Tyne Tunnel tolls and grant income (Single entity and the Group accounts)	<p>Description of the risk</p> <p>The risk of fraud in revenue recognition is presumed to be a significant risk on all audits due to the potential to inappropriately shift the timing and basis of revenue recognition as well as the potential to record fictitious revenues or fail to record actual revenues.</p> <p>For the Authority we deem the risk to relate specifically to:</p> <ul style="list-style-type: none">• cut off considerations for Tyne Tunnel toll income; and• 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. <hr/> <p>How we addressed this risk</p> <p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none">• the design and implementation of controls management has in place to ensure income is recognised in the correct period;• Tyne Tunnel toll income around the year end to ensure it has been recognised in the right year;• the judgements made by management in determining when grant income is recognised;• for Tyne Tunnel toll income, performing a substantive analytical review; and• for major grant income, obtaining counterparty confirmation. <hr/> <p>Audit conclusion</p> <p>There are no issues arising from our work that we are required to report to you.</p>
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Appendix A: Further information on our audit of the Authority’s financial statements

Significant risks and audit findings (continued)

As part of our audit of the Authority we identified significant risks to our opinion on the financial statements during our risk assessment. The table below summarises these risks, how we responded and our findings.

Net defined benefit liability / asset valuation	Description of the risk
(Single entity and the Group accounts)	<p>The financial statements contain material pension entries in respect of 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> <p>In 2023/24 there is a net pensions asset, and the appropriate method of accounting for this is uncertain and complex.</p>
	<p>How we addressed this risk</p> <p>We discussed with management any significant changes to the pensions estimates prior to the preparation of the final accounts. In addition to our standard programme of work in this area, we have performed the following procedures:</p> <ul style="list-style-type: none">• evaluated the management controls in place to assess the reasonableness of the figures provided by the actuary; and• Considered the reasonableness of the actuary’s outputs, referring to an expert’s report on all actuaries nationally which is commissioned annually by the National Audit Office.• We also obtained an assurance letter from the auditor of Tyne & Wear Pension Fund. We also specifically reviewed the accounting treatment of the net pension asset against the latest technical guidance available confirming that a pension asset ceiling calculation had been undertaken in accordance with IFRIC 14 and that the disclosures were properly supported by the information provided by the actuary.
	<p>Audit conclusion</p> <p>There are no issues arising from our work that we are required to report to you.</p>

Appendix A: Further information on our audit of the Authority’s financial statements

Significant risks and audit findings (continued)

Estimation used for the extended financial period to 06 May 2024	Description of the risk
(Single entity and the Group accounts)	<p>The financial period end has been extended to 6 May 2024, making an accounting period of just over 13 months. This is a significant risk because this is a new situation for NECA to deal with and there will be considerable use of management estimation and judgement in how to account for the extended period and the source of transactions.</p>
	How we addressed this risk
	<p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none">• the design and implementation of controls management has in place to ensure income and expenditure is recognised in the correct period;• reviewing the accounting treatments adopted and any estimation techniques used by management to ensure that the risk of material misstatement is mitigated;• reviewed events occurring after the extended period end that may impact the financial statements;• ensured all relevant disclosures are in accordance with applicable accounting standards. <p>We identified a substantial increase in estimation risk stemming from the consolidation of Nexus into the Group financial statements. Nexus prepares its financial accounts with a year end date of 31 March 2024, whereas NECA's financial year concluded on 06 May 2024. This misalignment in reporting dates necessitated a considerable degree of reliance on management's estimation and judgment. As a result, we undertook a series of additional procedures to ensure the accurate consolidation of Nexus into the Group's accounts. These procedures included, but were not limited to:</p> <ul style="list-style-type: none">• examination and critical assessment of the management's consolidation working papers and underlying assumptions;• technical review of the consolidation treatment of Nexus in accordance with Code guidance;• comprehensive testing of the revised Nexus pensions position, which including a thorough review of the updated actuarial assumptions;• examination of Nexus's capital activity within Assets Under Construction (AUC) and the subsequent transfers to infrastructure;• examination of the investment balances;• reviews of cash movement analysis assessing the cash position to year end.
	Audit conclusion
	<p>There are no issues arising from our work that we are required to report to you.</p>

Appendix A: Further information on our audit of the Authority’s financial statements

Significant risks and audit findings (continued)

As part of our audit of the Authority we identified significant risks to our opinion on the financial statements during our risk assessment. The table below summarises these risks, how we responded and our findings.

Income and Expenditure Cut-off (Single entity and the Group accounts)	Description of the risk Following the formation of the new North East Mayoral Combined Authority on 7 May 2024, NECA reported on an extended period of accounting from 1 April 2023 to 6 May 2024 resulting in an accounting period that spans just over 13 months. As a result we note that there is a likelihood of a risk of material misstatement in income and expenditure recognition at cut-off date. As a consequence, we carried out additional testing focused on this area as part of our audit. <hr/> How we addressed this risk We addressed this risk through performing audit work over: <ul style="list-style-type: none">• the design and implementation of controls management has in place to ensure income and expenditure is recognised in the correct period;• the judgements made by management in determining when income and expenditure is recognised;• sample testing transactions around year end ensuring that transactions are recorded in the correct accounting period.. <hr/> Audit conclusion There are no issues arising from our work that we are required to report to you.
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Appendix A: Further information on our audit of the Authority’s financial statements

Summary of uncorrected misstatements – the Authority as Single Entity

Management assessed the misstatements in the table below as not being material, individually or in aggregate, to the financial statements and did not adjust for these in the financial statements. We only report to you unadjusted misstatements that are either material by nature or which exceed our reporting threshold.

Details of adjustment		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	DR Debtors			892	
	CR Income		(892)		
	NECA have not recognised any levy for the 6 days in May. We note that the Levy is monthly and as such NECA should have recognised 6 days in May 2024. We performed a recalculation based on the April levy figure which has been pro rated to reflect 6 days in May. This demonstrates that the impact was not material.				

Appendix A: Further information on our audit of the Authority’s financial statements

Summary of uncorrected misstatements – the Authority as Single Entity (continued)

	Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
2	DR Expenditure	579			
	CR Short Term Creditors				(579)
	NECA have not recognised any Transport Tyne & Wear expenditure for the 6 days in May. We note that the expenditure is monthly and as such NECA should've recognised 6 days in May. We have performed a recalculation based on the April figure which has been pro rated to reflect 6 days in May. This demonstrates that the impact was not material.				
	Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
3	DR Expenditure	273			
	CR Short Term Creditors				(273)
	NECA have not recognised any Transport Durham expenditure for the 6 days in May. We note that the expenditure is monthly and as such NECA should've recognised 6 days in May. We have performed a recalculation based on the April figure which has been pro rated to reflect 6 days in May.				

Appendix A: Further information on our audit of the Authority’s financial statements

Summary of uncorrected misstatements – the Authority as Single Entity

Details of adjustment		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
4	DR Income	333			
	CR Short Term Debtors				(333)
	Reflecting the net extrapolated error due to the Quarter 1 LTP grant for April, May, and June being entirely accounted for in the 2023/2024 fiscal year, instead of being allocated between the 2023/2024 and 2024/2025 financial periods. This demonstrates that the impact was not material.				
Aggregate effect of unadjusted misstatements on Pages 30 to 32		1,185	(892)	892	(1,185)

Appendix A: Further information on our audit of the Authority’s financial statements

Summary of uncorrected misstatements – Group

Management assessed the misstatements in the table below as not being material, individually or in aggregate, to the financial statements and did not adjust for these in the financial statements. We only report to you unadjusted misstatements that are either material by nature or which exceed our reporting threshold.

	Details of adjustment	Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
	Aggregate unadjusted misstatements from Page 23 also impact on the Group position	1,185	(892)	892	(1,18
4	DR Net Pension Assets			957	
	CR Remeasurement of Net defined Pension Liability		(957)		
	Our review of the Pension Fund auditor report identified that the value of pension fund assets was understated compared to those originally reported, which was entirely due to timing issues compared to when the actuary prepares their report, and the final valuations received during the Pension Fund auditor’s audit of the pension fund. The Group share of the pension fund assets misstatement is £957k. This is an estimate and is designed to demonstrate that the impact of this is not material.				
	Aggregate effect of unadjusted misstatements	1,185	(1,849)	1,849	(1,185)

During the audit procedures conducted for the Group consolidation, it was observed that the volume of transactions recorded for Nexus was notably low during the 36-day period from April 1, 2024, to May 6, 2024. As part of our audit work, we performed several procedures to ensure the accuracy and completeness of the financial records. While we have not enumerated the specific adjustments made during this process, we can confirm that our audit work has not identified any material issues that warrant reporting.

Appendix A: Further information on our audit of the Authority's financial statements

Internal control observations for the Authority

We did not identify any significant deficiencies in the Authority's internal controls or any other internal control observations as part of our audit.

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Audit and Standards Committee

8 April 2025

Subject: The North East Combined Authority Strategic Risk Review

Report of: Mags Scott, Director of Finance and Investment

Report Summary

This cover report and supporting appendices present an update on the work that has been undertaken in respect of risk management within the North East Mayoral Combined Authority (the North East CA), including the six month review of current strategic risks undertaken by Cabinet on the 18 March 2025.

Recommendations

The Audit and Standards Committee is recommended to:

- a) Note progress to embed risk management across the North East CA.
- b) Consider and comment upon the current strategic risks, scoring and proposed management actions as detailed within the 18 March Cabinet Report included as Appendix 1 to this report.

1. Context

- 1.1 In September 2024, Audit and Standards Committee and Cabinet agreed the North East CA's Risk Management Framework and an initial set of strategic risks.
- 1.2 In line with the Risk Management Framework a formal, quarterly review of strategic risks and opportunities is undertaken by the Senior Leadership Team, with the last update being completed in early February. The outcome of the review informed a refreshed Strategic Risk Register which was considered by Cabinet 18 March 2025.
- 1.3 The North East CA Constitution incorporate the terms of reference of the Audit and Standards Committee. The Committee's role in respect to risk is described therein as:
 - 1.3.1 **Function:** To review and assess the Authority's risk management, internal control and corporate governance arrangements.
 - 1.3.2 **Activities:** Consider the effectiveness of the Authority's risk management arrangements and the control environment; review the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships and collaborations with other organisations.
 - 1.3.3 **Provided that:** The Committee's audit role is to review the relevant procedures of the Authority, and to maintain an overview on the framework of governance, risk management and control within the Authority, but not to make or review policy.
- 1.4 Audit and Standards Committee are asked to consider and provide comment on the attached Cabinet report and current Strategic Risks (Appendix 1). Feedback will be incorporated into the upcoming quarterly risk review by Senior Leadership Team due to take place late April and the next formal Cabinet review in September.
- 1.5 In addition, a series of 'deep dives' are scheduled and will provide an opportunity for Audit and Standards Committee to review, in detail, each of the strategic risks, and test that planned controls and target risk scores are appropriate and achievable. The first of these will form part of today's agenda and consider St003 Inclusive Growth.

2 Potential Impact on Objectives

- 2.3 The North East CA is clear on its ambition to catalyse sustainable inclusive economic growth, making the North East one of the best places to live, work and invest. The Risk Management Framework and identification and assessment of risk will support delivery of our vision, ambitions and priorities.

3 Key Risks

- 3.3 Should the North East CA not manage and mitigate risk in a disciplined, co-ordinated and proportionate way it this may negatively impact on our ability to deliver, prevent us seizing opportunities or lead to taking risk outside of our risk tolerance.

4 Financial and Other Resources Implications

- 4.3 The introduction of an effective approach to risk management will support sound financial management of projects and programmes.
- 4.4 Risk management is an integral part of decision-making, service delivery and managing the Combined Authority and, as such, falls within normal working practices covered through current budgeted resources.

5 Legal Implications

- 5.3 Effective risk management supports the North East CA to meet its statutory obligations and deliver in line with the Single Assurance Framework.

6 Equalities Implications

- 6.3 There are no direct equalities implications arising out of the recommendations in this report. However, the effective risk management supports the North East CA to meet its obligations in respect of its Public Sector Equality Duty.

7 Consultation and Engagement

- 7.3 The approach to developing the Risk Management Framework and strategic risks has included ongoing engagement with the Senior Leadership Team and Heads of Service within the North East CA.

8 Appendices

Appendix 1: The North East Combined Authority Strategic Review (6 monthly update) 18 March Cabinet Report

9 Background Papers

[The North East Combined Authority Single Assurance Framework Audit and Standards Committee Agenda, 17 September 2024](#)

10 Contact Officers

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11 Glossary

Not applicable

Title: The North East CA Strategic Risk Review (6 monthly update)
Report of: Mags Scott, Director of Finance and Investment
Portfolio: Finance and Investment

Report Summary

This report provides Cabinet with its formal 6-monthly update on the North East CA's strategic risks in line with the governance and risk management arrangements established within the North East CA's Risk Management Framework approved by Cabinet in September 2024.

Recommendations

Cabinet is recommended to:

1. Review, comment upon and agree the current strategic risks, scoring and proposed management actions at **Appendix A**.
2. Consider any potential new and emerging risks for inclusion within the strategic risk register.

A. Context

1. Introduction

- 1.1 Risk is inherent within the type of activities the North East CA engages to deliver high quality services. It is acknowledged that the North East CA cannot be risk averse. Indeed the taking of risks is necessary in order to drive change and deliver against its missions for the people of the North East. Effective and meaningful risk management therefore is critical to ensuring a balanced approach to managing risks and seizing opportunities. It is an integral part of good corporate governance and control arrangements.
- 1.2 The Mayor and Cabinet has overall responsibility for ensuring effective risk management arrangements are in place and ensuring risk and opportunities are appropriately considered as part of all decision-making processes as defined in the Single Assurance Framework. The North East CA's Risk Management Framework sets out the governance and approach of risk management arrangements.
- 1.3 In September 2024, Cabinet agreed a set of key strategic risks and opportunities which had been developed with Senior Leadership Team and considered by Audit and Standards Committee. To be effective, risk management must be dynamic, and responsive to change. In the case of the North East CA, some risks identified last year were driven by our transition to a new organisation; these have to an extent diminished. Conversely, new risks arise as the devolution landscape changes, and as – for example – we look ahead to the integrated settlement regime. The Risk Management Framework sets out 'formal' arrangements for reviewing strategic risks and opportunities. This includes quarterly review by Senior Leadership Team and six monthly review by Cabinet and Audit and Standards Committee.

2. Review of strategic risk and opportunities

- 2.1 Since the Risk Management Framework and initial strategic risks were approved by Cabinet in September 2024, activity has continued to progress at pace in areas such as developing early investment priorities, development of the Corporate and Local Growth Plans and mission-based approach to investment and delivery, workforce changes and permanent appointments to senior

roles. Government has also announced that the North East CA will move to integrated settlement from April 2026 and have access to further devolution opportunities as set out within the recent Devolution White Paper.

- 2.2 Work has also been ongoing to embed risk management across the North East CA below strategic level, with risk and opportunity registers now established at directorate level. This has also been done at programme level with oversight from Finance and Investment Board.
- 2.3 The Senior Leadership Team, supported by risk officers, completed the latest, formal, quarterly review of strategic risk and opportunities in early February 2025. Following this review there are currently seven live strategic risks and one risk being closed. These are summarised in the table below along with the risk owners, previous and current risk scores, direction of travel and the target score for each risk. Full details for strategic risks and opportunities, including controls and management actions are attached at Appendix 1. A copy of the risk scoring matrix is attached at Appendix 2.

Table 1 – Latest Position of Strategic Risks

Risk Ref	Description	Risk Owner	Risk Scores			
			Prev Score	Current Score	Direction of travel	Target Score
St001	Transport – funding and scale	Tobyn Hughes	C2 (R)	D2 (A)	↑ Improving	D3 (G)
St002	Transport – operational	Tobyn Hughes	E1 (A)	E1 (A)	↔ Static	F2 (G)
St003	Inclusive Growth	Rob Hamilton	D2 (A)	D2 (A)	↔ Static	D3 (G)
St004	Net Zero	Rob Hamilton	C3 (A)	C3 (A)	↔ Static	D3 (G)
St005	Political and Policy Change	Henry Kippin	Risk to close			
St006	Operational Capacity & Resources	Henry Kippin	D2 (A)	D2 (A)	↔ Static	E3 (G)
St007	Accessing Data to allow Performance Reporting	Henry Kippin	A4 (A)	A4 (A)	↔ Static	E4 (G)
St008	Integrated Settlement	Mags Scott	n/a - new	E1 (A)	n/a - new	E2 (A)

- 2.4 This key changes since the last formal review by Cabinet include 1 risk to close, 1 new risk has been identified and one risk scoring improving. These are summarised below with the full details in Appendix 1.

- **Political and Policy Change (risk to close)** – progress has been made to address the key elements of this risk and any residual risk falls within other strategic risks such as operational capacity and resources and the integrated financial settlement.
- **Integrated Settlement (new)** - the North East CA was confirmed as one of four ‘wave 2’ combined authorities moving to integrated settlement for the 2026/27 financial year. Integrated settlement provides a more flexible, outcomes-based approach to delivering against a set of

outcomes to be agreed with HM Treasury and other government departments, and removes some of the 'ringfencing' of funding. The risk is that we receive a sub-optimal integrated financial settlement outcome either due to financial under-delivery in 25/26 or through a failure to agree an appropriate outcomes framework with government; its impact is therefore significant but given the time to implementation and our emerging plans to manage the transition, the likelihood is deemed low at this time

- **Transport Funding and Scale (improved risk score)** - the risk has reduced from C2 to D2 based on an assessment the likelihood has reduced from likely to possible. Initial tranches of transport funding including CRSTS, BSIP revenue funding and LEVI funding have now been received and is being deployed to commence programme delivery. Furthermore, DfT have commenced a series of "Strategic Conversations" with the North East CA and are working in collaboration although the national funding picture looks uncertain. Ongoing liaison with DfT and successful delivery of the transport programme, leading into single transport funding settlement, will continue to minimise the risks.

3. Risk Reporting

- 3.1 The ongoing management and reporting of risk is a key component of the North CA's governance arrangements. Following review by Cabinet, the strategic risk and opportunity register will be presented to Audit and Standards Committee at its meeting in April 2025.
- 3.2 Whilst formal updates are provided to Cabinet and Audit and Standards Committee, risk and opportunities are considered as part of all decision-making. Such reporting will take strategic risks and opportunities into consideration where appropriate.
- 3.3 The Senior Leadership Team will continue to formally review risks on a quarterly basis and Cabinet will receive its next formal update on strategic risks in September 2025. This will provide assurance that action is being taken to identify and manage risks effectively across the Combined Authority, that the records remain relevant to the current context and risks are managed in line with our risk appetite.

B. Impact on North East Combined Authority Objectives

1. The North East Mayoral Combined Authority has a clear set of missions and priorities, as set out in our Corporate Plan and the emerging Local Growth Plan. The Risk Management Framework, along with other corporate artefacts such as the Single Assurance Framework, and the Investment Framework, will support delivery of our vision, ambitions and priorities.

C. Key risks

1. Without an effective approach to risk management the Combined Authority will not be able to manage risk in a disciplined, co-ordinated and proportionate way. This could prevent effective mitigation against potential risks which may impact on delivery or prevent us taking risk within our risk tolerance that would allow us to seize opportunities and increase the impact we make.

D. Financial and other resources implications

1. An effective approach to risk management will support sound financial management of projects and programmes. Risk management activity is covered within the North East CA's budgeted resources.

Legal implications

1. Effective risk management supports the North East CA to meet its statutory obligations and deliver in line with the Single Assurance Framework.

E. Equalities Implications

1. There are no direct equalities implications arising out of the recommendations in this report. However, the effective risk management will support the North East CA to meet its obligations in respect of its Public Sector Equality Duty.

F. Consultation and engagement

1. There has been ongoing engagement with the Senior Leadership Team and heads of service to develop the strategic risk and opportunity register. Further consultation and engagement will be undertaken through Audit and Standards Committee.

G. Appendices

Appendix 1: The North East CA Strategic Risk and Opportunity Register

Appendix 2: Risk scoring matrix

H. Background papers

[The North East Combined Authority Single Assurance Framework](#)

[The North East Combined Authority Cabinet Agenda Pack – 17 September 2024](#)

I. Contact officer(s)

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J. Glossary

Not applicable

K. Sign-off

1) Cabinet Member: Yes	2) Director: Yes	3) Finance: Yes	4) Monitoring Officer: Yes	5) Chief Executive: Yes
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Risk Subject:		St001 - Transport Funding and Scale		Risk Owner:		Tobyn Hughes	
Risk Detail:							
There is a risk that funding is not sufficient to deliver the commitments set out in the Transport Programme and Local Transport Plan, or use of funding is constrained because of Government conditions.							
Opportunity:							
There is an opportunity through further devolution to work with the Government to have access to a more stable longer-term funding stream for transport, whose prioritisation and conditions of use are determined by the North East CA.							
Links to Corporate Plan:							
Culture, Creative, Tourism and Sport	Economy	Education, Inclusion and Skills	Environment Coast and Rural	Finance and Investment	Housing and Land	Public Sector Reform	Transport
X	X	X	X	X	X	X	X
Cause of Risk:							
<p>This risk reflects the scale and breadth of the Transport Programme and its overarching impact across the North East CA. Transport Programme deliverables often act as enablers for other portfolios to deliver against their ambitions.</p> <p>Government itself is fiscally constrained, and its historical approach has been to provide “stop-start” funding allocations for transport to deliver central Government policy initiatives, resulting in transport funding being time-bound, its use and conditions closely managed by civil servants, and has often required competitive bidding.</p> <p>The ability to draw down future Government funding for transport is often dependent on the successful expenditure of existing funding within Government-defined criteria and delivery periods, thus creating a circular problem. Insufficient resources or time to prepare projects for delivery and major changes to schemes in the agreed delivery programme by partners can both lead to under-delivery by the North East CA as a whole and result in Government reducing the resources it makes available to the North East CA in future.</p> <p>This risk therefore arises from the quantum of Government funding to deliver the Transport Programme, its conditions, and the quality of the North East CA’s delivery.</p>							
Consequences of the risk materialising and risk indicators:							
	Trigger	Consequence			Supporting Trend Data		
North East CA finances	<ul style="list-style-type: none">Failure of North East CA or our delivery partners to deliver transport programmes within funding window	<ul style="list-style-type: none">Impact on future award of fundingPotential clawback of funding if requirements not met.Impact on added value			<ul style="list-style-type: none">Budget monitoring		
Local economy	<ul style="list-style-type: none">Non delivery of key schemes	<ul style="list-style-type: none">Constraint of growthImpact on future investments in the region /leverage			<ul style="list-style-type: none">Evaluation		
Programme / Project	<ul style="list-style-type: none">Milestones not met	<ul style="list-style-type: none">Impact on Programme Plan			<ul style="list-style-type: none">Programme monitoring and evaluation		
Health, Safety & Wellbeing	<ul style="list-style-type: none">Non delivery of schemesReduced uptakeExternal events	<ul style="list-style-type: none">Impact on safety and securityImpact on wellbeing			<ul style="list-style-type: none">Programme monitoring and evaluation		

NECA Plan / Our Values	<ul style="list-style-type: none">• Non delivery of schemes and ambitions• Lack of cross organisational engagement	<ul style="list-style-type: none">• Impact on North East CA Cabinet and Mayoral priorities• Impact on other portfolio ambitions due to Transport being an enabler for other ambitions to be delivered successfully	<ul style="list-style-type: none">• Performance reporting
Morale	<ul style="list-style-type: none">• Insufficient funding to deliver schemes• Criticism of the North East CA for lack of delivery• Pressure from partners competing for inadequate funding	<ul style="list-style-type: none">• Low retention rates and high staff turnover	<ul style="list-style-type: none">• Poor staff survey results
Reputation	<ul style="list-style-type: none">• Non delivery• External events• Overview & Scrutiny Committee• Perception of corporate responsibilities	<ul style="list-style-type: none">• Adverse impact on reputation	<ul style="list-style-type: none">• Media coverage• Complaints
Legal / Regulatory	<ul style="list-style-type: none">• Tendency towards non-compliance with funding conditions	<ul style="list-style-type: none">• Adverse impact on reputation• Possible legal challenge• Reduced future funding allocations	<ul style="list-style-type: none">• Poor audit results• Assurance framework compliance failures
Existing Controls:		How does it reduce the risk?	Senior Officer:
		How are we assured of the control in place?	
1. Ongoing performance monitoring against programme delivery	This will be reported to Programme Board, SLT and Cabinet and will highlight any areas of concern that needs to be addressed		Jonathan Bailes
	Assurance Source: <ul style="list-style-type: none">• Relevant agenda, reports and minutes		
2. Resources and allocation of funding agreed to develop proposals.	£4.7m CRSTS funding was allocated for business case development and professional services to enable delivery of programme ambitions in financial year 24/25. Cabinet has also approved an allocation of £8.5m for the franchising scheme assessment for Bus Reform and £8.2m for the Outline Business Case for the Metro to Washington scheme.		Philip Meikle / Jonathan Bailes
	Assurance Source: <ul style="list-style-type: none">• JTC agenda, reports and minutes (June 23)• Cabinet agenda, reports and minutes (July 24)		
Current Score of Risk (as at date of update on 6 February 2025):			
Likelihood: A,B,C,D,E,F	Impact: 1,2,3,4	Full: RAG	Reasons:
D	2	D2 (A)	The risk score has reduced from C2 to D2. Initial tranches of transport funding including CRSTS, BSIP revenue funding and LEVI funding has now been received and is being deployed, meaning that programme delivery has commence. The DfT have commenced a series of “Strategic Conversations” with the CA and are working together with us in collaboration, however the national funding picture looks uncertain. Significant energy is

			<p>placed in informing Government of our needs, however the Comprehensive Spending Review anticipated in Spring of 2025 will offer further indications of the future of funding streams. Ongoing liaison with DfT and successful delivery of transport programme, leading into single transport funding settlement would also minimise risk.</p> <p>The transport plan continues to evolve, and projects such as bus reform may expand the demands on the fund which change the risk rating in future.</p>	
New Controls:		How will it reduce the risk?	Senior Officer:	Date new control will be in place:
1. Transport representation in portfolio advisory board		This will enable Transport work with other portfolio leads to align linked plans within the constraints of transport funding.	Tobyn Hughes	September 2024
2. Allocation of funding to develop resources to enable the delivery of ambitions more broadly		Will allow for resources and funding to be allocated to the development of staff and commissioning of external expertise to allow ambitions to be delivered successfully in line with expectations.	Jonathan Bailes	Ongoing
3. The “Strategic Conversation” process with DfT brings with it a new level of collaboration with central government and focusses us on mission delivery cementing the case for funding.		Will allow for greater devolution of transport funding and greater local determination on expenditure. It also offers a clearer channel to make the case for funding.	Tobyn Hughes	Ongoing
4. Develop a finance/funding strategy for the programme, including sources of private sector finance		By giving greater visibility of future needs and only embarking on projects when sources of finance and the timing of their availability are understood	Jonathan Bailes / Eleanor Goodman	Ongoing
Target Score of Risk:				
Likelihood: A,B,C,D,E,F	Impact: 1,2,3,4	Full: RAG	Reasons:	
D	3	D3 (G)	The introduction and embedding of new controls should enable the risk to reduce in score over time.	

Discussed at SLT: 30 January 2025
Updated by Philip Meikle: 6 February 2025

Risk Subject:	St002 - Transport - Operational			Risk Owner:	Tobyn Hughes		
Risk Detail:							
There is a strategic and reputational risk for the North East CA that transport operations and projects are delivered through a complex array of bodies, some of which are outside the North East CA’s direct sphere of influence. The recent failure of the Gateshead flyover is an example of the risks that ageing infrastructure can pose to transport operations.							
Opportunity:							
Formalised partnership working with partners such as National Highways and Great British Railways, increases the opportunity to collaborate with an aim of a more reliable network. The integration of maintenance funding into the CRSTS programme and the introduction of a regional Transport Asset Management Plan presents an opportunity to consider how funding is identified and deployed for asset maintenance and renewal in a more structured and targeted way. There are also opportunities for greater regional collaboration on the procurement of goods and services to realise economies of scale and enhanced value for money.							
Links to Corporate Plan:							
Culture, Creative, Tourism and Sport	Economy	Education, Inclusion and Skills	Environment Coast and Rural	Finance and Investment	Housing and Land	Public Sector Reform	Transport
	X			X			X
Cause of Risk:							
This risk has been raised because the governance of transport operations is complex in the region, and although the North East CA is the Local Transport Authority with overall strategic responsibility, many transport functions projects are delivered by partners through funding agreements, delegations, by arm’s-length arrangements and contracts with the private sector. This can result in lack of clarity over accountabilities, policy direction, and potentially lead to reputational damage. Furthermore, some key aspects of transport lie wholly outside the North East CA’s current powers (e.g. strategic roads, national railways and commercial bus services) contrary to a commonly held public perception that the North East CA should be able to control or influence them.							
Consequences of the risk materialising and risk indicators:							
	Trigger	Consequence				Supporting Trend Data	
NECA finances	<ul style="list-style-type: none">• Funding Constraints	<ul style="list-style-type: none">• Potential financial impact• Impact on added value				<ul style="list-style-type: none">• Budget monitoring	
Local economy	<ul style="list-style-type: none">• Non delivery of key schemes	<ul style="list-style-type: none">• Constraint of growth• Impact on future investments in the region /leverage				<ul style="list-style-type: none">• Evaluation	
Programme / Project	<ul style="list-style-type: none">• Milestones not met	<ul style="list-style-type: none">• Impact on Programme Plan				<ul style="list-style-type: none">• Programme monitoring and evaluation	
Health, Safety & Wellbeing	<ul style="list-style-type: none">• Non delivery of essential maintenance or upgrades• Reduced uptake• External events	<ul style="list-style-type: none">• Impact on safety and security• Impact on wellbeing				<ul style="list-style-type: none">• Programme monitoring and evaluation	
NECA Plan / Our Values	<ul style="list-style-type: none">• Non delivery of schemes and ambitions	<ul style="list-style-type: none">• Impact on North East CA Cabinet and Mayoral priorities• Impact on other portfolio ambitions due to Transport being an enabler				<ul style="list-style-type: none">• Performance reporting	

	<ul style="list-style-type: none">• Lack of cross organisational engagement	for other ambitions to be delivered successfully	
Morale	<ul style="list-style-type: none">• Disruption to services	<ul style="list-style-type: none">• Consistently poor staff survey results• High turnover rates	<ul style="list-style-type: none">• Staff monitoring surveys
Reputation	<ul style="list-style-type: none">• Non delivery• External events• Overview & Scrutiny Committee• Perception of corporate responsibilities	<ul style="list-style-type: none">• Adverse impact on reputation	<ul style="list-style-type: none">• Media coverage• Complaints
Existing Controls:	How does it reduce the risk?		Senior Officer:
	How are we assured of the control in place?		
1. Financial /budget monitoring	<p>The North East CA transport budget includes financial information for all components of transport operations for which the North East CA has responsibility. The monitoring of the North East CA budget will be reported to relevant governing bodies e.g. SLT, Cabinet and Audit and Standards Committee. It will ensure that we are delivering within budget and obtaining value for money. It will also identify any pressures that need to be addressed.</p> <p>Assurance Source:</p> <ul style="list-style-type: none">• Relevant agendas, minutes and reports		Tobyn Hughes
2. Overview and Scrutiny Committee	<p>Progress against the Transport Programme is reported regularly to the Overview and Scrutiny Committee who are given the opportunity to challenge and comment on performance.</p> <p>Assurance Source:</p> <ul style="list-style-type: none">• Agenda, reports and minutes		Tobyn Hughes
3. Arrangements with Nexus and TT2 Ltd (Tyne Tunnel operators)	<p>Arrangements with Nexus and TT2 Ltd (Tyne Tunnel operators) are clearly understood in terms of responsibilities, deliverables and funding.</p> <p>Assurance Source:</p> <ul style="list-style-type: none">• Grant Funding Agreements, Nexus Corporate Business Plan and annual budget (and monitoring reports), Tyne Tunnel Project Agreement, minutes of TT2 Client Liaison meetings		Tobyn Hughes
4. Discharge of functions by Northumberland and Durham County Councils to Highways Authority	<p>NCC and DCC deliver certain transport services under a delegation from the North East CA</p> <p>Assurance Source:</p> <ul style="list-style-type: none">• Regular report from DCC and NCC to Cabinet over the exercise of their delegations		Tobyn Hughes

5. Delivery of projects through local authority partners	Much of the Transport Programme is delivered by local authorities and Nexus	Tobyn Hughes
	Assurance Source: <ul style="list-style-type: none"> Grant Funding Agreements in place, application of Single Assurance Framework, oversight from TOG and Finance & Investment Board 	
6. Ongoing liaison with operation bodies co-ordination of risk mitigation approaches	Provide oversight of risk and allow for early mitigations to be employed.	Tobyn Hughes
	Assurance Source: <ul style="list-style-type: none"> Programme risk registers Programme Steering Groups 	
7. Joint funding strategies developed	Ensure there is a read-across between North East CA, Nexus and Highways Authorities in terms of strategic funding approaches particularly for asset maintenance.	Tobyn Hughes
	Assurance Source: <ul style="list-style-type: none"> Local Transport Plan Transport Advisory Board 	

Current Score of Risk (as at date of update on 6 February 2025):

Likelihood: A,B,C,D,E,F	Impact: 1,2,3,4	Full: RAG	Reasons:
E	1	E1 (A)	Unlikely that operational functions would cease or would be significantly diminished. However, risk of external circumstances impacting on operations is minor possibility. Risk of securing financial support to ensure essential maintenance can be completed. If the operational functions were to negatively affect the network, there could be a severe impact on the region.

New Controls:	How will it reduce the risk?	Senior Officer:	Date new control will be in place:
1. Review of transport delivery functions	Understand the “value chain” of transport projects and delivery, including where the responsibilities and handover points lie between partners. Restructure relationships and relevant parts of the organisation accordingly.	Tobyn Hughes	April 2025
2. Partnerships with independent external bodies	Create partnerships with independent external bodies, including National Highways, Great British Railways, and bus operators, to align objectives with the North East CA's transport programme. Develop Terms of Reference for Partnership Boards and create MOU where appropriate.	Tobyn Hughes	April 2025
3. Creation of the Transport Asset Management Plan and commissioning of independent report to identify critical transport assets	The TAMP (Transport Asset Management Plan) outlines a strategic approach to maintaining key transport assets in the region and over time should allow a coordinated approach to the maintenance of transport assets. Furthermore, critical assets which are crucial to the region's economy will be identified in the report being commissioned so that funding can be focussed in the future to ensure that reliability of assets can be prioritised where necessary.	Tobyn Hughes	December 2025

Target Score of Risk:			
Likelihood: A,B,C,D,E,F	Impact: 1,2,3,4	Full: RAG	Reasons:
F	2	F2 (G)	Likelihood would be severely diminished, outside of force majeure, however, impact if realised would still be significant.

Discussed at SLT: 30 January 2025
Updated by Philip Meikle: 6 February 2025

Risk Subject:	St003: Inclusive Growth			Risk Owner:	Rob Hamilton / Adrian Dougherty		
Risk Detail:							
There is a risk that North East CA's ambition on inclusive growth and creating opportunities for all, may not deliver planned outcomes to improve wellbeing for all, including addressing child poverty whilst reducing inequality and removing barriers.							
Opportunity:							
Embedding our ambitions on inclusive growth and child poverty in everything we do, creating a fairer North East, working with partners to create good jobs, and increasing opportunities for our residents.							
Links to Corporate Plan:							
Culture, Creative, Tourism and Sport	Economy	Education, Inclusion and Skills	Environment Coast and Rural	Finance and Investment	Housing and Land	Public Sector Reform	Transport
X	X	X	X	X	X	X	X
Cause of Risk:							
<p>This risk has been raised to reflect the need for a joined-up approach in delivering programmes across the region, with a view to addressing the economic and social inequalities that exist within the region, enabling inclusive growth, addressing child poverty and opening up opportunities for all residents to contribute to the region's success. Failure to achieve the planned outcomes to reduce inequality and remove barriers to ensure opportunities and jobs are available to traditionally underserved groups, present a risk of further widening the gap which will have impacts both in respect of health and wellbeing, and an inability to meet current and future employer demand and grow a more resilient local economy.</p> <p>Whilst many factors are within NECA's influence, the ongoing weakness of the UK economy (and public finances) create risks about both future economic conditions in the region and the overall resources available post Government's spending review in the summer.</p>							
Consequences of the risk materialising and risk indicators:							
	Trigger	Consequence		Supporting Trend Data			
NECA finances	<ul style="list-style-type: none">CA investment is not targeted towards programmes of inclusive growth and child poverty.	<ul style="list-style-type: none">The CA does not have sufficient financial resource to deliver on its inclusive growth and child poverty ambitionsImpact on value for money and impact on programmes and benefits		<ul style="list-style-type: none">Performance ReportingBudget monitoringState of the Region Report			
Local economy	<ul style="list-style-type: none">NE 'offer' not viewed as internationally competitive (due to UK or local issues) leading to reduction of investment and reinvestmentDeterioration in foundations for economic growth – capabilities.	<ul style="list-style-type: none">Adverse impact on residents' quality of life, with poorer health outcomes, more people living in poverty and increased levels of crime and disorder.Loss of external investment opportunitiesFewer new jobsLower pay		<ul style="list-style-type: none">Evidence Hub / Strategic Evidence BaseState of the Region Report			

	business environment, innovation, skills base, infrastructure • Closure of a large business • Levels of inequality persist or rise • Rise in unemployment • Rise in in-work poverty • Increase in child poverty • Poorer health outcomes	• Adverse impact on productivity and economic growth due to skills gaps, low employment, rising economic inactivity and increasing demand on public services.	
Programme / Project	• Programmes and projects designed without equality and inclusion considerations	• Missed opportunities to maximise impact of investment by focussing on supporting residents most at risk of being left behind. • Projects do not achieve intended outcomes and/or address local need.	• Performance Reporting • Evaluation reports • Equality Impact Assessments.
Health, Safety & Wellbeing	• Projects are designed without considering opportunities to improve health, wellbeing and/or public safety	• Missed opportunities to maximise impact of investment through the inclusion of Health and wellbeing objectives	• Performance Reporting • Evaluation reports
NECA Plan / Our Values	• Inclusive growth and addressing child poverty is not embedded within the CA's ways of working	• Impact on Mayor and Cabinet priorities in respect of inclusive growth not being met	• Performance Reporting • Evaluation reports • Staff survey
Morale	• Staff and stakeholders feel disillusioned that we are not delivering in line with our commitment and values.	• Impact on staff retention • Failure to attract talent • Lack of engagement from stakeholders	• Staff survey • Evaluation reports
Reputation	• News/media enquiries	• Adverse impact on the reputation of North East CA if inclusive growth is not prioritised • Lack of public and Governmental trust in the power of devolution	• Social media activity • Reports on media enquiries and articles – trends and patterns

		to create a fairer North East. <ul style="list-style-type: none">• Lack of consistency and clear messaging compromises public and stakeholder trust in North East CA's commitment to creating a fairer NE.	
Legal / Regulatory	<ul style="list-style-type: none">• Non-compliance with Public Sector Equality Duty	<ul style="list-style-type: none">• Legal action taken by Equality and Human Rights Commission.	<ul style="list-style-type: none">• Progress against equality objectives.• Annual equality report.
Existing Controls:	How does it reduce the risk?		Senior Officer:
	How are we assured of the control in place?		
1. Strategic commitments as set out in corporate plan and portfolio plans	The North East CA has a strategic commitment to create a Fairer North East by narrowing inequalities and reducing child poverty The Corporate Plan and recent Investment Framework includes commitments to reducing economic and social inequalities, particularly those experienced by the most deprived and vulnerable communities. Assurance Source: <ul style="list-style-type: none">• The North East CA Corporate Plan• The North East CA Investment Framework		Rob Hamilton / Adrian Dougherty
2. North East CA Deal and Deeper Devo Deal	A commitment to reducing inequalities and addressing disparities is included in the North East devolution deal and Deeper Devolution Deal. Assurance Source: <ul style="list-style-type: none">• The North Devolution Deal• NE Deeper Devolution Deal		Rob Hamilton / Adrian Dougherty
3. Inclusion and Inequalities included in the development and embedding of Portfolio plans.	Evidence driven portfolio plans have been developed that align to the CAs commitments on inclusive growth and set the foundations for delivering inclusive projects and programmes. Assurance Source: <ul style="list-style-type: none">• The North East CA Portfolio Plans		Rob Hamilton / Adrian Dougherty
4. The Single Assurance Framework	The Single Assurance Framework sets out arrangements to ensure: <ul style="list-style-type: none">• Accountable and transparent decision making• Appraise and allocate funding• Monitor and evaluate projects It ensures all investment proposals are sufficiently tested to ensure they achieve value for money and projected outcomes in line with the CAs strategic ambitions. Assurance Source: <ul style="list-style-type: none">• The Single Assurance Framework		Mags Scott

Current Score of Risk (as at date of update on 3 February 2025):				
Likelihood: A,B,C,D,E,F	Impact: 1,2,3,4	Full: RAG	Reasons:	
D	2	D2 (A)	Most of the key policies and strategies are in place of close to being finalised. This is coupled with existing capacity and dedicated roles specific to inclusion and inequalities. However, external factors, including the ongoing weakness of the UK economy and absence of growth, creating challenges for the public finances, have caused us to leave the overall risk rating unchanged.	
New Controls:		How will it reduce the risk?	Senior Officer:	Date new control will be in place:
1. Development of strategies and frameworks		The North East CA will work with stakeholders and partners to further develop policy to maximise opportunities in respect of inclusive growth, including: <ul style="list-style-type: none">• Local Growth Plan• The Child Poverty Action Plan• Education Improvement Plan• The North East Employment and Skills Strategy• The post-consultation NE Transport Strategy This will drive the development of projects and programmes focused on inclusive growth outcomes.	Adrian Dougherty/ Rob Hamilton	March-July 2025
2. Staff training and development		North East CA staff will continue to receive training on the single assurance framework to ensure project/programme proposals are developed to a high standard, deliver value for money in line with the CA's objectives. Staff will also have access to online equality training and development modules.	Chrisi Page/ Robin Fry	Ongoing
3. Assurance Framework		The single assurance framework and supporting business process will be subject to regular review to ensure it supports the development and delivery of projects/programmes in line with the CAs objectives.	Chrisi Page	Ongoing
4. Portfolio Advisory Boards		The Portfolio Advisory Boards will play an important role, including: <ul style="list-style-type: none">• supporting members of the Authority in overseeing the delivery of the vision, ambitions and programmes of activity set out in the Authority's Corporate Plan and associated plans and strategies• bringing together key stakeholders to support the development and delivery of these ambitions and programmes; and	Elizabeth Kerr	Ongoing

		<ul style="list-style-type: none"> provide advice and information to the Authority to ensure there is a robust evidence base for decision-making. 		
Target Score of Risk:				
Likelihood: A,B,C,D,E,F	Impact: 1,2,3,4	Full: RAG	Reasons:	
E	3	E3 (G)	It is expected that if the economy improves as expected over the next 12-24 months, and as financial implications for NECA become clearer following the Comprehensive Spending Review, that this rating moves to Green	

Discussed at SLT: 30 January 2025

Risk updated by Rob Hamilton and Adrian Dougherty: 3 Feb 2025

Risk Subject:	St004: Net Zero			Risk Owner:	Rob Hamilton		
Risk Detail:							
There is a risk that North East CA's Net Zero ambitions may not be achieved with insufficient funding and resources and should it not prove possible to form the necessary coalition of partners, including across the public and VCSE sectors, businesses and residents.							
Opportunity:							
There is an opportunity to lead as an example on how to manage Net Zero at a regional level, grow the low carbon economy, and to support LAs to achieve their targets							
Links to Corporate Plan:							
Culture, Creative, Tourism and Sport	Economy	Education, Inclusion and Skills	Environment Coast and Rural	Finance and Investment	Housing and Land	Public Sector Reform	Transport
X	X	X	X	X	X	X	X
Cause of Risk:							
<p>This risk has been raised to reflect the importance on the work North East CA will undertake to progress Net Zero and low carbon growth throughout the region and scale of work required across all portfolios to achieve this.</p> <p>North East CA will work with Local Authorities and external bodies to achieve our strategic ambitions in respect of Net Zero, however it is acknowledged that there will be significant activity in this area outside the Combined Authority's direct control.</p> <p>A number of schemes are also externally funded which may result in certain requirements being met to be successful in winning funding bids and preventing clawback.</p> <p>As this risk cuts across all portfolios there is collective Cabinet responsibility, this creates both an opportunity to truly embed Net Zero considerations across portfolio activity but also a risk that there may be an assumption by Portfolio Leads that it is being progressed elsewhere in the Combined Authority, resulting in lower outcomes. This could also result in the perception that North East CA is not adequately responding to the climate crisis or delivering against ambitions set out in devolution deals and mayoral manifesto.</p>							
Consequences of the risk materialising and risk indicators:							
	Trigger	Consequence			Supporting Trend Data		
NECA finances	<ul style="list-style-type: none">Insufficient resources available within the MTFP for Net Zero activity	<ul style="list-style-type: none">Funding could be lost if requirements are not met.Insufficient resources to meet ambitions			<ul style="list-style-type: none">Programme performance reporting		
Local economy	<ul style="list-style-type: none">NE 'offer' not viewed as internationally competitive (due to UK or local issues) leading to reduction of investment and reinvestmentFailure to secure a floating wind leasing round	<ul style="list-style-type: none">Loss of external investment opportunitiesFewer new jobsExisting companies unable to successfully transition to low carbon economy			<ul style="list-style-type: none">Programme performance reportingState of the Region reports		

	<ul style="list-style-type: none"> • Failure to support or SME decarbonisation and energy efficiency • Failure to progress heat networks 		
Programme / Project	<ul style="list-style-type: none"> • Failure to deploy Green New Deal funding • Failure to secure follow-on programmes of investment 	<ul style="list-style-type: none"> • Key programme milestones may not be met • Private Sector investment significantly lower than expectations 	<ul style="list-style-type: none"> • Programme performance reporting
Health, Safety & Wellbeing	<ul style="list-style-type: none"> • Failure to deliver retrofit or active transport programmes 	<ul style="list-style-type: none"> • Co benefits that would improve the health and wellbeing of the region may not be realised. 	<ul style="list-style-type: none"> • Programme performance reporting
NECA Plan / Our Values	<ul style="list-style-type: none"> • Failure to demonstrate our commitment to creating 'a greener North east' • Failure to demonstrate to government delivery of the devolution deal in full. • Failure to adequately prepare for new powers and responsibilities outlined in Devolution white paper (particularly retrofit & heat networks) 	<ul style="list-style-type: none"> • North East CA deal priorities may not be met impacting on government confidence in the CA and future funding/devolution opportunities. 	<ul style="list-style-type: none"> • Corporate reporting • Programme performance reporting • Gateway review – progress against the local evaluation framework
Morale	<ul style="list-style-type: none"> • Staff and stakeholders feel disillusioned that we are not delivering in line with our commitment and values. 	<ul style="list-style-type: none"> • High staff turnover • Failure to attract talent • Lack of engagement from stakeholders • Poorer outcomes 	<ul style="list-style-type: none"> • Staff survey • Stakeholder surveys • Evaluation reports
Reputation	<ul style="list-style-type: none"> • News/media enquiries 	<ul style="list-style-type: none"> • Adverse impact on reputation • Net Zero activity is not prioritised and if investment activity does not meet our ambitions published in the deal, 	<ul style="list-style-type: none"> • Social media activity • Reports on media enquiries and articles – trends and patterns

		commitments, corporate and portfolio plans.	
Existing Controls:		How does it reduce the risk?	Senior Officer:
		How are we assured of the control in place?	
1. North East CA will continue to engage with Department for Energy Security and Net Zero (DESNZ) and relevant external bodies.	This will enable an understanding of latest government policy, priorities and potential funding opportunities to support the delivery of commitments within the devolution deal on Net Zero and the ongoing development of climate initiatives within the region.		Rob Hamilton/Ross Lowrie
	Assurance Source: <ul style="list-style-type: none">Partnership agreement with North East and Yorkshire Net Zero Hub (DESNZ funded)Active participation on Hub Board		
2. Embedding of Net Zero across Portfolio activity and governance arrangements	This ensures that Net Zero is delivered throughout all portfolios. This will also ensure that business areas understand their responsibilities in respect of Net Zero.		Rob Hamilton/Ross Lowrie
	Assurance Source: Strategic Portfolio Plan Monitoring and Evaluation Framework Corporate Plan and forthcoming Local Growth Plan		
3. There are a number of existing programmes of delivery that are delivering on the CAs Net Zero ambitions e.g. Retrofit Advice Service, Green New Deal Fund and Energy Accelerator	These will continue to provide vehicles for targeted Net Zero investment.		Rob Hamilton/Ross Lowrie
	Assurance Source: Contract Management Performance Reporting Project Governance		
4. Existing Dedicated Net Zero Capacity within North East CA	Provides dedicated expertise within the Combined Authority to drive agenda forward, deliver programmes and provide expert advice across to the Combined Authority and constituent LAs.		Rob Hamilton/Ross Lowrie
	Assurance Source: <ul style="list-style-type: none">Net Zero team in situ Performance reporting		
5. Net Zero North East England Partnership Board	The Board will provide an assurance function to ensure that commitments are being delivered.		Rob Hamilton/Ross Lowrie
	Assurance Source <ul style="list-style-type: none">Terms of Reference, agenda's, reports and minutes		
Current Score of Risk (as at date of update on 3 February 2025):			
Likelihood: A,B,C,D,E,F	Impact: 1,2,3,4	Full: RAG	Reasons:
C	3	C3 (A)	There are resources and plans in place to deliver Net Zero, however reputationally progress against plans will remain high profile and performance will be scrutinised by media, public

			and environmental NGOs. Climate risks and climate-related weather events will increase over time.	
New Controls:		How will it reduce the risk?	Senior Officer:	Date new control will be in place:
1. North East CA will build on previous work, and opportunities under this devolution deal, to develop a North East Retrofit capacity building programme, identifying measures needed to promote a viable, stable, long-term approach to retrofit with which the Local Net Zero Hub can provide support		This will look to build upon existing piecemeal approach with a view to developing a more cohesive approach.	Rob Hamilton/ Ross Lowrie	September 2025
2. North East CA will establish a North East Strategic Energy Board (reporting into the NECA Business and Economy Board) to guide energy policy in the region and liaise and coordinate between stakeholders including the National Grid, National Energy System Operator (NESO), Ofgem, distribution network companies, local authorities, large energy generators and consumers.		The Board will review regional grid connectivity, understand future grid capacity, accessibility and the joint-investments that will be needed to underpin inclusive growth within the region's relevant industries and sites. DESNZ will provide observer representation on this Board.	Rob Hamilton/ Ross Lowrie	June 2025
3. We will work with government and local authorities to enable heat networks in the region, including implementing heat network zoning Develop a programme to support local authorities and communities to develop heat networks and low carbon technology projects, following on from North East Energy Accelerator Programme.		Heat networks are a key mechanism for decarbonising heating in public, commercial and domestic properties, they are referenced within the Portfolio Plan for Housing and Land. Development of a heat network supply chain will contribute to low carbon growth and exportable capability Providing funding to local authorities unlocks larger government funding pots and creates a large pipeline of heat network projects, now over £750m in region.	Rob Hamilton/ Ross Lowrie	Unconfirmed – developing proposal
4. We will develop a cohesive approach to offshore wind through		NECA will minimise transition risks from oil & gas through to a low carbon economy by maximising	Rob Hamilton/ Ross Lowrie	July 2025 (LGP Final Draft publication)

the development of a 10-year strategy and our Local Growth Plan, including maximising the opportunity of floating offshore wind.	supply chain opportunities and jobs in the North East for offshore wind (inc deepwater fixed and floating, O&M, robotics) Key investment propositions and projects will be set out in the Local Growth Plan to be shared with government. In alignment with the Local Growth Plan final publication in July 2025, dedicated offshore wind programme may provide investment into infrastructure, offshore wind and supply chain coordination.		
5. NECA will work with Government, regional partners and the North East and Yorkshire NZ Hub to progress recommendations in the geothermal white paper	We will break down barriers to deployment of geothermal and mine water, therefore enabling schemes in the region. We will ensure our role in progressing geothermal dovetails with UK govt (DESNZ Hub work) and National Geothermal Centre	Rob Hamilton/ Ross Lowrie	July 2025
6. Develop governance proposal for senior/political accountability of Net Zero in North East CA	Recognise the significant risk of falling short of climate ambition by putting in place senior ownership and accountability for Net Zero across the portfolios.	Rob Hamilton/ Ross Lowrie	July 2025
Target Score of Risk:			
Likelihood: A,B,C,D,E,F	Impact: 1,2,3,4	Full: RAG	Reasons:
D	3	D3 (G)	Through the embedding of both existing and new controls the likelihood of risk will reduce over time, however climate change will still be subject to scrutiny.

Discussed by SLT: 30 January 2025

Risk updated by Ross Lowrie / Rob Hamilton: 3 Feb 2025

Risk Subject:	ST005: Political & Policy Change (RISK TO CLOSE)			Risk Owner:	Henry Kippin		
Risk Detail:							
There is a risk that the North East CA does not have the capacity to engage with, adapt and respond at pace to political and policy changes in a structured and comprehensive way.							
Opportunity:							
If the North East CA can demonstrate it is agile and adaptable this may provide further opportunities to expand on the existing devolution deals or access additional funding.							
Links to Corporate Plan:							
Culture, Creative, Tourism and Sport	Economy	Education, Inclusion and Skills	Environment Coast and Rural	Finance and Investment	Housing and Land	Public Sector Reform	Transport
X	X	X	X	X	X	X	X
Cause of Risk:							
<p>This risk has been raised to reflect that the recent change in Government, and any subsequent new / changes to policy, may have an impact on the North East CA as an organisation, its remit and its ability to deliver the devolution deal, its ambitions and portfolio plans. This includes:</p> <ul style="list-style-type: none">• We are embedding a new organisation at a time of potential significant national political change which can bring uncertainty.• Further organisational change may be required as a result of national policy.• Capacity to exploit opportunities that political change will bring – we need to be prepared with our asks for a new government and agile enough to take advantage of the change.• A significant proportion of funding is reliant on short term government awards, e.g. skills bootcamps and UK Shared Prosperity Fund (UKSPF), without long term funding agreements and commitments.• Government decisions may significantly impact upon current funding, long term plans and our ability to deliver.							
Consequences of the risk materialising and risk indicators:							
	Trigger	Consequence			Supporting Trend Data		
North East CA finances	<ul style="list-style-type: none">• Changes in National Policies and funding availability	<ul style="list-style-type: none">• Impact on future funding and on maintaining delivery momentum• Impact on budget stability			<ul style="list-style-type: none">• Manifesto• Parliamentary Statement/ Announcement		
Local economy	<ul style="list-style-type: none">• Changes in National Policies and funding availability	<ul style="list-style-type: none">• Potential delays in delivering/ failure to deliver existing commitments• Reduced Government investment in the North East• Potential unwillingness for companies to invest in the region.			<ul style="list-style-type: none">• State of the Region Reports• Performance data• Parliamentary announcements		
Programme / Project	<ul style="list-style-type: none">• Changes in National Policies and funding availability	<ul style="list-style-type: none">• Impact on delivery of key programmes and projects			<ul style="list-style-type: none">• Manifesto• Parliamentary Statement/ Announcement		
Health, Safety & Wellbeing							

North East CA Plan / Our Values	<ul style="list-style-type: none">Changes in National Policies and funding availability	<ul style="list-style-type: none">Changes to the North East CA OfferImpact on delivery of ambitions	<ul style="list-style-type: none">Performance Reporting
Morale			
Reputation	<ul style="list-style-type: none">Changes in National Policies and funding availability	<ul style="list-style-type: none">Impact on reputation if the Mayor and Cabinet priorities cannot be met.Adverse impact on relationships with stakeholders.	<ul style="list-style-type: none">Local mediaAnecdotal
Legal / Regulatory			
Existing Controls:		How does it reduce the risk?	Senior Officer:
		How are we assured of the control in place?	
1. Membership of networks/ relationships built with key figures nationally and locally	Allows for some forward planning if see change of direction being flagged	Assurance Source: <ul style="list-style-type: none">SLT and other senior managers ensuring they and the North East CA are visible to the policy makers and decision takers.Attendance and invitations to events/meetings/conferences etc.	Directors / Heads of Service
2. Workforce development plan/process	Allows for timely recruitment /reorganisation if see change of direction being flagged/get notice of change	Assurance Source: <ul style="list-style-type: none">Corporate reporting	Head of HR/OD & H&S
3. Reading of sector related press/publications/blogs to do Horizon scanning	Allows for early discussions and testing of ideas/solutions and wider sector collaboration/response.	Assurance Source: <ul style="list-style-type: none">Reports to Cabinet and SLT	SLT/Heads & Snr Management
Current Score of Risk (as at date of update on 27 January 2025):			
Likelihood: A,B,C,D,E,F	Impact: 1,2,3,4	Full: RAG	Reasons:
Risk to close		Prev Score B3 (A)	This risk has closed as since the risk was raised progress has been made and any risks that remain are managed as part of the other strategic risks, specifically with regards to capacity and the integrated financial settlement.

New Controls:		How will it reduce the risk?	Senior Officer:	Date new control will be in place:
1. Good internal communication routes to be established to pass messages down and hear messages coming up		Ensures senior management is aware of the temperature of the organisation and that they and the entire workforce are aware of any impact following any change to what we will deliver as an organisation. This will also ensure that there is political engagement with Cabinet and Government Ministers.	Jacqueline Laughton	September 2024
Target Score of Risk:				
Likelihood: A,B,C,D,E,F	Impact: 1,2,3,4	Full: RAG	Reasons:	
E	3	E3 (G)	Once the new Government has made clear any changes in legislation, policy and funding work will be undertaken to assess the impact and take required action.	

Discussed at SLT: 30 January 2025
Updated by Liz Kerr: 27 January 2025

Risk Subject:	St006 - Operational Capacity and Resources			Risk Owner:	Henry Kippin		
Risk Detail:							
There is a risk that until capacity, systems and processes are fully in place to be able we may be unable to deliver ambitions with pace in line with stakeholder expectations.							
Opportunity:							
Opportunity to build upon experience and learning of current capacity to enable agile and efficient delivery of our ambitions.							
Links to Corporate Plan:							
Culture, Creative, Tourism and Sport	Economy	Education, Inclusion and Skills	Environment Coast and Rural	Finance and Investment	Housing and Land	Public Sector Reform	Transport
X	X	X	X	X	X	X	X
Cause of Risk:							
This risk has been raised to reflect the maturity of the organisation following the transition of five organisations each with own cultures and ways of working into the North East CA. Additionally until relevant systems and processes are developed and fully embedded, we may have to rely on interim solutions or existing approached which may be may less joined up.							
Consequences of the risk materialising and risk indicators:							
	Trigger	Consequence			Supporting Trend Data		
NECA finances	<ul style="list-style-type: none">• Inability to recruit to fill vacancies• Identified skills gaps	<ul style="list-style-type: none">• Potential financial impact if processes are not in place and programme delivery is delayed• Reliance on external expertise and associated costs• Impact on VFM			<ul style="list-style-type: none">• Performance data• Budget monitoring		
Local economy	<ul style="list-style-type: none">• Inability to recruit to fill vacancies• Identified skills gaps	<ul style="list-style-type: none">• Growth ambitions not realised• Inward investment opportunities not taken			<ul style="list-style-type: none">• Performance data		
Programme / Project	<ul style="list-style-type: none">• Inability to recruit to fill vacancies• Identified skills gaps• Lack of clarity of systems and processes	<ul style="list-style-type: none">• Potential programme and project delays with key milestones being missed			<ul style="list-style-type: none">• Performance data• Pulse surveys		
Health, Safety & Wellbeing	<ul style="list-style-type: none">• Lack of steer on vision, clarity on roles and expectations• Pressure on existing resources	<ul style="list-style-type: none">• High levels of staff sickness and absence			<ul style="list-style-type: none">• HR Reports• Pulse surveys• Data from wellbeing providers• Delivery of the corporate plan		

NECA Plan / Our Values	<ul style="list-style-type: none">• Inability to recruit to fill vacancies• Identified skills gaps• Lack of clarity of systems and processes	<ul style="list-style-type: none">• Cabinet and Mayoral priorities not met	<ul style="list-style-type: none">• HR Reports• Performance data
Morale	<ul style="list-style-type: none">• Lack of steer on vision, clarity on roles and expectations• pressure on existing resources• Poor / inconsistent communication	<ul style="list-style-type: none">• Impact on staff morale	<ul style="list-style-type: none">• HR Reports• Pulse surveys• Cascade of the corporate plan
Reputation		<ul style="list-style-type: none">• Adverse impact on reputation if stakeholder expectations are not met• Inconsistent / inaccurate messages could impact on reputation	<ul style="list-style-type: none">• Adverse media coverage
Legal / Regulatory			
Existing Controls:		How does it reduce the risk?	Senior Officer:
		How are we assured of the control in place?	
1. Organisational Governance	<p>This ensures there will be oversight and decision making at a strategic level.</p> <p>Assurance Source:</p> <ul style="list-style-type: none">• SLT and Cabinet agenda, reports and minutes		Henry Kippin
2. Organisational structure in place	<p>Staff from previous of five family organisations transferred across bringing experience, knowledge and skills. There is also defined roles and responsibilities in place across all business areas.</p> <p>Assurance Source:</p> <ul style="list-style-type: none">• Staff in situ		Henry Kippin
3. SLA in place with Durham CC which includes some HR functions and recruitment.	<p>Ensure that recruitment is undertaken as and when required following a consistent approach throughout the CA.</p> <p>Assurance Source:</p> <ul style="list-style-type: none">• A number of roles have been successfully recruited into		Henry Kippin
4. Organisational Values	<p>Ensures that all staff are aware of the North East CA values enabling them to become embedded in the organisational culture.</p> <p>Assurance Source:</p> <ul style="list-style-type: none">• Organisational Values are published		Henry Kippin

Current Score of Risk (as at date of update on 3 February 2025):				
Likelihood: A,B,C,D,E,F	Impact: 1,2,3,4	Full: RAG	Reasons:	
D	2	D2 (A)	Although the organisation is still in early stages good progress continues to be made in developing frameworks, processes along with ensuring that required capacity is in place.	
New Controls:		How will it reduce the risk?	Senior Officer:	Date new control will be in place:
1. Workforce planning (include succession planning)		Clear identification of resources and future needs of the business which will link into our succession planning.	Tracey Elvin	April 2025
2. Internal communication plan		Structured communication strategy that will help inform the workforce on progress, updates, etc.	Stuart Tarbuck	February 2025
3. Relevant Frameworks (e.g. risk, assurance, monitoring, evaluation, and investment)		These will set out the organisational approach and provide the basis for consistent ways of working throughout the organisation.	Mags Scott	April 2025
4. Capacity analysis		To establish current ways of working and identify processes that need to be implemented.	Tracey Elvin	April 2025
5. Systems to be fully implemented e.g. HR, Financial and Project and Programme management.		Will provide a clear and consistent approach throughout the organisation.	Jen Robson	March 2025
Target Score of Risk:				
Likelihood: A,B,C,D,E,F	Impact: 1,2,3,4	Full: RAG	Reasons:	
E	3	E3 (G)	Through the implementation of new controls and further embedding of existing it is expected that the risk score will reduce.	

Discussed at SLT: 30 January 2025
Updated by Tracey Elvin: 3 February 2025

Risk Subject:	St007: Accessing data to allow performance reporting			Risk Owner:	Jen Robson		
Risk Detail:							
<p>There is a risk that until we have fully integrated systems and digitalised/automated processes across the five directorates, corporately, we will not be able to easily identify what data is collected where and how it is processed to easily allow performance reporting.</p> <p>Until our systems are aligned an interim process will need to be created to collate data from multiple sources to enable performance reporting. This will be complex due to the inconsistencies around data processing and multiple systems in use across the organisations and may result in the North East CA being unable to deliver ambitions related to transparent and accurate performance management, at a pace which aligns with stakeholder expectations.</p>							
Opportunity:							
<p>To create a data and digital strategy which builds upon learnings from five legacy organisations to ensure that the data we collect and the systems and processes which underpin collection and performance reporting are ambitious and innovative.</p>							
Links to Corporate Plan:							
Culture, Creative, Tourism and Sport	Economy	Education, Inclusion and Skills	Environment Coast and Rural	Finance and Investment	Housing and Land	Public Sector Reform	Transport
X	X	X	X	X	X	X	X
Cause of Risk:							
<p>This risk has been raised to reflect the maturity of the organisation following the transition of five organisations each with their own data cultures, ways of working and digital systems and processes into the North East CA. Until relevant systems and processes are operationalised, the North East CA will have to rely on manual intervention for collating data in relation to requests for performance information and reporting, where automated systems are not in place.</p>							
Consequences of the risk materialising and risk indicators:							
	Trigger	Consequence			Supporting Trend Data		
NECA finances							
Local economy							
Programme / Project							
Health, Safety & Wellbeing							
NECA Plan / Our Values	<ul style="list-style-type: none">Unable to consistently quality assure data from multiple sources when creating performance reports	<ul style="list-style-type: none">There may be inconsistencies in reports due to difficulty in quality assuring data			<ul style="list-style-type: none">Reporting schedule		
Morale							
Reputation	<ul style="list-style-type: none">Regular reporting to cabinet, government and other stakeholders	<ul style="list-style-type: none">Adverse impact on reputation if stakeholder expectations are not met in a timely mannerInconsistent / inaccurate performance reporting could impact on reputation			<ul style="list-style-type: none">Adverse media coverage		

	<ul style="list-style-type: none">• Requests for data from media and wider stakeholders			
Legal / Regulatory	<ul style="list-style-type: none">• Unable to meet government reporting expectations	<ul style="list-style-type: none">• Unable to accurately report on impact our of funds due to not having an agreed performance framework to ensure consistency across the organisation	<ul style="list-style-type: none">• Government review feedback	
Existing Controls:	How does it reduce the risk?		Senior Officer:	
	How are we assured of the control in place?			
1. All projects and programmes have been consistently prior to establishment of North East Combined Authority.	All reports have met expectations prior to the establishment of the North East Combined Authority and those reporting systems remain unchanged.		Henry Kippin	
	Assurance Source: <ul style="list-style-type: none">• Performance Reporting			
Current Score of Risk (as at date of update on 27 January 2025):				
Likelihood: A,B,C,D,E,F	Impact: 1,2,3,4	Full: RAG	Reasons:	
A	4	A4 (A)	Due to different systems and processes in place at the moment, it is almost certain that this risk will materialise when the North East CA needs to report on its performance in the next quarter. This impact of this, while time consuming, is likely to be minor. This is tolerable while the organisation is still in its infancy. As the organisation matures and what it is delivering grows the risk of not being able to accurately report performance will increase.	
New Controls:		How will it reduce the risk?	Senior Officer:	Date new control will be in place:
1. Relevant Frameworks to set out organisational approach (e.g. risk, assurance, monitoring, evaluation, and investment)		Agreed frameworks will bring consistency to teams' approach to governance, risk, delivery and performance and underpin the establishment of shared ways of working.	Jen Robson	March 2025
2. Mapping existing processes		To establish relevance and effectiveness, identify any gaps and efficiencies. With a view to look at potential for technological automation of processes.	Jen Robson	March 2025
3. Creation of a data and digital strategy		An agreed strategy which sets out the North East CA's approach to data collection and the systems which underpin it will create consistency and ensure all activity going forward is aligned.	Jen Robson	March 2025
4. Systems to be fully implemented and agreed Project and		An agreed data and digital strategy underpinning the systems used and supported through an agreed programme	Jen Robson	April 2026

Programme management approach and underpinning processes operationalised.	management approach will ensure consistent and share ways of working across the organisation and reduce the risk of data being collected and processed in ways which do not align with the digital infrastructure of the North East CA.		
Target Score of Risk:			
Likelihood: A,B,C,D,E,F	Impact: 1,2,3,4	Full: RAG	Reasons:
E	4	E4 (G)	Once an integrated system with digitalised and automated process is in place, underpinned by a data and digital strategy, all data needed for performance reporting will be stored in the North East CA's digital infrastructure and be accessible in performance dashboards which show live data, the risk of data being stored in multiple places and the need for manual processes to enable performance reporting will be significantly reduced.

Discussed at SLT: 30 January 2025

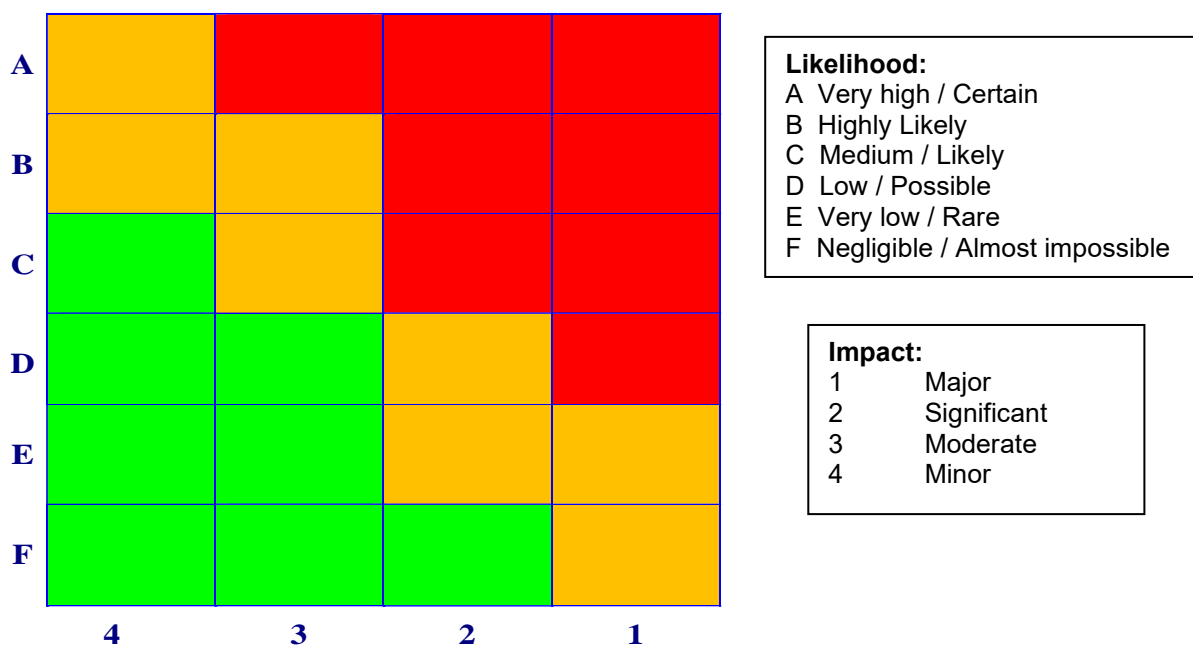
Updated by Liz Kerr and Jen Robson: 27 January 2025

Risk Subject:	St008 Integrated Settlement			Risk Owner:	Mags Scott		
Risk Detail:							
There is a risk that we receive a sub-optimal integrated financial settlement outcome either due to financial under-delivery in 25/26 or through a failure to agree an appropriate outcomes framework with government.							
Opportunity:							
Working closely with Government departments, and cross-departmentally supported by MHCLG; and with input from those combined authorities that have already moved to single settlement, we have the opportunity to build on and deepen the benefits that come with integrated settlement. This is a chance to align our funding more closely to the outcomes in our Corporate Plan and Local Growth Plan, supported by our investment and single assurance frameworks. Integrated settlement also provides additional flexibilities to move funding between themes and between financial years.							
Links to Corporate Plan:							
Culture, Creative, Tourism and Sport	Economy	Education, Inclusion and Skills	Environment Coast and Rural	Finance and Investment	Housing and Land	Public Sector Reform	Transport
X	X	X	X	X	X	X	X
Cause of Risk:							
The North East CA was confirmed in 2024 as one of four ‘wave 2’ combined authorities to be moving to integrated settlement for the 2026/27 financial year. This is more flexible, outcomes-based approach to delivering against a set of outcomes to be agreed with HM Treasury and removes some of the ‘ringfencing’ of funding.							
Consequences of the risk materialising and risk indicators:							
	Trigger	Consequence			Supporting Trend Data		
NECA finances	• Integrated settlement provides lower than expected funding	• Reduced resources available to fund programmes and pay for core establishment of the CA. Mayoral priority outcomes are not delivered or are reduced.			• IS programme board reporting		
Local economy	• As above	• As above			• Performance reporting		
Programme / Project	• As above	• As above			• Performance reporting; programme monitoring		
Health, Safety & Wellbeing							
NECA Plan / Our Values	• Programmes reduced / terminated	• Mayoral priority outcomes not delivered or not delivered in full • Risks to ‘Make it Happen’ and ‘Strive for Brilliance’ due to reduced resource			• Performance reporting; programme monitoring		
Morale	• Programmes reduced / terminated	• Our people feel that they impact they have is reduced; morale suffers • Roles at risk due to reduced funding			• Staff survey / pulse surveys • Feedback through manager 1-1s		
Reputation	• Partner organisations perceive we are adding less value to the region	• Reputation with MHCLG and HMT suffers; difficult to build back • Reputation with Las and other partner organisations suffer;			• Feedback from Government leads • Feedback from Cex, Eds, partner organisations		

		we are less credible in the region		
Legal / Regulatory	<ul style="list-style-type: none">Potential reduction in devolved powers or inability to achieve deeper devo	<ul style="list-style-type: none">Reduced ability to deliver on Mayoral priorities	<ul style="list-style-type: none">Feedback from MHCLG leads	
Existing Controls:		How does it reduce the risk?	Senior Officer:	
		How are we assured of the control in place?		
1. Priority programme across 2025/26 for the North East CA senior leadership team.		Focus and accountability at most senior levels. Assurance Source: <ul style="list-style-type: none">Programme governance reporting and monitoring	Henry Kippin	
Current Score of Risk (as at date new risk raised on 1 February 2025):				
Likelihood: A,B,C,D,E,F	Impact: 1,2,3,4	Full: RAG	Reasons:	
E	1	E1 (A)	We are at the start of this process and programme not yet up and running. We have 15 months before start of integrated settlement regime. Risk of unsatisfactory outcome therefore considered low but recorded early as a strategic risk given its potential impact on the organisation, and to enable early, robust monitoring of the risk.	
New Controls:		How will it reduce the risk?	Senior Officer:	Date new control will be in place:
2. The set up of a structured programme with clear outcomes and governance is a priority for the Finance and Investment directorate prior to the start of 25/26 financial year.		Programme will provide visibility of workstreams, milestones and shared outcomes. Progress will be reported regularly [to define] to SLT and through programme governance (to be defined and set up). The governance structures will also ensure the involvement of the LAs, Cabinet, OSC, ASC and be the commissioner of input and advice from, and collaboration with, other MCAs and government departments.	Mags Scott	1 March 2025
Target Score of Risk:				
Likelihood: A,B,C,D,E,F	Impact: 1,2,3,4	Full: RAG	Reasons:	
E	2	E2 (A)	Impact of this risk will always be high if it materialises given its cross-cutting nature. Aim through programme is to minimise likelihood; and to agree outcomes as early as possible to reduce impact (e.g. to certain areas / small number of outcomes themes).	

Last Updated: 1 February 2025
Update provided by: Mags Scott
Agreed by SLT: 5 February 2025

Risk Scorecard and Matrix



Red risks are to be managed down as a matter of urgency

Amber risks are to be managed down in the medium term and monitored

Green risks considered low priority but are also monitored

Subject: Work Programme 2025/26

Report of: Michael Robson, Senior Governance Officer

Report Summary

The purpose of this report is to present a proposed work programme for the year ahead.

Recommendations

The Audit and Standards Committee is recommended to:

- a) Agree the proposed work programme for the 2025/26 municipal year as set out in Appendix A to this report;
- b) Note that it may be necessary to change or adapt the proposed reports to be considered, to ensure optimum timing of consideration of governance issues and to respond to emerging trends during the year; and
- c) Note that the Committee will receive additional reports on any ad-hoc items of business arising during the year, as these relate to its responsibilities under its terms of reference.

1. The Audit Committee

- 1.1 The North East Combined Authority (North East CA) is required to appoint an audit committee and its role is:
 - a) At a strategic overview level, to review and scrutinise the Authority's financial affairs;
 - b) To review and assess the Authority's risk management, internal control and corporate governance arrangements;
 - c) To review and assess the economy, efficiency and effectiveness with which resources have been used in discharging the Authority's functions;
 - d) To make reports and recommendations to the Authority in relation to reviews conducted under 1 to 3 above.
- 1.2 The Audit and Standards Committee also has responsibility to:
 - a) promote and maintain high standards of conduct by Authority members and co-opted members;
 - b) ensure the Authority's members and co-opted members observe the Members' Code of Conduct;
 - c) advise the Authority on the adoption or revision of the Members' Code of Conduct; and
 - d) monitor the operation of the Members' Code of Conduct.
- 1.3 To fulfil its role and responsibilities as set out above, a proposed work programme has been formulated in conjunction with the Chair of the Committee, the Director of Finance and Investment, the Chief Internal Auditor and the Authority's external auditors. This is attached as Appendix A.

2. The Work Programme

- 2.1 The proposed programme sets out details of known core business to be considered by the Committee and suggested timing and frequency of reports in the coming year. In addition to these core business items, it may also be necessary to update the Committee on an ad-hoc basis, as relevant and topical areas arise during the year. Accordingly, the Committee will receive additional reports on emerging issues and trends as appropriate.

- 2.2 The proposed work programme should be treated as a working document, and it may be necessary to alter or amend the proposed timing of reports during the year as work progresses. Where this is the case, the Chair of the Committee will be notified of any changes to the proposed reporting arrangements in determining the agenda for each meeting in conjunction with the Governance Team.

3. Potential Impact on Objectives

The North East CA Corporate Plan sets out the Authority's five strategic missions. The work of Internal Audit and Audit and Standards Committee contributes to the overall achievement of the Authority's plans and priorities by reviewing its arrangements to implement its policies and to manage its resources and by promoting and maintaining high standards of conduct by members of the Authority.

4. Key Risks

There are no key risks identified from the approach outlined. The report proposes a work programme for the Committee, optimising the proposed frequency and timing of reporting.

5. Financial and Other Resources Implications

There are no direct financial implications arising from the adoption of the work programme. The costs associated with the operation of the Audit and Standards Committee will be contained within existing budgets.

6. Legal Implications

The North East CA is required to appoint an audit committee in accordance with the terms of Schedule 5A of the Local Democracy, Economic Development and Construction Act 2009 and the North East Mayoral Combined Authority (Establishment and Functions) Order 2024.

The North East CA is required by the Localism Act 2011 to promote high standards of conduct, adopt a Code of Conduct for its members and to have in place arrangements for dealing with alleged breaches of the Code. The Committee will have a key role in ensuring that the Authority complies with these requirements.

7. Equalities Implications

There are no direct equalities implications arising out of the recommendations in this report. However the Audit and Standards Committee must be mindful of its Public Sector Equality Duty and consider whether what is before them eliminates discrimination, harassment and victimisation; advances equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and fosters good relations between persons who share a relevant protected characteristic and persons who do not share it. The Committee should also note that the North East CA has adopted equality objectives to reflect its different roles as an employer, a commissioner, deliverer of services and a civic leader.

8. Consultation and Engagement

The work programme has been prepared in consultation with the Director of Finance and Investment, Internal Auditors, external auditors and the Chair of the Committee.

9. Appendices

Appendix A – Proposed Work Programme 2025/26

10. Background Papers

The following documents have been used in the compilation of this report

[Constitution \(northeast-ca.gov.uk\)](http://northeast-ca.gov.uk)

11. Contact Officers

Michael Robson, Senior Governance Officer (0191) 277 7242 michael.robson@northeast-ca.gov.uk

12. Glossary

CA – Combined Authority

**North East Combined Authority
Audit and Standards Committee**

Work Programme 2025/26
(as at 28 March 2025)

Thursday 19 June 2025 (Induction Workshop)		
<ul style="list-style-type: none"> • Role of the Committee and relationship with OSC • Code of Conduct and procedure for dealing with complaints • Single Assurance Framework and Risk Management Framework • Role of Internal Audit & Global Internal Audit Standards • Work Programme and training needs 	Governance Team	
	Monitoring Officer	
	Chief Finance Officer	
	Internal Audit Governance Team	

Tuesday 8 July 2025		
Internal Audit Annual Opinion 2024/25 To consider the Chief Internal Auditor's annual opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control as required by Global Internal Audit Standards in the UK Public Sector (which replaced Public Sector Internal Audit Standards on 1 April 2025).	Internal Audit	
Internal Audit Plan 2025/26 To note and consider and approve progress towards delivery of the 2025/26 Internal Audit Plan.	Internal Audit	
Draft Statement of Accounts 2024/25 To present the draft unaudited Statements of Accounts for the 2024/25 financial year and an accompanying Narrative Report.	Chief Finance Officer	
Annual Governance Statement 2024/25 To review and assess the draft Annual Governance Statement for 2024/25.	Chief Finance Officer	
External Audit - Audit Strategy Memorandum 2024/25 To consider the memorandum which sets out the strategy for the external audit of the financial statements for the period ending 31 March 2025 and summarises the audit approach, highlights significant audit risks and areas of key judgement in addition to providing details of the independent external audit team.	External Auditor	
Single Assurance Framework It was suggested at the workshop held in November 2024 that the ASC and OSC be presented with a report setting out the feedback received from internal and external stakeholders on the application of the SAF to date, what had been learnt and what action had been taken as a result.	Chief Finance Officer	
Strategic Risk Deep Dive To review in detail a strategic risk and how it is being mitigated.	Relevant Risk Owner(s)	
Overview and Scrutiny Committee To receive and note either the annual report or the work programme of the Overview and Scrutiny Committee to acknowledge how it is performing its complementary role in providing accountability within the organisation.	Governance Team	
Standards Update (if required)	Monitoring Officer	

Tuesday 16 September 2025		
Internal Audit Plan 2025/26 – Quarter Report To note and consider progress towards delivery of the 2025/26 Internal Audit Plan.	Internal Audit	
Strategic Risk Review To provide assurance that the most significant risks and opportunities have been identified, are being monitored and measures are being taken to mitigate them.	Risk Manager	Six monthly
Strategic Risk Deep Dive To review in detail a strategic risk and how it is being mitigated.	Relevant Risk Owner(s)	
External Audit - Audit Progress Report To provide the Committee with an update on the 2024/25 external audit work and recent relevant national reports and publications for information.	External Auditor	
Standards Update (if required)	Monitoring Officer	

Tuesday 18 November 2025 (Informal Workshop)		
The agenda for the workshop will be compiled in consultation with the Chair and informed by the Committee's self assessment of effectiveness, skills survey of members and any issues to arise from its proceedings.		

Tuesday 27 January 2026		
Internal Audit Plan 2025/26 – Quarterly Report To note and consider progress towards delivery of the 2025/26 Internal Audit Plan.	Internal Audit	
Final Statement of Accounts 2024/25 To review the Audited Statement of Accounts for the year ended March 2023 including Narrative Report and Annual Governance Statement.	Chief Finance Officer	
External Audit – Auditor's Annual Report 2024/25 To review the External Auditor's Annual Report which outlines how they have discharged their responsibilities (as defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice) and the findings from their work.	External Auditor	
External Audit - Audit Completion Reports 2024/25 To review and consider the Audit Certificate signed by the External Auditor to formally conclude the 2024/25 Audit and accompanying Completion Report and letter.	External Auditor	
Strategic Risk Deep Dive To review in detail a strategic risk and how it is being mitigated.	Relevant Risk Owner(s)	
Standards Update (if required)	Monitoring Officer	

Tuesday 14 April 2026		
Audit and Standards Committee – Work Programme 2026/27 To approve the Committee's outline work programme for the 2025/26 municipal year.	Governance Team	

Accounting Policies to be used in Compilation of Annual Statement of Accounts (2025/26) To review the accounting policies to be applied in the preparation of the 2025/26 Statement of Accounts and to confirm that appropriate policies are being applied.	Chief Finance Officer	
Internal Audit Plan 2025/26 – Quarterly Report To note and consider progress towards delivery of the 2025/26 Internal Audit Plan.	Internal Audit	
Internal Audit Mandate, Strategy and Charter & Internal Audit Plan 2026/27 To consider and approve any changes to the Internal Audit Mandate, Strategy and Charter and approve the Internal Audit Plan 2026/27.	Internal Audit	
Audit and Standards Committee Self-Assessment of Effectiveness To endorse the self-assessment of Audit and Standards Committee arrangements against good practice.	Internal Audit	
Strategic Risk Review To provide assurance that the most significant risks and opportunities have been identified, are being monitored and measures are being taken to mitigate them.	Chief Finance Officer	Six monthly
Strategic Risk Deep Dive To review in detail a strategic risk and how it is being mitigated.	Relevant Risk Owner(s)	
Standards Update (if required)	Monitoring Officer	

Other potential/unscheduled items

Code of Practice for Local Authority Accounting To be made aware of any changes to the Code of Practice for Local Authority Accounting in the UK which may impact on how statement of accounts are prepared.	Chief Finance Officer	
Counter Fraud Strategy and Action Plan		
Treasury Management Strategy		
Informal training/briefing sessions for Committee members An Internal Audit report on NTCA risk management recommended that “Practical and proportionate risk management training around the new arrangements and risk scoring should form part of the induction programme for Audit and Standards Committee, Cabinet members other forums and officers responsible for assessing risk.” The Director of Finance and Investment has suggested that training be delivered on treasury management, together with members of Cabinet and the Overview and Scrutiny Committee. A skills survey of Committee members identified the following training needs: <ul style="list-style-type: none"> • Standards Complaints Process • Sources of Funding • Good Governance (Annual Governance Statement) • Financial Reporting • External Audit 		