North East Combined Authority

DURHAM • GATESHEAD • SOUTH TYNESIDE • SUNDERLAND

Audit and Standards Committee

Tuesday 28 June at 10.00am

Meeting to be held at: Whickham Room, Gateshead Civic Centre, NE8 1HH

www.northeastca.gov.uk

AGENDA

Page No

1. **Apologies for Absence**

2. **Declarations of Interest**

   Please remember to declare any personal interest where appropriate both verbally and by recording it on the relevant form (to be submitted to the Democratic Services Officer). Please also remember to leave the meeting where any personal interest requires this.

3. **Minutes of the meeting held on 5 April 2022** **1-4**

   For approval as a correct record

4. **External Audit Progress Report** **5-22**

5. **Consideration of 'Going Concern Status' for the Statement of Accounts for the year ended 31 March 2022** **23-32**

6. **North East Combined Authority Strategic Risk Register** **33-106**

7. **NECA Annual Governance Statement 2021/22** **107-138**

8. **Draft Statement of Accounts 2021/22 -** *Report to follow* **139-271**

9. **Date and Time of Next Meeting:** 27 September 2022 at 10.00am.

Contact Officer: Toby Ord
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Item 3

Audit and Standards Committee

DRAFT MINUTES TO BE APPROVED

5 April 2022

(10.00am – 10.25am)

Meeting held at: Mayor's Parlour, Sunderland City Hall, SR1 3DP

Present:

Independent Members:	M Scrimshaw (Chair), G Clark (Vice-Chair)
Councillors:	A Huntley (South Tyneside), A Mullen (Sunderland), J Wallace (Gateshead), T Smith (Durham)
Officers:	John Rumney (representing the Monitoring Officer, NECA), Eleanor Goodman (Finance Manager, NECA), Tracy Davis (Senior Manager of Assurance, Sunderland City Council), Gavin Barker (Audit Director, Mazars), Toby Ord (Strategy and Democratic Services Assistant, NECA)

1 **APOLOGIES FOR ABSENCE (MEMBERS)**

Apologies for absence were received from Cllr Beadle, Paul Darby, Nicola Robason and Gavin Armstrong.

2 **DECLARATIONS OF INTEREST**

None.

3 **MINUTES OF THE PREVIOUS MEETING HELD ON 7 SEPTEMBER 2021**

The minutes of the meeting held on 7 September 2021 were approved as a correct record.

The Chair reiterated queries of whether Nexus Officers are yet to have been reinvited to attend a recent meeting. It was clarified that invites have been sent however no response was received.

RESOLVED that: -

i. Nexus Officers be once again requested to attend to an upcoming meeting.

4 **MINUTES OF THE MEETING HELD ON 5 JANUARY 2022**

The minutes of the meeting held on 5 January 2022 were approved as a correct record.

The Chair questioned whether the Treasury has yet to provide an update regarding the audit deadlines. It was indicated that the deadline has been pushed back from Christmas time 2021 to no sooner than July 2022.

5 **FOLLOW UP LETTER**

Submitted: Report of the External Auditor (previously circulated and copy attached to the official minutes).

The Audit Director from Mazars delivered his Follow Up Letter which aimed to provide some clarity on the position of the 2020/21 audit and issues / conclusions arising from the matter.

Members were assured that Mazars are determined to conclude the audit, however Treasury software issues are preventing all Government accounts from being finalised, affirming that this is a national issue. Until this issue is resolved, a certificate of completion cannot be designated. The Chair queried if the delays stemming from such issues will cause effect on anything further, however Members were assured that while this will cause increased workload this will not be insurmountable.

Another issue was raised by the Audit Director - a technical problem relating to accounting for infrastructure restraining the Auditors ability to fully sign off on the audit. It was assured that this is a purely technical issue existing outside of the public domain and occurs within all audits for Authorities with significant infrastructure. It was noted that it has become standard practice for accounts to be accepted in this state, and that these issues stretch back to 19/20 accounts.

There was said to be an expectation for a task and finish group to come to a resolve for subverting these technical practices to fully complete the accounts, however this will have to be reviewed and approved by the relevant governing bodies. Multiple solutions were listed, including a retrospective action to change technical rules to avoid such obstacles. Members identified this as the most sensible.

When questioned whether this was affecting next years audit, it was noted that the relevant Audit Officer who regularly assists with preliminary work is currently unable due to sickness. Despite this, some progress was said to have been made in audit planning.

RESOLVED that: -

i. the report be noted

6 NECA INTERNAL AUDIT PLAN 2022/23

Submitted: Report of the Senior Manager of Assurance, Sunderland City Council (previously circulated and copy attached to the official minutes).

The Senior Manager of Assurance at Sunderland delivered her report, outlining planned audit work for the upcoming year of 2022/23.

Members were informed that there is only one audit currently being undertaken: ‘Coordination of the Audit Certificate for the Local Transport Grant Claim’, under which each Local Authority’s relevant audit services shall ensure that their grants are in line with the relevant conditions under which they must be applied.

It was noted that a report is usually produced follow the completion of each audit, however for the aforementioned, one is only to be produced should there be any improvements which require notification, otherwise this step will be omitted, and a completion certificate will be designated.

The Chair expressed concern over the number of ‘substantial’s’ outlined in Annex 2, although it was clarified that these are a reference to assurance levels, and not risk factor, and are therefore positive.

RESOLVED that: -

i. the report be noted.

7 ACCOUNTING POLICIES

Submitted: Report of the Chief Finance Officer (previously circulated and copy attached to the official minutes).

The Finance Manager presented the report providing an update on proposed changes to accounting policies for the upcoming year.

It was stated that there are no proposals to update the current accounting policies. It was noted that there was an exceptional consultation held for the consideration of time limiting changes in order to offset delays to financial statements, however it was said that this is not going to be progressed further.

Members were made aware that any further proposals will be reviewed by the Chief Finance Officer and brought back to the Committee. Attention was also drawn to a missing tick under the ‘No Change’ column on page 40.

RESOLVED that: -

i. the report be noted.

8 **AGREEMENT OF ACCOUNTING POLICIES FOR 2021/22 STATEMENT OF ACCOUNTS**

Submitted: Report of the Chief Finance Officer (previously submitted and copy attached to the official minutes).

The Finance Manager delivered a swift update on changes to code of practice, reiterating the consultation issue discussed during the previous item. It was noted that updates proposed by the Government in December 2021 to support the completion of the Local Government Audit have yet to materialise. As well, NECA has received £9k to support audit work.

Attention was drawn to deadlines within the report, with a summary of changes to the code at the rear, although none of these were said to be significant.

RESOLVED that: -

i. the report be noted.

9 **DATE AND TIME OF NEXT MEETING: T**o be confirmed.

Item 4

Audit and Standards Committee

Date: **28 June 2022**

Subject: **External Audit Progress Report**

Report of: **External Auditor**

Executive Summary

The report provides Members of the Audit and Standards Committee with a copy of the External Auditor's Progress Report.

The report provides the Committee with updates on:

- The 2020/21 audit work;
- The 2021/22 audit planning process; and
- Recent relevant reports and publications for information.

Recommendations

The Committee is recommended to receive the report for information.

1. Background Information

1.1 Appendix 1 is the External Audit Progress Report provided by the external auditors, Mazars. This provides the Committee with updates on the 2020/21 audit work, the 2021/22 audit planning process and recent relevant national reports and publications for information.

2 Proposals

2.1 The Progress Report is attached as Appendix 1.

3. Reasons for the Proposals

3.1 The Progress Report is presented to the committee in line with its terms of reference, which include to receive reports from the External Auditor in relation to the statement of accounts.

4. Alternative Options Available

4.1 There are no alternative options arising from this report.

5. Next Steps and Timetable for Implementation

5.1 The External Auditor is unable to issue their audit opinion on the financial statements of the Authority and Group until the issue set out in the report is resolved, which is anticipated to be through steps taken by CIPFA in the near future to determine and implement a national solution.

5.2 The 2021/22 Audit Strategy Memorandum will be presented to the Committee at a future meeting, and the main external audit work will take place later this year, currently indicatively planned for late Summer 2022.

6. Potential Impact on Objectives

6.1 There are no impacts on objectives arising from this report.

7. Financial and Other Resources Implications

7.1 There are no direct financial implications arising for NECA as a result of this report.

8. Legal Implications

8.1 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.

9. Key Risks

9.1 There are no risk implications arising from this report.

10. Equality and Diversity

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

11. Crime and Disorder

11.1 There are no crime and disorder implications arising from this report.

12. Consultation/Engagement

12.1 Consultation has taken place with NECA statutory officers.

13. Other Impact of the Proposals

13.1 There are no other impacts arising from these proposals.

14. Appendices

14.1 Appendix 1 – External Audit Progress Report

15. Background Papers

15.1 None

16. Contact Officers

16.1 Jim Dafter, Senior Manager – Mazars, jim.dafter@mazars.co.uk

17. Sign off

17.1
- Head of Paid Service: ✓
- Monitoring Officer: ✓
- Chief Finance Officer: ✓

Appendix A

External Audit Progress Report

North East Combined Authority

June 2022

mazars

1. Audit Progress
2. National publications

01

Section 01:

Audit Progress

Audit Progress

Purpose of this report

This report provides the Committee with updates on:

- the 2020/21 audit work;
- the 2021/22 audit planning process; and
- recent relevant reports and publications for your information (Section 2).

2020/21 Audit

Members will recall that we presented our Audit Completion Report to the Audit and Standards Committee on 25 January 2022 and to the Leadership Board on 1 February 2022. We then presented a Follow Up Letter to the Audit and Standards Committee on 5 April 2022 within which we outlined a national issue in relation to infrastructure assets which was preventing us from giving the 2020/21 audit opinion. Unfortunately, this issue is still ongoing and CIPFA have introduced an Urgent Task and Finish Group to resolve this issue.

We are yet to complete our work in respect of your value for money arrangements for the year ended 31 March 2021. At the time of preparing this report, we have not identified any significant weaknesses in arrangements that require us to make a recommendation, however, we continue to undertake work on NECA's arrangements. We are required to report our findings in this area within 3 months of the audit opinion date.

Finally, we are yet to receive group instructions from the National Audit Office to allow us to carry out work on the Whole of Government Accounts. The timescale for this now appears to have moved towards the summer of 2022.

All of the above has resulted in us being unable to give our certificate closing the 2020/21 audit.

Audit Progress

2021/22 Audit

We will present our 2021/22 Audit Strategy Memorandum with the Committee at a future meeting. At this stage we do not expect any significant changes to the audit risk profile and the overall audit approach required under the NAO Code of Audit Practice, and we have not identified any significant changes to the financial reporting requirements under the 2021/22 CIPFA Accounting Code. The operating and financial environment continues though to be challenging and its important our audit plan is properly tailored to NECA's risks and issues.

We held our annual Local Government Accountant's workshops in February 2022, which were attended by members of the finance team.

We have continued to update our planning and our audit visit, including our normal system walkthroughs and audit of the financial statements, is planned for late Summer 2022. We will follow up any specific issues with management

We have not identified any specific significant concerns from the value for money risk assessment to date. The scope of the assessment is largely unchanged through the latest NAO guidance and the work carried out in 2020/21, helped by the management self assessment with supporting evidence, provides a good platform for the 2021/22 assessment. We are continuing to carry out desk top procedures to update our assessment and will report any matters arising if required. The Financial Stability theme is, as expected, an area where we expect at all bodies to have to continue to keep our assessment up to date, given amongst other things the continuing uncertainty over future funding and cost pressures.

02

Section 02:

National publications

National publications

	Publication/update	Key points
Chartered Institute of Public Finance and Accountability (CIPFA)		
1.	**Urgent Task and Finish Group – infrastructure, March 2022**	Technical accounting issue; until this national issue is resolved, audit firms are pausing issuing opinions which are outstanding for 2020/21.
2.	**Local Authority Controlled Companies: a good practice guide, May 2022**	A good practice guide published in May 2022; highlighted for potential interest to Committee Members, noting the full guide needs to be purchased.
National Audit Office (NAO)		
3.	**Investigation into government's actions to combat waste crime in England, April 2022**	This investigation responds to concerns about government's oversight of the waste industry and how action is taken to address illegal activity.
Public Sector Audit Appointments Limited (PSAA)		
4.	**Annual Quality Monitoring Report 2019/20, April 2022**	This covers the work of local auditors appointed by PSAA for the 2019/20 financial year. The report provides information from PSAA's quality monitoring arrangements throughout the year, survey results and findings from professional regulation and contractual compliance. The report details how the Financial Reporting Council reviewed four Mazars financial statements audits and all were assessed as meeting the required standard.

NATIONAL PUBLICATIONS

CIPFA

1. CIPFA Urgent Task and Finish Group – infrastructure, March 2022

CIPFA has established a task and finish group to address an issue regarding the derecognition of parts of infrastructure assets following 'replacement' expenditure. This is a complex and serious issue. The group will consider the issues arising, and how it might assist in their resolution. Such assistance might take the form of producing additional guidance on this issue or including clarifications in the accounting code.

CIPFA LASAAC has instead agreed in principle to issue a consultation paper on a temporary solution so that local authorities and auditors can progress the issue and to ensure that there are no unintended consequences emanating from any options pursued. A more in-depth consultation on the issue will follow as a part of the consultation on the 2023/24 code. The consultation on the temporary solution was issued in early May 2022.

Until this national issue is resolved, audit firms are pausing issuing opinions which are outstanding for 2020/21.

Description of the issue

The issue is a technical accounting one and arises principally because of information availability relating to these assets.

Accounting for infrastructure in local government has not historically been considered to be an area of significant audit risk, due to the inalienable nature of the assets and the use of a historical cost basis of accounting. However, concerns raised by a local government auditor that some authorities are not applying component accounting requirements appropriately have recently come to light via audit network discussions convened by the National Audit Office.

The issue raised by auditors is in relation to the derecognition (removal of the carrying amount) of parts of infrastructure assets when replacement expenditure is undertaken. There are also related issues for the reporting of gross historical cost and accumulated depreciation. Infrastructure assets are one of the few categories of property, plant and equipment assets measured at historical cost rather than at an asset measurement described as ‘current value’. The valuation process for these assets was deemed to be too costly and, therefore, infrastructure assets are held in local authority balance sheets at depreciated historical cost.

Normal custom and practice for (highways) infrastructure assets is that derecognition does not affect asset balances because the assets are expected to have been fully used up before the replacement expenditure takes place; this does require that assets are properly depreciated in line with the requirements of the Accounting Code. This issue arises in part because of limitations on historical information relating to when the assets were first recorded on balance sheets in the early 1990s, and where there have been transfers of assets because of local authority reorganisations. It is also extremely difficult to clearly identify the parts of the assets which are being replaced.

https://www.cipfa.org/policy-and-guidance/urgent-task-and-finish-group-local-authority-infrastructure-assets

NATIONAL PUBLICATIONS
CIPFA

2. CIPFA Local Authority Controlled Companies: a good practice guide, May 2022

In recent years, the potential risk associated with local authority trading companies and joint ventures has increased. Nothing is risk free, but it is important to learn lessons from others and access support.

https://www.cipfa.org/policy-and-guidance/publications/l/local-authority-owned-companies-a-good-practice-guide

NATIONAL PUBLICATIONS

National Audit Office

3. Investigation into government's actions to combat waste crime in England, April 2022

A range of organisations are involved in combatting waste crime in England. The Department for Environment, Food & Rural Affairs (Defra) has policy responsibility for waste, including waste crime, within government. The Environment Agency (the Agency) is responsible for investigating certain types of waste crime and taking action against the perpetrators, including illegal waste sites, illegal dumping (the most serious fly-tipping incidents) and breaches of environmental permits and exemptions. Responsibility for clearing waste ultimately sits with the landowner or land manager, including local authorities and other public bodies such as National Highways. Local authorities also have powers and duties relating to fly-tipping, and deal with the majority of smaller incidents. HM Revenue & Customs (HMRC) has responsibility for pursuing the evasion of landfill tax in England.

In 2018, the government published a range of documents setting the course for waste crime policy. The 25-Year Environment Plan set the ambition to eliminate waste crime and illegal waste sites within 25 years. The Resources and Waste Strategy reiterated that goal and set out government's approach and planned action to combat waste crime over the short to medium term. The 2021 Environment Act includes changes to elements of the law on waste enforcement and regulation

This investigation responds to concerns expressed by MPs about government's oversight of the waste industry and how action is taken to address illegal activity. Concerns related partly to a HMRC investigation into suspected systematic abuse of the landfill tax system referred to as Operation Nosedive, which cost more than £3 million but ended in plans to pursue prosecutions being abandoned.

While Defra and the Agency have a good understanding of the nature and complexity of waste crime, the Agency does not currently have the data it needs to identify and assess the full extent of all waste crime, which makes it difficult to prioritise its response effectively. The Agency acknowledges that the more it looks for incidents of non-compliance with waste regulations, the more waste crime it finds, and that for some types of waste crime the reported statistics understate the true extent. Available evidence indicates that the incidence and cost of dealing with waste crime across England is increasing. Landfill tax changes have, as intended, led to a reduction in landfill volumes but have also increased the financial incentives to commit waste crime. Barriers to operators entering the waste sector are low, and sanctions and prosecutions for committing waste crime may not be acting as effective deterrents.

Reported fly-tipping incidents have been increasing over the past decade. The number of fly-tipping incidents reported by local authorities has been broadly increasing since 2012/13, reaching more than 1.13 million incidents in 2020/21. In 2020/21: most fly-tipping incidents involved household waste; the most common place for fly-tipping to occur was on highways; and incidents equivalent in size to a 'small van load' were the commonest category. Local authorities reported that clearing the largest categories of fly-tipped waste cost them £11.6 million in 2020/21.

NATIONAL PUBLICATIONS

National Audit Office

3. Investigation into government's actions to combat waste crime in England, April 2022 (continued)

Local authorities make extensive use of fixed penalty notices against fly-tippers. Between 2014/15 and 2020/21, local authorities recorded seven million incidents of fly-tipping and investigated 31% (2.2 million) of these, although the proportion investigated fell from 35% to 28% over the period. Of nearly one million actions taken in response by local authorities, the most common were issuing a fixed penalty notice (43%) or a warning letter (39%). In contrast, only 2.4% resulted in a caution or prosecution. Nearly three-quarters of prosecutions led to a fine of £500 or less, but there were 10 fines of more than £20,000, 163 custodial sentences, and 1,494 vehicles were seized.

The goal of eliminating waste crime provides the Agency with a clear vision to inform its strategy and performance management. The introduction of the Resources and Waste Strategy in 2018 was an important step forward although it was not intended to include all the actions needed to eliminate waste crime. Government's progress with implementing the actions has been slower than it had hoped. However, the Joint Unit for Waste Crime is showing early signs of progress, and Defra has strengthened requirements for obtaining environmental permits and is planning further reforms. The government plans to review progress regularly and consider what further actions are needed, but it does not yet have appropriate performance indicators to support this.

https://www.nao.org.uk/report/investigation-into-governments-actions-to-combat-waste-crime-in-england/#

NATIONAL PUBLICATIONS

Public Sector Audit Appointments Ltd

4. Annual Quality Monitoring Report 2019/20

This covers the work of local auditors appointed by PSAA for the 2019/20 financial year, which was undertaken during a difficult time for all concerned. The systemic issues that were highlighted in Sir Tony Redmond's Review continued and were compounded by the pandemic.

In September 2020 Sir Tony Redmond's review of local authority financial reporting and external audit was published. The report highlighted the significant challenges and turbulence within the new system of local audit, emphasising that at present local government audit is under-resourced, undervalued and is not having impact in the right areas. The report made a number of recommendations in relation to external audit regulation, smaller authorities' audit regulation, the financial resilience of local authorities and the transparency of financial reporting.

In December 2020 the Ministry of Housing, Communities and Local Government (MHCLG) delivered its initial response to the Redmond Review setting out proposed actions to implement the majority of the recommendations made in the report. This was followed by a further announcement in May 2021 which proposed that the Audit, Reporting and Governance Authority (ARGA) would carry out the hugely important role of the local audit systems leader. ARGA is the new regulator being established to replace the FRC and will contain a dedicated local audit unit which will play a key leadership and coordination role in the local audit framework. MHCLG consulted in Summer 2021 on how the new arrangements would function.

The next year is likely to continue to be very challenging for all involved in local audit, but DLUHC (formerly MHCLG) will take forward and refine its proposals in its role as interim systems leader until ARGA is created, and the FRC will create a local audit unit in shadow form.

The problems that Sir Tony Redmond reported on continue to impact significantly on the timely completion of local government audits. Only 45% of audit opinions were completed by the publishing date of 30 November 2020, compared with 58% in the previous year. This has now fallen even further with only 9% for 2020/21 audits of financial statement opinions completed (noting the reversion to a 30 September publishing date). Delayed audit opinions have a real public-facing impact, undermining the ability of local bodies to account effectively for their stewardship of public money to taxpayers. It is imperative that the whole system works together to restore timely completion of audits in order to rebuild public confidence and trust, especially as the lack of a statutory deadline for the audit opinion means that co-operation is essential to make the system work as the public has the right to expect it to.

https://www.psaa.co.uk/managing-audit-quality/annual-audit-quality-reports-from-2018-19/annual-reports/audit-quality-monitoring-report-2019-20/

Contact

Mazars

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Item 5

Audit and Standards Committee

Date: **28 June 2022**

Subject: **Consideration of 'Going Concern Status' for the Statement of Accounts for the year ended 31 March 2022**

Report of: **Chief Finance Officer**

Executive Summary

NECA is required to assess whether it should be considered as a 'going concern' organisation and whether the authority's annual accounts should be prepared on that basis. This report considers NECA's status as a going concern and recommends that Members approve this.

When preparing the annual statement of accounts, NECA complies with the Code of Practice on Local Authority Accounting 2021/22 (the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code requires the accounts to be prepared on a going concern basis.

This report details the reasons why it is recommended that NECA be considered as a going concern and it is appropriate for the statement of accounts to be prepared on that basis. In summary those reasons are:

a) The financial position of the authority remains healthy;
b) As at 31 March 2022 NECA held general reserves of £9.489m (provisional) and reserves earmarked for specific future purposes, including those held on behalf of Nexus, of £11.305m (provisional);
c) Net assets at 31 March 2022 amounted to £139.897m (provisional);
d) The authority has been able to set a balanced budget for 2022/23 and has a clear plan in place to continue to deliver transport services up to (at least) 2023/24;
e) The authority has a history of stable finance and ready access to financial resources in the future; and
f) There are no significant financial, operating or other risks that would jeopardise the authority's continuing operation.

Recommendations

The Committee is recommended to note the opinion of the Chief Finance Officer that NECA be considered as a going concern and the statement of accounts be prepared on that basis.

1. Background Information

1.1 The general principles adopted in compiling the statement of accounts are in accordance with the Code of Practice on Local Authority Accounting 2021/22 (the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code defines proper accounting practices for local authorities in England, Wales, Scotland and Northern Ireland.

1.2 The Code requires that a local authority's statement of accounts is prepared on a going concern basis; that is, the accounts should be prepared on the assumption that the authority will continue in operational existing for the foreseeable future. This means that the Comprehensive Income and Expenditure Statement and Balance Sheet assume no intention to curtail significantly the scale of the operation.

1.3 An inability to apply the going concern concept can have a fundamental impact on the financial statements. In reality, it would be highly unusual for a local authority to have a going concern problem. There may be cases where part of an authority's operations cease to be viable or affordable. However, this will not give rise to a going concern issue for the authority given that the impact would be restricted to only that part of the operation.

1.4 Transfers of services under combinations of public sector bodies similarly do not negate the presumption of going concern. The government's Levelling Up White Paper published earlier this year committed to extending devolution in England, including taking forward negotiations for an expanded Mayoral Combined Authority deal for the North East. County Durham was named as one of nine areas selected to take forward proposals for devolved powers through a County Deal. These negotiations with government are likely to lead to changes in the scope and functions of NECA, however this is not expected to have an impact on its status as a going concern.

2 Proposals

2.1 The assumption that a local authority's services will continue to operate for the foreseeable future is made because local authorities carry out functions essential to the local community and are themselves revenue raising bodies (with limits on their revenue raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are therefore that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year.

2.2 Local authorities, including Combined Authorities, derive their powers from statute and their financing and accounting framework is closely monitored by primary and secondary legislation. It is a fundamental concept of local authority accounting that wherever accounting principles and legislative requirements are in conflict, the legislative requirements then apply.

2.3 An organisation must consider its financial performance to assess its ability to continue as a going concern. This assessment should cover historical, current and future performance.

Historical Position

2.4 The following table shows the net assets of the authority for the last five years:

Year ended 31 March	**Net Assets £ million**
2018	163.599
2019	114.283
2020	125.141
2021	99.316
2022 (provisional)	139.897

The significant reduction in net assets between 31 March 2018 and 31 March 2019 was due to the changes to the boundaries of NECA and the establishment of the NTCA in that year. From this point onwards the net assets of the North East Joint Transport Committee (JTC) were split between the accounts of NECA and NTCA. Similarly, the reduction between 31 March 2020 and 31 March 2021 is due to the transfer of the net assets of the North East LEP to NTCA. As set out in paragraph 1.4 above, these transfers of functions do not negate the going concern presumption.

2.6 The external auditor provides a 'Value for Money' conclusion at each year end providing their opinion on whether the authority has put arrangements in place for securing economy, efficiency and effectiveness in its use of resources. The authority's arrangements are considered against one overall criterion which is made up of three sub criteria as set out by the National Audit Office (NAO).

2.7 The overall criterion is 'in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people'. The three sub-criteria are: informed decision-making; sustainable resource deployment; and working with partners and other third parties.

2.8 The last Audit Completion Report related to 2020/21 and was reported to the Audit and Standards Committee on 25 January 2022. Within that report the external auditor stated that although there was a delay in issuing the audit opinion, they anticipated having no significant weaknesses to report in relation to the arrangements that NECA has in place to secure economy, efficiency and effectiveness in its use of resources.

Current Position

2.9 At 31 March 2022 the authority held general reserves of £9.489m (provisional) and reserves earmarked for specific future purposes, including those held on behalf of Nexus, of £11.305m (provisional).

2.10 The financial position of the authority remains healthy. Net assets at 31 March 2022 amounted to £139.897m (provisional), an increase of £40.580m during 2021/22.

Future Plans

2.11 The authority approved its budget for 2022/23 and Medium Term Financial Strategy (MTFS) to 2024/25, at the Leadership Board meeting on 1 February 2022.

Medium Term Financial Strategy – 2022/23 to 2024/25

2.12 The financial outlook for the constituent local authorities that form NECA will continue to be extremely uncertain until the Fair Funding Review is concluded and the long term impact of the pandemic and of the UK exit from the European Union and associated impacts arising from the Trade Deal are fully understood.

2.13 It is uncertain when there will be clarity on these areas, with the local government minister confirming that councils will not receive multi-year funding settlements until the Fair Funding Review is concluded, for which a revised date has not been set. This continues to make medium term financial planning difficult because NECA is largely funded by government grants and the constituent local authority contributions in the form of the Transport Levy and contributions to the Corporate costs of the authority.

2.14 Recovery from the COVID-19 pandemic will also continue to have a significant financial impact on the constituent authorities and NECA in 2022/23 and future years. NECA and the JTC began to experience the impact of the pandemic in March 2020 when levels of traffic using the Tyne Tunnels and the passengers using the Tyne and Wear Metro reduced significantly. Although traffic and patronage recovered somewhat during 2020/21 and 2021/22 depending on the periods lockdowns and local restrictions were in place, it still remains significantly below budgeted levels. Nexus and constituent local authorities have received significant grant funding from DfT to manage and offset the additional costs and reduced income arising from the pandemic, however, future funding is uncertain and local authorities may still be expected to use their own reserves to fund any shortfall in future funding.

2.15 The authority continues to have a robust financial standing with sound and continuously improving financial management procedures and processes in place. During 2020/21 the NECA financial management and accounting systems were transferred on the Durham County Council platform and during 2021/22 these arrangements received ‘substantial’ assurance from internal audit.

2.16 The authority continues to face a range of budget pressures including general inflation and increases in staff costs for directly employed staff and for services provided through Service Level Agreements with constituent local authorities.

2.17 The MTFS sets out the authority's approach to achieving a sustainable budget over the medium term whilst ensuring that all revenue resources are directed towards corporate priorities. The MTFS describes the financial direction of the authority over the planning period and outlines the financial pressures it will face.

2.18 In general, the authority has been accurate in forecasting the level of budget pressures and savings required, which has allowed the development of strong plans and enabled the authority to robustly manage the implementation and delivery on time. This has put the authority in as strong a position as possible to meet the ongoing financial challenges across this MTFS and beyond.

2.19 After taking into account base budget pressures, additional investment and savings and specific government grants, the authority's net budget requirement for 2022/23 is £87.371m. The financing of the net budget requirement is detailed in the following table:

Financing of the 2022/23 Budget

Funding Stream	**Amount £m**
JTC Transport Levies	87.201
Contributions from constituent local authorities – NECA Corporate	0.100
Contributions from constituent local authorities – JTC Accountable Body	0.070
Total	**87.371**

Capital Funding

2.20 On 18 January 2022, the JTC agreed the revised 2021/22 revised capital budget and the capital programme for the period 2022/23 to 2024/25.

	2022/23 £m	**2023/24 £m**	**2024/25 £m**
Transforming Cities Fund Tranche 2	70.618	0.000	0.000
Active Travel Fund	3.186	0.000	0.000
Electric Vehicle Charging Infrastructure	0.175	0.000	0.000
Ultra-Low Emission Vehicles – Taxi Project	0.043	0.000	0.000
Metro Asset Renewal Plan	32.762	38.300	38.300
Metro Fleet Replacement	69.808	99.000	42.300
Nexus non-Metro Capital Programme	8.345	6.300	0.000
Metro Flow	83.498	1.100	0.000
Local Transport Plan	11.339	11.339	11.339
Total	**279.774**	**156.039**	**91.939**

2.21 The capital programme delivers some of the investment in transport infrastructure necessary to work towards the JTC's aspirations in its North East Transport Plan 2021-2035 of "moving to a green, healthy, dynamic and thriving North East".

2.22 The authority has been able to set a balanced budget for 2022/23 and has a clear plan in place to continue to deliver services up to 2025. Based upon this, it is evident that the authority is a going concern.

Financial Reserves

2.23 Reserves are held as a:

- Working balance to help cushion the impact of any uneven cash flows and avoid unnecessary temporary borrowing – this forms part of the general reserves;
- Contingency to cushion the impact of any unexpected events or emergencies – this also forms part of general reserves;
- Means of building up funds, earmarked reserves to meet known or predicted future liabilities and fund future capital expenditure.

2.24 Based on the level of reserves held, the authority has demonstrated robust financial management that underpins its status as a going concern.

Risk

2.25 The authority has previously recognised that a wide range of financial risks need to be managed and mitigated across the medium term. All risks will be assessed continually throughout the budget period. Some of the key risks identified include:

- Ensuring the achievement of a balanced budget and financial position across the MTFS period;
- Ensuring savings plans are risk assessed across a range of factors e.g. impact upon customers, stakeholders, partners and employees;
- There is no certainty over the quantum of government funding available for local government beyond 2022/23. Given the pressures faced, particularly from social case, it is imperative that the quantum is increased and that a long-term settlement is agreed as part of the expected 2021 Comprehensive Spending Review;
- The outcome of the government's Fair Funding Review which has been delayed from 2020 with no clear implementation date. This review could result in significant changes to the distribution of government funding;
- Sources and levels of funding available to the JTC to develop the North East region's transport infrastructure may reduce;
- Failure of the JTC to secure the maximum amount of transport funding available to progress transport infrastructure in the North East region;

- Funding secured for transport initiatives within the North East region by the JTC and its partners may not be able to be used on a timely basis or be sufficient to complete intended projects;
- The impact of future increases in inflationary factors such as pay awards. Levels of inflation are currently extremely high and forecast to remain so for some time.
- It is not possible to be clear at this point as to any long-term impact from the covid-19 pandemic on NECA costs and sources of income. This will be closely monitored in the coming months with any ongoing impact needing to be built into future MTFS plans;
- The impact of Brexit, which could affect future government finance settlements, business rate income, price inflation and European funding.

2.26 Based up on the above there are no risks which would indicate that the authority is not a going concern

Conclusion

2.27 When considering and approving the accounts the Leadership Board, being those charged with governance for the authority, will need to consider which of the following three basic scenarios is the most appropriate:

a) The body is clearly a going concern and it is appropriate for the accounts to be prepared on the going concern basis;
b) The body is a going concern but there are uncertainties regarding future issues which should be disclosed in the accounts to ensure the true and fair view;
c) The body is not a going concern and the accounts will need to be prepared on an appropriate alternative basis.

2.28 Based upon the assessment undertaken, in my view:

- The authority has a history of stable finance and ready access to financial resources in the future;
- There are no significant financial, operating or other risks that would jeopardise the authority's continuing operation.
- The authority is therefore a going concern and it is appropriate for the statement of accounts to be prepared on that basis.

3. Reasons for the Proposals

3.1 This report is presented to the Audit and Standards Committee as per point 12 of its terms of reference: "the Audit and Standards Committee will review key information relating to NECA's Statement of Accounts".

4. Alternative Options Available

4.1 This report is provided for information.

5. Next Steps and Timetable for Implementation

5.1 The draft accounts and the audited statement of accounts will be presented to the Audit and Standards Committee for consideration and to the Leadership Board for approval following the conclusion of the audit later this financial year.

6. Potential Impact on Objectives

6.1 There are no impacts on objectives arising from this report.

7. Financial and Other Resources Implications

7.1 The report considers NECA as a ‘going concern’.

8. Legal Implications

8.1 Compliance with the Accounts and Audit Regulations 2015 and the CIPFA Code of Practice on Local Authority Accounting 2021/22 which is based upon approved accounting standards in England and Wales and constitutes proper accounting practice under the terms of section 21(2) of the Local Government Act 2003.

9. Key Risks

9.1 There are no risk implications arising from this report. Key financial risks to the authority are set out in the main body of the report.

10. Equality and Diversity

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

11. Crime and Disorder

11.1 There are no crime and disorder implications arising from this report.

12. Consultation/Engagement

12.1 The statement of accounts will be subject to a public inspection period during July and August 2022.

13. Other Impact of the Proposals

13.1 There are no other impacts arising from these proposals.

14. Appendices

14.1 None

15. Background Papers

15.1 None

16. Contact Officers

16.1 Eleanor Goodman, Finance Manager, Eleanor.goodman@northeastca.gov.uk, 0191 433 3860

17. Sign off

17.1

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

North East Combined Authority
DURHAM • GATESHEAD • SOUTH TYNESIDE • SUNDERLAND

Item 6

Audit and Standards Committee

Date: **28 June 2022**

Subject: **North East Combined Authority Strategic Risk Register**

Report Of: **Senior Manager – Assurance, Sunderland City Council**

Executive Summary

This report provides members with an up to date assessment of the strategic risks the North East Combined Authority (NECA) faces as it seeks to achieve its objectives.

No new risks have been added to the NECA Strategic Risk Register, which was previously reported to the Committee in January 2022. Consequently, the Strategic Risk Register still contains 13 risks.

Following a recent review of the Strategic Risk Register, Appendix 2 is now in a revised, tabular format, with new elements added to provide further assurance, including timescales for mitigating actions and Target risk scores that those actions are expected to achieve. Since the previous meeting a high-level review has taken place with lead officers to update Mitigation Actions including the addition of timescales and target scores.

As usual, any recent changes, developments or activities considered relevant to the assessment of NECA's strategic risks have been highlighted in *blue italics* in Appendix 1 and 2 attached to this report.

The current level of risk associated with NECA's risks regarding the achievement of its strategic objectives previously reported remain the same. Of these six risks, five are still assessed as having a 'high' risk level due to a combination of one or more of the following matters:

a) the fact that the government's ability to invest in economic development infrastructure may be reduced due to the need to potentially reduce public sector expenditure to redress the public sector finances and a potential financial recession caused by the Covid-19 pandemic and in reaction to the Cost of Living Crisis resulting from the effect on trade of the war in Ukraine, Inflationary and interest rate increases;

b) the direct negative impact of the Covid pandemic on business activity;

c) the need to change behaviour in society to achieve some of the objectives;

d) funding ambitions not met for transport plans by the 2021 Autumn Budget and the Integrated Rail Plan for the North and Midlands, allocations to NECA Authorities from UK Community Renewal Fund and Levelling Up fund round one, with a continuing indication from government that NECA's non-mayoral governance structure is prohibitive to funding opportunities.

The further seven 'organisational' risks previously reported relating to NECA remained stable with no changes reported since the previous update to the Committee, including the continuing 'high' risk level for Risk 1 relating to the Future Availability of Funding and Risk 2, relating to Funding Opportunities.

Officers will continue to review the Strategic Risk Register on a quarterly basis prior to presentation to the Audit and Standards Committee.

The North East Joint Transport Committee (JTC) Strategic Risk Register was updated and last considered by the JTC Audit Committee in March 2022 and is attached to this report. A further update is scheduled for consideration by the JTC Audit Committee in July 2022.

Recommendations

1. The Audit Committee is asked to consider and comment on the content of the Strategic Risk Register and comment on its content.

1. Background Information

1.1 As a result of the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority (Establishment and Functions) Order 2018 ('the Order') the North of Tyne Combined Authority (NoTCA) was created, and the boundaries of NECA changed on the 2 November 2018. NECA now covers the local authorities of Durham; Gateshead, South Tyneside and Sunderland; and NoTCA covers Newcastle, North Tyneside and Northumberland.

1.2 The two Combined Authorities have responsibility for transport; however, as the former Tyne & Wear passenger transport authority area (and its passenger transport executive, Nexus) straddles the two combined authorities, the Order also provided that they must establish a Joint Transport Committee (JTC) to exercise all transport functions. Hence the JTC was created. NECA also acts as the 'host authority' for the JTC. For these reasons NECA's Strategic Risk Register reflects risks around transport as they affect the achievement of NECA's draft objectives. However, it should be noted that organisational risks for NECA do not relate to the JTC. The JTC has its own strategic risk register which assesses its organisational risks separately.

1.3 While NECA no longer acts as the 'host authority' to the North East Local Enterprise Partnership (North East LEP), NECA's Strategic Risk Register reflects risks around economic development where there may be an impact on the achievement of NECA's objectives.

1.4 NECA defines its strategic risks as those matters which, if they were to occur, could have a material adverse impact upon the achievement of its ambition to create the best possible conditions for growth in jobs, investment and living standards, making the North East an excellent place to live and work.

1.5 In order to aid NECA to achieve its overall ambitions, NECA has drafted a Strategic Economic Plan. Six objectives have been identified that the plan will seek to achieve. These are:

i. Decarbonise the growing economy
ii. Further develop our international trade and investment
iii. Better skills and more quality jobs
iv. Draw many more of our residents into the economic mainstream
v. Become a sustainable well-connected region
vi. Shaping the Great North East

1.6 This report offers the NECA Audit and Standards Committee the opportunity to consider the nature and level of risk NECA faces in seeking to achieve its overall vision and objectives based on the draft Strategic Economic Plan.

1.7 For each of these six risks the possible causes of each of the risks and the factors affecting the likelihood of each of risk occurring originate from sources/actions both within and outside the control of NECA. Consequently, the management of the risk is not totally within the sole control of NECA itself. The further mitigating actions to manage the risks recorded in the

NECA Strategic Risk Register reflect only what NECA itself can do to manage the risks.

1.8 As the Committee is aware the risk register has been reviewed, attached at Appendix 2, and is now provided in a more traditional tabular format. Following the Committee's requirements of reflecting factors that are considered to be outside of the NECA's control, likelihood factors are split to identify where this is regarded as the case, with a further split where factors are regarded as directly related to Covid-19. Likelihood factors are also colour coded to indicate their positive (green) or negative (amber or red) effect on the likelihood score. For clarification, other columns having an impact on the risk score have not been colour coded as they are otherwise all positive or negative in their effect; Impact factors have a negative effect on the score and Current Controls and Mitigating Actions are positive. The new format is both easier to use and gives a clearer view of the causes, the current position of each risk and how the various factors identified effect their rating.

1.9 As agreed at the previous meeting a high-level review has been carried out, with assistance of the Chief Finance Officer and the Policy and Scrutiny Officer, on the new elements added to the detailed risk register, including:

- Significant dates for activity effecting the implementation of mitigating actions where appropriate;
- Target score, reflecting the revised scoring of impact, likelihood and Risk Rating based on the assessed effect of the mitigating actions on the Current Risk Score;
- Direction of travel from the Current Risk Score to Target Score showing the expected effect once the mitigating actions are implemented.

1.10 The upkeep of the risk register will include ongoing discussions with officers as well as the review of relevant documentation and minutes of meetings.

2. Proposals

2.1 The Register identifies 13 strategic risks. These are split into two categories:

a) six risks relating to the achievement of NECA's strategic objectives included in NECA's draft Strategic Economic Plan, and

b) seven risks relating to the NECA organisation itself.

2.2 The risks relating to the objectives of NECA expressed in the draft Strategic Economic Plan are:

a) Failure to achieve the planned outcomes to realise the decarbonisation of economic activity, infrastructure and housing within the NECA area.

b) Failure to achieve the planned outcomes to realise the diversification of the region's industrial base, and to maintain its high levels of exporting and direct inward investment

c) Failure to achieve the planned outcomes to allow the labour market to work much more effectively to meet future employer demand, to grow the economy and secure good jobs by developing major investment sites and to extend the range of opportunities for individuals

d) Failure to achieve the planned outcomes to ensure that people of all ages can access timely and personalised support to overcome their educational, situational and motivational barriers to work and to equip them with the capabilities the economy needs so that they can find employment

e) Failure to achieve the planned outcomes to strengthen and extend transport networks in the NECA area while reducing pressure and encouraging green travel, to improve digital connectivity, and to achieve a high level of digital skill within the workforce.

f) Failure to achieve the planned outcomes to ensure the NECA region is attractive to residents, businesses, visitors and new settlers by having a thriving economy, and being a green and prosperous place that offers an exceptional quality of life and improved opportunities for all

2.3 The strategic risks relating to the NECA organisation itself (excluding JTC) are:

a) Sources and levels of funding available to NECA may not be aligned to the Strategic Economic objectives of NECA.

b) Failure of NECA to secure the maximum amount of funding available to progress projects which support the delivery of the Strategic Economic objectives of NECA.

c) Funding secured for initiatives within the North-East region by NECA and its partners may not be able to be used on a timely basis, not be sufficient to complete intended projects or may be used inappropriately.

d) The governance arrangements of NECA are not appropriate to allow effective and timely decision making and the achievement of its objectives.

e) NECA does not have the necessary operational capacity, skills and budget, to successfully deliver its objectives, plans and responsibilities.

f) Projects which are funded through NECA are delayed, are significantly overspent or do not deliver the intended product to meet the identified transport need.

g) Infrastructure assets which are owned by NECA are inadequately managed and maintained.

2.4 The Strategic Risk Register is updated in light of the content of recent reports considered by the NECA Leadership Board and its sub-committees, information from other relevant bodies and discussions with NECA, JTC and NECA Member officers, as appropriate. Since the last update a specific exercise has taken place with the assistance of the Chief Finance Officer and the Policy and Scrutiny Officer to update the risk register and this included:

- A review of Leads for each Mitigating Action.
- Dates of activity that will impact on the implementation of Mitigating Actions.

- Target Scores reflecting the effect of current Mitigating Actions on the Current Risk Score.
- The Direction of Travel from Current Risk Score to Target Risk Score.

Any recent changes, developments or activities considered relevant to the assessment of NECA's strategic risks have been highlighted in *blue* in Appendix 1 and 2 attached to this report. It should be noted:

a) No changes have been made to the number of risks, description of risk or the level of assessed risk.

b) A mix of positive and negative changes have been identified:

Significant negative **Likelihood** factors include:

- Negative impact of Cost of Living Crisis, resulting from the effect on trade of the war in Ukraine, rises in inflation and interest rates on local business, consumers and the local, national and global economy as a whole in relation to spending, investment and employment.
- Current predictions are that the lack of recovery in public transport usage following the impact of the Pandemic may require service reductions, especially in relation to bus services.
- Government measures and continued impact of Cost of Living Crisis will have a significant impact on government funds and investment.
- Negative impact on Public Transport providers and users due to Cost of Living Crisis resulting from the effect on trade of the war in Ukraine, and rises in inflation and interest rates. Significant cost pressures on JTC Budgets, specifically the Transport Levy for Tyne and Wear due to fall and expectation of limited recovery on Metro passenger numbers.
- Employment levels in the NECA area are beneath pre-pandemic rates believed to be due to a rise in economic inactivity levels through illness and carer responsibilities.
- Government's Clean Air Zone framework adoption in Newcastle, Gateshead and North Tyneside has been delayed.
- The UKSPF bidding process is closed to NECA as a non-Mayoral Combined Authority but open to NECA Local Authorities and NoTCA. This is an indication of the Government's future approach to funding.

Positive **Likelihood** factors include:

- Society has opened up and is recovering from the societal and economic impact of the Pandemic.
- Zero Emissions Vehicle Policy aligned with LA7 authorities' policies to submitted to JTC for approval.
- Transport for the North, A Transport Decarbonisation Strategy for the North of England launched December, with a target of near-zero emissions by 2045.
- Government policy to encourage fuel and energy industry to invest in sustainable fuel through tax reduction scheme announced end of May as part of windfall tax/Cost of Living Crisis measures.
- In May NECA region awarded £9.924M of Local Transport Funding as a successor to Bus Recovery Grant and Light Rail and Tram Recovery Grant: £7.3M for Light Rail and £2.664M for Buses. Proposals will go to July's JTC.
- Indicative allocation of £163.5m for 2022-25 with £73M Capital and £90M revenue for Joint Transport Committee Bus Service Improvement Plan (BSIP) outlining a 3-year plan to recover and

significantly grow usage from impact of Covid-19, improve services, satisfaction and reducing emissions.

- UKSPF allocations to the NECA Local Authorities total circa £72.7M for the three years 2022-25.
- Project Gigabit procurement exercises drawing to a close, with contracts starting Summer to November 2022, leading to the connection of uncommercial premises for the three regional Lots as follows: Teesdale 4100, North Northumberland 3900, North East England 61800 from summer 2022.
- Expectation that Metro income could rise to over 100% of pre-Covid levels by 2024/25 due to positive impact of new trains and Metro Flow project.
- Internal Audit review of the monitoring arrangements for the delivery the Transforming Cities Fund was positive in its design. Review of its actual operation due.

New **Current Controls** include:

- Transport Levy from Councils increased.
- The Transport Plan's Progress Report to JTC includes progress on KPIs for Sustainable Travel, Public Transport Accessibility, Climate Action, Take Up of ULEVs and Air Quality every two months: this provides assurance that projects relating to transport carbon neutrality objective are on track to timescales.
- Public consultation on North East Rail and Metro Strategy from February. Strategy encourages further regional devolution with commitments to:
  - Increasing capacity/resilience of the East Coast Main Line/Durham Coast Line improving connectivity for passengers and freight;
  - Extending the reach of local rail and Metro, upgrading existing networks & services, adding new routes & stations including the Northumberland and Leamside lines;
  - Working with Great British Rail for greater influence over local rail to match flexibility and accountability of Metro;
  - Maintaining/updating the Metro assets
  - Introducing new/more efficient electric Metro trains and sustainably fuelled on local rail. Shift from road to rail freight;
  - Improvement of existing stations and development of new stations.

  Aimed to reduce Carbon emissions through more efficient transfer of people and goods.
- NECA Local Authorities are submitting Investment Plans for their UKSPF allocations with approval due in October 2022.
- Joint Transport Committee forum with bus operators in place to discuss service provision/inform Enhanced Partnership/develop BSIP bid for £803.9m as required by the National Bus Strategy. Draft EP Scheme and Plan to be agreed by JTC and submitted to DfT by end of June.

New and updated **Mitigation Actions** have been proposed to support and enhance some of the above factors:

- Devolution Deals/Bids to be considered based on further Indications that funding opportunities are limited for the current non-mayoral governance structure.
- Impact on funding from Autumn 2021/Spring 2022 Budget Announcements, outcome of Integrated Rail Plan for the North and Midlands and bids to Restoring Your Railway fund to be

considered and addressed through review of the Transport Plan For The North East.
- Levelling Up Round 2 bids under development for be submission.
- NECA and other local partners ensure creating employment opportunities and tackling poverty are at the heart of the UKSPF bids.
- NECA and other local partners will continue to work with the Managing Authorities (MHCLG, DWP and DEFRA) to attract grant funding to Region and maximise funding opportunities allocated to the North East.
- A review of resource requirements for combined authority is underway as part of the 2023/24 budget setting process.

c) Combined, the likelihood factors and current controls above have resulted in the risk level for both the Strategic and Operational Risk remaining static, with five Strategic Risks and two Operational Risk rated as high. It is hoped that the new tabular format and the colour coding of the likelihood factors make it easier to understand the basis of these risk ratings and also to challenge if it is not felt that this is an accurate reflection. For clarification, the critical factors that are considered to be keeping the risk ratings up are:
   - The high impact score for all of the risks to reflecting scope of the NECA's objectives.
   - The continued impact of Covid-19 and potential impact of the Cost Of Living Crisis on the economy as a barrier to government action and its impact on public transport.
   - The significance of the NECA's reliance on government policy and funding to direct and support the achievement of its objectives.
   - The Government's indication that funding is only directly accessible by Mayoral Combined Authorities, Unitary or Local Authorities.

d) It is noted that the inclusion of Target Risk Scores as part of the high-level review has resulted in no change from the Current Risk Scores, but this has highlighted a number of important issues when considering the static nature of both NECA's Strategic and Operational risks:
   - The difficultly of improving the risk score due to high impact scores that reflect the scope of the NECA's objectives is compounded by the significant negative factors outside of NECA's control the that keep the likelihood scores up.
   - The high level of turbulence in negative factors outside of NECA's control, particularly in relation to government funding and policy, further compounds this difficulty and negates the impact of positive factors, controls and actions that NECA continue to maintain and develop.
   - As many of the mitigating actions currently identified within the risk register relate to planning, strategies and bids, which is the nature of NECA's role, they are key gateway activities to actions that may address the risks but cannot do this themselves.

Given the above, the relatively low likelihood scores for most of the Operational Risks allows them to be considered as stable rather than static.

2.5 The ‘NECA Strategic Risks - Summary’ at Appendix 1 identifies the NECA strategic risk areas and for each risk provides a current RAG rating to provide a guide as to the level of risk NECA current faces for that risk and the direction of travel.

Appendix 2 ‘Strategic Risk Register 2022/23’ provides a detailed description of the nature of each risk together with the relevant controls in place and further proposed mitigating actions.

Appendix 3 ‘Risk Analysis Toolkit’ shows the risk scoring matrix that has been applied to assess the level of risk for each of NECA strategic risks.

3. Reason for the Proposals

3.1 The Audit and Standards Committee continues to fulfil an ongoing review and assurance role in relation to the governance, risk management and internal control issues of NECA.

4. Next Steps and Timetable for Implementation

4.1 The NECA Strategic Risk Register will continue to be reviewed to record, monitor and report the strategic risks to the Audit and Standards Committee at 3 monthly intervals, with support from officers.

5. Potential Impact on Objectives

5.1 The development of the Strategic Risk Register will not impact directly on NECA’s objectives, however the approach to strategic risk management will support NECA by acknowledging the most significant threats to the achievement of its objectives and putting plans in place to manage them.

6. Finance and Other Resources Implications

6.1 There are no financial implications arising from this report. The internal audit service is commissioned under a Service Level Agreement between NECA and Sunderland City Council. The service includes co-ordinating the strategic risk management process. The Internal Audit Service from Sunderland City Council will make available the relevant professionally qualified and experienced auditors to fulfil the requirements of the Audit Plan 2022/23 and strategic risk management.

7. Legal Implications

7.1 There are no legal implications arising specifically from this report.

8. Key Risks

8.1 The report identifies what are considered to be the key strategic risks to the achievement of NECA’s overall objectives.

9. Equalities and Diversity

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

10. Crime and Disorder

10.1 There are no crime and disorder implications arising from this report.

11. Consultation /Engagement

11.1 The Head of Paid Service, Monitoring Officer, and the Chief Finance Officer have been consulted on the Strategic Risk Register.

12. Other Impact of the Proposals

12.1 The proposals comply with the principles of decision making. Relevant consultation processes have been held where applicable.

13. Appendices

Appendix 1 - 'NECA Strategic Risks - Summary' shows NECA's strategic risks and the level of risk associated with each.

Appendix 2 - 'NECA Strategic Risks – Details' provides a detailed assessment of NECA's and actions identified to reduce the overall risk exposure.

Appendix 3 - Risk Analysis Toolkit determines the level of risk attached to each risk.

14. Background Documents

14.1 None

15. Contact Officers

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16. Sign off

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

Appendix 1

NECA Strategic Risks - Summary			
Risk Title & Description	**Risk Level (RAG Rating)**	**Direction of Travel**	**Notes**
Risks to Achievement of NECA Strategic Objectives			
1 Decarbonise the growing economy in NECA area. Failure to achieve the planned outcomes to realise the decarbonisation of economic activity, infrastructure and housing within the NECA area.	**Red 12**	**Static**	**Due to possible negative impact of Covid-19/*Cost Of Living Crisis* on future funding and need for behavioural change**
2 Further development of international trade and investment in the NECA area Failure to achieve the planned outcomes to realise the diversification of the region's industrial base, and to maintain its high levels of exporting and direct inward investment.	**Red 12**	**Static**	**Due to possible negative impact of Covid 19 on future funding/ investment downturn in world economy, *Cost Of Living Crisis* and impacts of EU Exit**
3 Better Skills and More Quality Jobs Failure to achieve the planned outcomes to allow the labour market to work much more effectively to meet future employer demand, to grow the economy and secure good jobs by developing major investment sites and to extend the range of opportunities for individuals	**Red12**	**Static**	**Due to possible negative impact of Covid-19/*Cost Of Living Crisis* on future funding and economic activity and need for behavioural change**
4 Draw many more NECA residents into the economic mainstream Failure to achieve the planned outcomes to ensure that people of all ages can access timely and personalised support to overcome their educational, situational and motivational barriers to work and to equip them with the capabilities the economy needs so that they can find employment.	**Amber 9**	**Static**	**Due to possible negative impact of Covid-19/*Cost Of Living Crisis* on future employment opportunities and on future funding**
5 Become a sustainable well-connected region	**Red 12**	**Static**	**Due to the negative impact**

Failure to achieve the planned outcomes to strengthen and extend transport networks in the NECA area while reducing pressure and encouraging green travel, to improve digital connectivity, and to achieve a high level of digital skill within the workforce.			**of Covid 19/*Cost Of Living Crisis* on public transport and future funding**
<u>6 Shaping the Great North East</u> Failure to achieve the planned outcomes to ensure the NECA region is attractive to residents, businesses, visitors and new settlers by having a thriving economy, and being a green and prosperous place that offers an exceptional quality of life and improved opportunities for all.	**Red 12**	**Static**	**Due to possible negative impact of Covid-19/*Cost Of Living Crisis* on funding and economic activity**

NECA Strategic Risks - Summary			
Risk Title & Description	**Risk Level (RAG Rating)**	**Direction of Travel**	**Notes**
NECA Organisation Risks			
1 Future Availability of Funding Sources and levels of funding available to NECA may not be aligned to the Strategic Economic objectives of NECA.	**Red 12**	**Static**	**Uncertainty over future UK development funding due to EU Exit and the possible negative impact of Covid-19/*Cost Of Living Crisis***
2 Funding Opportunities Failure of NECA to secure the maximum amount of funding available to progress projects which support the delivery of the Strategic Economic objectives of NECA.	**Red 12**	**Static**	**Uncertainty over future UK development funding available to NECA/it's Local Authorities based on recent awards and NECA's status as a non-mayoral combined authority**
3 Use of Funding and Resources Funding secured for initiatives within the North-East region by NECA and its partners may not be able to be used on a timely basis, not be sufficient to complete intended projects or may be used inappropriately.	**Amber 8**	**Static**	N/a
4 Governance Arrangements The governance arrangements of NECA are not appropriate to allow effective and timely decision making and the achievement of its objectives	**Amber 8**	**Static**	N/a
5 Operational Capacity and Resourcing NECA does not have the necessary operational capacity, skills and budget, to successfully deliver its, objectives, plans and responsibilities.	**Amber 8**	**Static**	N/a

6 Delivery of Projects/Programmes Projects which are funded through NECA are delayed, are significantly overspent or do not deliver the intended product to meet the identified transport need.	**Green 6**	**Static**	N/a
7 Infrastructure Assets Infrastructure assets which are owned by NECA are inadequately managed and maintained.	**Green 6**	**Static**	N/a

NECA Strategic Risk Register 2022/23

Risk Area	ID	Risk Description	Cause	Impact	Likelihood	Current Controls	Impact	Likelihood	Rating	Direction of Travel	Mitigating Actions	Lead	Action Date	Impact	Likelihood	Rating	Direction of Travel
				Current Score									**Target score**				
Strategic Risks																	
Decarbonise the growing economy in NECA area	**1**	Failure to achieve the planned outcomes to realise the decarbonisation of economic activity, infrastructure and housing within the NECA area.	- Lack of engagement by the public and industry due to prohibitive high cost and reliability of currently available alternatives, including infrastructure and vehicles. - Lack of government political will to ensure change by industry and public through adequate legislation, including regulation and supporting funding. - Gaps in Public Transport provision and/or frequency for some areas coupled with appeal and personal safety concerns.	- Unable to address the known effect of pollution on the health of the Public. - Pressure on the economy and the NHS due to the effect of pollution on the health of the Public. - Lack of impact on Climate Change.	*- Zero Emissions Vehicle Policy aligned with LA7 authorities' policies to be submitted to JTC for approval March 2022.(Green)* *- Transport for the North, A Transport Decarbonisation Strategy for the North of England launched December, with a target of near-zero emissions by 2045. (Green)* *- Government's Clean Air Zone framework adoption in Newcastle, Gateshead and North Tyneside has been delayed.(Amber)* **Outside of NECA Control:** - Government committed to Carbon Neutrality by 2050, 78% by 2035. - New Petrol/Diesel cars ban by 2030. - Funding to support expansion of Ultra Low Emission Vehicle infrastructure. - Twice a day fully electric, cheaper East Mainline service introduced Kings Cross, Newcastle, Morpeth and Edinburgh. - Network Rail strategy for carbon neutrality by 2040 includes an initial proposal for electrification of the North East line. - £20m first round Levelling Up funding allocated to plans for better rural connection, restoration/development of heritage sites and railways in Durham. *- Government policy to encourage fuel and energy industry to invest in sustainable fuel through tax reduction scheme announced end of May as part of windfall tax/Cost Of Living Crisis measures. (Green)* *- In May NECA region awarded £9.924M of Local Transport Funding as a successor to Bus Recovery Grant and LightRail and Tram Recovery Grant: £7.3M for Light Rail and £2.664M for Buses. Proposals will go to July's JTC. (Green)* - Government Policies introduced are mainly strategic and supportive rather than regulatory. - Bus Operators are operating some low emissions vehicles but not enough to meet requirements for Clean Air Zones. Funding available for modifications is less than that available for cars/vans. - 2021 Autumn Budget included 5 year city region funding (around £600m) for transport but not for NECA: funding is now dependent on putting in place governance arrangements that include an elected mayor. - No funding was received for the Leamside line in the Autumn 2021 budget/Integrated	- Local Authorities have statutory powers to tackle air pollution, emission requirements and ensure Local Plans/planning proposals contribute to mitigation of climate change. Funding from Government's Air Quality Grant Scheme available. - NECA/Local Authorities have declared a climate emergency with aim to of carbon neutrality before the deadline. - Joint Transport Committee receive and allocate government and other funding to support of all LA7 to reduce carbon emissions. *- Transport Levy from Councils increased.* - Joint Transport Committee's regional Transport Plan aims to achieve Carbon Neutrality for the Region by 2035. *The Plan's Progress Report to JTC includes progress on KPIs for Sustainable Travel, Public Transport Accessibility, Climate Action, Take Up of ULEVs and Air Quality every two months: this provides assurance that projects relating to transport carbon neutrality objective are on track to timescales* - Creation of Electric Vehicle Hub at Nissan supported by development of Sunderland/South Tyneside International Advanced Manufacturing Park and £1bn public/private funding. - Tyne Pass Scheme allowing barrier free movement through Tyne Tunnels to launch November 2021 to cut journey time and reduce carbon emissions from idling. *- Public consultation on North East Rail and Metro Strategy from February. Strategy encourages further regional devolution with commitments to:* • *Increasing capacity/resilience of the East Coast Main Line/Durham Coast Line improving connectivity for passengers and freight;* • *Extending the reach of local rail and Metro, upgrading existing networks & services, adding new routes & stations including the Northumberland and Leamside lines;*	4	3	**12**	**Static**	- NECA and other local partners e.g. North East Local Enterprise Partnership (NELEP), continue to work with and lobby Government and influence emerging policy thinking. - NECA to continue to search for and apply for funding to support activities that further the aim of reducing carbon emissions in the NECA area. ***- Devolution Deals/Bids to be considered based on further*** *Indications that funding opportunities are limited for the current non-mayoral governance structure.* *- Impact on funding from Autumn 2021/**Spring 2022** Budget Announcements, outcome of Integrated Rail Plan for the North and Midlands and bids to Restoring Your Railway fund to be considered and addressed through review of the Transport Plan For The North East.*	Chair – NECA Leadership Board Chief Finance Officer/ Proper Officer for Transport *Chair – NECA Leadership Board* *Chief Finance Officer/ Proper Officer for Transport*	*Ongoing* *Ongoing* *Summer /Autumn 2022* *Autumn 2022*	4	3	12	***Static***

					Current Score								Target score				
Risk Area	**ID**	**Risk Description**	**Cause**	**Impact**	**Likelihood**	**Current Controls**	**Impact**	**Likelihood**	**Rating**	**Direction of Travel**	**Mitigating Actions**	**Lead**	**Action Date**	**Impact**	**Likelihood**	**Rating**	**Direction of Travel**
					Rail Plan for the North and Midlands. - Significant cost pressures on JTC Budgets, specifically the Transport Levy for Tyne and Wear due to fall and expectation of limited recovery on Metro passenger numbers. - Only one of seven bids to Restoring Your Railway fund were successful for the region; Bensham Curve to Team Valley and Leamside Line reinstatement were unsuccessful. - Cancelation of expanded HS2, plus the above, contrasted with improvements for other regions may have a negative economic impact on the region. *- Government measures and continued impact of Cost of Living Crisis will have a significant impact on government funds and investment in decarbonization (Red)* *- Negative impact on Public Transport providers and users due to Cost of Living Crisis resulting from the effect on trade of the war in Ukraine, and rises in inflation and interest rates. (Red)* **Covid-19:** *- Society has opened up and is recovering from the societal and economic impact of the Pandemic. (Green)* - continued impact on the economy preventing economic and structural change; - decline *and lack of recovery* in public transport usage, increase in use of cars. *- Current predictions are that lack of recovery in public transport usage may require service reductions, especially in relation to bus services. (Red)* - increase in cycling.	• *Working with Great British Rail for greater influence over local rail to match flexibility and accountability of Metro;* • *Maintaining/updating the Metro assets* • *Introducing new/more efficient electric Metro trains and sustainably fuelled on local rail. Shift from road to rail freight;* • *Improvement of existing stations and development of new stations.* *Aimed to reduce Carbon emissions through more efficient transfer of people and goods.*											
Further development of international trade and investment in the NECA area	**2**	Failure to achieve the planned outcomes to realise the diversification of the region's industrial base, and to maintain its high levels of exporting and direct inward investment.	- Impact of Brexit, including: lack of preparation by business and UK government to meet the new EU exporting requirements; export licences, border controls and other administration for trading with the EU may result in delays affecting just-in-time supply and increase costs making exporting less attractive; international business using the UK as a base to export may transfer activity to the EU; international direct investors may reconsider	- The NECA economy will be more susceptible than other regions to economic downturn resulting in greater loss of employment - The NECA economy will not be able to take full advantage of upswings in the economy - The region will not be able to	- In relation to attracting direct inward investment, the region has an excellent track record of attracting and growing businesses with a global presence including Hitachi and Nissan. - Although the pandemic has impact on inward investment there have been regional successes: Just Eat in Sunderland; SSE/Equinor in South Tyneside; Envision and Nissan in Sunderland and South Tyneside; Amazon in Gateshead and Durham. - In the next year Invest North East aim to focus on electrification (vehicles), renewables (offshore), life science and digital technology sectors, including Move On Up campaign, identifying opportunities for movement from South East.	- NECA Councils have teams supporting to businesses to start exporting or increase their activity, including signposting businesses to Government, Growth Hub and North East Chamber of Commerce advice and dedicated EU Exit toolkits. - The region's North East Growth Hub provides information and support to businesses seeking to export. - NELEP are working on Internationalisation Strategy and, together with the NE Chamber of Commerce, developing a North East Trade and Export Strategy. - Eight new English Freeports were confirmed in the 2021 Budget with the closest one to the NECA region being	4	3	**12**	**Static**	- NECA and other local partners e.g. NELEP continue to work with and lobby Government and influence emerging policy thinking.	Chair – NECA Leadership Board	*Ongoing*	*4*	*3*	*12*	***Static***

				Current Score									Target score				
Risk Area	**ID**	**Risk Description**	**Cause**	**Impact**	**Likelihood**	**Current Controls**	**Impact**	**Likelihood**	**Rating**	**Direction of Travel**	**Mitigating Actions**	**Lead**	**Action Date**	**Impact**	**Likelihood**	**Rating**	**Direction of Travel**
			investing in the UK or choose to locate operations in EU countries in order to be closer to EU markets; government may fail to secure new trade deals with non-EU countries, including those replacing EU negotiated trade deals, resulting in the imposition of tariffs and other less favourable trading terms, making the price of good and services less competitive. - Weaknesses in regional business awareness and skills relating to exporting, including lack of: knowledge, expertise and capacity within businesses (particularly SMEs); awareness export opportunities; advice, support and fincne for stating up and/or expanding exporting activity; understanding trading requirements in foreign markets, including laws and regulations, language and social and cultural norms. - Adverse exchange rates make the price of exported goods and services more expensive and less competitive. - Barriers created by international importing policies of the foreign countries may make exporting unattractive/difficult including; protectionism, quotas, embargos, subsidies provided to locally produced goods/services, licensing requirements, procurement favouring locally produced goods/services. - Global economic slowdown resulting in lower demand for exported goods and services in foreign	increase employment and the wealth of the region - Less opportunity for good quality jobs in the area which may lead to migration.	**Outside of NECA Control:** - Proven track record, exporting over £7billion/30% of output. - Trade deal with the EU covers 49% of UK/60% of North East exports, has been achieved with no tariffs/quotas. - At the end of 2020 the UK had completed 63 international trade deals covering approximately 10% of its export trade. - Dept for International Trade (DiT) team based in the region working with local partners to support exporters in developing international sales and entering new markets: the government can provide financing via the Export Credit Agency. - Government Export Growth Plan introduced in Oct 2020 aiming to grow UK overseas trade including: additional financial support, from £38 million Internationalisation Fund for small business; expertise from new international trade advisors and pilot 'export academies' to build the capabilities of smaller businesses; some of which is targeted towards specific regions that are most in need including Northern Powerhouse region. - Since Brexit the exchange rate with both the euro and dollar has been consistently low. - In relation to encouraging direct inward investment: the UK has a long history of international trade success, a widespread network of partners, mature industries in many sectors such as finance, and has international language benefits; operates an 'open' economy allowing both foreign and UK business access to markets , supported by laws and regulations that are clear and applicable to all. - The NECA region offers support to business with transport connectivity from 3 globally connected ports, access to international airports, access to 2 cities and 2 universities, a well-qualified pool of labour, well connected supply chains and a well-developed business support sector. - The NECA region offers a high-quality living environment. - The new EU/UK trade deal, through complex rules regarding the origin of parts, provides an opportunity to bring supply chains to the UK, such as those supporting Nissan, and for UK ports away from the south east to grow container traffic. - Eight new English Freeports were confirmed in the 2021 Budget with the closest	Teesside. Freeports establish a Free Zone that reduces customs fees and tax for occupiers (incentivising exports) - Working alongside the LA7 Invest North East England operates a first point of contact for businesses looking to locate and invest in the region by providing connections, access to services, advice, skills, navigation of funding channels, provision of information about local economy and potential locations and promoting the region as prime location for businesses to locate, grow and prosper. - Each Council in the area operates Business Investment Teams which in part support businesses to invest in or relocate to the region. - The regional economic 'offer' includes the North East Enterprise Zones, made up of 21 sites, including 7 in the NECA region, offering financial incentives and other support to enable business expansion. This is in addition to other office space and industrial sites which have been developed in the NECA region which are competitively priced. - To support diversification, several agencies within the NECA region provide advice, support, training, mentoring and signposting funding both to businesses seeking to expand or individuals to start up new business, including Councils, North East Growth Hub, Scale Up North East, as well as private sector organisations, such as Federation of Small Businesses and CDC Enterprise Agency. - NELEP's role is to promote and develop economic growth in the North East region, and it has established a Business Growth Board which seeks to progress the strategic implementation of NELEP's Business Growth ambitions expressed in its Strategic Economic Plan. - NELEP has set up: £2 million Incubator Support Fund to support the development of regional innovation incubation facilities to enable the start-up, expansion and preparation for growth and sale up of innovative businesses; £27 million Innovation Fund to provide early stage funding for development of innovative ideas and											

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			markets. - A severe economic slowdown in the UK may result in the failure of businesses regularly exporting. - Inability to attracting direct inward investment due to a lack of: entrepreneurial culture; appropriately skilled and committed labour force; infrastructure to meet needs of potential investor, including accommodation for operations, transport, digital infrastructure/communication, support services and supply chains; financial incentive packages; quality of life offered to employees moving to the area; promotion of the region, including clarity on opportunities and how to engage. - The level of bureaucracy and the potential for delays for investors considering moving to the area. - The future economic prospects for the region are not promising. - The UK leaving the EU may make the UK/region less attractive for investment than EU countries. - The 'offer' provided by other UK regions/countries may be more attractive to a potential investor than the NECA area. - Government policy may put off potential foreign investors, such as limitations on market access to certain sectors/markets, favouring local business, lack of well-defined laws and arbitration processes and foreign ownership limits. - Lack of aspiration and ambition for growth from		one to the NECA region being Teesside. Freeports establish a Free Zone that reduces customs fees and tax for occupiers, incentivising exports. - Support for diversification includes: government providing support for business start-ups and scaling up by providing information through Department for Business, Energy and Industrial Strategy on where support can found in a geographic region and financial support through tax reliefs, such as investing in start-up or scale up 'Enterprise Investment Scheme'; research; loans, including business start-up loans; and grants, such grants to start up/scale up in the technology/science sector available from Innovate UK. - 47 support schemes for business start-up/scale ups in the North East region published by the government and funding available from government schemes, such as Start Up Loan Scheme, to support businesses to develop/expand - £3.9 million Intensive Industrial Innovation Programme (IIIP) allows North East universities to work directly with SMEs to encourage growth by developing new services and products for the market. - The region has significant research and innovation centres and adaptable public infrastructure that providing access to cutting edge knowledge/test beds that facilitate commercialisation and innovation. These included national catapult centres for high value manufacturing, and a range of national innovation centres including NETPark in Durham. - £20m first round Levelling Up funding to support the development of a Housing Innovation and Construction Skills Academy and creation of new sustainable housing. - Uncertainty over the effect of the UK leaving the EU in the longer term regarding north-east exporting activity. - Without free trade deals, the UK will trade on World Trade Organisation terms resulting in tariffs on UK exported goods, increased bureaucracy and possible delays in transport. - Concerns published in 2020 by the Institute for Government and the National Audit Office on the effectiveness of the government 'check, change, go' campaign to make	businesses at an early stage of development, including the Centre for Sustainable Advanced Manufacturing; 'High Growth Potential Business' campaign seeking to reach, engage and identify start-up businesses for sign up to a High Potential Start-up six-month Accelerator programme. - Councils in the NECA region continue to manage their own property portfolio which business enterprise centres suitable for start-up and scaling up businesses. The private sector also provides similar opportunities for start-ups and scale up, including Netpark Incubator in Durham. - Funding to allow businesses to develop/expand are available from local sources including Business Enterprise Fund, North East Fund, North East Investment Fund, NE Business Support Funds, Rural Growth Network. - NELEP's Strategic Economic Plan for the region is aligned to NECA improving diversification, increasing inward investment and exports. - NECA, NELEP and partners continue to engage with and lobby UK government nationally to promote the regions ambitions to develop trade, diversify and increase investment in the economy - Supported by LA7, the 'Covid North East Recovery and Renewal Deal' document was submitted to government in Autumn 2020 to influence the Comprehensive Spending Review requesting the powers, resources and funding to achieve NECA's objectives and to respond to the impact of the Covid pandemic on the North East economy. - Creation of Electric Vehicle Hub at Nissan supported by development of Sunderland/South Tyneside International Advanced Manufacturing Park and £1bn public/private funding. This will be followed by a trailblazing Microgrid that aims to 100% renewable electricity as a power source saving 55,000 tonnes of carbon annually.											

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			businesses and potential entrepreneurs. For SMEs: a lack of confidence, finance and knowledge to attempt start-up of SME; lack of support, advice, funding, facilities and mentoring for start-ups and expansion; lack of clear pathway to find support. - Policy makers make it difficult for diversifying the industrial base in the region - An economic downturn may mean individuals seeking to start a business or SMEs seeking to grow may not have the financial resources to grow, may find it difficult to obtain finance or in the case of existing businesses, some may fail. - Lack of ability of businesses to access funding to grow due to the impact of Covid-19 on cash reserves and stockpiles.		businesses aware of requirements to continue smooth exporting and their subsequent level of preparedness. *- Government White Paper March 2022 confirms that LEPs should integrate into Mayoral Combine Authorities or remain while a devolution deal is developed or find a local solution which may mean part of the LEP remains. (Amber)* - Although NECA authorities are priority 1 level of need for the Levelling Up Fund only 5 projects have been successful in Round 1 as opposed to 17 for London/South East. - Significant non-tariff barriers to imports/exports including border/custom checks, import/export licences and duties, VAT leading to increased costs/reduced profitability which may make exporting less attractive under EU trade deal. - The region, comparative to others, has a lower productivity performance. - Threats to diversification include: the region is reliant on small number of large employers, and the SME sector is not as strong as other parts of the UK; new start-ups and businesses ‘scaling up’ in the North East is below the national average; historically the North East mindset has been that of a ‘worker’ with a dearth of resilient start-ups. *- Negative impact of Cost of Living Crisis, resulting from the effect on trade of the war in Ukraine, rises in inflation and interest rates on local business, consumers and the local, national and global economy as a whole in relation to spending, investment and employment. (Red)* **Covid-19:** *- Society has opened up and is recovering from the societal and economic impact of the Pandemic (Green)* - Government may be forced to redirect funding away from NECA to address the effects of the Pandemic which will affect it’s offer to attract new investment and diversify its economy. - The pandemic has caused a contraction in the economy, and may cause the failure of businesses/prevent expansion due to lack of resources or lack of market demand. In 20/21 inward investment activity was lower than in previous years. - The negative impact of Covid-19 pandemic on the world economy has caused a													

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					significant contraction in economic activity causing a fall in market demand, contraction of businesses or businesses putting investment plans on hold. - The Office National Statistics has reported that UK exports of goods (other than precious metals) has dropped by 8.7% (£7 billion) on Quarter 1 of 2021 (Jan- March) - LA's have supported business through: Restart Grants; Open, Closed & Sector Local Restriction Support Grant schemes; Additional Restrictions Grants; Christmas Support Payments for Wet-led Pubs; Helping businesses to access Government loans; Signposting to support (particularly on import/export re EU Exit); Coordinating Kickstart six-month placements; Accessing Getting Building Funds to accelerate key projects. Over £500m of funding distributed to businesses across North East.												
Better Skills and More Quality Jobs	3	Failure to achieve the planned outcomes to allow the labour market to work much more effectively to meet future employer demand, to grow the economy and secure good jobs by developing major investment sites and to extend the range of opportunities for individuals	**-** Poor communication to education/skills providers of skills needed for, and future job/career opportunities provided by business leading to training provision not meeting those requirements. - Students are not informed of/prepared for future career opportunities provided by business and the level and type of skills/education needed due to poor/incorrect/out of date careers advice. - Lack of capacity within education to teach/provide up to date skills and qualifications needed by business in the future, such as schools unable to keep pace with progress in digital changes to ensure curriculum continues to provide IT skills to meet future needs of digital businesses. **-** Lack of ambition/motivation by young people or adults to attain academically and/or gain skills/qualifications needed for the future	- Less opportunities in the region for good quality, secure jobs which may: encourage economic migration; higher levels of unemployment, less wealth and income generated in the region. - businesses may invest in other regions instead of the NECA area. - Productivity rates in the NECA area do not increase making it relatively unattractive to investors and preventing residents increasing their income. - Less opportunity for	**Outside of NECA Control:** - The Education and Skills Funding Agency (ESFA) provides funding to improve skills through adult education budget, traineeship scheme for 19–24-year-olds and the apprenticeship levy scheme, which requires the funding to be used on 'apprenticeship training at whatever level in an organisation. - In September 2020 The UK government introduced 'T' Levels as an alternative to A levels, apprenticeships and other 16 to 19 courses, equivalent to 3 A levels, focusing on vocational skills to help students into skilled employment, higher study or apprenticeships, involving both academic study and work placements. Three FE colleges in the NECA area will be early adopters of 'T' Levels during 20/21. A White Paper, Skills for Jobs: Lifelong Learning for Opportunity and Growth has resulted from the government's review of the Further Education sector to ensure training reflects the needs of employers. Proposed changes support the Prime Minister's Lifetime Skills Guarantee, and include: developing higher-level technical qualifications that provide a valuable alternative to a university degree; Implementing the flexible Lifelong Loan Entitlement to the equivalent of four years of post-18 education from 2025; funding in part from new £2.5 million National Skills Fund programme, with £95 million available 2021/22.	- The North East Local Enterprise Partnership promotes skills and education through its: 'North East Ambition' programme supporting schools/colleges to achieve Good Career Guidance Benchmarks by 2024 so people are able to identify routes to a successful working life, make informed decisions about their future and be better prepared for the workplace; 'Education Challenge' programme supporting schools to integrate understanding of the world of work and career opportunities into their curriculum to ensure those entering the workforce have academic and employability skills to support a diverse economy and awareness of the progression routes available to make this happen; Employment and Skills Board/Skills Advisory Panel providing a single point of coordination for the North East local employers and providers to pool knowledge on current/future skills and labour market needs to understand and address key local challenges; initiatives in higher education to retain graduate talent, to understand local businesses future graduate skill level needs, work with universities to consider their future 'offer' and provision and encourage businesses to provide work experience for students; investment in capital projects supporting education, skills and	4	3	**12**	**Static**	- NECA and other local partners e.g. NELEP continue to work with and lobby Government for funding etc and influence emerging policy thinking. - Levelling Up Round 2 bids under development for be submission - Support LAs evaluation and implementation, as appropriate, of areas under consideration to address Further Education Reform	Chair – NECA Leadership Board Local Authorities NECA Leadership Board	*Ongoing* *June 2022* *Ongoing*	*4*	*3*	*12*	***Static***

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			employment market. - Lack of will by employers to invest in their employees to gain the skills/qualifications needed to move their businesses forward. - Lack of public awareness of the available pathways to gain further employment skills and qualifications relevant to the workplace. Lack of opportunity to gain practical experience in the workplace and gain further work skills. - Lack of resources to access IT equipment to aid development of employment/digital skills. - Lack of government education and skills funding to provide better/different employment skills/qualifications - Education and skills funding is channelled into activity which does not equip individuals to be able to take up future opportunities of 'good quality' jobs. Lack of employers' investment in employees to gain the skills/qualifications needed to move their businesses forward. **-** Rapid pace of change in the structure of the economy make some current labour market skills redundant leaving them without the skills to take up new employment opportunities provided by business. - Graduates from local universities do not remain in the region thus lowering the level of educational attainment and employment skills within the local labour market. - Local Council priorities for growing the economy by	social mobility.	- The government have stated that from 2022 the UK Shared Prosperity Fund will replace investment from EU Structural Funds with investment in people and skills tailored to local needs a priority area. - £47 million allocated to the North East from the Getting Building Fund to deliver shovel ready capital projects by the end of 2021. Part of these funds will be used to support major investment pipeline projects such as Aykley Heads in Durham. - For extend opportunities, including more business start-ups, please see likelihood relating to growth of local businesses under Strategic Risk 2. - The adult education budget is managed nationally by the ESFA rather than locally by policy makers in the NECA region and may not fully address local needs. - The apprenticeship levy scheme supports apprentice training costs but not wage costs which may be a barrier to take up. - Bids to the Levelling Up Fund must gain the support of the local MP, who can only support one project, and areas are allowed to submit one bid per MP constituency. NECA Local Authorities have submitted applications for the Fund under the first round but not for all constituencies. *- Government White Paper March 2022 confirms that LEPs should integrate into Mayoral Combine Authorities or remain while a devolution deal is developed or find a local solution which may mean part of the LEP remains. (Amber)* *- Employment levels in the NECA area are beneath pre-pandemic rates believed to be due to a rise in economic inactivity levels through illness and carer responsibilities. (Amber)* - Although educational attainment skill levels are increasing there is a relatively low skills base in the North East, poor outcomes in respect of qualifications/post school destinations and graduate qualifications are below the national average. - Historically employers in the North East have under invested in training and workforce development. - Although NECA authorities are priority 1 level of need for the Levelling Up Fund only 5 projects have been successful in Round 1 as opposed to 17 for London/South East. *- Negative impact of Cost of Living Crisis,*	training provision, including specialist equipment for the delivery of essential technology skills at FE Institute of Technology, World of Work and Metro Skills Centre. - Apprenticeship toolkit focusing on degree level apprenticeships developed and promoted to businesses by The North East Growth Hub. - Areas for development of Further Education currently under consideration by LAs: Strategic Development Funding to foster College-LA collaboration; create a further Institute of Technology (based around digital or green growth) and/or widen sector focus of current North East IoT at New College Durham; sector-specific Skills Bootcamp pilot linked to the National Retraining Strategy in a skills shortage area (i.e. manufacturing); marketing push from government on Lifetime Skills Guarantee across LA7 (and potentially piloting equivalent for higher level technical skills); offer to be a pilot the new Skills and Productivity Board to look at employment projections and labour market needs analysis (focusing on reskilling and progression); Dedicated College Business Centres linked to key business site; Prioritise North East bids to FE Capital Transformation Fund; AEB devolution across whole area LA7 so ensuring the whole of the North East can shape provision (with ability to tailor Skills Guarantee); DfE to work in partnership to ensure coherent place-based offer (by devolving Traineeship funds too); Raise 25% apprenticeship levy transfer threshold to 50% (to recycle levy underspend); funding for more trained and qualified careers guidance specialists in schools and communities (pilot more locally-based activity with the aim of reducing NEET levels); create an Adult Education Maintenance Allowance to meet living costs (if UC changes allowing people to train full time covers training costs); strengthen partnership with National Careers Service (beyond the new website being created) to support their aim of an all-age approach; further support for Furloughed employees who will need to change jobs/retraining.											

				Current Score									Target score				
Risk Area	**ID**	**Risk Description**	**Cause**	**Impact**	**Likelihood**	**Current Controls**	**Impact**	**Likelihood**	**Rating**	**Direction of Travel**	**Mitigating Actions**	**Lead**	**Action Date**	**Impact**	**Likelihood**	**Rating**	**Direction of Travel**
			development may not be aligned to those of NECA. - Sufficient appropriate sites are not available. - Planning permission may prevent or delay available sites. - Lack of sufficient public funding to develop the initial infrastructure of sites to allow private sector investment and occupation. - Policy makers do not develop or promote sites appropriately to attract enough employers/employers from sectors that can effectively increase employment and/or the number of 'good' and secure employment opportunities. - An economic downturn makes businesses unwilling or unable to take up opportunities offered by the development of these sites. - The overall 'offer' from major sites is not attractive enough to private sector investors. - The overall 'offer' provided by other UK or foreign locations may cause businesses to invest/locate elsewhere. - For extend opportunities, including more business start-ups, please see causes relating to growth of local businesses under Strategic Risk 2. - Lack of a coordinated, realistic NECA regional economic plan to support the upskilling of labour market in the region: to grow the economy by developing major investment sites; extend the range of opportunities for individuals - Lack of will or resources to deliver regional economic plan by all or any		*resulting from the effect on trade of the war in Ukraine, rises in inflation and interest rates on local business, consumers and the local, national and global economy as a whole in relation to spending, investment and employment. (Red)* **Covid-19:** *- Society has opened up and is recovering from the societal and economic impact of the Pandemic (Green)* - Government may be forced to redirect funding away from NECA to address the effects of the Pandemic. - The pandemic has and may continue to cause failure of businesses/prevent business unable to expand and invest in skills and infrastructure. Confidence to start up new businesses in an economic recession may be reduced. The government are concerned that the downturn in economic activity and increase in unemployment due to Covid may be long term. - In June the Leadership Board noted that young people may need support to catch-up due to the impact of Covid-19 on Education over the past two years. - The extent of the impact of Covid-19 on young people's education and employability may not be immediately realised. - The Covid-19 pandemic has impacted the provision of apprenticeship and training schemes and accentuated educational inequalities. - Reinvestment of anticipated surpluses from Enterprise Zones in future economic infrastructure is dependent on successful site occupation of these zones which, due to the current Covid-affected economy, is more uncertain. - To help combat the impact of Covid, the UK government have launched a national jobs recovery programme which includes £2 billion to provide 6-month work placements for 16 – 24 year olds, £1.6 billion for the scaling up of employment support scheme, training and apprenticeships and further investment in traineeships, the national careers service, and sector based work academies.	- Since 2012, 7 enterprise zones, including IAMP and Jade Business Park, have been identified and the delivery of the Enterprise Zone sites' infrastructure programme is in progress. - NELEP and NECA councils have contributed funding for other major investment sites including NetPark, Gateshead Quays and Integra 61. - NECA councils have identified approximately 27 major investment pipeline projects to contribute to the growth of the economy: bringing 31,000 new jobs to the region; requiring £3.4 billion including £1 billion from public funds; including Riverwalk Durham, National Innovation Centre, Gateshead and Riverside Sunderland. - Within their Local Plans, Councils have incorporated development of investment sites to complement NECA's strategic economic plans, and continue to liaise to identify and develop major investment sites. - For extend opportunities, including more business start-ups, please see current controls relating to growth of local businesses under Strategic Risk 2 - NELEP's Strategic Economic Plan for the North East region is aligned to NECA's objective re skills, business growth and greater opportunity. NELEP works with partners e.g. NECA, councils, education, business and voluntary sectors to develop a more competitive and growing economy for the North East. - NECA, NELEP and partners continue to engage with and lobby UK government nationally to promote the regions ambitions to develop skills, grow the economy and encourage more start-ups.. - Supported by LA7, the 'Covid North East Recovery and Renewal Deal' document was submitted to government in Autumn 2020 to influence the Comprehensive Spending Review requesting the powers, resources and funding to achieve NECA's objectives and to respond to the impact of the Covid pandemic on the North East economy. - Creation of Electric Vehicle Hub at											

						Current Score								Target score			
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			stakeholders.			Nissan supported by development of Sunderland/South Tyneside International Advanced Manufacturing Park and £1bn public/private funding. This will be followed by a trailblazing Microgrid that aims to 100% renewable electricity as a power source saving 55,000 tonnes of carbon annually.											
Draw many more NECA residents into the economic mainstream	**4**	Failure to achieve the planned outcomes to ensure that people of all ages can access timely and personalised support to overcome their educational, situational and motivational barriers to work and to equip them with the capabilities the economy needs so that they can find employment.	- Individuals with barriers to employment may face: a lack confidence to enter the labour market or gain skills; dependency on benefits/fear of losing income by being employed; lack of coordination of support back to work from health and employability services; lack of awareness of employment opportunities available; increased competition for jobs due to economic downturn; employers' unwillingness to address barriers to entering the workplace, such as disability and mental health issues. -There may be a lack of availability of appropriate support and training; - Individuals with barriers to work maybe unaware of the employment, support and training opportunities available. - There may be a lack of understanding as to the need of a specific individual who has barriers to overcome to enter the workplace. - Support and training provided may be of poor quality. - Individuals with barriers to work may lack financial resources to access employment or support/training. - There may be a lack of	If effective support/training is not available to address the needs of those in the regions with educational, situational and motivational barriers to employment: - Improved and more secure incomes for those individual's households will not be achieved. - Increased levels of spending/ disposable income in the North East will not be realised. - A reduction in benefit dependency will not be achieved. - Levels of economic inactivity and long-term unemployment will not be reduced, and the levels will continue to be higher than the national average. - The opportunity for	*- Joint Transport Committee Bus Service Improvement Plan (BSIP) (October 2021) outlining a 3-year plan to recover and significantly grow usage from impact of Covid-19, improve services, satisfaction and reducing emissions. Indicative allocation of £163.5m for 2022-25 with £73M Capital and £90M revenue (Green)* **Outside of NECA Control:** - The government benefits system is set up so any person moving from benefits into employment should not be financially worse off. - In 2017, the government set a goal to see 1 million more disabled people in work in the 10 years to 2027. - Government initiatives to provide timely and personalised support to overcome barriers to employment include: Employment and Support Allowance to support people back to work if they are able; Access to Work Grants support disabled people to remain employed or start employment by funding adjustments for the workplace, including equipment, health support, work related support; All employment benefit related claimants are supported by 'work coaches' to give support and identify pathways into employment; Flexible Support Fund provides local support to claimants by removing barriers to employment such as e.g. interview travel costs; Work and Health Programme, aimed at people close to readiness for work to gain skills and employment; £40 million Intensive Personalised Employment Support (IPES) aimed at helping people with complex needs at least 12 months away from work readiness to gain skills and employment; Disability Confident Scheme is a voluntary scheme to help employers make the most of the opportunities provided by employing disabled people; The Fuller Working Lives initiative	- NELEP's Strategic Economic Plan recognises that some groups are more likely to be out of work than others and its' 'skills, employment, inclusion and progression' agenda includes activity to increase youth employment, improve labour market activation, and help deliver Fuller Working Live, including: 'Generation North East' (GENE) to provide employability and job search support to unemployed/inactive young people aged 18-29 years; provision of specialist intensive support for those most distant from the labour market because of disadvantage, poverty and poor physical and mental health; development of packages of support for those with health barriers to employment building on the Mental Health Trailblazer and Working Lives project; North East Growth Hub, promoting the Fuller Working Lives Strategy to encourage and help employers retain, retrain and recruit people aged 50 and over. - NECA Councils have objectives and activities to support those with barriers to employment such as: 'Durham Works' partnership, supported in part by Durham County Council, helping young people aged 18 -24 from County Durham into work, training, education or volunteering; Gateshead community grants to third sector organisations to help people into employment. - NECA, NELEP and partners continue to engage with and lobby UK government nationally to promote the regions ambitions for its economy and place offer. - Supported by LA7, the 'Covid North East Recovery and Renewal Deal' document was submitted to government in Autumn 2020 to influence the Comprehensive Spending Review	3	3	**9**	**Static**	- NECA and other local partners e.g. NELEP continue to work with and lobby Government and influence emerging policy thinking. - NECA and other local partners ensure creating employment opportunities and tackling poverty are at the heart of the UKSPF bids - NECA and other local authority partners seek to maximise funding opportunities and investment into the North East.	Chair – NECA Leadership Board Chair – NECA Leadership Board Chair – NECA Leadership Board	*Ongoing* *Ongoing* *Ongoing*	*3*	*3*	***9***	***Static***

Risk Area	ID	Risk Description	Cause	Impact	Likelihood	Current Score: Current Controls	Impact	Likelihood	Rating	Direction of Travel	Mitigating Actions	Lead	Action Date	Target score: Impact	Likelihood	Rating	Direction of Travel
			funding to incentivise employers to offer employment and/or individuals to take up employment or training and/or to fund appropriate support and training.	everyone to fulfil their potential and participate fully in society will be lost. - Businesses will be denied access to a larger and better workforce.	aimed at people with long-term health conditions and disabilities, carers, and older claimants. - As part its 'Plan for Jobs' in response to the Covid19 pandemic, in July 2020 the government announced: a £2 billion 'Kickstart' Scheme for new six-month work placements for 16 to 24-year-olds at risk of long-term unemployment; £1.6 billion to boost work search, skills and apprenticeships comprising among other things extra payments to employers to hire apprentices, including those aged under 25 with an Education, Health and Care Plan; extra funding for National Careers Service; an expanded youth offer to support young job seekers into work; an expansion to the Work and Health Programme, the Flexible Support Fund and sector based work academies (SWAP). - Under Kickstart employers apply for funding which covers: 100% of the National Minimum Wage (or the National Living Wage depending on the age of the participant) for 25 hours per week for a total of 6 months; associated employer National Insurance contributions; employer minimum automatic enrolment contributions. By November over 100,000 had started jobs. - In July Leadership Board reported that government figures showed that 400 people a day started work in May, with 200,000 new high-quality jobs created via the scheme. - In the Nov 2020 Spending Review, further funding of £3.7 million was added to fund the Plan for Jobs including £2.9 billion for the Restart programme to support over 1 million unemployed people across England and Wales who have been out of work between 12 and 18 months, . Up to 12 months support will be provided in a partnership between Job Centre Plus and Reed across the North East and Humberside, with referrals to the programme planned to commence in July. - The £185 million Building Better Opportunities Fund, funded from National Lottery and EU sources, is a programme which helps individuals to overcome multiple complex needs who are furthest away from the labour market. This is due to cease in	requesting the powers, resources and funding to achieve NECA's objectives and to respond to the impact of the Covid pandemic on the North East economy. - The NECA region has submitted proposals to the ESF reserve funds (managed by DWP) for new and existing issues relating to: Young People; Older Workers (50 plus); Self Employed; Job Creation Projects (for people excluded from national programmes such as Kickstart); Skills and Digital Skills Training. *- NECA Local Authorities are submitting Investment Plans for their UKSPF allocations with approval due in October 2022.* *- Joint Transport Committee forum with bus operators in place to discuss service provision/inform Enhanced Partnership/develop BSIP bid for £803.9m as required by the National Bus Strategy. Draft EP Scheme and Plan to be agreed by JTC and submitted to DfT by end of June.*											

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						Current Score							Target score				
					2021. - Any underspend on remaining European Social Fund monies will be used to mitigate the impact of Covid prioritising young people, older workers, the self-employed, job creation and skills. *- UKSPF allocations to the NECA Local Authorities total circa £72.7M for the three years 2022-25 (Green)* - The government has provided the UK Community Renewal Fund, totalling £220 for 2021, to help areas prepare for the launch of the UK Shared Prosperity Fund targeted to: ex-industrial communities; coastal communities; rural areas and deprived towns. It is focuses on the following investment priorities: Investment in skills; Investment for local business; Investment in communities and place; Supporting people into employment - National Living Wage rising from £8.91 to £9.50 per hour from April 2022 for over 23s. - £6b funding over 3 years for DWP to help people gain skills and earn more, with targeted support to those nedding extra support, including: workers who have left furlough and are receiving Universal Credit through Job Finding Support scheme; assistance to over 50s wishing to remain in work. - *At this is time last year* the Leadership Board identified that: The North East unemployment rate and NECA claimant count *was* slowly falling *with* the vacancy rate ~~is~~ reaching close to pre-Pandemic levels; Youth unemployment ~~*is*~~ *was* high and *the* number of long term unemployed *rising. At June Leadership Board it was noted that employment levels in the NECA area are beneath pre-pandemic rates believed to be due to a rise in economic inactivity levels through illness and carer responsibilities. (Amber)* *- Government White Paper March 2022 confirms that LEPs should integrate in to Mayoral Combine Authorities or remain while a devolution deal is developed or find a local solution which may mean part of the LEP remains. (Amber)* - Of 477 UK Community Renewal Fund awards on 12 have been received by LA7												

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					area, only 6% of available funds. - According to the Office of National Statistics the Employment rate has dropped by 0.9% to 70.7% for the period April to June 2021, with the unemployment rate falling by 0.6% to 5.1% and the inactivity rate rising by 1.3% to 25.4% for the same period. The unemployment rate is still above the national average of 4.3%. *~~-~~ The UKSPF ~~Community Renewal Fund~~ bidding process is closed to NECA as a non-Mayoral Combined Authority but open to NECA Local Authorities and NoTCA. This is ~~likely~~ an indication of the Government's future approach to funding. (Red)* *- Negative impact of Cost of Living Crisis, resulting from the effect on trade of the war in Ukraine, rises in inflation and interest rates on local business, consumers and the local, national and global economy as a whole in relation to spending, investment and employment. (Red)* **Covid-19:** *- Society has opened up and is recovering from the societal and economic impact of the Pandemic (Green)* - Government may be forced to redirect funding away from NECA to address the effects of the Pandemic. - The pandemic has and may continue to cause failure of businesses/reduction of their workforce/increased unemployment with a specific, significant impact on youth employment. - Despite the heavy impact on the economy/employment, specifically in hospitality, leisure and non-supermarket retail, there is little sign that the employed from these sectors are reallocating to less-affected sectors. Self-employed continue to face a significant loss of income, with the impact across much broader sectors than that of employees. - Skills shortages in several areas with a large percentage of the working population expected to lack the skills required by 2030, including the digital sector. - Government has partially mitigated the impact on employment by supporting business through job retention scheme, business grants and rates relief.												

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					- The Coronavirus Job Retention Scheme (Furlough) has been in place since March 2020, running until 30 September 2021. In July Leadership Board reported HMRC figures of 1,058,600 employments eligible for Furlough in the North East, with 166,100 furloughed in July 2020 and 414,200 in May 2021. - Government's Job Entry Target Support Scheme (JETS) aims to support Universal Credit claimants out of work over 13 weeks as a result of Covid-19, looking at existing or new skills to move into growing sectors. In July the Leadership Board reported that the DWP estimate that nearly 500 jobseekers a day started on the scheme since its launch in October and the DWP was on course to supporting 250,000 by September.												
Become a sustainable well-connected region	5	Failure to achieve the planned outcomes to strengthen and extend transport networks in the NECA area while reducing pressure and encouraging green travel, to improve digital connectivity, and to achieve a high level of digital skill within the workforce.	- For **Transport**, see JTC Strategic Risk Register, Strategic Risks 1-4. **Digital Connectivity and Skills** - Regional Policy Makers/Business/Education providers fail to prioritize digital connectivity through a lack of awareness of its importance/ value. - Lack of public awareness, particularly those with barriers to employment, of the employment/ inclusion benefits available from digital skills. - Public and Private Sector fail to adequately invest in digital infrastructure/ equipment and skills. - Digital Infrastructure fails to meet accessibility, reliability and data speed needs of business/the public. - Private Sector unwilling to invest in digital infrastructure through concerns over economic viability. - Lack of public access, particularly for those on low incomes, to required IT	- Residents, particularly low-income earners, in the region may not be able to access work or move into education and training that could improve their prospects. Progress on social mobility in the region will be limited. - Residents in some areas of the region may not be able to access health care and other essential services as a result of a poor connectivity or lack of digital skills. - Without appropriate connectivity infrastructure and digital skills within the workforce business may	**Outside of NECA Control:** - For **Transport**, see JTC Strategic Risk Register, Strategic Risks 1-4. **Digital Connectivity and Skills** - From 2017 government adopted a UK Digital Strategy which includes; UK's telecoms industry to provide gigabit-capable infrastructure to 100% of premises by 2025 (subsequently reduced to 85%), with £5 billion subsidy for roll-out to the most difficult to reach/rural/remote 20% of premises; £1billion to accelerate and support private sector lead development and uptake of next generation digital infrastructure, including full fibre and 5G wireless including, 100% business rate relief for full fibre infrastructure, National Digital Infrastructure Fund, planning policies to consider digital infrastructure, an appropriate regulatory framework, and a national programme of 5G testbeds and trials to help create demand and capacity as uses are developed; the roll out of free wifi on trains and more public spaces; mandatory full fibre connections for new homes. - The Digital Strategy also includes a focus on skills and training, including; a legal entitlement for adults with no/low digital skills to undertake new digital qualifications funded by Adult Education Budget; Digital Skills Partnership, focusing on bringing together technology companies, local businesses, local government and other organisations to identify digital job vacancies and take action to help people move into these jobs; coding	- For **Transport**, see JTC Strategic Risk Register, Strategic Risks 1-4. **Digital Connectivity and Skills** - NELEP's Strategic Economic Plan (SEP) includes the development of digital skills provision and local infrastructure. The LEP has also developed a Digital Strategy. - Each NECA Local Authority has developed a digital strategy and programme to improve digital connectivity/skills for staff/businesses/residents. Activities include: Digital Durham, a £35 million initiative in Durham, Gateshead and South Tyneside to introduce fibre-based connectivity to properties where it would not otherwise be commercially viable; Infrastructure for free ultrafast public 5G wifi for Sunderland City centre, development of next generation digital connectivity/infrastructure to accelerate regeneration within the City Centre and Riverside supported by funding from government's Getting Building Fund, and to be the first UK local authority i to become a 'neutral host' for 5G and fibre connectivity, enabling telecoms operators to buy space from its infrastructure to offer their own 5G services; Durham Council operate a 'Digital Drive', £4million initiative to support SMEs in Co Durham to maximise potential through digital	4	3	**12**	**Static**	- NECA and other local partners will continue to work with the Managing Authorities (MHCLG, DWP and DEFRA) to attract grant funding to Region and maximise funding opportunities allocated to the North East. - NECA and other local partners e.g. NELEP, local councils continue to work and lobby Government and influence emerging policy thinking.	Head of Paid Service Chair – NECA Leadership Board	*Ongoing* *Ongoing*	*4*	*3*	*12*	***Static***

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			equipment. - Lack of awareness/ availability of accessible/affordable digital skills training provision, especially to those with d barriers to employment/low earners.	choose to locate, or start up, or expand business in other regions, resulting in loss of new employment opportunities for residents, loss of investment and income to the region. - Levels of transport inequality and/or social exclusion may not be reduced. - Improved resilience to the effects of the Covid pandemic may not be achieved. - The enhancement of productivity levels and the quality of public and private services in the area may not be achieved. - An opportunity to contribute towards the decarbonisation of the NECA area may be lost.	in the National Curriculum from Key Stage One onwards; computer science degree courses to ensure focus on real-world, up to date skills required by the digital economy/work environment/the needs of employers; further funding for the Computing at School Network of Teaching Excellence in Computer Science of over 350 Master Teachers providing continued professional development to teachers; extra funding for the National Careers Service (NCS) to help more young people from a wider range of backgrounds consider a career in technology by piloting new ways to include digital skills and careers in NCS programmes. - The Dept for Education operate the 'Future Digital Inclusion programme' to support those who are hardest to reach to gain digital skills, focusing on the unemployed, low income and disabled people; delivered by Good Things Foundation from numerous centres in the NECA area. - From March 2020, the government introduced the Universal Service Order (USO) for broadband, a legal right for a property to request a decent, affordable broadband connection with funding available up to £3,400 per property. - The government's 'Building Digital UK' team aim to develop UK broadband networks, including; Gigabit Broadband Voucher Scheme available to homes/businesses in rural areas of the UK, providing £1500 per home, £3500 per SME, to support the cost of installation when part of a group scheme. - Government and mobile providers are providing 4G Shared Rural Mobile Network where not commercially viable. - Project Gigabit: Phase One Delivery Plan policy paper (April 2021) following Ofcom's publication of the Wholesale Fixed Telecoms Market Review 2021-26. Setting the regulatory environment for commercial delivery, the plan includes proposals to subsidise gigabit network build to get as close to 100% as possible: - Procurements have started for telecoms providers to compete for subsidies to deliver gigabit capable networks to specific areas across the UK. Phase 1a to include Durham, South Tyneside & Tees Valley areas extending into Northumberland, covering the local authority areas of Durham, Darlington, Stockton, Hartlepool, Middlesbrough, Redcar and Cleveland, Sunderland, Gateshead,	technology including the provision of 40% grant funding for digital projects, and 'Reboot', a partnership scheme that offers low-cost computer equipment to County Durham based registered charities/social enterprises; Supported by BDUK funding Gateshead Council are aiming to ensure that as many premises as possible will be high-speed broadband service enabled, and in the longer term that 100% of premises will be fibre enabled. - In June the Leadership Board noted that: 87,000 premises in the NECA area can now access superfast broadband; coverage for superfast and ultrafast broadband is ahead of the national average but Gigabit-capable connectivity is behind. - NECA, NELEP and partners continue to engage with and lobby UK government nationally to promote the regions ambitions for its economy and place offer. - Supported by LA7, the 'Covid North East Recovery and Renewal Deal' document was submitted to government in Autumn 2020 to influence the Comprehensive Spending Review requesting the powers, resources and funding to achieve NECA's objectives and to respond to the impact of the Covid pandemic on the North East economy. - The NECA region has submitted proposals to the ESF reserve funds (managed by DWP) for new and existing issues relating to: Young People; Older Workers (50 plus); Self Employed; Job Creation Projects (for people excluded from national programmes such as Kickstart); Skills and Digital Skills Training.											

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					South Tyneside and part of Northumberland. *Teesdale (4,100 uncommercial premises) and North Northumberland (3,900 uncommercial properties) procurement submissions under evaluation by BDUK/Local Authorities with contract due to start August 2022. North East England (61,800 uncommercial properties across Northumberland and Durham) submissions to be evaluated from summer 2022 with contract start estimated as November 2022. (Green)* - Higher level digital apprenticeships are available and are being promoted. *- Government White Paper March 2022 confirms that LEPs should integrate in to Mayoral Combine Authorities or remain while a devolution deal is developed or find a local solution which may mean part of the LEP remains. (Amber)* - In the North East over 97% have superfast broadband (>30mbps) but only around 80% in rural areas. Only 61% have access to ultrafast (>100mbps) and only 7% of properties have access to 'gigabit' infrastructure (>1000mbps) broadband (full fibre), the lowest rate in the UK. - Only 57% of UK premises that have access to superfast broadband are signed up to superfast packages. - 1 in 6 in North East (15%) do not have foundation level digital skills. - North East has low level of internet usage; 8th of 9 English regions. - In July the Leadership Board noted concerns, risk and uncertainty for medium term financial planning across the Public Sector relating to: delay in publication of the governments Comprehensive Spending Review to at least December 2021; delay in the implementation of the Fair Funding Review; uncertainties over the Shared Prosperity Fund; unknowns with regards to the Governments strategy to redress the public finances. *- Negative impact of Cost of Living Crisis, resulting from the effect on trade of the war in Ukraine, rises in inflation and interest rates on local business, consumers and the local, national and global economy as a whole in relation to spending, investment and employment. (Red)* **Covid-19:** *- Society has opened up and is recovering*												

				Current Score									Target score				
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					from the societal and economic impact of the Pandemic (Green) - Government may be forced to redirect funding away from NECA to address the effects of the Pandemic. - decline *and lack of recovery* in public transport usage, increase in use of cars. - *Current predictions are that lack of recovery in public transport usage may require service reductions, especially in relation to bus services. (Red)* - Despite the heavy impact on the economy/employment, specifically in hospitality, leisure and non-supermarket retail, there is little sign that the employed from these sectors are reallocating to less-affected sectors. Self-employed continue to face a significant loss of income, with the impact across much broader sectors than that of employees. - Skills shortages in several areas with a large percentage of the working population expected to lack the skills required by 2030, including the digital sector. *- Skills Director, NELEP report to March Leadership Board underlines problem of Digital Exclusion, notably for the elderly, socially disadvantaged and exacerbated for young people by the closure of public facilities during the Pandemic. Research data from local businesses/employers suggests a fifth of applicants lack basic IT skills. (Amber)* - There has been a societal change in the use of digital technology/mobile phone and video communications due to homeworking/social distancing/lockdown which supports an acceleration in the development of the infrastructure to meet demand. - Government's Job Entry Target Support Scheme (JETS) aims to support Universal Credit claimants out of work over 13 weeks as a result of Covid-19, looking at existing or new skills to move into growing sectors. In July the Leadership Board reported that the DWP estimate that nearly 500 jobseekers a day started on the scheme since its launch in October and the DWP was on course to supporting 250,000 by September.												
Shaping the Great North East	**6**	Failure to achieve the planned outcomes to	- Local policy makers in the area lack a clear vision/plan for the region's 'offer' to business, potential	- less opportunities for improving employment	**Outside of NECA Control:** Attractiveness of the Region includes: - cost of living, diverse housing offer, transport connectivity, cultural, leisure and	- NELEP's Strategic and Economic Plan (SEP) and Local Industrial Strategy: make the region a better place to live, learn and do business by supporting	4	3	**12**	**Stat**	NECA and other local partners e.g. NELEP continue to work with and lobby	Chair – NECA Leadership Board	*Ongoing*	*4*	*3*	*12*	***Stat***

						Current Score								Target score			
Risk Area	ID	Risk Description	Cause	Impact	Likelihood	Current Controls	Impact	Likelihood	Rating	Direction of Travel	Mitigating Actions	Lead	Action Date	Impact	Likelihood	Rating	Direction of Travel
		ensure the NECA region is attractive to residents, businesses, visitors and new settlers by having a thriving economy, and being a green and prosperous place that offers an exceptional quality of life and improved opportunities for all.	investors, residents and visitors - Poor understanding of the NECA area 'offer' and where improvements are needed. - No comprehensive/ coordinated plan to deliver improvements in the region's 'offer' including education and skills, employment opportunities, business infrastructure, critical to a thriving economy, and quality of life, including, housing, culture and leisure. - Priorities of government and other partners e.g. local are not aligned with NECA's. - Lack of funding to develop/improve the 'offer'	prospects causing migration, a barrier to immigration and reducing regional spending power. - loss and inability to attract commercial and academic talent. - inability to attract/retain business investment and development - reduced tourism.	natural environment offer; - three universities, two cities, three ports; - advance manufacturing and technology sector, business services hub, connected supply chains, diverse talent pool, development sites and Enterprise Zones, developing strength in global markets, digital connectivity and cost competitiveness. - As part of the Levelling Up agenda the government has: set up "Our Plan For The High Street" programme, including £3.6b Towns Fund, with Bishop Auckland town centre regeneration being supported; £1b Future High Street Fund, including £55m to regenerate heritage high streets; cut business rates for a wide range of properties for two years, consultation to simplify planning to support the creation of more homes, jobs and choice for town centres; High Street Task Force to advise local leadership on adapting high streets. - Government policy to increase new home building including; £5b Housing Infrastructure scheme with £32m being awarded to Sunderland South and Newton Aycliffe Growth Areas; funding to support building social housing available from Homes England; short term New Homes Bonus programme to encourage awarding of planning permission for new homes. - UK national planning guidelines require local policies and decisions to contribute to/enhance natural/local environment. *- UKSPF allocations to the NECA Local Authorities total circa £72.7M for the three years 2022-25 (Green)* - In support of proposals for Green Industrial Revolution the government aims to create further National Parks and extend the Green Recovery Fund for conservation/restoration, focusing on the natural environment as a key to carbon emission reduction. - North East Culture Partnership developed and delivered a North East culture and arts offer plan, followed by A Recovery and Resilience Plan in response to Covid-19. - Restructuring of business sectors, including retail and contact centres, due to rapid change in digital technology. - Fragmented ownership of older industrial estates leading to a lack of responsiveness and dereliction. *- Government White Paper March 2022 confirms that LEPs should integrate in to*	economic growth through investing in economic/assets and infrastructure including; investment sites such as International Advanced Manufacturing Park (IAMP), Follingsby, Holborn and Jade; increased housing provision, such as Sunderland South Strategic Growth Area. - NECA Local Authorities all have development plans, i.e. Local Plans/City Plans, to improve economy and local attractiveness, looking at environment, housing, transport, recreation and leisure and tourism. Urban centres are being regenerated: Riverside Sunderland, South Shields 365 and Riverside. - LA7 planning authorities' collaborative approach for commercial and housing development to promote economic growth and enhancement of the natural environment. - Gateshead Council involvement in RIBA Future Place Programme to plan the future of its town centre. - £10m North East Property Fund to support regional house building for smaller scale housing/commercial development projects. - NECA Local Authorities; have programmes to support reduction of empty properties; declared climate emergency to ensure the environment is considered when making decisions. - Gateshead Quays International Conference and Exhibition Centre and Arena Venue to open by 2024. - NECA, NELEP and partners continue to engage with and lobby UK government nationally to promote the regions ambitions for its economy and place offer. - Supported by LA7, the 'Covid North East Recovery and Renewal Deal' document was submitted to government in Autumn 2020 to influence the Comprehensive Spending Review requesting the powers, resources and funding to achieve NECA's objectives and to respond to the impact of the Covid pandemic on the North East economy. - NECA Local Authorities have provided Covid recovery support to business through: Restart Grants; Open, Closed				i c	Government and influence emerging policy thinking. - NECA and other local partners will continue to work with the Managing Authorities (MHCLG, DWP and DEFRA) to attract grant funding to Region and maximise funding opportunities allocated to the North East.	Chair – NECA Leadership Board	*Ongoing*				*i c*

				Current Score									Target score				
Risk Area	ID	**Risk Description**	**Cause**	**Impact**	**Likelihood**	**Current Controls**	Impact	Likelihood	**Rating**	**Direction of Travel**	**Mitigating Actions**	**Lead**	**Action Date**	Impact	Likelihood	**Rating**	**Direction of Travel**
					Mayoral Combine Authorities remain while a devolution deal is developed or find a local solution which may mean part of the LEP remains. (Amber) - Of 477 UK Community Renewal Fund awards on 12 have been received by LA7 area, only 6% of available funds. - Although NECA authorities are priority 1 level of need for the Levelling Up Fund only 5 projects have been successful in Round 1 as opposed to 17 for London/South East. - Region has too few employment opportunities, including too few high skilled occupations and lower levels of productivity, limiting opportunities for residents, business and attractiveness to investors. - Decline in High Street, vibrancy and attractiveness of town centres. - Under provision of housing stock including affordable housing. - *The UKSPF bidding process is closed to NECA as a non-Mayoral Combined Authority but open to NECA Local Authorities and NoTCA. This is ~~likely~~ an indication of the Government's future approach to funding. (Red)* *- Negative impact of Cost of Living Crisis, resulting from the effect on trade of the war in Ukraine, rises in inflation and interest rates on local business, consumers and the local, national and global economy as a whole in relation to spending, investment and employment. (Red)* **Covid 19:** *- Society has opened up and is recovering from the societal and economic impact of the Pandemic (Green)* - Government may be forced to redirect funding away from NECA to address the effects of the Pandemic. - Unemployment and reduction in available opportunities, shop closures, decline in hospitality and tourism, culture and arts, with organisations closing and uncertainty about the recovery of these sectors. - Government support to the region has included £4.5m from Culture Recovery Fund, £47m from Getting Building Fund which has been targeted at regeneration sites in the NELEP area (Sunderland South Riverside/town centre, Gateshead Quays, Tyne Dock Enterprise Park, Aykley Heads Business Park)	& Sector Local Restriction Support Grant schemes; Additional Restrictions Grants; Christmas Support Payments for Wet-led Pubs; helping businesses to access Government loans; signposting to support (particularly on import/export re EU Exit); coordinating Kickstart six-month placements; Accessing Getting Building Funds to accelerate key projects. - Over £500m of funding distributed to businesses across North East region by LAS. - LAs focusing on impact of reduced footfall in town and city centres us Government Welcome Back Fund: Durham £569k; Gateshead £178k; South Tyneside £198k; Sunderland £309k. *- NECA Local Authorities are submitting Investment Plans for their UKSPF allocations with approval due in October 2022.*											

Risk Area	ID	Risk Description	Cause	Impact	Likelihood	Current Controls	Current Score Impact	Current Score Likelihood	Current Score Rating	Direction of Travel	Mitigating Actions	Lead	Action Date	Target score Impact	Target score Likelihood	Target score Rating	Direction of Travel
					- Covid Recovery support also available for heritage organisations from National Lottery Heritage Fund.												
Operational Risks																	
Future Availability of Funding	1	Sources and levels of funding available to NECA may not be aligned to the Strategic Economic objectives of NECA.	- Economic downturn may force government to reduce funds available. - Uncertainty over future Capital scheme relating to those that are ending and their replacements, e.g. Local Growth Fund/EU Funding replaced by UK Shared Prosperity Fund (UKSPF). - Possible change in UK policy focus on other geographic areas or initiatives which may adversely affect the North East/not align to NECA Plans. - Future major local projects may not be tenable as government may have to reduce amount/timescale of funding schemes. - Funding for non-Mayoral combined authorities may no longer be available.	- Funding levels may not be sufficient to meet NECA's plans. - Reduction in funding sources and levels would damage the delivery of local regeneration plans and stall infrastructure projects, business growth, employment and skills schemes and local growth projects.	**Outside of NECA Control:** - The Government have set up the UK Infrastructure Bank with finances of £22bn to tackle climate change and support regional and local economic growth across the United Kingdom. - The Government's "Green Book" is a framework to inform decision making to ensure funding/investment spreads across the UK supporting the levelling up agenda. *- UKSPF allocations to the NECA Local Authorities total circa £72.7M for the three years 2022-25 (Green)* *- In May NECA region awarded £9.924M of Local Transport Funding as a successor to Bus Recovery Grant and Light Rail and Tram Recovery Grant: £7.3M for Light Rail and £2.664M for Buses. Proposals will go to July's JTC.(Green)* *- Government White Paper March 2022 confirms that LEPs should integrate into Mayoral Combine Authorities or remain while a devolution deal is developed or find a local solution which may mean part of the LEP remains. (Amber)* - 2021 Autumn Budget included 5 year city region funding (around £600m) for transport but not for NECA: funding is now dependent on putting in place governance arrangements that include an elected mayor. - Of 477 UK Community Renewal Fund awards on 12 have been received by LA7 area, only 6% of available funds. - Although NECA authorities are priority 1 level of need for the Levelling Up Fund only 5 projects have been successful in Round 1 as opposed to 17 for London/South East. - Significant cost pressures on JTC Budgets, specifically the Transport Levy for Tyne and Wear due to fall and expectation of limited recovery on Metro passenger numbers. *- The UKSPF bidding process is closed to NECA as a non-Mayoral Combined Authority but open to NECA Local Authorities and NoTCA. This is ~~likely~~ an indication of the Government's future approach to funding. (Red)* *- Government measures and continued*	- Previously EU funded projects within the NELEP area that continuing up to 2023 are eligible to funding from ERDF/ESF National Reserves. - During 2020 £25m was sourced from the government's Housing Infrastructure Fund to support further house building in a South Sunderland Strategic Growth Area. - Also in 2020 NELEP was awarded £47m million from the Getting Building Fund with part being used to development key economic growth sites in the NECA area. - NELEP manage the SEP on behalf of NECA and NoTCA. - NELEP is leading regional development of the Local Industrial Strategy which sets out future funding requirements to increase productivity in the North East. - A Special Purpose Vehicle has been set up by NECA to provide funding to SMEs based on £58.5m from ERDF JEREMIE 2 grant. - Supported by LA7, the 'Covid North East Recovery and Renewal Deal' document was submitted to government in Autumn 2020 to influence the Comprehensive Spending Review requesting the powers, resources and funding to achieve NECA's objectives and to respond to the impact of the Covid pandemic on the North East economy. - NECA work with partners to identify any new non-government funding sources.	4	3	12	**Static**	- NECA and other local partners will continue to work with the Managing Authorities (MHCLG, DWP and DEFRA to maximise funding opportunities and investment in the North East. - NECA and other local partners e.g. NELEP, local councils continue to work with and lobby Government and influence emerging policy thinking. **- Devolution Deals/Bids to be considered based on further** *indications that funding opportunities are limited for the current non-mayoral governance structure.* *- Impact on funding from Autumn 2021/**Spring 2022** Budget, outcome of Integrated Rail Plan for the North and Midlands and bids to Restoring Your Railway fund to be considered and addressed through review of the Transport Plan For The North East.*	Head of Paid Service Chair – NECA Leadership Board *Chair – NECA Leadership Board* *Chief Finance Officer/ Proper Officer for Transport*	*Ongoing* *Ongoing* *Summer /Autumn 2022* *Autumn 2022*	*4*	*3*	*12*	***Static***

					Current Score								Target score				
Risk Area	**ID**	**Risk Description**	**Cause**	**Impact**	**Likelihood**	**Current Controls**	**Impact**	**Likelihood**	**Rating**	**Direction of Travel**	**Mitigating Actions**	**Lead**	**Action Date**	**Impact**	**Likelihood**	**Rating**	**Direction of Travel**
					impact of Cost of Living Crisis will have a significant impact on government funds and investment (Red). **Covid 19:** *- Society has opened up and is recovering from the societal and economic impact of the Pandemic (Green)* - Government may be forced to redirect funding away from NECA to address the effects of the Pandemic.												
Funding Opportunities	**2**	Failure of NECA to secure the maximum amount of funding available to progress projects which support the delivery of the Strategic Economic Plan (SEP) for the North-East regions.	- Funding opportunities are missed due to lack of awareness/missing relevant deadlines. - Poor quality of funding applications made by NECA and/or JTC. - Failure to obtain funding only available through competitive process leading to under allocation for priorities. - Failure to build and develop relationships with key partners to maximise funding opportunities.	- Delivery of planned economic improvements required by the region will be significantly delayed. - Consequently delivery of NECA's Strategic Objectives may significantly be affected.	- Significant funding awarded regarding the Transforming Cities Fund. *- In May NECA region awarded £9.924M of Local Transport Funding as a successor to Bus Recovery Grant and LightRail and Tram Recovery Grant: £7.3M for Light Rail and £2.664M for Buses. Proposals will go to July's JTC.(Green)* *- Expectation that Metro income could rise to over 100% of pre-Covid levels by 2024/25 due to positive impact of new trains and Metro Flow project. (Green)* **-** The UK Community Renewal Fund bidding process is closed to NECA as a non-Mayoral Combined Authority but open to NECA Local Authorities and NoTCA. This is likely an indication of the Government's future approach to funding. **Outside of NECA Control:** - A significant proportion of available funding is through a competitive process. - Significant cost pressures on JTC Budgets, specifically the Transport Levy for Tyne and Wear due to fall and expectation of limited recovery on Metro *due to reduction in patronage/end of Covid Grant, including significant rise in Transport Levy 2022/23 to partly/ temporarily address: this may not be sustainable in the medium term. (Amber)* - 2021 Autumn Budget included 5 year city region funding (around £600m) for transport but not for NECA: funding is now dependent on putting in place governance arrangements that include an elected mayor. - No funding was received for the Leamside line in the Autumn 2021 budget/Integrated Rail Plan for the North and Midlands. (Red). - Only one of seven bids to Restoring Your Railway fund were successful for the region; Bensham Curve to Team Valley and Leamside Line reinstatement were unsuccessful. - Cancelation of expanded HS2, plus the	- Officers horizon scan for upcoming funding opportunities. - Regular contact with the UK government and other funding bodies to identify funding opportunities early. - Relationships with other bodies at a local level, including councils and universities, to allow for partnership to maximize funding application opportunities. - NECA, JTC and partners lobby relevant government bodies promote schemes required for the North East to be included in key government schemes. - The officers of NECA and JTC have proven experience, skills and knowledge to submit strong bids. - All bids/projects are subject to scrutiny to ensure they are inline with NECA objectives and plans and meet the bid criteria. - NECA and JTC liaise with the provider during any application process to understand clearly what it is looking for. - Local councils and JTC have set up a number of partnership working groups to develop a portfolio of pipeline projects to work up a prioritised set of worked-up projects ready to feed into project calls. These projects focus on addressing local needs.	4	3	**12**	**Static**	NECA are working with key stakeholders to develop and prepare pipeline projects ready for Government releasing further 'calls' for applications for funding. - **Devolution Deals/Bids to be considered based on further** *indications that funding opportunities are limited for the current non-mayoral governance structure* *- Impact on funding from Autumn 2021/**Spring 2022** Budget outcome of Integrated Rail Plan for the North and Midlands and bids to Restoring Your Railway fund to be considered and addressed through review of the Transport Plan For The North East.*	NECA Economic Directors/ Heads of Transport Officer Group *Chair – NECA Leadership Board* *Chief Finance Officer/ Proper Officer for Transport*	*Ongoing* *Summer /Autumn 2022* *Autumn 2022*	*4*	*3*	*12*	***Static***

Risk Area	ID	Risk Description	Cause	Impact	Likelihood	Current Controls	Current Score: Impact	Current Score: Likelihood	Current Score: Rating	Current Score: Direction of Travel	Mitigating Actions	Lead	Action Date	Target score: Impact	Target score: Likelihood	Target score: Rating	Target score: Direction of Travel
					above, contrasted with improvements for other regions may have a negative economic impact on the region. (Red)												
Use of Funding and Resources	3	Funding secured for initiatives within the North-East region by NECA and its partners may not be able to be used on a timely basis, not be sufficient to complete intended projects or may be used inappropriately.	- Poor project management. - Inaccurate assessment of projects costs when submitting funding bids. - Delays and costs for a project due to unforeseen events. - Lack of understanding of funding conditions including timescales. - Insufficient capacity and skills to manage projects. - Fraud and corruption. - Failure by NECA to secure agreement on the priority of projects within the region it serves.	- Programmes/ projects may be delayed, reduced in size or not completed with intended benefits unrealised. - Funding may be lost through missed deadlines, project failure. - Reallocation of other earmarked funding to address gaps. - Reputational damage.	- Transport Strategy Unit in place to manage project delivery. - JTC introducing of Capital Programme Management Framework to allow consistent and effective management of the programme as it becomes reliant on new/changing sources of funding. - Potential for resource issues through sickness or recruitment issues due to low number of Corporate staff. *- Government White Paper March 2022 confirms that LEPs should integrate in to Mayoral Combine Authorities or remain while a devolution deal is developed or find a local solution which may mean part of the LEP remains. (Amber)* *- Impact of Cost of Living Crisis, resulting from the effect on trade of the war in Ukraine, inflation and interest rates rises may result in significant unplanned project costs. (Amber)*	- NECA officers and partners in JTC and NELEP have proven experience, skills and knowledge to submit strong bids. - All bids/projects are subject to scrutiny to ensure they are in line with NECA objectives and plans and meet bid criteria. - Projects managed directly by NECA and it's partners are managed using recognised project management principles. - Projects delivered by contractors are let subject to a competitive procurement process. - Where projects are delivered by third parties arrangements are in place to gain assurance that the projects are progressing as expected. - Clear conditions of use are provided by funding providers. - NECA officers are subject to relevant codes of conduct. - Internal Audit and External Audit arrangements are in place. - Appropriate controls are in place in delivery of funded programmes. - Internal Audit have carried out a review of the project management arrangements within the JTC.	4	2	**8**	**Static**	- Delivery plans and programmes are to be kept under review in light of any issues which may affect funding secured to be used on a timely basis or may mean secured funding may not be sufficient to deliver the intended programmes. Appropriate prompt action is taken to address issues which may arise.	Head of Paid Service/ Chief Finance Officer	*Ongoing*	*4*	*2*	***8***	***Static***
Governance Arrangements	4	The governance arrangements of NECA are not appropriate to allow effective and timely decision making and the achievement of its objectives.	- Lack of capacity to support complex governance arrangements including lead authority status for JTC. - Lack of clarity on NECA's nature, objectives, roles and responsibilities or the importance of governance arrangements. - Lack of commitment or resources to support the development of working arrangements or delays in implementing proposed changes. - Conflicting priorities, not aligned to governance arrangements.	- Poor decisions may be made which are not in the interest of the North-East region. - Decisions may be delayed, not taken at the appropriate level or not based on the correct information. - Lack of clarity of roles, responsibilities and objectives may lead to failures in statutory compliance, financial	- Internal Audits of both NECA and JTC Governance Arrangements resulted in an opinion of substantial assurance.	- The LA7 have approved a Deed of Cooperation which sets out operational working between the 7 Local Authorities and the two Combined Authorities. - Standing Orders describe membership functions, sub committees, rules of procedure and the roles of statutory officers. - Formal decision-making committees in place include Leadership Board, Overview and Scrutiny Committee, Economic Development and Regeneration Advisory Board and Joint Transport Committee and sub-committees. - Committee Decisions are by majority vote but with an aim for consensus. - LA7 continue to work together using agreed joint working arrangements i.e. regular officer meetings of Chief Executives, Finance Directors, Monitoring Officers and Heads of	4	2	**8**	**Static**	- NECA Leadership Board will develop and communicate a clear statement of the role, differentiating facts and working arrangements with NoTCA.	Head of Paid Service	*Ongoing*	*4*	*2*	***8***	***Static***

				Current Score									Target score				
Risk Area	ID	Risk Description	Cause	Impact	Likelihood	Current Controls	Impact	Likelihood	Rating	Direction of Travel	Mitigating Actions	Lead	Action Date	Impact	Likelihood	Rating	Direction of Travel
				management and economic and infrastructure improvement.		Transport, plus formal Transport and Governance Committees. - The NELEP manage the SEP on behalf of NECA and NoTCA. - A Strategic Partnership Register in place to identify all partnerships that are entirely or substantially responsible for delivering or managing an outcome for NECA. - Responsibilities for the delivery of support services to NECA by local authorities, including finance and legal services, that support governance arrangements have been allocated and are supported by Service Level Agreements. - NECA maintains an internal audit function which, as part of its remit provides assurance, as to the governance arrangements within NECA.											
Operational Capacity and Resourcing	**5**	NECA does not have the necessary operational capacity, skills and budget, to successfully deliver the objectives and plans.	- Budget may be insufficient as NECA's initial resource pool now required to support JTC and NoTCA - Potential for conflicting priorities for Members, Statutory Officers to NECA and other posts provided under Services Level Agreements as all have alternative main employments with partner organisations. - Retention and turnover of key staff within small resource pool - Lack of effective business continuity arrangements	- Decisions may be delayed or based on incomplete information. - Functions may be less effectively or timely leading to financial loss and flawed decisions. - Reputational damage.	- Most recent Internal Audit relating to Financial Arrangements for NECA resulted in Substantial Assurance. - Transport Strategy Unit in place to manage project delivery. - Potential for resource issues through sickness or recruitment issues due to low number of Corporate staff. *- Impact of Cost of Living Crisis, resulting from the effect on trade of the war in Ukraine, inflation and interest rates rises may result in significant unplanned costs. (Amber)*	- Representation from NECA Local Authorities and Statutory Officers in post and supported by deputies. - Significant TUPE to NECA employment relating to Corporate NECA staff and Transport Strategy Unit. - Review and update of all SLAS has taken place with move to new Host Authority. - More finance support has been made available through SLA with new Host Authority. - Effective and timely arrangements for setting and approval of NECA and JTC revenue budget and Capital Programme in place. - Partners continue to engage through the formal meetings of the Combined Authority and LA7, including at Leader, Chief Executive, Economic Director, Chief Legal Officer and Finance Director levels. - External Resources are appointed where required to support JTC delivery priorities. - Each officer working for NECA is based within a local authority and is subject to its business continuity arrangements e.g. working from home. Officers are also receiving public health guidance.	4	2	**8**	**Static**	- Accountable Body Arrangements – NECA continue to be the accountable body for the Joint Transport Committee and the functions delegated to it. NECA host the Transport Strategic Unit including the Proper Officer for Transport. - A review of resource requirements for combined authority is underway as part of the 2023/24 budget setting process.	Head of Paid Service Chief Finance Officer	*Ongoing* February 2023	*4*	*2*	***8***	***Static***

				Current Score									Target score				
Risk Area	**ID**	**Risk Description**	**Cause**	**Impact**	**Likelihood**	**Current Controls**	**Impact**	**Likelihood**	**Rating**	**Direction of Travel**	**Mitigating Actions**	**Lead**	**Action Date**	**Impact**	**Likelihood**	**Rating**	**Direction of Travel**
Delivery of Projects/ Programmes	**6**	Projects which are funded through NECA are delayed, are significantly overspent or do not deliver the intended product to meet the identified transport need.	- Poor programme/project management. - Inaccurate assessment of projects costs when submitting funding bids. - Delays and costs for a project due to unforeseen events. - Insufficient capacity and skills to manage projects. - Fraud and corruption.	- Projects may be delayed, reduced in size or not completed with intended benefits unrealised. - Funding may be lost through missed deadlines/ project failure. - Reallocation of other earmarked funding to address gaps. - Reputational damage.	- Introduction of JTC Capital Programme Management Framework to allow consistent and effective management of the programme as it becomes reliant on new/changing sources of funding. *- Internal Audit review of the monitoring arrangements for the delivery the Transforming Cities Fund was positive in its design. Review of its actual operation due 2021/22. (Green)* **Outside of NECA Control:** **Covid 19**: *- Society has opened up and is recovering from the societal and economic impact of the Pandemic (Green)* - Delays to delivery due to the impact of the Pandemic on the operation of projects. *- Government White Paper March 2022 confirms that LEPs should integrate in to Mayoral Combine Authorities or remain while a devolution deal is developed or find a local solution which may mean part of the LEP remains. (Amber)* *- Impact of Cost of Living Crisis, resulting from the effect on trade of the war in Ukraine, inflation and interest rates rises may result in significant unplanned project costs. (Amber)*	- NECA officers and partners in JTC and NELEP have proven experience, skills and knowledge to submit strong bids. - All bids/projects are subject to scrutiny to ensure they are in line with NECA objectives and plans and meet bid criteria. - Projects managed directly by NECA and it's partners are managed using recognised project management principles. - Projects delivered by contractors are let subject to a competitive procurement process. - Where projects are delivered by third parties arrangements are in place to gain assurance that the projects are progressing as expected. - Clear conditions of use are provided by funding providers.	3	2	**6**	**Static**	- Monitoring of the delivery of the overall JTC programme of projects should be carried out on a regular basis. - Programme management and governance structures within the JTC and TSU are to be reviewed and developed to ensure they remain fit for purpose particularly in light of successful funding bids e.g. Transforming Cities Fund.	Managing Director Transport North East Managing Director Transport North East	*Ongoing* *Ongoing*	*3*	*2*	*6*	***Static***
Infrastructure Assets	**7**	Infrastructure assets which are owned by NECA are inadequately managed and maintained.	- Lack of awareness of the existence of the asset. - Lack of clarity as who has responsibility for the management and maintenance of the assets. - Lack of clarity as to standards required. - Lack of resources to maintain the assets.	- Greater financial resources may be needed to rectify faults arising from poor maintenance. - Failures in infrastructure assets may affect services delivered to users leading to disruption and complaints and a drop in usage. - Financial resources earmarked for other future purposes may need to be used to complete current projects causing postponement	- Internal Audit of contract monitoring of TT2 contract for the Tyne Tunnel resulted in Substantial Assurance. *- Impact of Cost of Living Crisis, inflation and interest rates rises may result in significant unplanned costs. (Amber)* **Outside of NECA Control:** **Covid 19:** *- Society has opened up and is recovering from the societal and economic impact of the Pandemic (Green)* - Potential threat to funding due to impact of the Pandemic on the economy.	- The Orders relating to NECA and its Constitution makes it clear who has overall responsibility and oversight for infrastructure assets it owns. - NECA holds a record of assets it is responsible for. - Responsibility for the maintenance of assets and the standards required are included in the relevant agreements with third party providers e.g. TT2 Ltd. As part of the agreements' reports need to be submitted to NECA to enable to gain assurance the relevant maintenance is being carried out.	3	2	6	**Static**	- Ensure Asset management arrangements continue to provide assurance over the maintenance of NECA's assets.	Head of Paid Service	*Ongoing*	*3*	*2*	*6*	***Static***

				Current Score									Target score				
Risk Area	ID	Risk Description	Cause	Impact	Likelihood	Current Controls	Impact	Likelihood	Rating	Direction of Travel	Mitigating Actions	Lead	Action Date	Impact	Likelihood	Rating	Direction of Travel
				or delays in other NECA plans.													

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Appendix 3

Risk Analysis Toolkit

Determine the risk priority

		Impact			
		Insignificant	Minor	Significant	Critical
Likelihood	High	4	8	12	16
	Medium	3	6	9	12
	Low	2	4	6	8
	Negligible	1	2	3	4

Assess the likelihood of the risk event occurring

High	Risk will almost certainly occur
Medium	Risk is likely to occur in most circumstances
Low	Risk may occur
Negligible	Risk is unlikely to occur

Assess the impact should the risk occur

	Objective	Service Delivery	Financial	Reputational
Critical/Showstopper	• Over half the objectives/programmes affected • More than one critical objective affected • Partners do not commit to the Shared vision	• Significant change in partner services • Relationship breakdown between major partners and stakeholders • Serious impact on delivery of key transport related investment plans • Unplanned major re-prioritisation of resources and/or services in partner organisations • Failure of a delivery programme/major project • Serious impact on services provided to users	• Inability to secure or loss of significant funding opportunity(£5m) • Significant financial loss in one or more partners (£2m) • Significant adverse impact on budgets (£3m))	• Adverse national media attention • External criticism (press) • Significant change in confidence or satisfaction of stakeholders • Significant loss of community confidence

Significant	• One or more objectives/programmes affected • One or more partners do not committee to shared vision • Significant environmental impact	• Partner unable to commit to joint arrangements • Recoverable impact on delivery of key transport related investment plans • Major project failure • Impact on services provided to users	• Prosecution • Change in notable funding or loss of major funding opportunity (£2m) • Notable change in a Partners contribution • Notable adverse impact on budget (£0.5m-£1.5m)	• Notable external criticism • Notable change in confidence or satisfaction • Internal dispute between partners • Adverse national/regional media attention • Lack of partner consultation • Significant change in community confidence
Minor	• Less than 2 priority outcomes adversely affected • Isolated serious injury/ill health • Minor environmental impact	• Threatened loss of partner's commitment • Minor impact on services provided to users	• Minor financial loss in more than one partner • Some/loss of funding or funding opportunity threatened	• Failure to reach agreement with individual partner • Change in confidence or satisfaction • Minor change in community confidence
Insignif.	• Minor effect on priorities/service objectives • Isolated minor injury/ill health • No environmental impact		• Isolated/minor financial impact in a partner organisation	

Glossary of Terms

RAG – Red/Amber/Green (denoting an assigned performance status)

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Strategic Risk - relates to those factors that might have a significant effect on the successful delivery of the JTC's objectives, plans, policies and priorities.

Risk - A probability or threat of damage, injury, liability, loss, or any other negative occurrence that is caused by external or internal vulnerabilities.

Risk Appetite - The level of risk that an organisation is prepared to accept in pursuit of its objectives, and before action is deemed necessary to reduce the risk.

Risk Controls or Control Processes - are those actions and arrangements which are specifically identified to be taken to lower the impact of the risk or reduce the likelihood of the risk materialising, or both of these.

Risk Matrix - a graphical representation of the Risk Severity and the extent to which the Controls mitigate it.

Risk Owner - has overall responsibility for the management and reporting of the risk.

Lead Officer(s) – given delegated responsibility from the Risk Owner to take action and manage the risk through application of the appropriate risk controls and processes.

Risk Impact - indicates the potential seriousness should the risk materialise.

Risk Likelihood - indicates the chance of a risk materialising in the time period under consideration.

Risk Score - the product of the Impact score multiplied by the Likelihood score.

Joint Transport Committee – Audit Committee

Date: **23 March 2022**

Subject: **Joint Transport Committee Strategic Risk Register**

Report Of: **Senior Manager – Assurance, Sunderland City Council**

Executive Summary

This report provides members with an up-to-date assessment of the strategic risks the North East Joint Transport Committee (JTC) faces as it seeks to achieve its objectives.

There have been no additions or deletions to the risks included in the JTC Strategic Risk Register which was reported to the JTC Audit Committee in November 2021. Consequently, therefore the Strategic Risk Register still contains the same 14 risks.

Following a recent review of the Strategic Risk Register, Appendix 2 is now in a revised, tabular format, with new elements added to provide further assurance, including timescales for mitigating actions and Target risk scores that those actions are expected to achieve. Since the previous meeting a high-level review has taken place which has allowed for Lead officers to be identified for each of the mitigating actions along with the inclusion of the date of the next significant action effecting each one.

As usual, any recent changes, developments or activities considered relevant to the assessment of the JTC's strategic risks have been highlighted, in blue, in Appendix 1 and 2 attached to this report.

The current level of risk associated with the JTC's achievement of its strategic objectives previously reported remain the same.

Officers will continue to review the Strategic Risk Register on a quarterly basis prior to presentation to the Audit Committee.

Recommendations

1. The Audit Committee is asked to consider and comment on the content of the Strategic Risk Register.

1. Background Information

1.1 The North East Combined Authority (NECA) was established in April 2014 and brought together seven councils within the North East. As a result of the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority (Establishment and Functions) Order 2018 ('the Order') the North of Tyne Combined Authority (NoTCA) was created, and the boundaries of NECA changed on the 2 November 2018. NECA now covers the local authorities of Durham; Gateshead, South Tyneside and Sunderland; and NoTCA covers Newcastle, North Tyneside and Northumberland.

1.2 The two Combined Authorities have responsibility for transport; however, as the former Tyne & Wear passenger transport authority area (and its passenger transport executive, Nexus) straddle the two combined authorities, the Order also provided that they must establish a joint transport committee to exercise all transport functions. Hence the JTC was created.

1.3 The JTC defines it strategic risks as those matters which, if they were to occur, could have a material adverse impact upon the achievement of the JTC's vision of "moving to a green, healthy, dynamic and thriving North East"

1.4 On 16 March 2021, the JTC formally adopted a new North East Transport Plan, the first to cover the entire LA7 area. The Plan seeks to achieve five objectives. These are:

- Carbon-neutral transport;
- Overcome inequality and grow the North East economy;
- Healthier North East;
- Appealing sustainable transport choices; and
- Safe, secure transport network.

1.5 This report offers the JTC's Audit Committee the opportunity to consider the nature and level of risk the JTC faces in seeking to achieve its overall vision and objectives. The Strategic Risk Register is reviewed in light of feedback from previous Audit Committee meetings, recent reports considered by the JTC Committee and its sub-committees and discussions with JTC/STU and NECA officers where required.

1.6 For Each of the 5 risks relating to the achievement of the JTC's strategic objectives and the 'organisational' risks, the causes of each of the risks and the factors affecting the likelihood of each risk occurring originate from sources/actions both inside and outside the JTC organisation. Consequently, the management of the risk is not totally within the sole control of the JTC itself. The further mitigating actions to manage the risk recorded in the JTC Strategic Risk Register reflect only what the JTC is further planning to manage the risk.

1.7 As the committee is aware the risk register has been reviewed and the detailed risk register at Appendix 2 is now provided in a tabular format. Following the Committee's requirements of reflecting factors that are considered to be outside of the JTC's control, likelihood factors are split to identify where this is regarded as the case, with a further split where factors are regarded as directly related to Covid-19. Likelihood factors are also colour coded to indicate their positive (green) or negative (amber or red) effect on the likelihood score.

1.8 As agreed at the previous meeting a high-level review has been carried out with assistance of nominated officers within Transport North East on the new elements added to the detailed risk register, as follows:

- Significant dates for activity effecting the implementation of mitigating actions.

- Target score, reflecting the revised scoring of the impact of the mitigating actions on the Current Risk Score.
- Direction of travel from the Current Risk Score to Target Score showing the expected effect once the mitigating actions are implemented.

1.9 The review has also identified the Lead officers for each of the mitigation actions. The upkeep of the risk register will include ongoing discussions with officers as well as the review of relevant documentation and minutes of meetings.

2. Proposals

2.1 The Register identifies 14 strategic risks. These are split into 2 categories:

a) five risks relating to the achievement of the JTC's strategic objectives to be included in the JTC's North East Transport Plan being developed, and

b) nine risks relating to the JTC organisation itself.

2.2 The risks relating to the objectives to be expressed in the North East Transport Plan are:

a) Failure to achieve the aspiration of a fully carbon neutral transport network within the JTC area by 2035.

b) Failure of the transport system to achieve the planned outcomes to overcome inequality and support the growth of the economy in the JTC area.

c) Failure of the transport system to achieve the planned outcomes to contribute to the improvements in health of the population in the JTC area.

d) The transport network within the JTC area fails to achieve the planned outcomes regarding the offer of appealing sustainable transport choices to people living or working in the area or visiting or travelling through the area.

e) The transport system within the JTC area fails to achieve the planned outcomes regarding its safety and security.

2.3 The risks relating to the JTC organisation itself are:

h) Sources and levels of funding available to the JTC to develop the North-East regions transport infrastructure within the region may reduce.

i) Failure of the JTC to secure the maximum amount of transport funding available to progress transport infrastructure in the North-East region.

j) Funding secured for transport initiatives within the North-East region by the JTC and its partners may not be able to be used on a timely basis or be sufficient to complete intended projects.

k) The governance arrangements of the JTC are not appropriate to allow effective and timely decision making and the achievement of its objectives.

l) The JTC does not have the necessary operational capacity, skills and budget, to successfully deliver the JTC's objectives and plans.

m) Projects which are funded through the JTC are delayed, are significantly overspent or do not deliver the intended product to meet the identified transport need.

n) Transport assets, which are the responsibility of the JTC, are inadequately managed and maintained.

o) Inadequate arrangements are in place to ensure that adequate levels of public transport services, for which the JTC has oversight, are maintained by the JTC's transport delivery partners.

p) Inadequate arrangements are in place should a 'catastrophic' event occur which seriously impacts the transport system in the North East. e.g. public health emergency, security incident, infrastructure collapse (e.g. prolonged loss of power, prolonged fuel shortage).

2.4 The Strategic Risk Register is updated in light of the content of recent reports considered by the North East Joint Transport Committee and its sub-committees, information from other relevant bodies, e.g. Nexus etc, and discussions with JTC officers, as appropriate.

Any recent changes, developments or activities considered relevant to the assessment of JTC's strategic risks have been highlighted in blue in Appendix 1 and 2 attached to this report. It should be noted:

a) No changes have been made to the number of risks or the description of risks.

b) A mix of positive and negative changes have been identified:

Negative **Likelihood** factors outside of the control of JTC include:

- 2021 Autumn Budget included 5-year city region funding (around £600m) for transport but not for NECA: funding is now dependent on putting in place governance arrangements that include an elected mayor.
- No funding was received for the Leamside line in the Autumn 2021 budget/Integrated Rail Plan for the North and Midlands; only one of seven bids to Restoring Your Railway fund were successful for the region as Bensham Curve to Team Valley and Leamside Line reinstatement were unsuccessful; cancelation of expanded HS2, plus the above, contrasted with improvements for other regions may have a negative economic impact on the region.
- Difficult budget position for Metro due to reduction in patronage/end of Covid Grant, including significant rise in Transport Levy 2022/23 to partly/ temporarily address: this may not be sustainable in the medium term.

Positive Likelihood factors outside of the control of JTC include:

- British Railways Call for Evidence (Whole Industry Strategy) 8 week consultation from December 2021 on a 30 year UK strategy with objectives: meeting customers' needs, delivering financial sustainability, contributing to long term growth, levelling up & connectivity, delivering environmental sustainability.
- May 2023 East Coast Mainline Timetable consultation and Newcastle to Northallerton Strategic Outline Business Case initial findings due May 2022
- £800,000 Safer Streets funding to provide: App to improve safety on public transport allowing real time contact with authorities while travelling and up to date travel information; body-worn cameras for transport staff; Street Pastor-

style safety volunteers patrolling the Metro network; and extra CCTV linked to control rooms.

Positive **Likelihood** factors within the control of JTC include:

- Transport for the North, A Transport Decarbonisation Strategy for the North of England launched December, with a target of near-zero emissions by 2045.
- Expectation that Metro income could rise to over 100% of pre-Covid levels by 2024/25 due to positive impact of new trains and Metro Flow project.

For **Current Controls** this includes:

- Public consultation on North East Rail and Metro Strategy from February. Strategy encourages further regional devolution with commitments to:
    - Increasing capacity/resilience of the East Coast Main Line/Durham Coast Line improving connectivity for passengers and freight;
    - Extending the reach of local rail and Metro, upgrading existing networks & services, adding new routes & stations including the Northumberland and Leamside lines;
    - Working with Great British Rail for greater influence over local rail to match flexibility and accountability of Metro;
    - Maintaining/updating the Metro assets
    - Introducing new/more efficient electric Metro trains and sustainably fuelled on local rail. Shift from road to rail freight;
    - Improvement of existing stations and development of new stations;
    - Aimed to ensure a more secure financial future to operate key services.

The high-level review of **Mitigating Actions** currently included in the risk register has allowed for:

- A number of mitigating actions to be slightly amended for context.
- Arrangements for the monitoring and reporting of KPIs that feature in a number of controls and mitigating actions have been clarified and as a result the mitigating actions have been amended.
- The mitigating action for Operational Risk 8, relating to JTC's arrangements on gaining assurance that transport service delivery quality is satisfactory has been removed as two current controls of, i) JTC's forum with regional bus operators, and ii) reporting on public transport services levels provided to committees, including Leadership Board, Tyne and Wear Sub Committee and Overview and Scrutiny are regarded as in place and addressing this risk.
- For all of the above please see Appendix 2 for details.

c) Combined, the likelihood factors above have resulted in the risk level for the Strategic Risks remaining static. In relation to Risk 1 of the Operational Risks, relating to Funding Availability, negative factors identified above relating to transport funding, cost pressures for JTC and concerns over the impact of NECA's non-mayoral governance structure prohibiting future funding opportunities have increased the likelihood rating from two to three, which had pushed the risk rating from medium to high.

d) It is noted that the inclusion of Target Risk Scores as part of the high-level review has resulted in no change from the Current Risk Scores, but this has highlighted a number of important issues when considering the static nature of both JTC's Strategic and Operational risks:

- The difficultly of improving the risk score due to high impact scores that reflect the scope of the JTC's objectives is compounded by the significant negative factors outside of the control the JTC that keep the likelihood scores up.

- The high level of turbulence in negative factors outside of the JTC's control, particularly in relation to government funding and policy, further compounds this difficulty and negates the impact of positive factors, controls and actions that the JTC continue to maintain and develop. Specifically this continues to keep the risk rating for Strategic Risks 1, 2 and 5 at a high level.
- As many of the mitigating actions currently identified within the risk register relate to planning, strategies and bids, which is the nature of the JTC's role, they are key gateway activities to actions that may address the risks but cannot do this themselves.
- Given the above, the relatively low likelihood scores for most of the Operational Risks allows them to be considered as stable rather than static. For example although Risk 8 relating to Public Transport Service Delivery is still open it has a relatively low score that is unlikely to be reduced any further.

e) To address the factors above the mitigating actions will be reviewed and refreshed as the Regional Transport Plan is delivered. As plans are delivered the Target Risk Scores can be reduced and the impact of activity can be reflected in the Current Risk Score.

2.5 The 'Strategic Risks Summary' at Appendix 1 shows the 14 risk areas and for each risk provides a current RAG rating to provide a guide as to the level of risk the JTC currently faces for that risk. The direction of travel is also recorded together with reason for any changes to risk levels.

Appendix 2 Strategic Risk Register 2021-22 provides a detailed description of the nature of each risk, the possible causes of each risk, an assessment of the impact of each risk should it occur, the factors which affect the likelihood of each risk occurring together with the relevant controls in place, or being put in place to mitigate each risk to an appropriate level.

Appendix 3 'Risk Analysis Toolkit' shows the risk scoring matrix that has been applied to assess the level of risk for each of the JTC strategic risks.

2.7 The Strategic Risk Register for regional transport will continue to be reviewed to record, monitor and report the strategic risks to the Audit Committee on a quarterly basis. Where appropriate, the risks will also be provided to NECA's Audit and Standards Committee and NoTCA for information.

3. Reason for the Proposals

3.1 The Audit Committee continues to fulfil an ongoing review and assurance role in relation to the governance, risk management and internal control issues of the JTC.

4. Next Steps and Timetable for Implementation

4.1 The Strategic Risk Register will be reviewed quarterly. Update reports will be provided to the JTC Audit Committee.

5. Potential Impact on Objectives

5.1 The development of the Strategic Risk Register will not impact directly on the JTC's objectives, however the approach to strategic risk management will support the JTC by acknowledging the most significant threats to the achievement of its objectives and putting plans in place to manage them, e.g. the development of the North East Transport Plan and its subsequent delivery should incorporate measures to manage the key risks appropriately.

6. Finance and Other Resources Implications

6.1 There are no financial implications arising from this report.

7. Legal Implications

7.1 There are no legal implications arising specifically from this report.

8. Key Risks

8.1 The report identifies what are considered to be the key risks to the achievement of the JTC's overall objectives.

9. Equalities and Diversity

9.1 There are no equalities and diversity implications arising from this report

10. Crime and Disorder

10. There are no crime and disorder implications arising from this report.

11. Consultation /Engagement

11.1 The Head of Paid Service, Monitoring Officer, Chief Finance Officer and the JTC's Proper Officer for Transport have been consulted on the Strategic Risk Register.

12. Other Impact of the Proposals

12.1 The proposals comply with the principles of decision making. Relevant consultation processes have been held where applicable.

13. Appendices

Appendix A – 'Risks Summary' shows the JTC's strategic risks and the level of risk associated with each.
Appendix B – 'Strategic Risks – Details' provides a detailed assessment of the JTC's and actions identified to reduce the overall risk exposure.
Appendix C – Risk Analysis Toolkit determines the level of risk attached to each risk.

14. Background Documents

14.1 The latest Nexus Strategic Risk Register can be found on the NECA website as part of the North East Joint Transport Committee, Tyne and Wear Sub-Committee, which focuses on transport issues for both NECA and the North of Tyne Combined Authority within the Tyne and Wear Area.

15. Contact Officers

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16. Sign off

- Head of Paid Service

- Monitoring Officer
- Chief Finance Officer
- Proper Officer for Transport

Appendix 1

Strategic Risks - Summary			
Risk Title & Description	**Risk Level (RAG Rating)**	**Direction of Travel**	**Notes**
Risks to Achievement of JTC Strategic Objectives			
1 Carbon Neutral Transport Failure to achieve the aspiration of carbon neutral transport network within the JTC area by 2035.	**Red 12**	**Static**	**Due to possible negative impact of Covid-19 on future funding and need for behavioural change**
2 Inequality and Growth of the Economy Failure to achieve the planned outcomes to overcome inequality and support the growth of the economy in the JTC area.	**Red 12**	**Static**	**Due to possible negative impact of Covid-19 on future funding and cost and service availability to users of public transport**
3 Health Failure of the transport system to achieve the planned outcomes to contribute the improvements in health of the population in the JTC area.	**Amber 8**	**Static**	**Positive impact of Covid-19 on active travel counter balanced by possible negative impact of Covid-19 on future funding and need for behavioural change**
4 Appealing Sustainable Transport The transport network within the JTC area fails to achieve the planned outcomes regarding the offer of appealing sustainable transport choices to people living or working in the area or visiting or travelling through the area.	**Red 12**	**Static**	**Due to possible negative impact of Covid-19 on future funding and cost and service availability to users of public transport**

Strategic Risks - Summary			
Risk Title & Description	**Risk Level (RAG Rating)**	**Direction of Travel**	**Notes**
5 Safety and Security The transport system within the JTC area fails to achieve the planned outcomes regarding its safety and security.	**Amber 8**	**Static**	**Arrangements in place but possible negative impact of Covid-19 on future funding**
JTC Organisation Risks			
1 Future Availability of Funding Sources and levels of funding available to the JTC to develop the North-East regions transport infrastructure within the region may reduce.	***Red 12***	***Increasing***	***Reduced opportunities for Non-mayoral Authorities***
2 Funding Opportunities Failure of the JTC to secure the maximum amount of transport funding available to progress transport infrastructure in the North-East region.	**Amber 8**	**Static**	**N/a**
3 Use of Funding and Resources Funding secured for transport initiatives within the North-East region by the JTC and its partners may not be able to be used on a timely basis or be sufficient to complete intended projects.	**Amber 8**	**Static**	**N/a**
4 Governance Arrangements The governance arrangements of the JTC are not appropriate to allow effective and timely decision making and the achievement of its objectives.	**Green 4**	**Static**	**N/a**
5 Operational Capacity and Resourcing The JTC does not have the necessary operational capacity, skills and budget, to successfully deliver the JTC's objectives and plans.	**Amber 8**	**Static**	**N/a**
6 Delivery of Transport Improvement Projects/Programmes Projects which are funded through the JTC are delayed, are significantly overspent or do not deliver the intended product to meet the identified transport need.	**Amber 8**	**Static**	**N/a**
Strategic Risks - Summary			
Risk Title & Description	**Risk Level (RAG Rating)**	**Direction of Travel**	**Notes**

<u>7 Transport Infrastructure Assets</u> Transport assets, which are the responsibility of the JTC, are inadequately managed and maintained.	**Green 6**	**Static**	**N/a**
<u>8 Service Delivery</u> Inadequate arrangements are in place to ensure that adequate levels of public transport services, for which the JTC has oversight, are maintained by the JTC's transport delivery partners.	**Green 6**	**Static**	**N/a**
<u>9 'Catastrophic Event'</u> Inadequate arrangements are in place should a 'catastrophic' event occur which seriously impacts the transport system in the North East. e.g. public health emergency, security incident, infrastructure collapse (e.g. power, fuel).	**Amber 8**	**Static**	**N/a**

Appendix 2

JTC Strategic Risk Register 2021/22

			Current Score								Target Score						
Risk Area	**ID**	**Risk Description**	**Cause**	**Impact**	**Likelihood**	**Current Controls**	**Impact**	**Likelihood**	**Rating**	**Direction of Travel**	**Mitigating Actions**	**Lead**	**Action Date**	**Impact**	**Likelihood**	**Rating**	**Direction of Travel**
Strategic Risks																	
Carbon Neutral Transport	1	Failure to achieve the planned outcomes to realise the decarbonisation of economic activity, infrastructure and housing within the *North East.*	- Lack of engagement by the public and industry due to prohibitive high cost and reliability of currently available alternatives, including infrastructure and vehicles. - Lack of government political will to ensure change by industry and public through adequate legislation, including regulation and supporting funding. - Gaps in Public Transport provision and/or frequency for some areas coupled with appeal and personal safety concerns. - See also Strategic Risk 3 re Active Travel.	- Unable to address the known effect of pollution on the health of the Public. - Pressure on the economy and the NHS due to the effect of pollution on the health of the Public. - Lack of impact on Climate Change.	- Government's Clean Air Zone framework in the process of being adopted in Newcastle, Gateshead and North Tyneside. - Tranche 2 of TCF is for frequency and reliability improvements for Metro, speeding up urban buses, train reliability and extensions to cycling network and park and ride. - Bid to be submitted to Zero Emission Bus Regional Areas schemes for 73 buses for 5 strategic bus corridors. - Bus Service Improvement Plan (BSIP) (October 2021) outlining a 3-year plan to recover and significantly grow usage from impact of Covid-19, improve services, satisfaction and reducing emissions. - Zero Emissions Vehicle Policy aligned with LA7 authorities' policies to be *submitted to JTC for approval March 2022.* *- Transport for the North, A Transport Decarbonisation Strategy for the North of England launched December, with a target of near-zero emissions by 2045. (Green)* **Outside of JTC Control:** - Government committed to Carbon Neutrality by 2050, 78% by 2035. - New Petrol/Diesel cars ban by 2030. - Funding to support expansion of Ultra Low Emission Vehicle infrastructure. - Twice a day fully electric, cheaper East Mainline service introduced Kings Cross, Newcastle, Morpeth and Edinburgh. - Network Rail strategy for carbon neutrality by 2040 includes an initial proposal for electrification of the North East	- JTC and partner Local Authorities continue to engage with and lobby UK government nationally and sub nationally to further North East transport vision, plan and needs. - JTC receive and allocate government and other funding to support all LA7 members to reduce carbon emissions. - £10m received from Transforming Cities Fund (TCF) Tranche 1 for encouraging bus travel, Active Travel and connectivity of key employment sites to city centres schemes. - JTC has access to TCF Tranche 2 (£198.483m) and Emergency Active Travel Fund (£15.7m) to increase and improve cycling and walking networks. - Local Authorities have statutory powers to tackle air pollution, emission requirements and ensure Local Plans/planning proposals contribute to mitigation of climate change. Funding from Government's Air Quality Grant Scheme available. - NECA/Local Authorities have declared a climate emergency with aim to of carbon neutrality before the deadline. *- Public consultation on North East Rail and Metro Strategy from February. Strategy encourages further regional devolution with commitments to:* • *Increasing capacity/resilience of the East Coast Main Line/Durham Coast Line improving connectivity for passengers and freight;* • *Extending the reach of local rail and Metro, upgrading existing networks & services, adding new routes & stations including the Northumberland and Leamside lines;* • *Working with Great British Rail for greater influence over local rail to match flexibility and accountability of Metro;* • *Maintaining/updating the Metro*	4	3	12	Static	**Private Transport** *- Continue to progress Zero Emission Vehicle Policy subject to JTC approval.* **Public Transport including Rail** - With JTC approval, a supplier to install, operate and maintain the 7 additional EV Infrastructure sites identified by Local Growth EV Enabling Study will be procured. - Continue to progress *North East Rail and Metro Strategy*. - Continue to progress Bus strategy. - If ZEBRA scheme funding bid is unsuccessful adjust future bus strategy plans to reflect this. - Once National Bus Strategy Funding has been offered, any gaps are to be identified, and the impact on the deliverability of the plan is to be assessed and remedial action taken. - Capital projects funded by TCF Phase 2 to be delivered in line with timescales. **Active Travel** - Scheme promoters to deliver schemes funded through Emergency Active Travel Fund. Schemes will deliver improvements for cycling and walking: Tranche 2 Further Tranches **Transport Plan** *- Requirement of moving Transport Plan KPIs from direction of travel to identifying required performance levels and timescales to be reviewed as part of refresh exercise.*	*Strategic Transport Lead* *Strategic Transport Lead* *Head of Heavy Rail* *Transport Strategy Director* *Head of Funding and Programmes* *Transport Strategy Director* *Head of Funding and Programmes* *Head of Funding and Programmes*	*March 2022* *Autumn 2022* *Summer 2022* *Summer 2022* *March 2022* *May 2022* *March 2023* *March 2022* *TBC*	4	3	12	Static

				Current Score							Target Score						
Risk Area	**ID**	**Risk Description**	**Cause**	**Impact**	**Likelihood**	**Current Controls**	Impact	Likelihood	**Rating**	**Direction of Travel**	**Mitigating Actions**	**Lead**	**Action Date**	Impact	Likelihood	**Rating**	**Direction of Travel**
					line. - Local Authorities licensing powers can be used to introduce emissions requirements on private hire vehicles. *- £800,000 Safer Streets funding to provide: App to improve safety on public transport allowing real time contact with authorities while travelling and up to date travel information; body-worn cameras for transport staff; Street Pastor-style safety volunteers patrolling the Metro network; and extra CCTV linked to control rooms. (Green)* - Government Policies introduced are mainly strategic and supportive rather than regulatory. - Bus Operators are operating some low emissions vehicles but not enough to meet requirements for Clean Air Zones. Funding available for modifications is less than that available for cars/vans. - BSIP bid requires £803.9m from a total National Bus Strategy fund of £3bn. *- 2021 Autumn Budget included 5 year city region funding (around £600m) for transport but not for NECA: funding is now dependent on putting in place governance arrangements that include an elected mayor. (Red)* *- No funding was received for the Leamside line in the Autumn 2021 budget/Integrated Rail Plan for the North and Midlands. (Red)* *- Only one of seven bids to Restoring Your Railway fund were successful for the region; Bensham Curve to Team Valley and Leamside Line reinstatement were unsuccessful. (Red)* **Covid 19:** - continued impact on the	*assets* • *Introducing new/more efficient electric Metro trains and sustainably fuelled on local rail. Shift from road to rail freight;* • *Improvement of existing stations and development of new stations.* *Aimed to reduce Carbon emissions through more efficient transfer of people and goods.* - Nexus is are completing a widescale programme of infrastructure improvements for the Metro and will soon be replacing all trains. - Transport Plan for the North East includes an objective of transport carbon neutrality and set's out how this will be achieved in its Intervention Plan. - The JTC's North East Transport Plan identifies a planned investment of £6bn in transport infrastructure that is evidence based and reflects government policy requirements. - North East Transport Plan *Progress Report* to JTC includes progress on KPIs for Sustainable Travel, Public Transport Accessibility, Climate Action, Take Up of ULEVs and Air Quality *every two months*. *- North East Transport Plan Progress Report provides assurance that projects relating to transport carbon neutrality objective are on track to timescales* - £3m for Go Ultra Low Programme supported by £0.1m for study to identify 25 strategic EV charging sites and £0.5m to deliver 4-6 priority sites from Local Growth Fund. --*8 of* 10 rapid chargers for the Go Ultra Low taxi project have been installed and are in operation. - Creation of Electric Vehicle Hub at Nissan supported by development of Sunderland/South Tyneside International Advanced Manufacturing Park and £1bn public/private funding. - Tyne Pass Scheme allowing barrier free movement through Tyne Tunnels to launch November 2021 to cut journey time and reduce carbon emissions from idling.												

					Current Score						Target Score						
Risk Area	ID	Risk Description	Cause	Impact	Likelihood	Current Controls	Impact	Likelihood	Rating	Direction of Travel	Mitigating Actions	Lead	Action Date	Impact	Likelihood	Rating	Direction of Travel
					economy preventing economic and structural change; - decline in public transport usage, increase in use of cars. - Target funding made available to maintain public transport during the Pandemic but once this is removed, and if levels of use do not improve, public transport may reduce as some services may no longer be sustainable. - Specific government funding has been provided on the basis that the Metro becomes self-sufficient with income matching services which is likely to lead to a reduction of services. - increase in cycling. - improvement in air quality due to Lockdown.												
Inequality and Growth of the Economy	**2**	Failure to achieve the planned outcomes to overcome inequality and support the growth of the economy in the JTC area.	- Transport network and provision does not meet the needs of residents as in some areas it is inaccessible, unreliable, poorly scheduled and lacks coverage. - Inadequate understanding of the transport requirements of residents, business and visitors. - housing development and/or business improvement needs are not addressed by transport infrastructure planning. - Cost of public transport is increasingly prohibitive, particularly to low-earners. - Failure to adequately integrate services across providers to ensure that users can reach	- Improvement in economic, health and social mobility prospects impaired for residents, particularly low earners, through limited transport access to work, education and training. - Residents in some areas are unable to access essential services including health care. - Business may relocate or expand outside of the region resulting in a loss of employment, investment and income.	- Metro is accessible by 40% of the region and bus use is highest outside of London. - Tranche 2 of TCF is for frequency and reliability improvements for Metro, speeding up urban buses, train reliability and extensions to cycling network and park and ride. - Bus Service Improvement Plan (BSIP) (October 2021) outlining a 3-year plan to recover and significantly grow usage from impact of Covid-19, improve services, satisfaction and reducing emissions. *- Expectation that Metro income could rise to over 100% of pre-Covid levels by 2024/25 due to positive impact of new trains and Metro Flow project. (Green)* *- Difficult budget position for Metro due to reduction in patronage/end of Covid Grant, including significant rise in Transport Levy 2022/23 to partly/ temporarily address: this may not be sustainable in the medium term. (Amber)* **Outside of JTC Control:** - 7 major road improvements	- JTC and partner Local Authorities continue to engage with and lobby UK government nationally and sub nationally to further North East transport vision, plan and needs. - JTC forum with bus operators in place to discuss service provision/inform Enhanced Partnership/develop BSIP bid for £803.9m as required by the National Bus Strategy. *- Agreement of staff resource to support development of Enhance Partnership/ Draft Partnership Plan and Scheme for presentation to operators agreed.* - "Connected North East: Our Blueprint" making a case for investment in the North East for recovery from the pandemic has been submitted to the Government focusing on transport and digital. *- Public consultation on North East Rail and Metro Strategy from February. Strategy encourages further regional devolution with commitments to:* • *Increasing capacity/resilience of the East Coast Main Line/Durham Coast Line improving connectivity for passengers and freight;* • *Extending the reach of local rail and Metro, upgrading existing*	4	3	12	Static	**Transport Plan** *Transport Plan KPIs from direction of travel to identifying required performance levels and timescales to be reviewed as part of refresh exercise* **Rail** - Continue to make the case to government for urgent investment in the East Coast Main Line north of York - Continue to progress *North East Rail and Metro Strategy.* **Other Public Transport** - Capital projects funded by TCF Phase 2 to be delivered in line with timescales. - As part of the Bus strategy for the North East, JTC are working with North East Bus Operators to complete development of 'local bus partnership' to, in the longer term, improve the bus work network for the community. - Continue to progress Bus strategy. - Once National Bus Strategy Funding has been	*Strategic Transport Lead* *Head of Heavy Rail* *Head of Heavy Rail* *Head of Funding and Programmes* *Transport Strategy Director* *Transport Strategy Director* *Transport Strategy*	*March 2023* *May 2022* *Summer 2022* *March 2023* *May 2022* *Summer 2022* *May 2022*	4	3	12	Static

				Current Score								Target Score					
Risk Area	**ID**	**Risk Description**	**Cause**	**Impact**	**Likelihood**	**Current Controls**	Impact	Likelihood	**Rating**	**Direction of Travel**	**Mitigating Actions**	**Lead**	**Action Date**	Impact	Likelihood	**Rating**	**Direction of Travel**
			their destination in a reasonable time. - Lack of portability of tickets across providers for whole journey/destination. - Issues of transport inequality are not understood and addressed. - Information on transport options is not adequately accessible to residents and visitors.		relating to A1 and A19 by 2025. - Twice a day fully electric East Mainline service introduced Kinds Cross, Newcastle, Morpeth and Edinburgh. *- British Railways Call for Evidence (Whole Industry Strategy) 8 week consultation from December 2021 on a 30 year UK strategy with objectives: meeting customers' needs, delivering financial sustainability, contributing to long term growth, levelling up & connectivity, delivering environmental sustainability. (Green).* *- May 2023 East Coast Mainline Timetable consultation and Newcastle to Northallerton Strategic Outline Business Case initial findings due May 2022 (Green).* - Metro is accessible by 40% of the region and bus use is highest outside of London. - One third of North East residents live in less accessible rural areas. - BSIP bid requires £803.9m from a total National Bus Strategy fund of £3bn. - Network Rail reviewing East Coast Mainline May 2022 Timetable change which has identified a desperate shortage of capacity. - East-west connectivity is slow via road and rail. *- 2021 Autumn Budget included 5 year city region funding (around £600m) for transport but not for NECA: funding is now dependent on putting in place governance arrangements that include an elected mayor. (Red)* *- No funding was received for the Leamside line in the Autumn 2021 budget/Integrated Rail Plan for the North and Midlands. (Red)* *- Significant cost pressures on JTC Budgets, specifically the Transport Levy for Tyne and*	*networks & services, adding new routes & stations including the Northumberland and Leamside lines;* • *Working with Great British Rail for greater influence over local rail to match flexibility and accountability of Metro;* • *Maintaining/updating the Metro assets* • *Introducing new/more efficient electric Metro trains and sustainably fuelled on local rail. Shift from road to rail freight;* • *Improvement of existing stations and development of new stations.* *Aimed to improve connectivity to opportunities for work, training, education and leisure. (Green)* - Nexus is completing a widescale programme of infrastructure improvements for the Metro and will soon be replacing all trains. *- Transport Levy from Councils increased.* - Recent Transport Network projects including Horden station, various road improvements, "pop -up" cycling an walking schemes. - Transport Plan for the North East includes an objective of overcome inequality and grow our economy and set's out how this will be achieved in its Intervention Plan. - The JTC's North East Transport Plan identifies a planned investment of £6bn in transport infrastructure that is evidence based and reflects government policy requirements. - North East Transport Plan *Progress Report to* JTC include progress on KPIs for Public Transport Accessibility, Network Performance and Motor Vehicle Traffic *every two months*. *- North East Transport Plan Progress Report provides assurance that projects relating to overcoming inequality and grow our economy objective are on track to timescales.* - Tyne Pass Scheme allowing barrier					offered, any gaps are to be identified, and the impact on the deliverability of the plan is to be assessed and remedial action taken. **Active Transport** - Scheme promoters to deliver schemes funded through Emergency Active Travel Fund. Schemes will deliver improvements for cycling and walking. - Unallocated Active Travel Fund Tranche 2 to be used for a programme for Summer 2021 to capitalise on move to cycling and walking during lock down and staycations with the planned relaxation of measures, supporting all of the objectives of the Transport Plan.	*Director* *Head of Funding and Programmes* *Head of Funding and Programmes/ Strategic Transport Lead*	*March 2022* *April 2022*				

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					Wear due to fall and expectation of limited recovery on Metro passenger numbers. (Red) *- Only one of seven bids to Restoring Your Railway fund were successful for the region; Bensham Curve to Team Valley and Leamside Line reinstatement were unsuccessful. (Red)* - Potential for "Levelling Up" between North and South reduced for the North East due to *Cancelation of expanded HS2* plus the above, contrasted with improvements for other regions may have a negative economic impact on the region. (Red) **Covid-19:** - Reduced accessibility of public transport due to lockdown/social distancing disproportionately affecting mobility of low-earners; - Potential reduction in public transport services due to reduced patronage will disproportionately affect low-earners.	free movement through Tyne Tunnels to launch November 2021 to cut journey time and reduce carbon emissions from idling.											
Health	3	Failure of the transport system to achieve the planned outcomes to contribute to the improvements in health of the population in the JTC area.	- See also Strategic Risk 1 for causes affecting Air Quality improvement. - Lack of funding to develop/maintain infrastructure. - Lack of support from alignment of policies and plans with other stakeholders. - Conflicting priorities between improving road and Active Travel networks. Lack of engagement in Active Travel due to: - Inadequate cycling and walking network between required	- Continued overcrowding on Public Transport. - Reduced impact on road congestion and accidents. - Unable to address the known effect of pollution on the health of the Public. - Reduced health benefits from physical activity from Active Travel. - Improvements in quality-of-life benefits for residents missed.	- JTC area already contains many cycling routes including parts of the national cycling network. - Bid to be submitted to f Bus Regional Areas schemes for 73 buses for 5 strategic bus corridors. - Bus Service Improvement Plan (BSIP) (October 2021) outlining a 3-year plan to recover and significantly grow usage from impact of Covid-19, improve services, satisfaction and reducing emissions. - Zero Emissions Vehicle Policy aligned with LA7 authorities' policies to be *submitted to JTC for approval March 2022.* **Outside of JTC Control:** See also Strategic Risk 1 for likelihood factors affecting Air	- JTC has access to TCF Tranche 2 (£198.483m) and Emergency Active Travel Fund (£15.7m) to increase and improve cycling and walking networks. - JTC and partner Local Authorities continue to engage with and lobby UK government nationally and sub nationally to further North East transport vision, plan and needs. - Transport Plan for the North East includes an objective of achieving appealing, sustainable transport choices and set's out how this will be achieved in its Intervention Plan. - The JTC's North East Transport Plan identifies a planned investment of £6bn in transport infrastructure that is evidence based and reflects government policy requirements. - North East Transport Plan *Progress Report* to JTC include progress on KPIs for Sustainable Travel, Public Transport Accessibility, Climate Action, Take Up of ULEVs and Air Quality,	4	2	8	static	**Transport Plan** *- Requirement of moving Transport Plan KPIs from direction of travel to identifying required performance levels and timescales to be reviewed as part of refresh exercise* **Public Transport including Rail** - Capital projects funded by TCF Phase 2 to be delivered in line with timescales. - If ZEBRA scheme funding bid is unsuccessful ~~has been offered, assess how many buses will be fundable and~~ adjust future bus strategy plans to ~~address any shortfalls~~ reflect this. - Once National Bus Strategy Funding has been	*Strategic Transport Lead* *Head of Funding and Programmes* *Head of Funding and Programmes* *Transport Strategy Director*	*March 2023* *March 2023* *March 2022* *May 2022*	4	2	8	static

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			destinations. - Regional and Council policies and plans do not adequately promote, support and enhance Active Travel. - A lack of accessible information and promotion including existing routes. - Impracticality for purpose of journeys, i.e. passengers, luggage, shopping. - Time. - Weather. - Fear for personal safety. - Unwillingness, inability, lack of confidence. - Lack of supporting facilities, e.g. showers at work.	- Opportunity to reduce pressure on the economy and the NHS through potential health improvements missed.	Quality improvement. - Government's "Gear Change; a bold vision for cycling and walking" plan, July 2020, focuses on encouraging improvements for both including safer infrastructure. - Government funding available to improve cycling facilitates at railway stations, support for walking to school and bike maintenance and cycling classes. - "Cycle to work" scheme allows employers to loan bicycles to employees as a tax-free benefit. - Increase in cycling and walking post lockdown during the Pandemic. - £2.1m Capability Fund allocation to the North East to improve access to public and active travel. - Government have issued statutory requirements and guidance to Local Authorities on increasing and improving walking and cycling networks. - Twice a day fully electric, cheaper East Mainline service introduced Kings Cross, Newcastle, Morpeth and Edinburgh. - BSIP bid requires £803.9m from a total National Bus Strategy fund of £3bn.	Road safety: numbers killed and seriously injured and number of slight injuries *every two months*. *- North East Transport Plan Progress Report provides assurance that projects relating to contribute to health improvements of the population objective are on track to timescales.* *- Tyne Pass Scheme allowing barrier free movement through Tyne Tunnels to launch November 2021 to cut journey time and reduce carbon emissions from idling.* *- Public consultation on North East Rail and Metro Strategy from February. Strategy encourages further regional devolution with commitments to:* • *Increasing capacity/resilience of the East Coast Main Line/Durham Coast Line improving connectivity for passengers and freight;* • *Extending the reach of local rail and Metro, upgrading existing networks & services, adding new routes & stations including the Northumberland and Leamside lines;* • *Working with Great British Rail for greater influence over local rail to match flexibility and accountability of Metro;* • *Maintaining/updating the Metro assets* • *Introducing new/more efficient electric Metro trains and sustainably fuelled on local rail. Shift from road to rail freight;* • *Improvement of existing stations and development of new stations.* *Aimed to improve outcomes by incorporating active travel as part of the journey (Green)*					offered, any gaps are to be identified, and the impact on the deliverability of the plan is to be assessed and remedial action taken. **Active Travel** - Delivery of projects funded by Emergency Active Travel Fund. Projects will provide improvements for pedestrians and cyclists and will support the increase in cycling and walking experience during the pandemic. - Unallocated Active Travel Fund Tranche 2 to be used for a programme for Summer 2021 to capitalise on move to cycling and walking during lock down and staycations with the planned relaxation of measures, supporting all of the objectives of the Transport Plan.	*Head of Funding and Programmes* *Head of Funding and Programmes/ Strategic Transport Lead*	*March 2022* *April 2022*				
Appealing Sustainable Transport	4	Failure to achieve the planned outcomes to ensure that people of all ages can access timely	- Failure to understand and address users' requirements for sustainable transport to be considered as	- Reduced impact on road congestion and accidents. - Unable to address the	- Tranche 2 of TCF is for frequency and reliability improvements for Metro, speeding up urban buses, train reliability and extensions to cycling network and park and	- JTC has fulltime support form Transport North East that has designed and is the delivering the Transport Plan for the North East, and who continue to carry out ongoing research to understand transport	4	3	12	stati	**Rail** - Continue to make the case to government for urgent investment in the East Coast Main Line. *- Requirement of moving*	*Head of Heavy Rail*	*May 2022*	4	3	12	stati

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		and personalised support to overcome their educational, situational and motivational barriers to work and to equip them with the capabilities the economy needs so that they can find employment.	a replacement for current private vehicles. - Transport provision is regarded as inaccessible, unreliable, poorly scheduled, lacks coverage and or does not have the capacity to address transport requirements of residents and visitors including personal safety. - Cost of using/changing to sustainable transport is perceived as too high. - Failure to adequately integrate services across providers to ensure that users can reach their destination in a reasonable time. - Lack of portability of tickets across providers for whole journey/destination. - Information on transport options is not adequately accessible to residents and visitors.	known effect of pollution on the health of the Public. - Reduced health benefits from physical activity from Active Travel. - Improvements in quality-of-life benefits for residents missed. - Opportunity to reduce pressure on the economy and the NHS through potential health improvements missed. - Possible negative impact on tourism. - Less effective sustainable transport network may affect investment in the region.	ride. - Metro is accessible by 40% of the region and bus use is highest outside of London. - Bid to be submitted to Zero Emission Bus Regional Areas schemes for 73 buses for 5 strategic bus corridors. - Bus Service Improvement Plan (BSIP) (October 2021) outlining a 3-year plan to recover and significantly grow usage from impact of Covid-19, improve services, satisfaction and reducing emissions. *- Expectation that Metro income could rise to over 100% of pre-Covid levels by 2024/25 due to positive impact of new trains and Metro Flow project. (Green)* *- Difficult budget position for Metro due to reduction in patronage/end of Covid Grant, including significant rise in Transport Levy 2022/23 to partly/ temporarily address: this may not be sustainable in the medium term. (Amber)* **Outside of JTC Control:** - Transport operators communicate well with customers including through social media and are improving arrangements to allow ticket purchases across all operators and services. - Government funding committed to development of Northumberland Rail line. - Government's "Gear Change; a bold vision for cycling and walking" plan, July 2020, focuses on encouraging improvements for both including safer infrastructure. - Government funding available to improve cycling facilitates at railway stations, support for walking to school and bike maintenance and cycling classes. - Twice a day fully electric, cheaper East Mainline service introduced Kings Cross,	users' needs. - Transport Plan for the North East includes an objective of achieving appealing, sustainable transport choices and set's out how this will be achieved in its Intervention Plan. - The JTC's North East Transport Plan identifies a planned investment of £6bn in transport infrastructure that is evidence based and reflects government policy requirements. - North East Transport Plan *Progress Report* to JTC include progress on KPIs for Sustainable Travel, Public Transport Accessibility, Network Performance and Motor Vehicle Traffic *every two months*. *- North East Transport Plan Progress Report provides assurance that projects relating to achieving appealing sustainable transport choices objective are on track to timescales.* - JTC has access to TCF Tranche 2 (£198.483m) and Emergency Active Travel Fund (£15.7m) to increase and improve cycling and walking networks. *- Public consultation on North East Rail and Metro Strategy from February. Strategy encourages further regional devolution with commitments to:* • *Increasing capacity/resilience of the East Coast Main Line/Durham Coast Line improving connectivity for passengers and freight;* • *Extending the reach of local rail and Metro, upgrading existing networks & services, adding new routes & stations including the Northumberland and Leamside lines;* • *Working with Great British Rail for greater influence over local rail to match flexibility and accountability of Metro;* • *Maintaining/updating the Metro assets* • *Introducing new/more efficient electric Metro trains and sustainably fuelled on local rail.*				c	*Transport Plan KPIs from direction of travel to identifying required performance levels and timescales to be reviewed as part of refresh exercise.* - Continue to progress *North East Rail and Metro Strategy.* **Other Public Transport** - Capital projects funded by TCF Phase 2 to be delivered in line with timescales. - As Part of the Bus strategy for the North East, JTC are working with North East Bus Operators to complete development of 'local bus partnership' to, in the longer term, improve the bus work network for the community. - Continue to progress Bus strategy. - If ZEBRA scheme funding bid is unsuccessful ~~has~~ adjust future bus strategy plans to reflect this. - Once National Bus Strategy Funding has been offered, any gaps are to be identified, and the impact on the deliverability of the plan is to be assessed and remedial action taken. **Active Travel** - Unallocated Active Travel Fund Tranche 2 to be used for a programme for Summer 2021 to capitalise on move to cycling and walking during lock down and staycations with the planned relaxation of measures, supporting all of the objectives of the Transport Plan.	*Strategic Transport Lead* *Head of Heavy Rail* *Head of Funding and Programmes* *Transport Strategy Director* *Transport Strategy Director* *Head of Funding and Programmes*	*March 2023* *Summer 2022* *March 2023* *May 2022* *Summer 2022* *March 2022*				c

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						Current Score					Target Score						
					Newcastle, Morpeth and Edinburgh. *- British Railways Call for Evidence (Whole Industry Strategy) 8 week consultation from December 2021 on a 30 year UK strategy with objectives: meeting customers' needs, delivering financial sustainability, contributing to long term growth, levelling up & connectivity, delivering environmental sustainability (Green)* *- May 2023 East Coast Mainline Timetable consultation and Newcastle to Northallerton Strategic Outline Business Case initial findings due May 2022 (Green).* *~~- May 2022 East Coast Mainline Timetable changes have been abandoned~~* - Bus Operators are operating some low emissions vehicles but not enough to meet requirements for Clean Air Zones. Funding available for modifications is less than that available for cars/vans. - BSIP bid requires £803.9m from a total National Bus Strategy fund of £3bn. - Network Rail reviewing East Coast Mainline May 2022 Timetable change which has identified a desperate shortage of capacity. - East-west connectivity is slow via road and rail. *- 2021 Autumn Budget included 5 year city region funding (around £600m) for transport but not for NECA: funding is now dependent on putting in place governance arrangements that include an elected mayor. (Red)* *- No funding was received for the Leamside line in the Autumn 2021 budget/Integrated Rail Plan for the North and Midlands. (Red)* *- Significant cost pressures on JTC Budgets, specifically the Transport Levy for Tyne and*	*Shift from road to rail freight;* • *Improvement of existing stations and development of new stations.* *Aimed to improve connectivity to opportunities for work, training, education and leisure. (Green)* - Nexus is completing a widescale programme of infrastructure improvements for the Metro and will soon be replacing all trains. *- Transport Levy from Councils increased.* - JTC forum with bus operators in place to discuss service provision/inform Enhanced Partnership/develop BSIP bid for £803.9m as required by the National Bus Strategy. *- Agreement of staff resource to support development of Enhance Partnership/ Draft Partnership Plan and Scheme for presentation to operators agreed.* - JTC and partner Local Authorities continue to engage with and lobby UK government nationally and sub nationally to further North East transport vision, plan and needs. - Recent Transport Network projects including Horden station, various road improvements, "pop -up" cycling an walking schemes. - Local Authorities have also developed cycling and walking improvement schemes.											

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					Wear due to fall and expectation of limited recovery on Metro passenger numbers. (Red) *- Only one of seven bids to Restoring Your Railway fund were successful for the region; Bensham Curve to Team Valley and Leamside Line reinstatement were unsuccessful. (Red)* - Potential for "Levelling Up" between North and South reduced for the North East due to *Cancelation of expanded HS2* plus the above, contrasted with improvements for other regions may have a negative economic impact on the region. (Red) **Covid 19:** - Use of public Transport has not recovered to pre-Pandemic levels and may never due to the move to working at home during Pandemic. Cars, cycling and walking are also regarded as safer than public transport by some. - Target funding made available to maintain public transport during the Pandemic but once this is removed, and if levels of use do not improve, public transport may reduce as some services may no longer be sustainable. - Specific government funding has been provided on the basis that the Metro becomes self-sufficient with income matching services which is likely to lead to a reduction of services.													
Safety and Security	**5**	The transport system within the JTC area fails to achieve the planned outcomes regarding its safety and security.	- Lack of understanding of users' priorities for safety and security. - Poor design of infrastructure. - Competing priorities for different types of transport re efficiency of infrastructure and safety and security.	- Injury and/or death rate does not improve. - Fear of use of public transport puts off users and affects ambitions for air pollution, congestion and accessibility. - Adverse	- JTC has access to Transforming Cities Fund and Emergency Active Travel Fund to increase and improve cycling and walking networks. **Outside of JTC Control:** - Government law and guidance puts responsibility for safety and security on transport providers, users and other transport stakeholders. - Government's "Gear Change;	- JTC and partner Local Authorities continue to engage with and lobby UK government nationally and sub nationally to further North East transport vision, plan and needs. - Nexus continues to operate required safety systems across it's estate in relation to maintenance and security. - Nexus have introduced a new Customer Support team to tackle anti-social behaviour and noncompliance with conditions of travel on the Metro.	4	2	**8**	**static**	**Active Travel** - Delivery of projects funded by Emergency Active Travel Fund. Projects will provide improvements for pedestrians and cyclists and will support the increase in cycling and walking experience during the pandemic. **Public Transport**	*Head of Funding and Programmes*	*March 2022*	4	2	**8**	**static**

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			- Lack of funding to improve, enhance or maintain safety and security. - Users' noncompliance and infringement. - Gaps in maintenance. - Public perception, which may be ill informed.	impact on Active Travel take up due to safety and security concerns.	a bold vision for cycling and walking" plan, July 2020, focuses on encouraging improvements for both including safer infrastructure. - Government have issued statutory requirements and guidance to Local Authorities on increasing and improving walking and cycling networks. **Covid 19:** Social distancing reduced use of public transport but, outside of lockdown, greatly increased active travel .	- Nexus is completing a widescale programme of infrastructure improvements for the Metro and will soon be replacing all trains. - Nexus and other North East providers have established and are maintaining the government's Covid-secure standard for public transport. - The JTC's North East Transport Plan identifies a planned investment of £6bn in transport infrastructure that is evidence based and reflects government policy requirements. - North East Transport Plan *Progress Report* to JTC include progress on KPIs for Sustainable Travel, Motor Vehicle Traffic. Road safety: numbers killed and seriously injured and number of slight injuries *every two months*. *- North East Transport Plan Progress Report provides assurance that projects relating to contributing to health improvements of the population objective are on track to timescales.*					**including Rail** - Capital projects funded by TCF Phase 2 to be delivered in line with timescales **Transport Plan** *- Requirement of moving Transport Plan KPIs from direction of travel to identifying required performance levels and timescales to be reviewed as part of refresh exercise.*	*Head of Funding and Programmes* *Strategic Transport Lead*	*March 2023* *March 2023*				
Operational Risks																	
Future Availability of Funding	1	Sources and levels of funding available to the JTC to develop the North-East regions transport infrastructure within the region may reduce.	- Reaction to economic downturn may force government to cut funding to transport schemes. - Uncertainty over future Capital scheme relating to those that are ending and their replacements, e.g. Local Growth Fund/EU Funding replaced by UK Shared Prosperity Fund (UKSPF). - Possible change in UK transport policy focus on other geographic areas or certain types of transport initiatives which may adversely affect the North East/not align to JTC Plans. - Future major local projects may not be tenable as	- Inability to improve infrastructure to enhance transport services. - Potential inability to maintain infrastructure to ensure adequate public transport services. - Potential inability to promote future economic growth within the region.	**Outside of JTC Control:** - The Government have set up the UK Infrastructure Bank with finances of £22bn to tackle climate change and support regional and local economic growth across the United Kingdom. - The Government's "Green Book" is a framework to inform decision making to ensure funding/investment spreads across the UK supporting the levelling up agenda. - Lack of certainty over availability and eligibility for transport related funding due to delays in formalisation of new funding regimes/replacements for EU funding. - The UK Community Renewal Fund, the forerunner of the UKSPF, is based on a competitive bidding process that is closed to NECA as a non-Mayoral Combined Authority but open to NECA Local Authorities and NoTCA.	- JTC and partner Local Authorities continue to engage with and lobby UK government nationally and sub nationally to further North East transport vision, plan and needs. - JTC work with partners to identify any new non-government funding sources. - The JTC's North East Transport Plan identifies a planned investment of £6bn in transport interculture that is evidence based and reflects government policy requirements. *- Public consultation on North East Rail and Metro Strategy from February. Strategy encourages further regional devolution with commitments to:* • *Increasing capacity/resilience of the East Coast Main Line/Durham Coast Line improving connectivity for passengers and freight;* • *Extending the reach of local rail and Metro, upgrading existing networks & services, adding new routes & stations including the Northumberland and Leamside lines;*	4	3	12	***Increasing***	- JTC Members and Officers, together with its partners e.g. Councils continue to lobby government for resources financial resources to enable delivery of the North East Transport Plan.	Managing Director, Transport North East	*Ongoing*	4	3	12	***Increasing***

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			government may have to reduce amount/timescale of funding schemes. - Funding for non-Mayoral combined authorities may no longer be available.		This is likely an indication of the Government's future approach to funding. *- 2021 Autumn Budget included 5 year city region funding (around £600m) for transport but not for NECA: funding is now dependent on putting in place governance arrangements that include an elected mayor. (Red)* *- No funding was received for the Leamside line in the Autumn 2021 budget/Integrated Rail Plan for the North and Midlands. (Red)* *- Significant cost pressures on JTC Budgets, specifically the Transport Levy for Tyne and Wear due to fall and expectation of limited recovery on Metro passenger numbers. (Red)* *- Only one of seven bids to Restoring Your Railway fund were successful for the region; Bensham Curve to Team Valley and Leamside Line reinstatement were unsuccessful. (Red)*	• *Working with Great British Rail for greater influence over local rail to match flexibility and accountability of Metro;* • *Maintaining/updating the Metro assets* • *Introducing new/more efficient electric Metro trains and sustainably fuelled on local rail. Shift from road to rail freight;* • *Improvement of existing stations and development of new stations.* *Aimed to ensure a more secure financial future to operate key services. (Green)*											
Funding Opportunities	**2**	Failure of the JTC to secure the maximum amount of transport funding available to progress transport infrastructure in the North-East region.	- Funding opportunities are missed due to lack of awareness/missing relevant deadlines. - Poor quality of funding applications made by JTC. - Failure to obtain funding only available through competitive process leading to under allocation for priorities.	- Delivery of planned transport improvements required by the region will be significantly delayed. - Consequently delivery of JTC's Strategic Objectives may significantly be affected.	- Significant funding awarded regarding the Transforming Cities Fund. - Some recent funding frameworks are not open to non-Mayoral Combined Authorities. **Outside of JTC Control:** - A significant proportion of funding available for transport projects is through a competitive process.	- Officers horizon scan for upcoming funding opportunities. - Regular contact with the UK government and other funding bodies to identify funding opportunities early. - Relationships with other bodies at a sub national (e.g. TfN) and local level e.g. councils, universities etc to allow the JTC to work in partnership, where applicable. - JTC and partners lobby relevant government bodies to persuade transport infrastructure schemes required for the North East to be included in key government schemes. - MD TNE and TSU staff have proven experience, skills and knowledge to submit strong bids. - All bids/projects are subject to scrutiny using the TSU's Transport Assurance Framework. - TSU liaises with the provider during any application process to understand clearly what it is looking for.	4	2	**8**	**s t a t i c**	- As part of the delivery of the North East Transport Plan, a 'project pipeline' is to be maintained. As part of this work each project will be assessed using the JTC's 'Transport Assurance Framework' to ensure each planned project has a strong business case and will help meet the Transport needs of the region.	*Head of Funding and Programmes*	*Ongoing*	4	2	**8**	**s t a t i c**
Use of Funding and	**3**	Funding secured for transport	- Poor project management.	- Transport projects may be	*- Transport North East including the* Transport	- MD TNE and TSU staff have proven experience, skills and knowledge to	4	2	**8**	**s**	- Delivery plans and programmes are to be kept	*Head of Funding and Programmes*	*Ongoing*	4	2	**8**	**s**

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Resources		initiatives within the North-East region by the JTC and its partners may not be able to be used on a timely basis or be sufficient to complete intended projects.	- Inaccurate assessment of projects costs when submitting funding bids. - Delays and costs for a project due to unforeseen events. - Lack of understanding of funding conditions including timescales. - Insufficient capacity and skills to manage projects. - Fraud and corruption.	delayed, reduced in size or not completed with intended benefits unrealised. - Funding may be lost through missed deadlines, project failure. - Reallocation of other earmarked funding to address gaps. - Reputational damage.	Strategy Unit in place to manage project delivery. - Introduction of Capital Programme Management Framework to allow consistent and effective management of the programme as it becomes reliant on new/changing sources of funding. - Potential for resource issues through sickness or recruitment issues due to low number of Corporate staff.	submit strong bids. - All bids/projects are subject to scrutiny using the TSU's Transport Assurance Framework to ensure they are in line with the JTC objectives and plans and meet bid criteria. - Directly managed projects are managed using recognised project management principles. - Where projects are delivered by partners arrangements are in place to gain assurance that the projects are progressing as expected. - Projects delivered by contractors are let subject to a competitive procurement process. - All third-party projects are based on funding agreements which include performance monitoring and reporting requirements. - Clear conditions of use are provided by funding providers. - JTC officers are subject to relevant codes of conduct. - Internal Audit have received the project management arrangements for the JTC.				tatic	under review in light of any issues which may affect funding secured to be used on a timely basis or may mean secured funding may not be sufficient to deliver the intended programmes. Appropriate prompt action is taken to address issues which may arise.						tatic
Governance Arrangements	**4**	The governance arrangements of the JTC are not appropriate to allow effective and timely decision making and the achievement of its objectives.	- Lack of capacity to support complex governance arrangements with accountability to two combined authorities, with one as lead. - Lack of clarity of roles and responsibilities. - Lack of development of new working arrangements or delays in implementing proposed changes. - Conflicting priorities, not aligned to governance arrangements.	- Poor decisions may be made which are not in the interest of the North-East region. - Decisions may be delayed, not taken at the appropriate level or not based on the correct information. - Lack of clarity of roles and responsibilities may lead to failures in statutory compliance, financial management and transport services delivery.	- Internal Audit of the JTC Governance Arrangements resulted in an opinion of substantial assurance.	- All 7 LAs continue to support the JTC and its activities. - Autonomous JTC Standing Orders outline functions, sub committees, rules of procedure and the roles of statutory officers. - Committee Decisions are by majority vote but with an aim for consensus. - Statutory role of 'Proper Officer for Transport' was established by the Statutory Order. including delegated powers. - JTC Chief Executive Transport Strategy Board supports/strengthens decision making providing challenge and scrutiny. - A Statutory Officer Oversight Group is in place to oversee procurement, legal, financial and other management issues relating to JTC operations. - Service Level agreements are in place for support services provided to the JTC.	4	1	**4**	static	- On going Review of roles, responsibilities, and arrangements regarding the activities of Transport North East including business planning, performance management, project assurance, overseeing of delivery programmes etc. and implementation of revised arrangements.	Managing Director Transport North East	*Ongoing*	4	1	**4**	static
Operational Capacity and Resourcing	**5**	The JTC does not have the necessary operational	- Budget may be insufficient as NECA's initial resource pool now	- Weakened oversight over the delivery of transport	- *Transport North East including the Transport* Strategy Unit in place to manage project delivery.	- Representatives from LA7, Statutory Officers and Proper Officer for Transport all have support from deputies.	4	2	**8**	sta	- Continuous assessment of skills and capacity within Transport North East's to meet its support role to	Managing Director Transport North East	*Ongoing*	4	2	**8**	sta

					Current Score						Target Score						
Risk Area	**ID**	**Risk Description**	**Cause**	**Impact**	**Likelihood**	**Current Controls**	Impact	Likelihood	**Rating**	**Direction of Travel**	**Mitigating Actions**	**Lead**	**Action Date**	Impact	Likelihood	**Rating**	**Direction of Travel**
		capacity, skills and budget, to successfully deliver the JTC's objectives and plans.	required to support JTC and NoTCA - Potential for conflicting priorities for Members, Statutory Officers to NECA, Proper Officer for Transport and other posts provided under Services Level Agreements as all have alternative main employments with partner organisations. - Increased demand for rapidly changing work requirements for transport policy, funding bid submission and programme delivery.	programmes - Decisions may be delayed or based on incomplete information - Functions may be less effectively or timely leading financial loss, flawed decisions, delay in development of transport policies and funding bids. - Reputational damage.	- Most recent Internal Audit relating to Financial Arrangements for NECA resulted in Substantial Assurance. - Potential for resource issues through sickness or recruitment issues due to low number of Corporate staff.	- Significant TUPE to NECA employment relating to TSU and Corporate NECA staff. - Review and update of all SLAS has taken place with move to new Host Authority. - Increased senior officer support from TNE Strategy Director and Tyne Tunnel Manager. - TNE Strategy Director has responsibility for long term transport policies, plans, analysis and business cases. - More finance support has been made available through SLA with new Host Authority. - External Resources are appointed where required to support JTC delivery priorities.				tic	JTC, including addressing any gaps through recruitment or external support as required. e.g. communications, programme management.						tic
Delivery of Transport Improvement Projects/ Programmes	**6**	Projects which are funded through the JTC are delayed, are significantly overspent or do not deliver the intended product to meet the identified transport need.	- Poor programme/project management. - Inaccurate assessment of projects costs when submitting funding bids. - Delays and costs for a project due to unforeseen events. - Insufficient capacity and skills to manage projects. - Fraud and corruption.	- Transport projects may be delayed, reduced in size or not completed with intended benefits unrealised. - Funding may be lost through missed deadlines, project failure. - Reallocation of other earmarked funding to address gaps. - Reputational damage.	- Introduction of Capital Programme Management Framework to allow consistent and effective management of the programme as it becomes reliant on new/changing sources of funding. - Internal Audit review of the monitoring arrangements for the delivery the Transforming Cities Fund was positive in its design. Review of its actual operation due 2021/22. **Outside of JTC Control:** **Covid 19**: - Delays to delivery due to the impact of the Pandemic on the operation of projects.	- MD TNE and TSU staff have proven experience, skills and knowledge to submit strong bids. - All bids/projects are subject to scrutiny using the TSU's Transport Assurance Framework to ensure they are in line with the JTC objectives and plans and meet bid criteria. - Directly managed projects are managed using recognised project management principles. - Where projects are delivered by partners arrangements are in place to gain assurance that the projects are progressing as expected. - Projects delivered by contractors are let subject to a competitive procurement process. - All third-party projects are based on funding agreements which include performance monitoring and reporting requirements. - Clear conditions of use are provided by funding providers. - JTC officers are subject to relevant codes of conduct. - Internal Audit have received the project management arrangements for the JTC.	4	2	**8**	static	- Monitoring of the delivery of the overall JTC programme of projects should be carried out on a regular basis. - Programme management and governance structures within the JTC and TN are to be reviewed and developed to ensure they remain fit for purpose particularly in light of successful funding bids e.g. Transforming Cities Fund.	Managing Director Transport North East Managing Director Transport North East	*Ongoing* *Ongoing*	4	2	**8**	static
Transport Infrastructure Assets	**7**	Transport assets, which are the responsibility of the JTC, are	- Lack of awareness of the existence of the asset. - Lack of clarity as	- Greater financial resources may be needed to	- Internal Audit of contract monitoring of TT2 contract for the Tyne Tunnel resulted in Substantial Assurance.	- JTC's constitution includes overall responsibility and oversight for transport infrastructure assets owned by NECA and North of Tyne Combined	3	2	**6**	sta	- As part of *the ongoing* review of roles, responsibilities, and arrangements regarding the	Managing Director Transport North East	*Ongoing*	3	2	**6**	sta

Risk Area	ID	Risk Description	Cause	Impact	Likelihood	Current Controls	Current Score Impact	Current Score Likelihood	Current Score Rating	Direction of Travel	Mitigating Actions	Lead	Action Date	Target Score Impact	Target Score Likelihood	Target Score Rating	Direction of Travel
		inadequately managed and maintained.	who has responsibility for the management and maintenance of the assets. - Lack of clarity as to standards required. - Lack of resources to maintain the assets.	rectify faults arising from poor maintenance. - Failures in transport infrastructure assets may affect services delivered to transport users leading to disruption and complaints and a drop in usage. - If available funding is not used by a deadline it may be lost. - Financial resources earmarked for other future purposes may need to be used to complete current projects causing postponement or delays in other JTC plans.	**Outside of JTC Control:** **Covid 19:** - Potential threat to funding due to impact of the Pandemic on the economy.	Authority. - The JTC holds a record of assets it is responsible for. - Responsibility for the maintenance of assets and standards are included in service provider agreements including assurance reporting requirements. -Tyne Tunnels Manager has oversight of the performance of service provider.				**t i c**	activities of the JTC *and Transport North East* capacity and skills *available to the JTC's to carry out its contract management responsibilities is continuously assessed.*						**t i c**
Service Delivery	**8**	Inadequate arrangements are in place to ensure that adequate levels of public transport services, for which the JTC has oversight, are maintained by the JTC's transport delivery partners.	- Lack of clarity as to the responsibilities, duties and interface regarding the oversight of public transport services within the region. - Failure to appreciate and provide appropriate levels of transport services to adequately support the economic well-being and reputation of the region. - Lack of resources and/or expertise to put in place effective arrangements to ensure adequate levels of transport services are provided.	- Loss of confidence by stakeholders, including government, in the JTC's ability to meet its responsibilities. - Loss of confidence by users of services. - Failure of JTC oversight of public transport providers may lead to inadequate services resulting in less use of public transport and greater congestion on	- Service provision governance and monitoring arrangements with transport providers were established and successfully operated under NECA prior to the split in to two combined authorities which required the creation of the JTC. **Outside of JTC Control:** - Many transport service providers are independent, private sector bodies that require profit from service provision.	- JTC's constitution makes it clear it has overall responsibility and oversight for certain statutory public transport services. - JTC committees, i.e. Leadership Board, Tyne Wear Sub Committee *and Overview and Scrutiny Committee* receive regular reports as to the level of public transport services provided by the JTC's partners e.g. Nexus, Durham County Council, Northumberland County Council, TT2Ltd *and bus provision*. - The Managing Director, Transport North East appointed by the JTC is also Statutory Director General of Nexus, a key delivery partner to the JTC. - Approval of appointees to the Nexus Executive Board of Directors is the responsibility of the JTC's TWSC. - 4 Non-Executive Directors are on the Nexus Executive Board which strengthens oversight arrangements.	3	2	**6**	**s t a t i c**				3	2	**6**	**s t a t i c**

Current Score / Target Score

				Current Score							Target Score						
Risk Area	**ID**	**Risk Description**	**Cause**	**Impact**	**Likelihood**	**Current Controls**	Impact	Likelihood	**Rating**	**Direction of Travel**	**Mitigating Actions**	**Lead**	**Action Date**	Impact	Likelihood	**Rating**	**Direction of Travel**
				the roads.		- Both NECA and NoTCA have representation both on Transport for the North's (TfN) Rail North committee which has oversight of Northern Rail and TPE's services, and on the TfN Board which governs TfN's investment programmes and its interfaces with national delivery partners (Network Rail and Highways England). *- Local Oversight through North East Rail Management Unit for Rail North* *- JTC forum with bus operators in place that allows greater oversight of delivery: moving to an Enhanced Partnership as required by National Bus Strategy.* *- Draft Rail and Metro Strategy under consultation to identify new delivery structures.*											
'Catastrophic Event'	**9**	Inadequate arrangements are in place should a 'catastrophic' event occur which seriously impacts the transport system in the North East. e.g. public health emergency, security incident, infrastructure collapse (e.g. power, fuel).	- Lack of clarity over responsibilities and duties of the relevant stakeholders with partner agencies for oversight of public transport services within the region in the event of a 'catastrophic event'. - Failure to anticipate and plan response to the impact of possible catastrophic events on the transport system - Lack of resources and/or expertise to ensure adequate arrangements are in place to respond effectively to a 'catastrophic event' significantly impacting transport activity in the region, and that they are regularly reviewed.	- Excessive death or injury - Economic activity excessively reduced due to inability of employees to carry out employment duties/activity. - Loss of reputation to the region.	**Outside of JTC Control:** - Councils have a legal duty under the Civil Contingencies Act 2004 (CCA) to be prepared and able to respond to any civil emergency occurring within its boundary. - Current changes in the way the rail infrastructure and contracts for carriage are managed.	- JTC Councils membership of Local Resilience Forums (LRF) along with transport delivery partners; (Nexus, Highways England, Network Rail) allows for effective delivery of multi-disciplinary planning for Major Incidents as required by the CCA - JTC public transport providers have developed their own risk, emergency response and business continuity plans - TT2 Ltd have risk, emergency response and business continuity plans in place. Regular emergency/safety training exercises take place which include Tyneside Councils, TWFRS and the other emergency services.	4	2	**8**	**static**	- The JTC's own disaster recovery and business continuity arrangements are to be reviewed to ensure they remain fit for purpose.	Managing Director Transport North East	March 2023	4	2	**8**	**static**

JTC Strategic Risk Register 2021/22

Appendix 3

Risk Analysis Toolkit

Determine the risk priority

		Impact			
Likelihood		Insignificant	Minor	Significant	Critical
	High	4	8	12	16
	Medium	3	6	9	12
	Low	2	4	6	8
	Negligible	1	2	3	4

Assess the likelihood of the risk event occurring

High	Risk will almost certainly occur
Medium	Risk is likely to occur in most circumstances
Low	Risk may occur
Negligible	Risk is unlikely to occur

Assess the impact should the risk occur

	Objective	Service Delivery	Financial	Reputational
Critical/Showstopper	• Over half the objectives/programmes affected • More than one critical objective affected • Partners do not commit to the Shared vision	• Significant change in partner services • Relationship breakdown between major partners and stakeholders • Serious impact on delivery of key transport related investment plans • Unplanned major re-prioritisation of resources and/or services in partner organisations • Failure of a delivery programme/major project • Serious impact on public transport services provided to users	• Inability to secure or loss of significant transport funding opportunity(£5m) • Significant financial loss in one or more partners (£2m) • Significant adverse impact on transport budgets (£3m))	• Adverse national media attention • External criticism (press) • Significant change in confidence or satisfaction of stakeholders • Significant loss of community confidence

Significant	• One or more objectives/programmes affected • One or more partners do not commit to shared vision • Significant environmental impact	• Partner unable to commit to joint arrangements • Recoverable impact on delivery of key transport related investment plans • Major project failure • Impact on public transport services provided to users	• Prosecution • Change in notable funding or loss of major transport funding opportunity (£2m) • Notable change in a Partners contribution • Notable adverse impact on transport budget (£0.5m-£1.5m)	• Notable external criticism • Notable change in confidence or satisfaction • Internal dispute between partners • Adverse national/regional media attention • Lack of partner consultation • Significant change in community confidence
Minor	• Less than 2 priority outcomes adversely affected • Isolated serious injury/ill health • Minor environmental impact	• Threatened loss of partner's commitment • Minor impact on public transport services provided to users	• Minor financial loss in more than one partner • Some/loss of transport funding or funding opportunity threatened	• Failure to reach agreement with individual partner • Change in confidence or satisfaction • Minor change in community confidence
Insignif.	• Minor effect on priorities/service objectives • Isolated minor injury/ill health • No environmental impact		• Isolated/minor financial impact in a partner organisation	

Glossary of Terms

RAG – Red/Amber/Green (denoting an assigned performance status)

Strategic Risk - relates to those factors that might have a significant effect on the successful delivery of the JTC's objectives, plans, policies and priorities.

Risk - A probability or threat of damage, injury, liability, loss, or any other negative occurrence that is caused by external or internal vulnerabilities.

Risk Appetite - The level of risk that an organisation is prepared to accept in pursuit of its objectives, and before action is deemed necessary to reduce the risk.

Risk Controls or Control Processes - are those actions and arrangements which are specifically identified to be taken to lower the impact of the risk or reduce the likelihood of the risk materialising, or both of these.

Risk Matrix - a graphical representation of the Risk Severity and the extent to which the Controls mitigate it.

Risk Owner - has overall responsibility for the management and reporting of the risk.

Lead Officer(s) – given delegated responsibility from the Risk Owner to take action and manage the risk through application of the appropriate risk controls and processes.

Risk Impact - indicates the potential seriousness should the risk materialise.

Risk Likelihood - indicates the chance of a risk materialising in the time period under consideration.

Risk Score - the product of the Impact score multiplied by the Likelihood score.

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Item 7

Audit and Standards Committee

Date: **28 June 2022**

Subject: **Draft Annual Governance Statement 2021/22**

Report of: **Senior Manager – Assurance (Sunderland City Council)**

Executive Summary

This report presents the outcome of the annual review of the Authority's governance and internal control arrangements. The review highlighted no areas requiring improvement. Actions planned during 2020 to address two areas requiring improvement regarding the arrangements for preparing the Statement of Accounts and supporting the audit of them and related party declarations have been undertaken.

A copy of the draft Annual Governance Statement is provided at Appendix 1.

Recommendation

It is recommended that the Committee:

I. Agree the draft 2021/22 Annual Governance Statement narrative and consider the evidence provided to support its production.

II. Acknowledge that the Statement will be subject to further review following the completion of the external audit of the accounts and before it is signed by the Head of Paid Service and Chair of the Combined Authority.

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Audit and Standards Committee

1 Background Information

1.1 The North East Combined Authority has a statutory duty under the Accounts and Audit Regulations 2015 (Amended 2020) to do the following on an annual basis:

- Conduct a review of the effectiveness of its governance framework, including the system of internal control.
- Prepare an Annual Governance Statement.
- Through a relevant committee review and approve the Annual Governance Statement.

1.2 The final Statement of Accounts and Annual Governance Statement (AGS) will ultimately be approved by the Leadership Board following the conclusion of the external audit. The Audit and Standards Committee is requested to consider the draft 2021/22 AGS appended to this report at today's meeting, alongside the draft Statement of Accounts, to ensure that the AGS is made available for external audit review at the earliest possible opportunity and that reporting deadlines are met.

2 2021/22 Annual Governance Statement

2.1 The 2021/22 Annual Governance Statement, at Appendix 1, is based on a framework of assurance from a number of areas and in preparing it, it was necessary to review evidence from the following sources. This approach complies with the Chartered Institute of Public Finance and Accountancy's (CIPFA) recommended practice:

- Governance Arrangements, e.g. the Authority's Constitution
- Statutory Officers - Completion of assurance statements
- Members – The Audit and Standards Committee
- Internal Audit Activity – including annual opinion
- Risk Management
- Performance Management - Outcomes reported during 2021/22
- Views of the external auditor and other external inspectorates
- Key Partnerships
- Nexus – Completion of assurance statement and also opinion from Head of Nexus' Internal Audit function.

2.1 **Governance Arrangements** - The Combined Authority has in place a Constitution which was updated in 2018 to reflect the change in the NECA boundary, following removal of the three north of Tyne constituent authorities. The Constitution defines the roles and responsibilities of those charged with Governance within the Authority. This evidence and the information below provides assurance that governance arrangements have been defined.

2.2 **Statutory Officers –** The Monitoring Officer and Chief Finance Officer have provided signed assurance statements setting out the mechanisms they have in place and concluding that they can provide assurance that effective controls are in place. The Monitoring Officer as the Senior Information Risk Owner (SIRO), has also certified an appropriate assurance statement. The signed statements can be found at Appendix 2.

2.3 **Members** – The Audit and Standards Committee have reviewed evidence throughout 2021/22 relevant to the control and governance arrangements in place for the Combined Authority. This has included internal and external audit activity, financial records relevant to budgets and the accounts, risk management and other assurance information. Members can draw on this when giving a view of the effectiveness of control and governance arrangements in place.

2.4 **Internal Audit Activity –** The Internal Audit Plan included two audits which were agreed to be undertaken in relation to Business Continuity Arrangements Coordination of the Audit Certificate for the Local Transport Grant Claim. Both audits are complete, in addition, a further six audits were undertaken in relation to Covid 19 grant claims which required and audit certificate. All of these grants regarded transport arrangements. Based on this audit activity the overall internal audit opinion for the year provides independent assurance that the Authority has good control arrangements in place.

2.5 **Risk Management** – A risk management policy and strategy is in place and a strategic risk register has been developed, which monitors the most significant risks and opportunities to the Combined Authority. The strategic risk register is included on this meeting's agenda and provides evidence that there is a sound process in place for managing strategic risks and opportunities within the Combined Authority.

2.6 **Performance Management** – Performance information from each theme is reported to the Leadership Board on a regular basis and has not identified any issues which would suggest a significant weakness in the control environment.

2.7 **External auditor –** The external auditor Mazars has not yet issued an opinion on the NECA 2020/21 accounts due to a delay in receiving guidance regarding the Whole of Government Accounts. This impacts on all Local Authority audits for 2020/21.

2.8 **Key Partnerships** – There is a register of significant partnerships which sets out associated partners to NECA, the purpose of the partnerships, link officer and review dates for each one.

2.9 **Nexus** - Nexus is not included in the significant partnership register due to its status as an officer of the Combined Authority, however a separate assurance statement has been signed by their Director of Finance and Resources, which states Nexus have an effective control environment in place. A copy of the Statement can be found at Appendix 3. Also the overall opinion of Nexus' chief internal auditor for the year states "*The opinion of the Chief Internal Auditor (Nexus), based on the internal audit work undertaken in year, is that there is an adequate and effective framework of governance, risk management and control.*"

3. Outcomes of the Review of Assurances

3.1 The review highlighted no significant weakness in the internal control environment during 2021/22 that merits disclosure in the Annual Governance Statement 2021/22.

4. Proposals

4.1 The Committee are asked to agree the draft 2021/22 Annual Governance Statement (attached at Appendix 1) and the evidence provided to support its production. The Committee are also asked to acknowledge that the Statement will be subject to a further review, following the completion of the external audit of the accounts and before it is signed by the Head of Paid Service and Chair of the Combined Authority.

5. Reason for the Proposals

5.1 Audit and Standards Committee's role is to provide an ongoing review, challenge and assurance role in relation to governance and internal control issues. The Committee therefore reviews the Annual Governance Statement process and supporting evidence before the Statement is approved and certified.

Audit and Standards Committee

6. Next Steps and Timetable for Implementation

6.1 The final Annual Governance Statement will be considered by the Audit and Standards Committee in December 2022, before it is included in the 2021/22 Statement of Accounts and presented to the Leadership Board following the conclusion of the external audit. This is to consider any significant weaknesses should they arise before the 2021/22 accounts are fully audited and finalised.

6.2 The final Annual Governance Statement will then be presented to the Leadership Board and signed by the Chair of the Combined Authority and the Head of Paid Service, before being published with the final accounts.

7. Potential Impact on Objectives

7.1 No direct impact on objectives.

8 Financial and Other Resources Implications

8.1 This work to develop the Annual Governance Statement has been carried out by Sunderland City Council's Internal Audit Service under the SLA for 2021/22.

9. Legal Implications

9.1 No direct legal implications arising specially from this report.

10. Key Risks

10.1 Risk management will be considered as part of the production of the Annual Governance Statement. There are no specific risk implications directly arising from this report.

11. Equalities and Diversity

11.1 There are no equalities and diversity implications directly arising from this report.

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Audit and Standards Committee

12. Crime and Disorder

12.1 There are no crime and disorder implications directly arising from this report.

13. Consultation/Engagement

13.1 The Head of Paid Service, Monitoring Officer and Chief Finance Officer have been consulted on the draft Statement.

14. Other Impact of the Proposals

14.1 The proposals comply with the principles of decision making. Relevant consultation processes have been held where applicable.

15. Appendices

15.1 Appendix 1 - Annual Governance Statement

Appendix 2 – Assurance Statements signed by Monitoring Officer/Senior Information Risk Owner/Chief Finance Officer

Appendix 3 – Nexus Director of Finance Assurance Statement

Appendix 4 – Nexus Internal Audit Assurance Statement

16. Background Papers

16.1 The Annual Governance Framework and completed Partnership Assurance Statements are available.

17. Contact Officers

17.1 Tracy Davis, Senior Manager - Assurance
E mail: tracy.davis@sunderland.gov.uk
Mobile: 07342704254

18. Sign off

North East Combined Authority

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Audit and Standards Committee

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

Appendix 1

north east combined authority

ANNUAL GOVERNANCE STATEMENT 2021/22

In partnership with

Durham County Council	Gateshead Council	South Tyneside Council	Sunderland City Council	North East LEP	NEXUS

Annual Governance Statement 2021/22

Section 1: Introduction

This Annual Governance Statement provides an overview of how the North East Combined Authority's governance arrangements operate, including how they are reviewed annually to ensure they remain effective.

Section 2: Scope Of Responsibility

The North East Combined Authority (NECA) was established in April 2014 and brought together the seven councils which serve Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland.

Following the establishment of a North of Tyne Mayoral Combined Authority (NTCA), On 2 November 2018 the boundaries of NECA were changed. As a result of these governance changes the boundaries of NECA now cover the Local Authorities of Durham, Gateshead, South Tyneside and Sunderland.

NECA and the NTCA continue to work together on a number of areas to support the region, including transport. To oversee strategic transport functions a new North East Joint Transport Committee has been established with members from both Combined Authorities. All seven Local Authorities will remain members of the North East Local Enterprise Partnership to deliver the objectives of the regions Strategic Economic Plan, which is the North East's plan for growing and developing a more productive, inclusive and sustainable regional economy.

NECA is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It is also responsible for ensuring that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised.

In discharging this overall responsibility, the Authority's Leadership Board and Statutory Officers are responsible for putting in place proper arrangements (known as a Governance Framework) for:

(i) the governance of our affairs and
(ii) facilitating the effective exercise of our functions, including arrangements for the management of risk

In relation to (ii) the Authority has put in place a system of internal control designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to:

a) identify and prioritise the risks to the achievement of our aims and objectives; and

b) evaluate the likelihood of those risks being realised, the impact should they be realised, and to manage them efficiently, effectively and economically.

The Combined Authority has developed a Risk Management Strategy and Strategic Risk Register, which is reported to regular meetings of the Authority's Audit and Standards Committee. This information can be found under the Audit and Standards Committee on the Authority's web-site.

Section 3: Purpose Of The Governance Framework

In addition to the above the Authority's Governance Framework comprises the systems, processes, culture, values and activities through which we are directed and controlled and through which we account to, engage with, creating the conditions of economic growth and investment. It enables us to monitor the achievement of the Authority's objectives and to consider whether those objectives have led to the delivery of appropriate services which represent value for money.

The Governance Framework has been in place for the year ended 31 March 2022 and up to the date of approval of the Authority's Annual Report and Accounts.

This Annual Governance Statement meets the requirements of the Accounts and Audit Regulations 2015 (Amended 2020) to conduct a review of the effectiveness of the system of internal controls and prepare an Annual Governance Statement.

Section 4: The Governance Framework

The core principles and outcomes of our Governance framework are set out below and through these we will aim to provide strong governance to achieve our objectives:

1. Ensuring openness and comprehensive stakeholder engagement

1.1 We ensure that we are clear on delivering the objectives of the Combined Authority and intended outcomes of our Strategic Economic Plan, January 2019, to create the best possible conditions for growing and developing a more productive, inclusive and sustainable regional economy.

1.2 We ensure we assess and review our vision and the implications for our governance arrangements through the budget and performance management framework.

1.3 Meetings, agendas and minutes are accessible via NECA's website. A Forward Plan is available which contains matters which are expected to be the subject of key decisions taken by the Leadership Board. All meetings are held in public (other than where consideration of confidential or exempt information)

1.4 All meetings have been held in person during 2021/22.

1.5 We publish a register of key decisions to notify the public of the most significant decisions it is due to take. Details of each decision are included on the Forward Plan 28 days before the report is considered and any decision is taken. This allows an opportunity for people to find out about major decisions that the Combined Authority is planning to take.

1.6 Our Freedom of Information Scheme is published on our website.

1.7 The Authority maintains a list of significant partners which set out the purpose of the partnerships, link officers ad review dates.

1.8 Transport is of strategic importance to the North East and together with the North of Tyne Mayoral Combined Authority a North East Joint Transport Committee is in place bringing together members from both Combined Authorities, allowing effective decision making across the region to ensure that the local needs and transport priorities are delivered.

2. Developing the entity's capacity, including the capability of its leadership and the individuals within it

2.1 We have defined and documented in our Constitution the roles and responsibilities of the Board, Scrutiny and 'proper' officer functions (Head of Paid Service, Monitoring Officer, Chief Finance Officer), with clear delegation arrangements and protocols for effective communication. The collective and individual roles and responsibilities of the Leadership Board, Members and Officers have been agreed by the Combined Authority.

2.2 We identify and aim to address the development needs of members and officers in relation to their strategic roles, and support these with appropriate training.

3. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

3.1 We review and update our standing orders, standing financial instructions, scheme of delegation and supporting procedure notes/manuals – these clearly define how decisions are taken and the processes and controls required to manage risks. We ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful. The Monitoring Officer advises on compliance with our policy framework, ensuring that decision making is lawful, fair and ethical. Our financial management arrangements conform to the CIPFA Statement on the Role of the Chief Finance Officer and are the responsibility of the Chief Finance Officer.

3.2 We develop, communicate and embed codes of conduct set out in the Constitution, defining standards of behaviour for Members and Officers working on behalf of the Authority. Audit and Standards Committee deals with issues of conduct and generally promotes high standards among officers and members, reporting annually to Leadership Board. The Constitution is available on the NECA website.

3.3 We ensure that there are effective arrangements for “Whistle-blowing” and for receiving and investigating complaints from the public. Administration of the Authority’s policies on anti-fraud and corruption is undertaken by Internal Audit. Whistleblowing policy and procedure is at Part 6.5 of our Constitution

3.4 A Deed of Cooperation was made on the 4 July 2018 between the seven Constituent Authorities in the area that outlines a framework for collaborative working across the region.

3.5 A register of Members’ interests (including gifts and hospitality) is also maintained.

4. Determining the interventions necessary to optimise the achievement of the intended outcomes

4.1 Our scrutiny arrangements enhance accountability and transparency of decision making, The Overview and Scrutiny Call-in Sub Committee acts in accordance with the principles of decision making as set out in our Constitution (Part 13.3) and will call-in decisions where there is evidence which suggests that the decision was not taken in accordance with the principles.

4.2 The Authority’s procurement procedures are carried out in line with financial regulations set out in Part 5 of the Constitution through Service Level Agreements.

4.3 The Accounts and Transparency page of our website contains the most recent accounts of the North East Combined Authority, and includes monthly spending reports, procurement procedures, lists and registers.

5. Managing risks and performance through robust internal control and strong public financial management

5.1 Our Risk Management Policy and Strategy outlines our arrangements for managing risk. Risk management is an integral part of our decision-making processes. To inform decision making all committee reports include a section which highlights the key risks to the decisions or proposed recommendations and how they are being addressed.

5.2 We have an information governance strategy and framework in place to ensure the effective safeguarding, collection, storage and sharing of the Authority's data. A Data Protection Officer has been appointed to oversee the data protection strategy and its implementation to ensure compliance with the General Data Protection Regulations.

5.3 We have arrangements in place to manage significant change evidenced by the establishment of the Combined Authorities Reconfiguration Programme to oversee the implementation of the governance arrangements for NECA following its split with the North of Tyne Authorities.

5.4 The control and financial management arrangements are reviewed by Internal and External Audit throughout the year. The outcome for 2021/22 are noted in Section 5 of this Statement - Annual Review of Effectiveness of Governance Framework.

5.5 The Authority has a robust internal control process in place which supports the achievement of its objectives while managing risks. The Audit and Standards Committee acts as principle advisory committee to NECA, providing independent assurance on the adequacy of the risk management framework and internal control environment.

5.6 An assessment of the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the Authority's internal auditors. The chief internal auditor will provide an annual opinion for 2021/22 to support this AGS.

6. Defining outcomes in terms of sustainable economic social and environmental benefits

6.1 The North East LEP works with its partners to produce and deliver the Strategic Economic Plan (SEP). The SEP was updated January 2019 at a time of significant change for the global and national economy. New opportunities in technology and areas such as ageing, and the management of climate risks provide potential for economic growth.

6.2 We incorporate good governance arrangements in our partnerships and reflect these in our overall governance arrangements.

7. Implementing good practices to transparency, reporting and audit to deliver effective accountability

7.1 Section 5 of this Annual Governance Statement provides the views of our internal and external auditors. Auditors report regularly to Audit and Standards Committee and provide their annual opinion on the adequacy and effectiveness of our governance, risk and control framework.

7.2 We publish details of delegated decisions on our website.

7.3 We ensure that our Audit and Standards Committee undertakes the core functions identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities 2018.

Section 5: Annual Review Of Effectiveness Of Governance Framework

We have a legal responsibility to conduct an annual review of the effectiveness of our governance framework, including the system of internal control. The review is led by Officers and Members of Audit and Standards Committee who provide independence and challenge. The outcomes of the review will be reported to the Audit and Standards Committee.

The review is informed by:

(a) The views of our internal auditors, reported to Audit and Standards Committee through regular progress reports, and the Annual Internal Audit Opinion. The Annual Internal Audit Opinion for 2021/22 is that the authority has good control arrangements in place. The internal Audit service complies with the CIPFA Statement on the Role of the Head of Internal Audit (2010) and the Public Sector Internal Audit Standards. The service receives a regular independent review against these standards, the last being in December 2018 which concluded:

  ‘We conclude that the IA is compliant with the requirements of the PSIAS and the CIPFA Application Note.’

(b) A regular review of the effectiveness of internal audit (as required by Public Sector Internal Audit Standards).

(c) The views of our external auditors, reported to Audit and Standards Committee through regular progress reports, the Annual Audit Letter and Annual Completion Report.

(d) The activities and operations of the themes (economic development and regeneration, employability & inclusion, and transport & digital connectivity) and significant partnerships through written assurance statements.

(e) The views of the Authority’s Monitoring Officer, Chief Finance Officer and Senior Information Risk Owner, through written statements (Appendix 2 of the Annual Governance Review 2021/22 Report).

(f) The views of Members through the ongoing activities of Audit and Standards Committee (providing independent assurance on the effectiveness of the governance and internal control environment). And an Overview and Scrutiny Committee who review and scrutinise Leadership Board decisions as well as other Transport committee’s decisions.

(g) The Risk Management process, particularly the Strategic Risk Register.

(h) Performance information which is reported to Leadership Board and other meetings on a regular basis.

(i) The assurance framework that is in place to ensure Local Growth Fund monies are subject to appropriate levels of internal control and are focussed on the delivery of the Combined Authority's objectives and delivery of the Strategic Economic Plan.

(j) An Assurance Statement from Nexus has been obtained and is attached at Appendix 4 of the Annual Governance Statement 2021/22 Report. The opinion of the Nexus Chief Internal Auditor for 2021/22 is "*The opinion of the Chief Internal Auditor (Nexus), based on the internal audit work undertaken in year, is that there is an adequate and effective framework of governance, risk management and control.*"

Section 6: North East Joint Transport Committee and North of Tyne Combined Authority

The North East Combined Authority's decision not to proceed with a Mayoral Combined Authority in September 2016 and the withdrawal of the devolution deal has resulted in the seven local authorities that made up a single Combined Authority splitting and forming two combined authorities. This change happened on 2 November 2018. NECA now constitutes the four Local Authority areas south of the River Tyne. The North of Tyne Mayoral Combined Authority now constitutes the three Local Authority's north of the River Tyne, Newcastle, North Tyneside and Northumberland.

Regional transport remains to operate and be governed at the seven Local Authority geography through a newly formed North East Joint Transport Committee, bringing together the two Combined Authorities which allows effective decision-making across the region to ensure that the local needs and transport priorities are delivered.

NECA as accountable body for the Joint Transport Committee and the functions delegated to it, are responsible for overseeing the legal and financial management of all regional transport resources, recognising that the assets are, in many cases jointly owned by the two Combined Authorities. NECA will also host the Transport Strategic Unit (formerly named the Regional Transport Team), including the Proper Officer for Transport.

Section 7: Significant Weaknesses In Governance and Internal Control

The system of governance (including the system of internal control) can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, that material errors or irregularities are either prevented or would be detected within a timely period, that value for money is being secured and that significant risks impacting on the achievement of our objectives have been mitigated.

The review highlighted no significant weaknesses in governance or internal control during 2021/22.

Section 8: Conclusion

We consider the governance and internal control environment operating during 2021/22 to provide reasonable and objective assurance that any significant risks impacting on the achievement of our principal objectives will be identified and actions taken to avoid or mitigate their impact.

Systems are in place to continually review and improve the governance and internal control environment. Mid-year checks are undertaken to provide assurance that improvements are being implemented and that the assessment is improving.

The annual review has shown that the arrangements for 2021/22 are in place and operating as planned.

We have been advised on the implications of the review by the Audit and Standards Committee and propose over the coming year to continue to improve our governance and internal control arrangements.

Head of Paid Service	**Chair of the North East Combined Authority**
Full Name:	**Full Name:**
Signature:	**Signature:**
Date:	**Date:**

Appendix 2

neca
North East Combined Authority
DURHAM • GATESHEAD • SOUTH TYNESIDE • SUNDERLAND

Monitoring Officer (Core) Assurance Statement for 2021/22

The Monitoring Officer is a statutory appointment under Section 5 of the Local Government and Housing Act 1989 and has a key role in ensuring the ethical governance of the North East Combined Authority (NECA). The responsibilities of the Monitoring Officer are set out in part 3.6 (B) of the North East Combined Authority's Constitution.

Within NECA the following processes have been in place during 2021/22 to provide the Monitoring Officer with assurance on the NECA's governance arrangements:

- The NECA Constitution is in place and has been reviewed and updated following establishment of the North of Tyne Mayoral Combined Authority. Standing Orders have also been developed and adopted for the new North East Joint Transport Committee and its structures.
- The Monitoring Officer for NECA Core attends meetings of NECA Leadership Board, Overview and Scrutiny Committee and the Economic Development and Digital Advisory Board and the Audit and Standards Committee.
- Similar arrangements are in place for the Joint Transport arrangements with the Monitoring Officer (Transport) attending JTC Board, JTC Overview and Scrutiny Committee and the JTC Audit and Standards Committee.
- Reports to the NECA Leadership Board and other committees include a section on the legal implications of the report and the Monitoring Officer (NECA Core) signs-off all reports in advance of each committee, together with other Statutory officers.
- The Monitoring officer (NECA Core) may arrange to attend North East LEP Board, Investment Board and Technical Officers Group to observe.
- A register of Members' interests (including gifts and hospitality) is maintained.

I confirm that based on this evidence the internal control, risk management and governance arrangements in relation to NECA's governance are in place and are operating effectively.

Monitoring Officer (NECA Core) Signature:

Full Name (in capitals): NICOLA ROBASON

Date: 27 May 2022

Chief Finance Officer Assurance Statement for 2021/22

Section 73 of the Local Government Act 1985 requires Combined Authorities to make arrangements for the proper administration of their financial affairs and appoint a Chief Finance Officer to have responsibility for those arrangements.

In addition, CIPFA have produced a Statement on the Role of the Chief Finance Officer which sets out how the requirements of legislation and professional standards should be fulfilled by officers in the carrying out of their role.

For the North East Combined Authority an appointment has been made of Chief Finance Officer.

Within the Authority the following processes have been in place throughout 2021/22 to provide the Chief Finance Officer with assurance on financial affairs:

- Monitoring of all budgets by appropriate officers;
- Leadership Board received regular finance updates;
- Audit and Standards Committee review of Statement of Accounts, budget reports and other financial governance matters;
- High level financial risk assessment set out in budget report;
- Strategic and operational risk registers are maintained and regularly reviewed, with updates provided to the Audit and Standards Committee;
- Annual budget sign-off processes are robust and effective;
- Review of financial implications/risks within individual Leadership Board and other committee reports and engagement/sign off of all reports by the key statutory officers;
- Overview and Scrutiny review of the budget proposals and other matters;
- Delivery of the Internal Audit Plan and specifically financial systems audit work; and
- North East Joint Transport Committee received regular finance updates in respect of its transport responsibilities and that there are robust Audit and Standards and Overview and Scrutiny arrangements in place to review the activities of the Joint Transport Committee.

I confirm that based on this evidence the internal control, risk management and governance arrangements operating in relation to the Authority’s financial affairs are in place and operating effectively.

Chief Finance Officer Signature:

P. Darby

Paul Darby Date: 27.05.22

North East Combined Authority

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Senior Information Risk Owner Assurance Statement for 2021/22

The Senior Information Risk Owner's (SIRO) role is to take ownership of North East Combined Authority (NECA) information risk policy and provide advice in respect of information risk. The SIRO must support the implementation of international/government standards for information management and security in NECA. The legislation to support this role is within the following:

- Data Handling Procedures in Government - 2008
- ISO/IEC 27001:2013 – International Standard for Information Security
- Government Connect (4.1) Code of Connection for IT Security
- General Data Protection Regulation (EU) 2016/679

The SIRO's responsibilities are listed below:

- Ultimately accountable for assurance of information security at the Authority
- Champions information security at a senior level
- Implementation of General Data Protection Regulations (GDPR)
- Provides this Annual Statement on the security of information assets for the Annual Governance Statement

For NECA the officer holding the position of SIRO is the Monitoring Officer. Currently the SIRO role is being provided by Nicola Robason, Monitoring Officer (NECA Core).

Within NECA the following processes have been in place during 2021/22 to provide the SIRO with assurance on Information Governance:

- Information security of NECA's information is provided through the systems of control within all four Constituent Authorities providing support in accordance with the standards as set out in Service Level Agreements.

- A Data Protection Officer has been appointed. Sunderland City Council provides a dedicated Data Protection Officer to NECA and Sunderland City Council also provide internal audit and risk management support to NECA.

- NECA's Information Governance and Data Protection policies are in place.

Whilst NECA polices do require further updating considering the transitional and accountable body changes in relation to the North East Local Enterprise Partnership, they remain fit for purpose.

- All NECA Information Governance policies will be further reviewed, updated but do include appropriate KPI measures. These demonstrate that the policies are being followed and controls are effective.

I confirm that based on this evidence the internal control, risk management and governance arrangements in relation to NECA's information are in place and are operating effectively.

Senior Information Risk Owner Signature:

Full Name (in capitals): NICOLA ROBASON

Date: 27 May 2022

NORTH OF TYNE COMBINED AUTHORITY

NEXUS

Assurance Statement for 2021/22

On 2nd November 2018 an Order was created to form the North of Tyne Combined Authority. As part of these revised arrangements the North East Joint Transport Committee (NE JTC) was established which brought together a total of seven members for each of the Constituent Authorities of the region; four Members for the North East Combined Authority and three Members from the North of Tyne Combined Authority.

- The Tyne and Wear Sub-Committee of the North East Joint Transport Committee has a specific remit to supervise and oversee Nexus' delivery of its Corporate Plan which is developed in accordance with the North East Joint Transport Committee's policy objectives, the LTP and Nexus' overall resourcing. On 14th January 2021 the Tyne and Wear Sub-Committee of the North East Joint Transport Committee approved the Nexus Corporate Plan for 2021/22.

- In addition, Nexus reports its financial performance to the North East Joint Transport Committee as part of a composite report prepared by the Chief Finance Officer to the NECA. The North East Joint Transport Committee approves Nexus' revenue and capital budgets annually. The budgets for 2021/22 were approved by the North East Joint Transport Committee on 19th January 2021.

- Nexus is also subjected to scrutiny of its performance through the North East Joint Transport Committee's Overview and Scrutiny Committee. Nexus is also required periodically to attend and account for its performance at the North East Joint Transport Committee's Audit Committee.

Within Nexus, the following arrangements have been in place during 2021/2022 which enables Nexus to provide further assurance on its governance arrangements.

- The Executive Board met every other month and its meetings were minuted, recording all delegated decisions taken in accordance with Nexus' Standing Orders and Financial Regulations;

- Fortnightly meetings of the Senior Leadership Team took place and were minuted, recording all delegated decisions taken in accordance with Nexus' Standing Orders and Financial Regulations;

- The 2021/22 Internal Audit Plan was kept under review by Nexus' Audit Committee which comprises three non-Executive Board members.

- Nexus has published the audited Statement of Accounts for the year ended 31 March 2021 which includes an unqualified audit opinion. The external auditor's report concludes that the financial statements gave a true and fair view of Nexus's financial position as at 31 March 2021 and of its expenditure and income for the year, and that the accounts had been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.The external auditor has not yet completed their work in respect of the value for money arrangements due to the availability of key audit resource which is not due to the actions of Nexus and entirely relates to the auditor. This has delayed the issue of the Auditor's Annual Report formally concluding the audit and it is expected to be published no later than 14 April 2022;

- Effective partnership and contracting arrangements were in place;

- The Corporate Risk Register is reviewed at each meeting of the Tyne and Wear Sub-Committee of the North East Joint Transport Committee, having been reviewed by the Nexus Senior Leadership Team. The Corporate Risk Register is approved annually by the Executive Board and kept under review at each meeting of the Nexus Audit Committee;

- The COVID-19 pandemic adversely affected Nexus on an unprecedented scale. Emergency financial support has been provided from the DfT and HM Treasury and Nexus expects to at least break-even this financial year; and

- Nexus has continued to respond to the COVID-19 pandemic in the following ways: increased frequency of cleaning across the network and in our offices, the employment of additional Customer Engagement Team members and making our offices COVID secure working environments for employees.

I confirm that based on this evidence the internal control, risk management and governance arrangements at Nexus are in place and operating effectively.

Director of Finance & Resources Signature:

Name in full: John Fenwick

Date: 30th March 2022

The person dealing with this matter is:
Philip Slater
Audit, Insurance and Risk
Newcastle City Council
6TH Floor, Civic Centre
Newcastle upon Tyne, NE1 8QH

Phone: 0191 211 6511
Email: Philip.slater@newcastle.gov.uk

www.newcastle.gov.uk

Date: 30 May 2022

Dear Tracy

Annual Governance Statement NECA/JTC 2021-22

Further to your e-mail of 27 May 2022 please accept this letter providing the required overall internal audit opinion in line with Standards to cover Nexus's systems for 2021/22 for inclusion in NECA/JTC's Annual Governance Statement.

The opinion of the Chief Internal Auditor (Nexus), based on the internal audit work undertaken in year, is that there is an adequate and effective framework of governance, risk management and control. No system of control can give absolute assurance against material misstatement or loss and, accordingly, this opinion does not provide such absolute assurance.

This opinion is based on Internal Audit work undertaken and reported to Audit Committee during the year including assurance audits, consultancy services such as advice and guidance and grant certification provided by Internal Audit covering control and efficiency issues, in addition other sources of external assurance known to the internal audit service have been considered.

Your sincerely

Philip Slater

Chief Internal Auditor (Nexus)

Item 8

Audit and Standards Committee

Date: **28 June 2022**

Subject: **Draft Statement of Accounts**

Report of: **Chief Finance Officer**

Executive Summary

This report presents the draft unaudited NECA Statement of Accounts for the 2021/22 financial year to the Audit and Standards Committee for consideration. Attached to the report are the unaudited Statements of Accounts and an accompanying Narrative Report.

There are four core statements produced to provide fundamental information on the financial activities and position of the Authority to 31 March 2022:

a) Movement in Reserves Statement;
b) Comprehensive Income and Expenditure Statement;
c) Balance Sheet; and
d) Cash Flow Statement.

NECA also produces Group accounts which consolidate the results of Nexus.

The unaudited Statement of Accounts will be authorised by the Chief Finance Officer and published on the NECA website by 30 June 2022, in advance of the revised statutory deadlines, which requires publication by 31 July 2022.

The Statement of Accounts will be subject to a 30 working days period of public inspection, from 1 July 2022 to 11 August 2022.

The external audit of the accounts will take place later this year and the timing is subject to further discussion and planning with the external auditors. Members should note that CiPFA guidance is still awaited in respect of the accounting arrangements for Infrastructure Assets, which is holding up completion of the 2020/21 Statement of

Accounts. The 2021/22 Statements have been prepared on the basis of existing guidance on the treatment of Infrastructure Assets.

Following the external audit, the final statement of accounts will be presented to the Audit and Standards Committee at a later meeting for recommendation to the NECA Leadership Board for approval. The statutory deadline to achieve full sign of the Statement of Accounts is 30 November.

Recommendations

The Committee is recommended to note the contents of this report and the draft unaudited Statement of Accounts that are attached.

1. Background Information

1.1 The Accounts and Audit (Amendment) Regulations 2021, which stipulate a two stage approval process for the statement of accounts, extended the statutory audit deadlines for 2020/21 and 2021/22 for local authorities.

1.2 The first statutory deadline requires that the responsible financial officer, by no later than 31 July, should sign and certify that the statement of accounts presents a true and fair view of:

a) The financial position of the authority for the year to 31 March previous, and
b) Its income and expenditure for the year to 31 March previous, subject to the views of the external auditor.

1.3 The second stage requires that on or before 30 November, approval needs to be given to the statement of accounts by resolution of a committee, which for NECA is the Leadership Board. This approval will take account of the views of the external auditor. This is done in order that the Statement of Accounts can then be formally published.

1.4 There is a requirement for the authority to hold a thirty working day inspection period which can commence at any time, but no later than 1 August 2022. This allows local authorities to produce draft accounts and commence inspection periods as soon as practicable for them.

1.5 The unaudited statement of accounts for the financial year ended 31 March 2022 will be authorised by the responsible financial officer (the Chief Finance Officer) and published on the NECA website by 30 June 2022, well within the revised statutory deadline.

1.6 The draft statement of accounts is subject to audit by the appointed external auditors, Mazars LLP. The audit of the accounts will commence later in the year, and upon completion, the Auditor’s report will be incorporated into the published version of the document.

1.7 Subject to completion of the external audit, the final statement of accounts for 2021/22 will be presented for consideration at a later meeting of the Audit and Standards Committee and then to the Leadership Board for approval.

1.8 The attached draft statement of accounts, once it has been published on the NECA website, will be made available for inspection by the public from 1 July 2022 to 11 August 2022, in line with current regulations.

2 Proposals

Statement of Accounts

2.1 The statement of accounts for the financial year ended 31 March 2022 has been prepared in accordance with the ‘Accounts and Audit Regulations 2003’, as amended by the Accounts and Audit (Amendment) (England) (Regulations 2006 and 2009, the ‘Accounts and Audit (England) Regulations 2015’, the ‘Accounts and Audit (Amendment) Regulations 2021 and the ‘Code of Practice on Local Authority Accounting 2021/22’ (the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

2.2 The Code is based on approved/recommended accounting standards in England and Wales and constitutes ‘proper accounting practice’ under the terms of section 21 (2) of the Local Government Act 2003. The authority is therefore legally required to follow this code of practice. Explanatory notes are included in the document to assist in the interpretation of the accounts, which are unavoidably technical and complex.

Key information from the Statement of Accounts

2.3 Page numbers used in this covering report refer to the page numbers on the statement of accounts document, not those used in the full pack of reports. There are four core statements to provide fundamental information on the financial activities and position of the Authority, and the purpose of these is described below.

2.4 a) Movement in Reserves Statement (page 5);

b) Comprehensive Income and Expenditure Statement (page 6);

c) Balance Sheet (page 7);

d) Cash Flow Statement (page 8).

NECA also produces Group accounts which consolidate the results of Nexus (page 73 onwards).

Movement in Reserves Statement

2.5 This statement shows the movement in year on the different reserves held by NECA analysed into ‘usable’ reserves and ‘unusable’ reserves.

2.6 There has been a significant increase in total reserves held from £99.316m at 31 March 2021 to £139.179m at 31 March 2022, mainly due to receipt during the year of capital grants (namely Transforming Cities Fund and Active Travel Fund) which are committed to fund capital expenditure in future years but which have not yet been claimed by the local authorities delivering the projects and which are held in the Capital Grants Unapplied at the year end. This will be drawn on in 2022/23 as these projects are delivered and funding paid out to cover expenditure defrayed.

2.7 Usable reserves totalled £80.862m at 31 March 2022, which included £11.305m earmarked reserves and £60.986m capital grants unapplied, representing funds committed to meet expenditure requirements in future years. The corresponding balances held on these reserves at 1 April 2021 was £11.452m of earmarked reserves and £23.686m of capital grants unapplied.

2.8 Unusable reserves totalled £58.317m at 31 March 2022, which includes reserves absorbing timing differences arising from the different arrangements for accounting for and financing non-current assets, financial instruments and pension liabilities in accordance with statutory provisions, and for containing gains made by the Authority arising from increases in the value of Property, Plant and Equipment. Unusable reserves totalled £56.284m at 1 April 2021.

Comprehensive Income and Expenditure Statement (CIES)

2.9 This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount charged against the General Fund and therefore funded from the Transport levy and other sources of income such as grants.

2.10 The gross cost of services during the year, including capital grants paid to third parties as well as revenue expenditure incurred in year, was £82.452m (£79.781m in 2020/21). This includes a significant amount of 'Revenue Expenditure Funded by Capital Under Statute' (REFCUS) – representing investment in capital assets owned by third parties, not by the Authority itself.

2.11 After deducting specific grants and income from fees and charges, the net cost of services was £9.887m last year (£30.325m in 2020/21). The net cost was lower in 2021/22 mainly due to significant capital grants received in year which have been released to the CIES as conditions are met through commitment to fund the Transforming Cities Fund programme, but where the grants have not yet been used to fund the expenditure. (These grants are held at the year-end in the Capital Grants Unapplied Reserve.) Net expenditure was funded from a range of sources including the Transport Levy, other contributions from Constituent Authorities and Government Grants.

Balance Sheet

2.12 The Balance Sheet shows that value of assets and liabilities recognised at 31 March. The net assets (less liabilities) are matched by the reserves held by the Authority.

2.13 Net assets in the NECA accounts increased from £99.316m at 31 March 2021 to £139.179m at 31 March 2022 which, as described above, is due to the volume of capital grants received during the year which are held to fund capital expenditure committed for future years.

Cash Flow Statement

2.14 The Cash Flow Statement shows the change in cash and cash equivalents during the financial year. The statements shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

2.15 Cash and cash equivalents increased slightly from £38.182m at 31 March 2021 to £40.013m at 31 March 2022. The majority of the funds received as capital grants during the year but not yet defrayed and held to fund activity in future years were placed as fixed term investments and shown in the 'Short Term Investments' line on the Balance Sheet.

Notes to the Core Financial Statements

2.16 The notes are important in the presentation of a true and fair view of the financial performance and position of NECA to 31 March 2022. They aim to assist understanding by presenting information about the basis of preparation of the core financial statements, by disclosing information required by the Code that is not presented elsewhere and by providing information that is not provided elsewhere but is relevant to the understanding of the accounts. They also include the Accounting Policies adopted in preparing the accounts.

Group Accounts

2.17 The Group Financial Statements and Notes report the financial picture of all activities conducted by the Authority, including those delivered through partnerships and separate undertakings controlled by the Authority, in this case Nexus.

Other Documents

2.18 Published alongside the draft Statement of Accounts are two further documents which do not form part of the audited accounts but provide further context. The Narrative Report (attached here as Appendix 1) aims to offer interested parties a more understandable guide to the most significant matters reported in the accounts. The Annual Governance Statement (elsewhere on this agenda) gives assurance that appropriate mechanisms are in place for the maintenance of good governance across the activities of the Authority.

Accounting for the North East Joint Transport Committee

2.19 The North East Joint Transport Committee (JTC) brings together a total of seven members from each of the Constituent Authorities of the region: four from the North East Combined Authority (NECA) and three from the North of Tyne Combined Authority (NTCA) in accordance with the Order and was created on the 2 November 2018.

2.20 Under the CIPFA Code, the JTC meets the definition of a 'joint operation' which determines its accounting treatment. Where a Joint Committee is accounted for as a Joint Arrangement, each Joint Operator (in this case NECA and NTCA) must account for their own share of the assets, liabilities, revenues and expenses held or incurred jointly in their own financial statements. In order to comply with the CIPFA Code, NECA must:

1. Split the revenues between that which relates to NECA and NTCA. In this case, the constitution of the JTC and its funding arrangements suggests that, in the first instance, the revenues should be divisible into that which relates to Northumberland (allocated wholly to NTCA), that which relates to Durham (allocated wholly to NECA) and that which relate to Tyne and Wear (requires further division into NECA and NTCA).
2. The revenues which relate to Tyne and Wear must be divided into that which relates wholly to the NECA or NTCA area and that which relates to

activities now wholly attributable under the preceding two points which require apportionment.

2.21 The Order gives no clear instruction on the basis of division of revenues but he Deed of Cooperation made on 4 July 2018 between the seven local authorities in the area indicates that resident populations shall be used as a basis of apportionment.

2.22 For the 2021/22 accounts, the mid-year estimated population published by the Office of National Statistics as at June 2019 is used, which is the basis on which the Transport levy payments for the 2021/22 year are required to be calculated.

3. Reasons for the Proposals

3.1 This report is presented to the Audit and Standards Committee as per point 12 of its terms of reference: “The Audit and Standards Committee will review key information relating to NECA’s Statement of Accounts”.

4. Alternative Options Available

4.1 This report is provided for information and for consideration as part of the audit process to comply with the ‘Accounts and Audit Regulations 2003’, as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 and 2009, the ‘Accounts and Audit (England) Regulations 2015’ the ‘Accounts and Audit (Amendment) Regulations 2021’ and the ‘Code of Practice on Local Authority Accounting 2021/22’ (the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

5. Next Steps and Timetable for Implementation

5.1 The audit of the NECA accounts will take place later this year, after which the final accounts, along with the report of the external auditor, will be reported to the Audit and Standards Committee and presented to the NECA Leadership Board for approval.

6. Potential Impact on Objectives

6.1 There are no impacts on objectives arising from this report.

7. Financial and Other Resources Implications

7.1 The report and the draft statements that are appended to this report detail the financial position of the Authority as at 31 March 2022.

8. Legal Implications

8.1 NECA is required to comply with the Accounts and Audit Regulations 2015 and prepare accounts compliant with the CIPFA Code of Practice on Local Authority Accounting 2021/22 which is based upon approved accounting standards in England and Wales and constitutes proper accounting practice under the terms of section 21(2) of the Local Government Act 2003.

9. Key Risks

9.1 There are no risk implications arising from this report.

10. Equality and Diversity

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

11. Crime and Disorder

11.1 There are no crime and disorder implications arising from this report.

12. Consultation/Engagement

12.1 The statement of accounts will be subject to a period of public inspection from 1 July 2022 to 11 August 2022. Consultation on this report has taken place with NECA statutory officers.

13. Other Impact of the Proposals

13.1 There are no other impacts arising from these proposals.

14. Appendices

14.1 Appendix 1 – Narrative Report 2021/22

Appendix 2 – NECA Statement of Accounts 2021/22 (Draft – Subject to Audit)

15. Background Papers

15.1 None

16. Contact Officers

16.1 Eleanor Goodman, Finance Manager, Eleanor.goodman@northeastca.gov.uk, 0191 433 3860

17. Sign off

17.1

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

North East Combined Authority

DURHAM • GATESHEAD • SOUTH TYNESIDE • SUNDERLAND

Narrative Report for the Year ended 31 March 2022

North East Combined Authority Narrative Report 2021/22

1. Introduction

This Narrative Report provides information about the North East Combined Authority (NECA), including the key issues affecting the Authority and its accounts. It provides an explanatory narrative to key elements of the statements and sections in the accounts and also provides a summary of the Authority's financial performance for 2021/22 and its future financial prospects.

This report provides the reader with:

- A guide to the different financial statements within the Statement of Accounts.
- An overview of the activities and significant matters which occurred during the year.
- A summary of the Authority's financial performance during the year ending 31 March 2022 and its financial position at that date.
- A look ahead to 2022/23 and beyond.

The Statement of Accounts sets out the financial performance of the Authority for the year ending 31 March 2022 and its financial position at that date. The statements have been prepared in accordance with proper practices, as set out in the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Code requires that the accounts give a true and fair view of the financial position of the Authority. In line with the Code, suitable accounting policies have been applied and where necessary prudent judgements and estimates have been made.

The accounts feature four main financial statements:

- Movement in Reserves Statement.
- Comprehensive Income and Expenditure Statement.
- Balance Sheet.
- Cash Flow Statement.

The purpose of each of the above statements is described at the end of this report and the actual statements are contained within the accompanying Statement of Accounts document, which also includes detailed notes providing further information relating to specific amounts and balances.

The main statements are supplemented by a further section which presents the Group Accounts, consolidating the figures of Nexus with those of the Authority.

These statements and accounts collectively provide a comprehensive view of the Authority's financial position during the period to which they relate and as at 31 March 2022. The format of the accounts changed in 2018/19 to reflect the impact of the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority (Establishment and Functions) Order 2018 (the Order) which changed the boundaries of NECA on 2 November 2018.

The Authority seeks to make the best possible use of resources available with regard to economy, efficiency and effectiveness. This is a responsibility shared by Members and Officers of the Authority, with the Chief Finance Officer having a specific role in ensuring the adequacy of resources and proper financial administration. The budget for 2022/23 and Medium Term Financial Strategy covering the period 2022/23 to 2024/25 available on the NECA website (www.northeastca.gov.uk) sets out how we will do this looking forward. The Statement of Accounts accompanying this report looks back at our performance over the past year and the position to 31 March 2022. Reviewed together they provide the reader with an understanding of the financial position of the Authority.

2. What is the North East Combined Authority?

The North East Combined Authority (NECA) was established in April 2014 as a legal body that brought together the seven councils which serve Durham, Gateshead, Newcastle upon Tyne, North Tyneside, Northumberland, South Tyneside and Sunderland. It had transport and economic development powers and its ambition was to create the best possible conditions for growth in jobs, investment and living standards, making the North East an excellent location for business and enabling residents to develop high-level skills so they can benefit long into the future.

The North of Tyne authorities secured a devolution deal with devolution funding for the North of Tyne area, which required the establishment of a separate North of Tyne Mayoral Combined Authority during 2018/19. On the 2 November 2018, the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority (Establishment and Functions) Order 2018 changed the boundaries of NECA.

As a result of these governance changes, from 2 November 2018 the boundary of NECA covers the Local Authorities of Durham, Gateshead, South Tyneside and Sunderland. At the same time the North of Tyne Combined Authority was established, and the North East Joint Transport Committee was created, which continues to exercise the Transport functions over the area covered by the two Combined Authorities.

A Deed of Cooperation was made on the 4 July 2018 between the seven Constituent Authorities in the area that outlines a framework for collaborative working across the region, the Deed of Co-operation was updated in March 2020. On 20 November 2018 NECA was formally confirmed as retaining the Accountable Body role for Transport on behalf of the North East Joint Transport Committee.

NECA continued to be the accountable body for the North East Local Enterprise Partnership (North East LEP) until the North of Tyne Mayoral Combined Authority (NTCA) was fully established. The role of accountable body for the North East LEP transferred on 1 April 2020.

NECA continues to work closely with other bodies in the region to secure external funding, including funding for transport; infrastructure; economic development; skills and employment activities.

NECA works closely with the North East LEP and the wider business community to deliver the Strategic Economic Plan for the North East and capitalise on these opportunities.

The Government published a Levelling Up White Paper in February 2022 which and set out the Department for Levelling Up, Housing and Communities' ambition to spread opportunity more equally across the UK. The White Paper committed to extending devolution in England, including taking forward negotiations for an expanded Mayoral Combined Authority deal for the North East and reiterated the message of the Spending Review that the North East is eligible for a City Region Sustainable Transport Settlement (which could be valued between £600-650m) subject to the appropriate governance arrangements to agree and deliver funding. County Durham was named as one of nine areas selected to take forward proposals for devolved powers through a County Deal. No devolution deals or final decisions on changing the current arrangements have been made at the time these statements were prepared. Any changes would not come into force until 2024.

Revenue Financial Summary 2021/22

Revenue expenditure covers the cost of the Authority's day to day operations and contributions to and from reserves. A summary of expenditure against the budget is set out in the Table 1 below. This includes JTC expenditure prior to the allocation between the NECA and NTCA accounts (as described in section 9). Expenditure totalling £117.289m was slightly lower than the revenue budget of £120.350m due to lower financing charges on the Tyne Tunnels and reprofiling of some Transport North East project based work, such as the Bus Service Improvement Plan/Enhanced Partnership and Active Travel Fund work, into the 2022/23 financial year. Income received was £119.675m, which resulted in a net transfer to reserves of £2.386m which was used to fund capital expenditure charged to the revenue account, and funding carried forward to finance projects in 2022/23.

Table 1: Summary of Revenue Expenditure

	2021/22 Revised Budget	2021/22 Actual	Variance
	£000	£000	£000
Expenditure			
Joint Transport Committee			
- Retained Levy Budget	2,120	2,020	(100)
- Grant to Durham	15,457	15,457	-
- Grant to Nexus	57,813	57,813	-
- Grant to Northumberland	6,318	6,318	-
- Metro Futures Planning Studies	1,187	1,187	
- Tyne and Wear Levy Rebate	1,200	1,200	-
Tyne Tunnels			
- Contract Payments	20,411	20,011	(400)
- JTC costs	422	439	17
- Financing Costs	7,323	6,155	(1,168)
Other Transport Activity			-
- Transport North East	4,096	2,412	(1,684)
- Covid Grants	3,734	3,961	227
Corporate/Central Budget	269	316	47
Total Expenditure	**120,350**	**117,289**	**(3,061)**
Income			
External Grant Funding	(7,798)	(6,336)	1,462
Transport Levies	(84,095)	(84,095)	-
Tolls Income	(27,855)	(28,584)	(729)
Interest/Investment Income	(94)	(98)	(4)
Contributions from Constituent Authorities	(170)	(170)	-
Other Income	(395)	(392)	3
Total Income	**(120,407)**	**(119,675)**	**732**
Net Revenue Expenditure to fund from Reserves	**(57)**	**(2,386)**	**(2,329)**

This statement provides a comparison of the outturn position with the NECA (including JTC) revised revenue budget for 2021/22, before any allocation of costs and income between the accounts of NECA and NTCA. The purpose of this statement is to give the reader an understanding of overall spending and income for the whole year, in comparison with the revised budget.

Within the accompanying Statement of Accounts document the **Comprehensive Income & Expenditure Statement** (CIES, page 6 of the Statement of Accounts) sets out the Authority's financial position for the year before taking account of statutory adjustments required to be made to the accounts. The figures presented in the accounts can appear different from the budgeted revenue income and expenditure as they include accounting adjustments for costs such as Depreciation, Revenue Expenditure Funded by Capital Under Statute and certain pensions account adjustments not included in the revenue budget.

The **Movement in Reserves Statement** (MIRS, page 5 of the Statement of Accounts) reflects these statutory adjustments and shows how the financial performance for the year has impacted on the Authority's reserves. There has been an increase in reserves from £99.316m at 31 March 2021 to £139.179m at 31 March 2022, mainly due to receipt during the year of capital grants (namely Transforming Cities Fund and Active Travel Fund) which are committed to fund capital expenditure in future years but which have not yet been claimed by the local authorities delivering the projects. These funds will be drawn down in 2022/23 as projects are delivered and funding paid out on expenditure defrayed in year.

The gross cost of services during the year including capital grants to third parties as well as revenue expenditure was £82.452m (£79.781m in 2020/21). This includes a significant amount of 'Revenue Expenditure Funded by Capital Under Statute' – representing investment in capital assets owned by third parties, not by the Authority itself. This figure differs from the total expenditure shown in table 1 above because it is after the allocation of costs relating to the JTC between the NECA and NTCA accounts.

After deducting specific grants and income from fees and charges, the net cost of services was £9.887m (£30.325m in 2020/21). This was funded form sources including the Transport Levy, other contributions from Constituent Authorities and Government Grants. The net cost was lower in 2021/22 mainly due to a significant value of capital grants received which have been released to the CIES as conditions are met through commitment to fund the Transforming Cities Fund programme, but where the grants have not yet been used to fund the expenditure.

Usable reserves totalled £80.862m at 31 March 2022, which included £11.305m earmarked reserves and £60.986m capital grants unapplied, representing funds committed to meet expenditure requirements in future years. The corresponding balances held on these reserves at 31 March 2021 was £11.452m of earmarked reserves and £23.686m of capital grants unapplied.

Capital Investment

Capital investment (including Nexus as part of the NECA Group) during the year totalled £113.112m. Expenditure consisted of capital expenditure on the Authority's own assets and capital expenditure via capital grants to third parties. An analysis of capital investment by programme are shown in the following table.

Table 2: Capital Expenditure by Programme

	2021/22 Revised Programme	2021/22 Actual	Variance
	£000	£000	£000
Transforming Cities Fund Tranche 1	901	897	(4)
Transforming Cities Fund Tranche 2	12,939	7,460	(5,479)
Active Travel Fund Tranche 2	3,392	1,187	(2,205)
Electric Vehicle Charging	257	27	(230)
Ultra-Low Emission Vehicles – Taxi Project	49	1	(48)
Metro Asset Renewal Plan	23,684	17,015	(6,669)
Metro Fleet Replacement	64,215	59,206	(5,009)
Nexus Other Capital Projects	3,304	1,140	(2,164)
Metro Flow	20,632	14,131	(6,501)
Tyne Tunnels	1,200	791	(409)
Local Transport Plan	11,339	11,257	(82)
Total	**141,912**	**113,112**	**(28,800)**

***** Amounts shown in these lines are net of LTP funded expenditure included within the Metro Asset Renewal Plan to avoid double-counting.

A summary of how this capital investment was financed is shown in the following table:

Table 3: Capital Funding 2021/22

	2021/22 Actual	
	£000	%
Local Transport Plan Grant	11,257	10.0%
Metro Capital Grant	16,149	14.3%
Metro Fleet Grant	59,206	52.3%
Transforming Cities Fund Grant	22,488	19.9%
Other Capital Grants	2,355	2.1%
Reserves	1,657	1.5%
Total Funding	**113,112**	**100.0%**

3. Treasury Management

The Balance Sheet on page 7 of the accounts shows external borrowing of £94.834m at the end of the year, which is split between short term borrowing (£1.265m) and long term borrowing (£93.568m), after the allocation of part of the transport borrowing to NTCA. This is a small decrease compared to balance of £95.550m the previous year due to repayments made on Equal Instalment of Principal (EIP) loans during the year. The average rate of interest on external borrowing for the year was 4.3%, which is comparable with the previous year.

The Balance Sheet also shows short term external investments of £89.792m in the NECA accounts at the end of the year compared to £34.383m at the end of the previous year. The total of investments included £34.535m of investments held on behalf of Nexus. A further £15.196m cash equivalents were held on behalf of Nexus. The increase compared to the previous year is due to NECA receiving a significant amount of transport capital grants during the year which have not yet been applied to fund capital expenditure on projects within the Transforming Cities Fund and Active Travel Fund programmes.

4. Debtors

The Balance Sheet on page 7 of the accounts shows a short-term debtors balance at 31 March 2022 of £1.890m (£5.050m at 31 March 2021). This relates mainly to interest and principal repayments due within 12 months on borrowing by Nexus and is analysed in more detail in Note 14.

5. Creditors

Short term creditors at 31 March 2022 were £56.654m (£39.879m at 31 March 2021). These balances are analysed in more detail in Note 17. This includes a creditor for balances owed to Nexus for short term investments and cash equivalents placed on their behalf (£90.000m total creditor of which £49.731m is shown in the NECA accounts).

6. Pensions Costs

The Authority is an employer in the Tyne and Wear Pension Fund (the pension fund), which is part of the Local Government Pension Scheme (LGPS), which provides defined benefits based on members' final pensionable salary and years of service. In accordance with IAS19, the Authority is required to value all pension liabilities that have accumulated at the end of the year consisting of -

- Pension benefits that are being paid out to former employees who have retired.
- Pension benefits earned to date by current employees but not yet paid out.

IAS19 also requires the Authority to value all investments held by the pension fund at market value at the end of the year.

When assets and liabilities at year-end are compared this results in a surplus or deficit.

NECA has two types of pension liabilities – described as funded and unfunded. Funded pension liabilities are within the LGPS and are backed by assets attributable to the Authority. For the funded element of the scheme, the NECA pension fund is in a notional surplus position amounting to £11.910m at 31 March 2022, compared with £9.030m at 31 March 2021. The increase in year is due to market conditions at 31 March 2022 and the impact on asset values. For accounting purposes this surplus is restricted to nil on the NECA balance sheet. NECA gets a benefit from the surplus in the form of savings on employers' pension contributions for current employees, which has enabled significant savings on the revenue budget.

Unfunded or discretionary benefits (such as early retirement awards) sit outside the Authority's funded part of the scheme and are therefore not backed by assets and must be paid as incurred on a monthly basis. These costs relate to former Tyne Tunnels employees and are paid from the Tyne Tunnels revenue account, at a cost of approximately £50,000 in 2021/22. At the end of the year there was an unfunded liability of £0.670m (£0.870m at 31 March 2021) and this is disclosed on the Balance Sheet.

The deficit as at 31 March 2022 takes into account the national judgements on McCloud and Guaranteed Minimum Pensions (GMP). The actuarial valuation is influenced by a number of economic factors. Note 19 to the accounts provides further analysis and disclosure of the Pension Fund liability.

7. Net Assets

Net assets in the NECA accounts have increased from £99.316m at 31 March 2021 to £139.179m at 31 March 2022. The increase/decrease is due to mainly to a significant amount of transport capital grants being received during the year which have not yet been applied to fund capital expenditure.

8. Group Results

The Group Accounts included as part of the Statement of Accounts fully incorporate the results of Nexus (The Tyne and Wear Passenger Transport Executive). More details can be found in Group Note G01 on page 77.

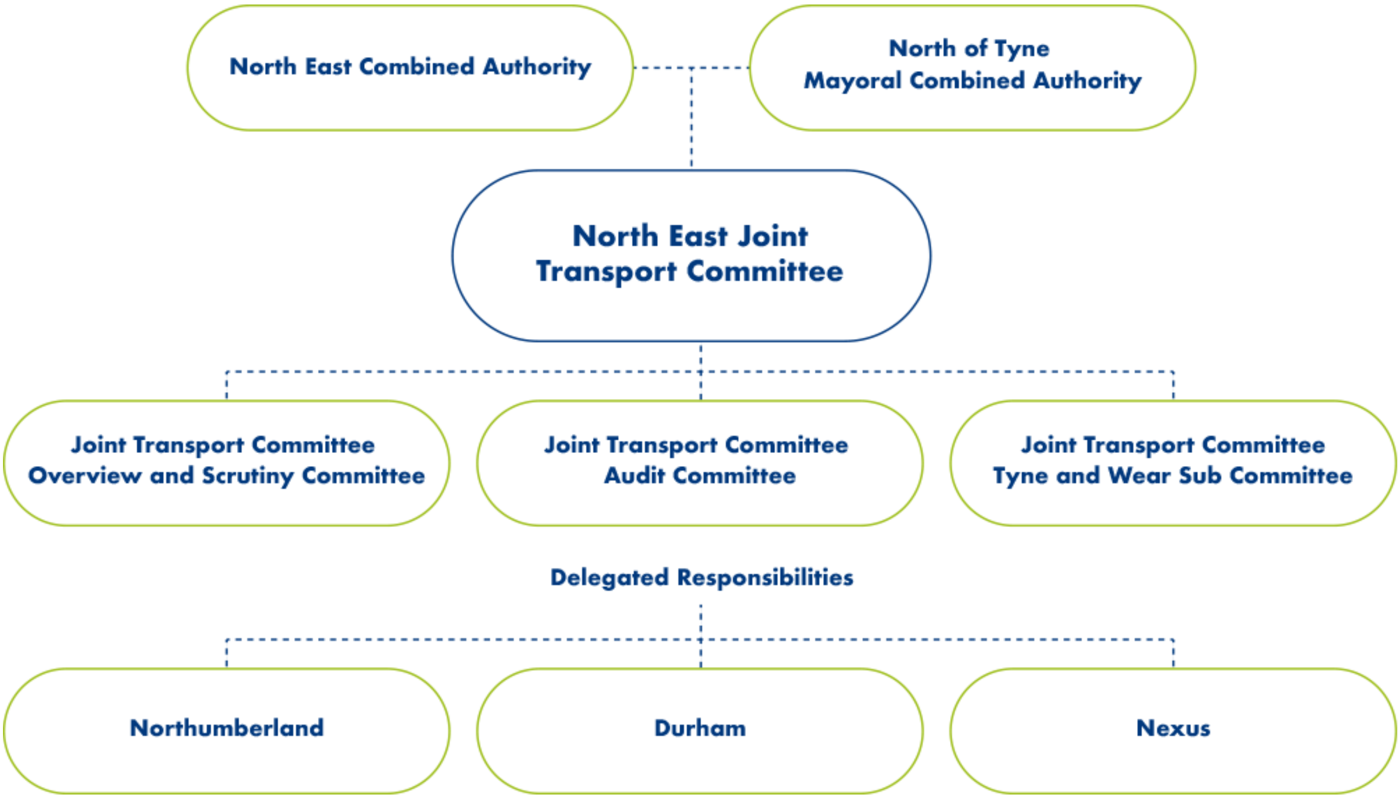
The Nexus accounts are apportioned between NTCA and NECA accounts (after elimination of intra-Group transactions), with the balance sheet information at 31 March 2022 allocated between the two Combined Authorities in proportion to their relative share of Tyne and Wear Population as set out in table 4. The full accounts for the Nexus Group and more information about their activity and performance can be obtained from the Nexus website at https://www.nexus.org.uk.

9. Accounting for the North East Joint Transport Committee

The North East Joint Transport Committee brings together a total of seven members from each of the Constituent Authorities of the region; four Members from the North East Combined Authority and three Members from the North of Tyne Combined Authority in accordance with the Order and was created on the 2nd November 2018.

Transport is of strategic importance to the North East, and the collaborative working of both Combined Authorities allows effective decision making across the region, which ensures that the local needs and priorities are delivered.

The structure for Transport that was established in November 2018 is shown in the diagram below.



Under the CIPFA Code, the JTC meets the definition of a 'joint operation', which determines its accounting treatment. Where a Joint Committee is accounted for as a Joint Arrangement each Joint Operator (in this case NECA and NTCA) must account for their own share of the assets, liabilities, revenues and expenses held or incurred jointly in their own financial statements. In order to comply with the CIPFA Code, NECA must:

1. Split the revenues between that which relates to NECA and NTCA. In this case, the constitution of the JTC and its funding arrangements suggests that, in the first instance, the revenues should be divisible into that which relates to Northumberland (allocated wholly to NTCA), that which relates to Durham (allocated wholly to NECA) and that which relate to Tyne and Wear (requires further division into NECA and NTCA).

2. The revenues which relate to Tyne and Wear must be divided into that which relates wholly to the NECA or NTCA area and that which relates to activities now wholly attributable under the preceding two points which requires apportionment.

The Order gives no clear instruction on the basis of division of revenues, but the Deed of Cooperation made on 4 July 2018 between the seven local authorities in the area indicates that resident populations shall be used as a basis of apportionment.

For the 2021/22 accounts the mid-year estimated population published by the Office of National Statistics as at June 2019 is used, which is the basis on which the Transport Levy payments for the year are required to be calculated. The calculation of the proportion used to allocate the figures in the accounts at 31 March 2022 is shown in Table 4 below.

Table 4 - Population used to allocate Transport Assets/Liabilities between NECA and NTCA

	Mid-Year 2019 Population	Proportion
	People	Proportion
NECA		
- Gateshead	202,055	
- South Tyneside	150,976	
- Sunderland	277,705	
	630,736	0.55257
NTCA		
- Newcastle	302,820	
- North Tyneside	207,913	
	510,733	0.44743
Tyne and Wear Total	**1,141,469**	

10. The Statement of Accounts

The Statement of Accounts is set out in the accompanying document, they consist of the following statements that are required to be prepared under the Code of Practice:

Movement in Reserves Statement (Statement of Accounts page 5)

This statement shows the movement in the year on the different reserves held by the Authority, analysed into Usable Reserves (i.e. those which can be applied to fund expenditure) and Unusable Reserves (which cannot). The surplus or deficit on the provision of services line shows the economic cost in accounting terms of providing NECA's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for the purposes of setting the levy. The net increase or decrease before transfers to earmarked reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

Comprehensive Income and Expenditure Statement (Statement of Accounts page 6)

The Comprehensive Income and Expenditure Statement shows the accounting cost in year of providing services in accordance with generally accepted accounting practice, rather than the amount to be funded from the levy and other sources of income which is set out in the MiRS, as described above.

Balance Sheet (Statement of Accounts page 7)

The Balance Sheet summarises the Authority's financial position at 31 March each year. The net assets of the Authority (total assets less total liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories, Usable and Unusable as described above. Unusable Reserves include those which hold unrealised gains and losses (e.g. the Revaluation Reserve) where amounts only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the MiRS line “adjustments between accounting basis and funding basis under regulations”.

Cash Flow Statement (Statement of Accounts page 8)

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows from operating, investing and financing activities. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority’s future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

Group Financial Statements and Notes (Statement of Accounts page 73 onwards)

Reports the financial picture of all activities conducted by the Authority, including those delivered through partnership and separate undertakings controlled by the Authority.

11. Annual Governance Statement

To accompany the Narrative Report and Statement of Accounts, the leadership of the Authority prepares an Annual Governance Statement that sets out the principal arrangements that operate to ensure proper governance of the Authority’s affairs and the stewardship of resources at its disposal. It also outlines the principal arrangements that are in place to ensure that a sound system of internal control is maintained.

12. Non-Financial Performance

The Statement of Accounts is focused on the financial performance of the Authority. NECA also reports non-financial Performance through thematic updates on Economic Development and Digital, Transport, and Finance, Skills & Employability. These are available on the NECA website under the Leadership Board agendas.

Transport

Since the formation of the North East Joint Transport Committee, the LA7 Authorities have been working together on shared transport priorities. Through the JTC we have collectively:

- Agreed a transformational Transport Plan up to 2035, backed by a pipeline of major projects aimed at delivering economic growth and reducing inequalities, carbon reduction and better health outcomes;
- Secured £208m capital funding to begin delivering on those schemes through the Transforming Cities Fund (TCF);
- Secured £362m of funding for a new fleet of Metro trains which, along with a frequency uplift delivered by the “Metro Flow” TCF scheme and the continuation of the Metro Asset Renewal Programme, will transform the quality and frequency of the Metro; and
- Been indicatively awarded £164m capital and revenue combined towards delivering our Bus Service Improvement Plan (BSIP).

In November 2021 the ‘Tyne Pass’ scheme for barrierless open road tolling was launched at the Tyne Tunnels. The barrierless scheme has modernised the payment system, reduced journey times and provides other benefits for the area, including significantly reduced carbon emissions and the creation of new local jobs.

Towards the end of 2021/22, traffic at the Tyne Tunnels has seen a return to almost pre-pandemic levels. It is still unclear whether the ongoing effects of Covid-19 restrictions and the 'work from home' culture combined with the increase in fuel prices will affect journey numbers throughout 2022.

Table 5 – Tyne Tunnel Traffic Flow data

	Class 1	Class 2	Class 3	Exempt	Total
2021/22	102,536	14,371,810	931,608	472,178	15,878,132
2020/21	99,990	10,441,472	775,745	423,317	11,740,524
2019/20	153,474	14,928,809	824,798	648,435	16,555,516
2018/19	171,626	14,839,928	823,469	631,444	16,466,467
2017/18	172,655	14,802,233	855,656	584,809	16,415,353
2016/17	197,688	15,705,319	951,785	605,670	17,460,462
2015/16	204,751	16,218,493	989,451	581,377	17,994,072
2014/15	195,798	15,265,379	873,270	508,444	16,842,891
2013/14	185,471	13,970,360	804,147	464,529	15,424,507

Class 1 = Motorcycles; Class 2 = Car, Van or Bus less than 3.5 tonnes; Class 3 = LGV, Van or Bus more than 3.5 tonnes Exempt = emergency vehicles and blue badge holders

The tolls were increased in line with inflation on 1 May 2021 from £1.80 to £1.90 for Class 2 vehicles.

Tyne and Wear Passenger Transport Executive – Nexus

The North East Joint Transport Committee sets public transport policy for the region, which in Tyne and Wear is delivered operationally by Nexus. The following performance indicators describe the general performance of public transport in Tyne and Wear during 2021/22.

- The number of passenger journeys across all modes within Tyne and Wear in 2021/22 was estimated at 106.9 million, a 115.5% increase when compared to the 49.6 million in the previous year but a 30.8% decline when compared to 154.5 million journeys in 2019/20.
    - Bus patronage was 81.4 million in 2021/22; a 104.5% increase when compared to 39.8 million in the previous year and a 31.8% decline when compared to 119.4 million in 2019/20.
    - Metro patronage was 24.2 million in 2021/22; a 157.4% increase when compared to 9.4 million in the previous year and a 26.9% decline when compared to 33.1 million in 2019/20.
    - Ferry patronage was 0.269 million passengers in 2021/22; a 74.7% increase when compared to 0.154 million journeys in the previous year and 23.8% decline when compared to 0.353 million journeys in 2019/20.
    - Rail patronage was 1.1 million journeys in 2021/22; a 340% increase when compared to 0.250 million journeys in the previous year and a 34.5% decline when compared to 1.680 million journeys in 2019/20.
- Metro reliability (operated mileage) was 95.3% during 2021/22, broadly in line with performance in the previous year when reliability was measured at 95.8%.

- Metro reliability (Charter punctuality) was 82.8% during 2021/22, a decrease on the 87.4% performance achieved in the previous year.

NECA Staffing

- NECA continues to adapt and change to meet the requirements of the area, while keeping costs to a minimum. Many services are provided through Service Level Agreements with constituent local authorities.

- On 1 April the Accountable Body responsibility for the North East LEP transferred to NTCA and the TUPE transfer of LEP and Invest North East England staff to NTCA was also completed.

- On the same date the TUPE transfer from Newcastle City Council and Nexus of staff working on regional Transport matters was completed.
- The majority of the NECA employees work on behalf of Transport North East with numbers growing in 2021/22 as the responsibilities of the team increase following successful bids for grant funding.

Table 6 – Change in Staffing numbers since 2015/16

	Total NECA Employees at the year end	Employed on behalf of North East LEP
2021/22	26	0
2020/21	16	0
2019/20	63	56
2018/19	43	39
2017/18	29	21
2016/17	21	18
2015/16	15	11

13. Looking Ahead

NECA continues to focus on working with delivery partners on its thematic areas of Transport, Economic Development and Digital, and Finance, Skills and Employability. Key areas of focus for the year ahead are detailed below.

Transport

During 2022/23 the North East Joint Transport Committee will put in place an Enhanced Partnership (EP) with bus operators. An EP is where local transport authorities and bus operators agree a detailed partnership plan (a Bus Service Improvement Plan) that is refined through consultation. A series of partnership schemes are built into the final agreed EP plan. The region's first BSIP formed the basis of an ambitious £804m bid to government, which would have dramatically transformed bus services across the North East. In response, an indicative funding allocation of £73.758m capital and £89.763m revenue funding across 3 years (one of the highest allocations in the country) has been announced by government, pending the consideration of the draft EP scheme.

2022/23 is the planned final year of the Transforming Cities Fund Programme, which

Building on the initiatives and infrastructure improvements delivered in the first two rounds of the Active Travel Fund, will see TNE deliver further improvements to the region's walking and cycling network totalling £17.9m through Tranche 3 of the fund. Schemes in Newcastle, North Tyneside, Northumberland and Sunderland will be supported in the coming year.

In 2022/23 the JTC will adopt its first North East Rail and Metro Strategy – a new blue print which outlines regional plans to upgrade the East Coast Main Line (ECML), reopen the Leamside Line and extend the Tyne and Wear Metro. Some of the main actions which the region will take forward include:

- Obtaining a Government commitment to increasing capacity of the ECML for passengers and freight;
- Extending the Tyne and Wear Metro, upgrading existing networks and adding new stations and routes – including the Leamside Line and Northumberland Line;
- Working with Great British Railways to form a new partnership which represents the North East, ensuring local needs are taken into account;
- Introducing new trains – including a more efficient electric fleet on Metro and electric/batter/hydrogen local rail trains;
- Improvements to several regional railway stations including Newcastle and Sunderland and new stations such as Gateshead East.

Work continues with government to agree revised governance structures, in the form of a new devolution deal, to enable the North East to access funding through the City Region Sustainable Transport Settlement.

Economic Development and Digital

The economic picture across the NECA area is currently one of challenges as businesses continue to recover from the impact of the pandemic and are now being buffeted by both skills shortages and, most pointedly, the surge in inflation.

Project Gigabit delivered by Building Digital UK (BDUK) was launched in March 2021 and will deliver gigabit-capable connectivity to at least 5% of premises across the UK in hard-to-reach areas by the end of 2025, supporting the government's target of at least 85% through a combination of commercial and subsidised build.

Finance, Skills and Employability

Activity continues to progress all aspects of the Finance, Skills and Employment needs and opportunities across NECA. The UK Shared Prosperity Fund (UKSPF) provides £2.6bn of funding for local investment by March 2025. Every place in the UK has been allocated a share of the UKSPF. In order to access UKSPF funding, lead local authorities are being asked to complete an investment plan, setting out how they intend to use and deliver the funding, in conjunction with local stakeholders. This work will take place during 2022/23 with an anticipated date for first investment plans to be approved of October 2022.

14. Further Information Available

Access to this report, the accounts and the Annual Governance Statement will be made available to the general public via the Authority's website. If this information is needed in another format or language, please use the contact below.

If you have any problems understanding this publication, any general enquiries on the accounts or have any suggestions on how it may be improved, please contact:

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Appendix 2

North East Combined Authority

DURHAM • GATESHEAD • SOUTH TYNESIDE • SUNDERLAND

North East Combined Authority

Statement of Accounts 2021/22

Draft - Subject to Audit

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The values within the financial statements are disclosed with roundings which are appropriate to their individual presentation. Consequently, the tables in the Statement of Accounts may contain rounding differences.

1.0 Statement of Responsibilities for the Statement of Accounts

1.1 The Authority's Responsibilities

The Authority is required:

- To make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Chief Finance Officer.
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts.

The Chief Finance Officer's Responsibilities:

The Chief Finance Officer is responsible for the preparation of the Authority and Group Statement of Accounts in accordance with proper practices as set out in the CIPFA (Chartered Institute of Public Finance & Accountancy) Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Chief Finance Officer has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Local Authority Code.

The Chief Finance Officer has also:

- Kept proper accounting records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certification of the Accounts

I hereby certify that the Statement of Accounts for the year ended 31 March 2022, required by the Accounts and Audit Regulations 2015, are set out in the following pages.

I certify that the Statement of Accounts gives a true and fair view of the financial position of the North East Combined Authority and Group at 31 March 2022 and its income and expenditure for the year ended 31 March 2022.

Signed:	Signed:
Paul Darby Chief Finance Officer	Cllr Graeme Miller Chair of the North East Combined Authority Leadership Board

2.1 Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into Usable Reserves (i.e. those which can be applied to fund expenditure) and Unusable Reserves (which cannot). The Total Comprehensive Income and Expenditure line shows the accounting cost of providing NECA's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund balance. The net increase or decrease before transfers to earmarked reserves shows the statutory General Fund balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

		Usable Reserves						
	Note	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
		£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2020		**(9,165)**	**(10,777)**	**-**	**(7,361)**	**(27,301)**	**(55,699)**	**(83,000)**
Total Comprehensive Income and Expenditure		(16,673)	-	-	-	(16,673)	360	(16,313)
Adjustments between accounting basis & funding basis under regulations	3	17,269	-	-	(16,324)	944	(944)	-
Net (Increase)/Decrease before transfers to Earmarked Reserves		**595**	**-**	**-**	**(16,324)**	**(15,729)**	**(584)**	**(16,313)**
Transfers (To)/From Earmarked Reserves	21	677	(677)	-	-	**-**	-	-
(Increase)/Decrease in 2020/21		1,271	(677)	-	(16,324)	**(15,730)**	(583)	(16,313)
Balance at 31 March 2021 carried forward		**(7,893)**	**(11,454)**	**-**	**(23,685)**	**(43,030)**	**(56,284)**	**(99,316)**
Total Comprehensive Income and Expenditure		(39,383)	-	-		(39,383)	(480)	(39,863)
Adjustments between accounting basis & funding basis under regulations	3	38,853	-	-	(37,300)	1,553	(1,553)	-
Net (Increase)/Decrease before transfers to Earmarked Reserves		**(530)**	**-**	**-**	**(37,300)**	**(37,830)**	**(2,033)**	**(39,863)**
Transfers (To)/From Earmarked Reserves	21	(148)	148	-	-	**-**	-	-
(Increase)/Decrease in 2021/22		(678)	148	-	(37,300)	(37,830)	(2,033)	(39,863)
Balance at 31 March 2022 carried forward		**(8,571)**	**(11,306)**	**-**	**(60,985)**	**(80,860)**	**(58,317)**	**(139,179)**

2.2 Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement shows the accounting cost in year of providing services in accordance with generally accepted accounting practice, rather than the amount charged to the General Fund which is set out in the Movement in Reserves Statement.

2020/21					2020/21		
Gross Expenditure	Gross Income	Net Expenditure		Note	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
			Continuing NECA Services	1			
574	(781)	(207)	Corporate		941	(162)	779
-	-	-	Skills		-	-	-
73	-	73	Transport - Retained Levy Budget		338	-	338
15,456	-	15,456	Transport - Durham		15,457	-	15,457
32,719	-	32,719	Transport - Tyne and Wear		33,264	-	33,264
11,618	(28,367)	(16,749)	Transport - Other		16,012	(45,229)	(29,217)
13,267	(14,234)	(967)	Transport - Tyne Tunnels		13,673	(17,983)	(4,310)
6,074	(6,074)	-	Covid-19 Grants		893	(10,188)	(9,295)
79,781	**(49,456)**	**30,325**	**Cost of Services**		**80,579**	**(73,563)**	**7,017**
4,057	(963)	3,094	Financing and Investment Income and Expenditure	4	3,820	(950)	2,870
-	(50,091)	(50,091)	Taxation and Non-Specific Grant Income	5	-	(49,270)	(49,270)
		(16,672)	**(Surplus) on Provision of Services**				**(39,383)**
		360	Re-measurement of the defined benefit liability	19			(480)
		360	**Other Comprehensive Income and Expenditure**				**(480)**
		(16,312)	**Total Comprehensive Income and Expenditure**				**(39,863)**

2.3 Balance Sheet

The Balance Sheet summarises NECA's financial position at 31 March each year. The Net Assets of the Authority (total assets less total liabilities) are matched by Reserves. Reserves are reported in two categories, Usable and Unusable. Unusable Reserves include those which hold unrealised gains and losses (e.g. the Revaluation Reserve) where amounts only become available to provide services if the assets are sold; and reserves that hold timing differences in the Movement in Reserves Statement line "adjustments between accounting basis and funding basis under regulations".

31 March 2021 £000		Note	31 March 2022 £000
190,648	Property, Plant and Equipment	11	188,013
18,715	Long Term Debtors	15	17,870
209,363	**Long Term Assets**		**205,883**
34,383	Short Term Investments	12	89,792
5,050	Short Term Debtors	14	1,890
38,183	Cash and Cash Equivalents	16	40,013
77,616	**Current Assets**		**131,695**
(1,274)	Short Term Borrowing	12	(1,266)
(39,879)	Short Term Creditors	17	(56,654)
(3,356)	Grants Receipts in Advance	6	(1,220)
(2,824)	New Tyne Crossing Deferred Income	18	(2,814)
(47,333)	**Current Liabilities**		**(61,954)**
(45,184)	New Tyne Crossing Deferred Income	18	(42,207)
(94,276)	Long Term Borrowing	12	(93,568)
(870)	Pension Liability	19	(670)
(140,330)	**Long Term Liabilities**		**(136,445)**
99,316	**Net Assets**		**139,179**
(43,032)	Usable Reserves	20	(80,862)
(56,284)	Unusable Reserves	22	(58,317)
(99,316)	**Total Reserves**		**(139,179)**

Chief Finance Officer Certificate

I certify that the accounts set out on pages 5 to 71 give a true and fair view of the financial position of the North East Combined Authority as at the 31 March 2022.

Signed:

Paul Darby, Chief Finance Officer

2.4 Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows from operating, investing and financing activities. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

2020/21 £000		Note	2021/22 £000
16,672	Net Surplus on the provision of services		39,383
16,000	Adjustments to net surplus or deficit on the provision of services for non-cash movements	24	20,807
(25,271)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	24	(49,259)
7,401	**Net cash flows from Operating Activities**		**10,931**
51,740	Investing Activities	25	(8,209)
(838)	Financing Activities	26	(893)
58,303	**Net (Decrease)/Increase in cash and cash equivalents**		**1,829**
22,017	Cash and cash equivalents at the beginning of the reporting period	16	38,183
(42,138)	Transfer to the NTCA		-
38,182	**Cash and cash equivalents at the end of the reporting period**		**40,012**

Note 01: Transfer of Services to the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority

On 2 November 2018, under the terms of the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority (Establishment and Functions) Order 2018 a new entity, the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority was created (referred to in this document as the North of Tyne Combined Authority, or NTCA).

At this date:

- Newcastle City Council, North Tyneside Metropolitan District Council and Northumberland County Council ceased to be members of the North East Combined Authority and became members of the new NTCA; and
- The business of the North East Combined Authority, and the associated assets and liabilities, relating to the geography of Newcastle upon Tyne, North Tyneside and Northumberland transferred to the new NTCA.

Under the Order, it is stated that NECA and NTCA must appoint a Joint Transport Committee (JTC), which is endowed with the powers of the Integrated Transport Authority previously endowed upon NECA. The Constitution of the JTC is such that it meets the definition of Joint Control and it is classified accordingly as a Joint Operation.

At its first meeting on 20 November 2018, the JTC appointed NECA as its accountable body. As the accountable body NECA must split the revenue, expenditure, assets and liabilities into those which relate to NECA and those which relate to NTCA:

- That which relates to Northumberland is wholly allocated to NTCA.
- That which relates to Durham is wholly allocated to NECA.
- That which relates to Tyne and Wear is allocated between NECA and NTCA on the basis of population using the ONS statistics used as the basis of dividing the levy contributions.

Paragraph 2.1.2.9 of the Code makes clear that combinations of public sector bodies are not to be taken as negating the presumption of going concern. The establishment of the NTCA and decisions about accountable body status therefore have no impact on the going concern basis of the NECA accounts.

On 1 April 2020, the Accountable Body role for the North East Local Enterprise Partnership transferred to the NTCA. This includes the employment of all North East LEP staff and administration of its income and expenditure. In addition, the Invest North East England function also transferred to the NTCA on the same date.

This has been accounted for in the 2020/21 financial statements as a transfer by absorption. Assets and liabilities have been transferred at carrying value. The Comprehensive Income and Expenditure Statement shows services transferred to NTCA separately from services continuing to be reported by NECA in the prior year results, in order to aid comparatives across financial years. In the notes to the accounts, a separate line disclosing the transfer is included after the balance brought forward from the previous year.

Note 02: Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate how the funding available to the authority (i.e. government grants and contributions) for the year has been used in providing services in comparison with those resources consumed or earned by the authority in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the authority's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

	2021/22				
	Net Expenditure Chargeable to the General Fund	Adjustments for Capital Purposes	Pension Adjustments	Other Differences	Net Expenditure in the CIES
	£000	£000	£000	£000	£000
Corporate	279	-	500	-	779
Transport - Retained Levy Budget	625	(287)	-	-	338
Transport - Durham	15,457	-	-	-	15,457
Transport - Tyne and Wear	33,264	-	-	-	33,264
Transport - Other	(1,620)	(36,892)	-	-	(38,512)
Transport - Tyne Tunnels	(2,487)	(1,773)	(50)	-	(4,310)
Cost of services	**45,518**	**(38,952)**	**450**	**-**	**7,016**
Other Income and Expenditure	**(46,049)**	(41)	(170)	(140)	**(46,400)**
(Surplus)/Deficit on Provision of Services	**(531)**	**(38,993)**	**280**	**(140)**	**(39,384)**
Opening General Fund Balances	(19,348)				
Closing General Fund Balances	**(19,879)**				

Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the service line, and adjusts for:

- Other operating expenditure - adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure - the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure - capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied during the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pension Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and investment income and expenditure - the net interest on the defined benefit liability is charged to the CIES.

Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For Financing and investment income and expenditure, the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

	2020/21				
Corporate	93	-	(300)	-	(207)
Skills	-	-	-	-	-
Transport - Retained Levy Budget	361	(288)	-	-	73
Transport - Durham	15,456	-	-	-	15,456
Transport - Tyne and Wear	32,719	-	-	-	32,719
Transport - Other	(2,720)	(14,029)	-	-	(16,749)
Transport - Tyne Tunnels	736	(1,653)	(50)	-	(967)
Cost of services	**46,645**	**(15,971)**	**(350)**	**-**	**30,325**
Other Income and Expenditure	**(46,050)**	(741)	20	(225)	**(46,997)**
(Surplus)/Deficit on Provision of Services	**595**	**(16,712)**	**(330)**	**(225)**	**(16,672)**
Opening General Fund Balances	(33,607)				
Transfer to NTCA 1 April 2020	13,664				
Closing General Fund Balances	**(19,348)**				

Note 02a: Income and Expenditure Analysed by Nature

	2020/21 £000	2021/22 £000
Expenditure		
Employee benefit expenses	511	603
Other service expenses	66,477	66,290
Depreciation, impairment and Revenue Expenditure Funded from Capital Under Statute (REFCUS)	12,793	14,510
Interest payments	4,057	3,990
Total expenditure	**83,838**	**85,393**
Income		
Fees, charges and other service income (Tyne Tunnels tolls)*	(11,393)	(15,948)
Interest and investment income	(963)	(1,120)
Income from transport levy	(49,349)	(48,567)
Government grants and contributions	(34,268)	(53,560)
Other income	(4,537)	(6,061)
Total income	**(100,510)**	**(125,256)**
Surplus/Deficit on the provision of services	**(16,672)**	**(39,863)**

* Fees, charges and other service income relates wholly to tolls paid by users of the Tyne Tunnels.

Note 3: Adjustments between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2020/21				Adjustments between Accounting Basis and Funding Basis Under Statute	2021/22			
General Fund	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves		General Fund	Capital Receipts Reserve	Capital Grants Unapplied	Unusable Reserves
£000	£000	£000	£000		£000	£000	£000	£000
				Adjustments primarily involving the Capital Adjustment Account (CAA)				
				Reversal of items debited or credited to the CIES				
(2,402)	-	-	2,402	Charges for depreciation and impairment of non current assets	(2,385)	-	-	2,385
2,824	-	-	(2,824)	Other income that cannot be credited to the General Fund	2,814	-	-	(2,814)
7,052	-	-	(7,052)	Capital grants and contributions applied	6,584	-	-	(6,584)
(10,391)	-	-	10,391	Revenue expenditure funded from capital under statute	(12,125)	-	-	12,125
				Insertion of items not debited or credited to the CIES				
1,391	-	-	(1,391)	Statutory provision for the financing of capital investment	993	-	-	(993)
19	-	-	(19)	Capital expenditure charged against the General Fund	437	-	-	(437)
				Adjustments primarily involving the Capital Grants Unapplied Account				
18,219	-	(18,219)	-	Grants and contributions unapplied credited to the CIES	42,675	-	(42,675)	-
-	-	1,895	(1,895)	Application of grants to capital financing transferred to the CAA	-	-	5,375	(5,375)
				Adjustments involving the Capital Receipts Reserve				
-	(841)	-	841	Loan principal repayments	-	(807)	-	807
-	841	-	(841)	Application of Capital Receipts to repayment of debt	-	807	-	(807)
				Adjustments involving the Financial Instruments Adjustment Account				
225	-	-	(225)	Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	140	-	-	(140)
				Adjustments involving the Pensions Reserve				
280	-	-	(280)	Reversal of items relating to retirement benefits debited or credited to the CIES	(330)	-	-	330
50	-	-	(50)	Employer's pension contributions and direct payments to pensioners payable in the year	50	-	-	(50)
17,268	**-**	**(16,324)**	**(943)**	**Total Adjustments**	**38,853**	**-**	**(37,300)**	**(1,553)**

Note 04: Financing and Investment Income and Expenditure

	Note	2020/21	2021/22
		£000	£000
Interest Payable and Similar Charges		4,037	3,990
Interest Payable on defined benefit liability	19	20	(170)
Interest Receivable and similar income		(963)	(950)
Total		**3,094**	**2,870**

Note 05: Taxation and Non Specific Grant Income

		2020/21	2021/22
		£000	£000
Transport Levy		(49,349)	(49,230)
Non-Specific Capital Grants		(741)	(41)
Total		**(50,090)**	**(49,271)**

Note 06: Grant Income

		2020/21	2021/22
		£000	£000
Local Authority Contributions to NECA		(161)	(276)
Local Growth Fund		(679)	492
Local Transport Plan		(7,736)	(7,755)
European Grants		(176)	-
North East Smart Ticketing Initiative		(113)	-
Transforming Cities Fund		(13,907)	(31,595)
Office for Low Emission Vehicles		(70)	(41)
COVID-19 Grants		(6,074)	(1,419)
Active Travel Fund		-	(10,188)
Bus Recovery Grant		-	(689)
Other Grants		(5,352)	(2,089)
Total		**(34,268)**	**(53,560)**

The Government have provided Grants to cover some losses, identified by Local Authorities and NEXUS, due to the COVID-19 pandemic. These have been identified separately in the table above.

The Authority has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that, if not met, will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

Grants Receipts in Advance	31 March 2021 £000	31 March 2022 £000
Office for Low Emission Vehicles	(127)	(29)
Other Grants	(3,229)	(1,192)
Total	**(3,356)**	**(1,221)**

Shown as Short-Term Liability on the Balance Sheet	(3,356)	(1,221)
Short as Long-Term Liability on the Balance Sheet	-	
Total	**(3,356)**	**(1,221)**

Note 7: Members' Allowances

The Authority paid the following amounts to independent members of its various committees during the year. Representatives from constituent authorities receive no allowances from NECA.

	2020/21 £000	2021/22 £000
Allowances	12	12
Total	**12**	**12**

Note 08: Officers' Remuneration

The remuneration paid to the Authority's Senior Officers was as follows:

		Salary, Fees and Allowances £000	Pension Contributions £000	Total £000
Managing Director of Transport Operations	2021/22	133	-	**133**
	2020/21	131	-	**131**

All three of the Authority's statutory officers in 2021/22 were not formal employees of the authority (and are not therefore included in the statutory disclosure above). Their services are provided by Service Level Agreements between the authority and their Local Authority employers. The individuals involved received no additional remuneration for these roles.

The number of other officers who received remuneration greater than £50,000 (excluding employers' pension contributions) was as follows:

	2020/21 £000	2021/22 £000
£50,000-£54,999	0	1
£55,000-£59,999	1	2
£60,000-£64,999	0	0
£65,000-£69,999	0	0
£70,000-£74,999	0	1
£75,000-£79,999	0	0
£80,000-£84,999	0	0
£85,000-£89,999	0	0
£90,000-£94,999	0	0
£95,000-£99,999	1	1
Total	**2**	**5**

Note 9: External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspection and for non-audit services provided by the Authority's external auditors.

	2020/21 £000	2021/22 £000
Scale fee for the audit of the Statement of Accounts	19	19
Additional fee in relation to the audit of the 2019/20 Accounts (paid during 2020/21)	8	-
Total	**27**	**19**

Note 10: Related Parties

The Authority is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

In this context, related parties include:
- Central Government
- Members of the Authority
- Officers of the Authority
- NECA Constituent Authorities
- Joint Transport Committee Constituent Authorities
- Other Public Bodies
- Other Entities

Central Government

Central Government is responsible for providing the statutory framework within which the Authority operates, provides much of its funding in the form of grants and prescribes the terms of some of the transactions that the Authority has with other parties (e.g. Concessionary Fares reimbursement). Grants received from government departments are set out in Note 6.

Elected Members of the Authority

Members of the Authority have a direct control over the Authority's financial and operating policies. No members allowances are payable to elected members of the Authority. During 2021/22 no works or services were commissioned from companies in which any members had an interest.

Officers

There has been no pecuniary interest involving the Head of Paid Service, the Chief Finance Officer or the Monitoring Officer to the Authority.

NECA Constituent Authorities

The Leaders of the four NECA constituent Authorities serve as members of the NECA Leadership Board. Prior to 2 November 2018, the Leaders and Elected Mayor of the seven North East local authorities were members of the NECA Leadership Board. Details of material transactions with the seven Authorities are set out in the table below.

Joint Transport Committee Constituent Authorities

From 2 November 2018, the Joint Transport Committee has been in establishment, comprised of the seven North East local authorities. Figures reported in these accounts include the NECA share of Joint Transport Committee activity, and details of material transactions with the seven Authorities are set out in the table below.

Other Public Bodies

The Authority has a direct relationship with the Passenger Transport Executive for Tyne and Wear (Nexus). NECA (via its participation in the Joint Transport Committee) sets the policy which is delivered by Nexus, and agrees its budget and revenue grant. Details of material transactions with Nexus are set out in the table below.

Other Entities

Newcastle International Airport Ltd - the seven Constituent Authorities of NECA are shareholders in Newcastle Airport.

	2020/21				2021/22			
	Receivables	Income	Expenditure	Payables	Receivables	Income	Expenditure	Payables
	£000	£000	£000	£000	£000	£000	£000	£000
NECA Constituent Authorities								
Durham	-	(15,499)	18,960	1,187	-	-	-	-
Gateshead	-	(10,291)	1,136	137	-	-	-	-
South Tyneside	-	(8,112)	926	206	-	-	-	-
Sunderland	-	(14,949)	1,327	131	-	-	-	-
Remaining JTC Constituent Authorities								
Newcastle	-	(10)	2,879	691	-	-	-	-
North Tyneside	-	(10)	1,061	130	-	-	-	-
Northumberland	-	(10)	2,014	315	-	-	-	-
Other Public Bodies								
North of Tyne Combined Authority	-	-	-	-	-	-	-	-
Nexus	(695)	(761)	37,234	33,671	-	-	-	-

NECA is the accountable body for the Joint Transport Committee and as such must split revenue, expenditure and assets and liabilities into those which relate to NECA and those which relate to NTCA. The basis of dividing the levy contributions is done on a proportion of population in respect of the five Tyne and Wear authorities, with North of Tyne Authorities proportion based on Newcastle and North Tyneside population and the NECA authorities split on the population of the Gateshead, South Tyneside and Sunderland. The contribution relating to Northumberland, however, is administered by North of Tyne and therefore shown as wholly allocated within the North of Tyne accounts and Durham is wholly shown in the NECA accounts.

Note 11: Property, Plant and Equipment

	2021/22				
	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Assets Under Construction	Total Property, Plant & Equipment	Service Concession Assets included in Property, Plant and Equipment
	£000	£000	£000	£000	£000
Cost or Valuation					
At 1 April 2021	2,881	219,001	561	**222,443**	219,001
Additions	-	260	177	**437**	260
Reclassification from Assets Under Construction	76	-	(76)	**-**	-
Impairment recognised in the Surplus on the Provision of Services	-	-	-	**-**	-
Other Adjustments	-	(688)	-	**(688)**	-
At 31 March 2022	**2,957**	**218,573**	**662**	**222,192**	**219,261**
Accumulated Depreciation and Impairment					
At 1 April 2021	(914)	(30,879)	-	**(31,793)**	(30,879)
Depreciation charge for the Year	(167)	(2,218)	-	**(2,385)**	(2,218)
At 31 March 2022	**(1,081)**	**(33,097)**	**-**	**(34,178)**	**(33,097)**
Net Book Value					
At 1 April 2021	**1,967**	**188,122**	**561**	**190,650**	**188,122**
At 31 March 2022	**1,876**	**185,476**	**662**	**188,014**	**186,164**

	2020/21				
	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Assets Under Construction	Total Property, Plant & Equipment	Service Concession Assets included in Property, Plant and Equipment
	£000	£000	£000	£000	£000
Cost or Valuation					
At 1 April 2020	2,204	219,358	1,049	**222,611**	219,358
Additions	-	528	189	**717**	528
Reclassification from Assets Under Construction	677	-	(677)	**-**	-
Impairment recognised in the Surplus on the Provision of Services	-	(20)	-	**(20)**	(20)
Other Adjustments	-	(865)	-	**(865)**	(865)
At 31 March 2021	**2,881**	**219,001**	**561**	**222,443**	**219,001**
Accumulated Depreciation and Impairment					
At 1 April 2020	(754)	(28,657)	-	**(29,411)**	(28,657)
Depreciation charge for the Year	(160)	(2,222)	-	**(2,382)**	(2,222)
At 31 March 2021	**(914)**	**(30,879)**	**-**	**(31,793)**	**(30,879)**
Net Book Value					
At 1 April 2020	**1,450**	**190,701**	**1,049**	**193,200**	**190,701**
At 31 March 2021	**1,967**	**188,122**	**561**	**190,650**	**188,122**

Note 12: Financial Instruments

Financial Assets

A financial asset is a right to future economic benefits controlled by the Authority that is represented by cash or other instruments or a contractual right to receive cash or another financial asset. The financial assets held by the Authority during the year are held under the following classifications.

	Non-current				Current			
	Investments		Debtors		Investments		Debtors	
	31 March 2021	31 March 2022	31 March 2021	31 March 2022	31 March 2021	31 March 2022	31 March 2021	31 March 2022
	£000	£000	£000	£000	£000	£000	£000	£000
Amortised cost	-	-	18,715	17,870	34,383	89,792	2,242	658
Total financial assets	**-**	**-**	**18,715**	**17,870**	**34,383**	**89,792**	**2,242**	**658**
Non-financial assets	-	-	-	-	-	-	2,808	1,232
Total	**-**	**-**	**18,715**	**17,870**	**34,383**	**89,792**	**5,050**	**1,890**

Financial assets at amortised cost

Financial assets are classified at amortised cost only if both of the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows; and
- The contractual terms give rise to cash flows that are solely payments of principal and interest

All of NECA's financial assets fit these criteria and are classified at amortised cost.

Trade receivables

Trade receivables are amounts due for goods and services delivered. They are generally due for settlement within 30 days and are therefore classified as current. Trade receivables are recognised initially at the amount of the consideration. Trade receivables are held with the objective of collecting the contractual cash flows and are therefore measured at amortised cost using the effective interest method.

Due to the short-term nature of held to maturity investments their carrying value is considered to be the same as their fair value.

Financial Liabilities held at amortised cost

A financial liability is an obligation to transfer economic benefits controlled by the Authority and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Authority.

	Non-current				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31 March 2021	31 March 2022	31 March 2021	31 March 2022	31 March 2021	31 March 2022	31 March 2021	31 March 2022
	£000	£000	£000	£000	£000	£000	£000	£000
Amortised cost	(94,276)	(93,568)	-	-	(1,274)	(1,266)	(33,933)	(21,788)
Total financial liabilities	**(94,276)**	**(93,568)**	**-**	**-**	**(1,274)**	**(1,266)**	**(33,933)**	**(21,788)**
Non-financial liabilities	-	-	-	-	-	-	(5,946)	(34,866)
Total	**(94,276)**	**(93,568)**	**-**	**-**	**(1,274)**	**(1,266)**	**(39,879)**	**(56,654)**

The contractual terms for NECA's financial liabilities give rise to cash flows that are solely payments of principal and interest, and they have been accordingly classified at amortised cost.

Income, Expense, Gains and Losses

The gains and losses recognised in the CIES in relation to financial instruments are made up as follows:

31 March 2021				31 March 2022		
£000	£000	£000		£000	£000	£000
Financial Liabilities at amortised cost	Financial assets: measured at amortised cost	Total		Financial Liabilities at amortised cost	Financial assets: measured at amortised cost	Total
4,037	-	**4,037**	Interest expense	3,990	-	**3,990**
4,037	**-**	**4,037**	**Total expense in Surplus on Provision of Services**	**3,990**	**-**	**3,990**
-	(963)	**(963)**	Investment income	-	(950)	**(950)**
-	**(963)**	**(963)**	**Total income in Surplus on Provision of Services**	**-**	**(950)**	**(950)**
4,037	**(963)**	**3,074**	**Net (gain)/loss for the year**	**3,990**	**(950)**	**3,040**

Fair Value of Assets & Liabilities carried at Amortised Cost

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2022 using the following methods and assumptions:

- Loans borrowed by the Authority have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options. Lender's options to propose an increase to the interest rate of the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

For 2021/22 the fair values shown in the table below are split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability: Fair values have been estimated by discounting the loans' contractual cash flows over the whole life of the instruments at the appropriate market rates for local authority loans of equivalent remaining term. The value of “Lender’s Option Borrower’s Option” (LOBO) loans have been increased by the value of the embedded options: lenders’ options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps; borrower’s contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- Level 3 – fair value is determined using unobservable inputs: consideration of the estimated creditworthiness of the organisation receiving the loans based on their financial performance and track record of payment.

The fair values calculated are as follows:

		31 March 2021		31 March 2022	
	Level	**Carrying amount £000**	**Fair value £000**	**Carrying amount £000**	**Fair value £000**
Financial liabilities held at amortised cost	2	(95,550)	(151,970)	(94,834)	(136,768)
Total		**(95,550)**	**(151,970)**	**(94,834)**	**(136,768)**
Financial Assets at amortised cost					
Held to maturity investments		34,383	34,383	89,792	89,792
Nexus loan debtor	2	18,715	30,051	17,870	26,018
Total		**53,098**	**64,434**	**107,662**	**115,810**

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

Note 13: Nature and Extent of risks arising from Financial Instruments

The Authority's activities expose it to a variety of financial risks:

- Credit risk - the possibility that other parties might fail to pay amounts due to the Authority.
- Liquidity risk - the possibility that the Authority might not have funds available to meet its commitments to make payments.
- Market risk - the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and financial market movements.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by the Authority in the Annual Treasury Management Strategy Statement. The statement provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. This deposit risk is minimised through the Treasury Management Statement, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The Treasury Management Statement also imposes a maximum sum to be invested with a financial institution located within each category. The credit criteria in respect of financial assets held by the Authority are detailed fully in the Annual Treasury Management Strategy Statement.

The following table summarises the Authority's maximum exposure to credit risk on financial assets. This analysis is based on credit rating advice received by Treasury Management advisors and focuses on the long-term investment grade rating issued to each financial institution. The highest possible rating is AAA and the lowest rating is BBB: The UK's former AAA rating has been affected by the global financial crisis and the decision to leave the European Union.

Rating	2020/21 £000	2021/22 £000
n/a - investments with UK local authorities	27,617	34,535
n/a - investments with banks		38,679
n/a - investments with unrated building societies [1]	-	16,577
Total Short-Term Investments	**27,617**	**89,791**
AAA	14,254	
A-1	-	15,196
Total Cash Equivalents	**14,254**	**15,196**

[1] In line with its agreed Investment Strategy, NECA places investments for up to 1 year and up to £5m each with UK building societies without credit ratings with assets greater than £250m.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non recovery applies to all of the Authority's deposits, but there was no evidence at the 31 March 2022 that this was likely to crystallise. Actions are taken immediately if an institution is downgraded and deposits withdrawn in line with Treasury Management Strategy.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, within individual credit limits being set in accordance with internal ratings within parameters set by the Authority. The Authority has a low risk of default from its customers for goods and services, since these are predominantly other local authorities or other public bodies such as Nexus.

Credit risk is taken into account in determining the appropriate rate of interest to be applied to the North East Investment Fund loans and in whether an investment decision is agreed.

Liquidity Risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Authority has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Authority sets limits on the proportion of its fixed rate borrowing during specified periods. The strategy is to ensure maturing loans may be replaced through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments. The maturity analysis of financial liabilities is as follows:

	31 March 2021 £000	31 March 2022 £000
Between 1-2 years	(370)	(368)
Between 2-5 years	(1,109)	(921)
Between 5-10 years	(185)	-
More than 10 years	(92,612)	(91,013)
	(94,276)	**(92,302)**
Less than 1 year	(1,274)	(1,266)
Total borrowing	**(95,550)**	**(93,568)**

All trade and other payables are due to be paid in less than one year.

Market Risk

Interest Rate Risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates - the interest expense charged to the Surplus or Deficit on the Provision of Services will rise;
- Borrowings at fixed rates - the fair value of liabilities will fall;
- Investments at variable rates - the interest income credited to the Surplus or Deficit on the Provision of Services will rise;
- Investments at fixed rates - the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Authority has a number of strategies for managing interest rate risk. The policy is to ensure that the level of its borrowings in variable rate loans does not expose the portfolio to excessive movements in interest rates. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses.

The Treasury Management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

Interest rate sensitivity analysis: an example of the impact of a change in interest rates is calculated in the risk assessment shown below. The assessment has been carried out assuming a 1% increase in interest rates (with all other variables such as principal and maturity periods being held constant). The results of this assessment are shown in the following table:

	31 March 2021 £000	31 March 2022 £000
Increase in interest payable on variable rate borrowing	-	
Increase in interest receivable on variable rate investments	(95)	(458)
Impact on the (Surplus)/Deficit on Provision of Services	**(95)**	**(458)**

The increase in interest payable on variable rate borrowings is nil, because all NECA's borrowings are at fixed rates. A decrease in the fair value of fixed rate borrowings liabilities would have no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. The impact of a 1% fall in interest rates would be as above, but with the movements being reversed. There have been no changes from the previous period in the methods and assumptions used.

If interest rates had been 1% higher with all other variables held constant, the financial effect would be a decrease of £26.205m in the fair value of fixed rate borrowings, although this would not impact on the Surplus/Deficit on the Provision of Services or Other Comprehensive Income and Expenditure.

Note 14: Short Term Debtors

	31 March 2021 £000	31 March 2022 £000
Central Government bodies	610	1,232
Other local authorities	2,303	374
Other entities and individuals	2,137	284
Total	**5,050**	**1,890**

Note 15: Long Term Debtors

	31 March 2021 £000	31 March 2022 £000
Nexus borrowing	18,715	17,870
Total	**18,715**	**17,870**

Note 16: Cash and Cash Equivalents

	31 March 2021 £000	31 March 2022 £000
Cash held in Authority's bank account	20,437	24,817
Cash equivalents	17,746	15,196
Total	**38,183**	**40,013**

Note 17: Short Term Creditors

	31 March 2021 £000	31 March 2022 £000
Central government bodies	(33)	(43)
Other local authorities	(2,188)	(4,984)
Other entities and individuals		
- Nexus	(33,672)	(49,731)
- TT2	(1,212)	172
- Other	(2,774)	(2,068)
Total	**(39,879)**	**(56,654)**

Note 18: Private Finance Initiatives and Similar Contracts

In November 2007, the then Tyne and Wear Passenger Transport Authority entered into a 30 year contract with TT2 Ltd to construct a second vehicle tunnel under the River Tyne, refurbish the existing Tyne Tunnel and operate both vehicle tunnels alongside the pedestrian and cycle tunnels for the life of the contract. The second tunnel was opened on 25 February 2011, and the refurbished original tunnel opened on 21 November 2011. Both are included on the public sector balance sheet.

In 2020/21 the total payment under the contract was £12.717m (2019/20 £21.123m) of which £7.052m is shown in the account of NECA and £5.665m shown in the accounts of NTCA. The reduction between years is a direct result of the consequences of reduced traffic volumes in 2020/21 due to the Covid-19 pandemic.

The contribution to the capital works by the private sector partner is recognised as a deferred income balance with a 2020/21 value of £86.568m (2019/20 £91.661m), of which £48.008m is shown on the NECA balance sheet and £38.561m shown on the NTCA balance sheet

	Deferred Income Release	
	2020/21 £000	2021/22 £000
Payable in 2021/22	(2,824)	(2,814)
Payable within 2 to 5 years	(11,296)	(11,255)
Payable within 6 to 10 years	(14,120)	(14,069)
Payable within 11 to 15 years	(14,120)	(14,069)
Payable within 16 to 20 years	(5,648)	(2,814)
Total	**(48,008)**	**(45,021)**

Payments

Payments made by the Authority to TT2 Ltd are based on actual traffic volumes using the tunnel, and so will vary from year to year.

Note 19: Defined Benefit Pension Schemes

The Authority participates in two post-employment schemes:

(i) The largest of the two, the Tyne and Wear Pension Fund is administered locally by South Tyneside Council - this is a funded, defined benefit scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investments.

(ii) Unfunded defined benefit arrangements for the award of discretionary post-employment benefits upon early retirement. Under this type of scheme liabilities are recognised when awards are made. However there are no investment assets built up to meet these liabilities and cash has to be generated to meet actual pension payments as they fall due.

The Tyne and Wear Pension Fund is operated under the regulatory framework for the Local Government Pension Scheme. The governance of the scheme is the responsibility of the Fund's Pension Committee which consists of eight members from South Tyneside Council (which has legal responsibility for the Fund), four members from the other councils in Tyne and Wear, and three members each nominated by the trades unions and the employers. During 2017/18, the Fund, along with eleven other funds, created and now owns a Financial Conduct Authority (FCA) regulated investment management company called Border to Coast Pensions Partnership Limited.

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against the General Fund is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

Amounts recognised in profit and loss and other comprehensive income

	Local Government Pension Scheme		Discretionary Benefits	
	2020/21	2021/22	2020/21	2021/22
	£000	£000	£000	£000
Comprehensive Income and Expenditure Statement				
Cost of Services:				
Current service cost	320	500	-	-
Settlement cost	(620)	-	-	-
Financing and Investment Income and Expenditure				
Interest on net defined benefit liability (asset)	-	(190)	20	20
Pension expense recognised in profit and loss	**(300)**	**310**	**20**	**20**
Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement:				
Return on plan assets (in excess of)/below that recognised in net interest	(10,570)	(940)	-	
Actuarial (gains)/losses due to changes in financial assumptions	4,310	(1,990)	70	(20)
Actuarial (gains)/losses due to changes in demographic assumptions	-	(460)	-	(10)
Actuarial (gains)/losses due to changes in liability assumptions	320	200	(10)	(140)
Adjustment in respect of paragraph 64	6,210	-	-	
Total amount recognised in Other Comprehensive Income	**270**	**(3,190)**	**60**	**(170)**
Total amount recognised	**(30)**	**(2,880)**	**80**	**(150)**

North East Local Enterprise Partnership employees were transferred to the North of Tyne Combined Authority on 01 April 2020. The settlement cost in the table above reflects the transfer between employers.

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	Local Government Pension Scheme		Discretionary Benefits	
	2020/21	2021/22	2020/21	2021/22
	£000	£000	£000	£000
Opening balance at 1 April	**(42,750)**	**(46,900)**	**(840)**	**(870)**
Current service cost	(320)	(500)	-	-
Interest cost	(950)	(980)	(20)	(20)
Contributions by participants	(70)	(80)	-	-
Actuarial gains/(losses) on liabilities - financial assumptions	(4,310)	1,990	(70)	20
Actuarial gains/(losses) on liabilities - demographic assumptions	-	460	-	10
Actuarial gains/(losses) on liabilities - experience	(320)	(200)	10	140
Net benefits paid out	350	600	50	50
Past service costs	-	-	-	-
Net increase in liabilities from disposals/acquisitions	(30)	-	-	-
Settlements	1,500	-	-	-
Closing balance at 31 March	**(46,900)**	**(45,610)**	**(870)**	**(670)**

Reconciliation of the fair value of the scheme assets:

	Local Government Pension Scheme		Discretionary Benefits	
	2020/21	2021/22	2020/21	2021/22
	£000	£000	£000	£000
Opening balance at 1 April	**45,570**	**55,930**	**-**	**-**
Interest income on assets	1,020	1,170	-	-
Remeasurement gains/(losses) on assets	10,500	940	-	-
Employer contributions	-	-	50	50
Contributions by scheme participants	70	80	-	-
Net benefits paid out	(350)	(600)	(50)	(50)
Settlements	(880)	-	-	-
Closing balance at 31 March	**55,930**	**57,520**	**-**	**-**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

Scheme History	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Fair value of LGPS assets	**45,980**	**48,300**	**45,570**	**55,930**	**57,520**
Present value of liabilities:					
- LGPS liabilities	(38,950)	(39,520)	(42,750)	(46,900)	(45,610)
- Impact of minimum funding	(7,030)	(8,780)	(2,820)	(9,030)	(11,910)
Deficit on funded defined benefit scheme	**-**	**-**	**-**	**-**	**-**
Discretionary benefits	(960)	(900)	(840)	(870)	(670)
Total (Deficit)	**(960)**	**(900)**	**(840)**	**(870)**	**(670)**

The split of the defined benefit obligation at the last valuation date between the various categories of members was as follows: active members 9%, deferred pensioners 13% and pensioners 78%.

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £46.280m has an impact on the net worth of the Authority recorded on the balance sheet, resulting in a negative pension balance of £0.670m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- The deficit on the local government scheme will be made good by contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

- The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2023 is nil. In addition, Strain on the Fund contributions may be required. Expected payments direct to beneficiaries in the year to 31 March 2023 are £0.05m in relation to unfunded benefits.

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Aon, an independent firm of actuaries. Due to the current and unprecedented market conditions, estimates for the pension fund are based on the latest full valuation of the scheme as at 31 March 2019.

The weighted average duration of the defined benefit obligation for scheme members is 13.5 years.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits	
	2020/21	2021/22	2020/21	2021/22
Mortality assumptions:				
Longevity at 65 for current pensioners:				
- Men	21.9	21.8	21.9	21.8
- Women	25.1	25.0	25.1	25.0
Longevity at 65 for future pensioners:				
- Men	23.6	23.5	n/a	n/a
- Women	26.9	26.7	n/a	n/a
Principal financial assumptions (% per annum)				
Rate for discounting scheme liabilities	2.1%	2.8%	2.1%	2.8%
Rate of inflation - Consumer Price Index	2.7%	3.1%	2.7%	3.1%
Rate of increase in pensions	2.7%	3.1%	2.7%	3.1%
Pension accounts revaluation rate	2.7%	3.1%	n/a	n/a
Rate of increase in salaries	4.2%	4.6%	n/a	n/a

The approximate split of assets for the Fund as a whole is shown in the table below:

	31 March 2021	31 March 2022		
	% Total	% Quoted	% Unquoted	% Total
Equity investments	55.5%	47.8%	9.2%	57.0%
Property	7.9%	0.0%	8.4%	8.4%
Government bonds	2.2%	2.0%	0.0%	2.0%
Corporate bonds	19.8%	18.8%	0.0%	18.8%
Cash	4.0%	1.8%	0.0%	1.8%
Other*	10.6%	4.8%	7.2%	12.0%
Total	**100.0%**	**75.2%**	**24.8%**	**100.0%**

* Other holdings may include hedge funds, currency holdings, asset allocation futures and other financial instruments. It is assumed that these will generate a return in line with equities.

Actual Return on Assets

	Local Government Pension Scheme	
	2020/21	2021/22
	£000	£000
Interest Income on Assets	1,020	1,170
Remeasurement gain/(loss) on assets	10,500	940
Actual Return on Assets	**11,520**	**2,110**

Sensitivity Analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the tables above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Sensitivity analysis of unfunded benefits has not been included on materiality grounds.

Discount rate assumption	**+0.1% per annum**	**Base Figure**	**-0.1% per annum**
Adjustment to discount rate			
Present value of total obligation (£M)	45.02	45.61	46.25
% change in present value of total obligation	-1.3%		1.4%
Projected service cost (£M)	0.47	0.48	0.49
Approximate % change in projected service cost	-2.8%		2.8%

Rate of general increase in salaries	**+0.1% per annum**	**Base Figure**	**-0.1% per annum**
Adjustment to salary increase rate			
Present value of total obligation (£M)	45.61	45.61	45.61
% change in present value of total obligation	0.0%		0.0%
Projected service cost (£M)	0.48	0.48	0.48
Approximate % change in projected service cost	0.0%		0.0%

Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption	**+0.1% per annum**	**Base Figure**	**-0.1% per annum**
Adjustment to pension increase rate			
Present value of total obligation	46.20	45.61	45.02
% change in present value of total obligation	1.3%		-1.3%
Projected service cost (£M)	0.49	0.48	0.47
Approximate % change in projected service cost	2.8%		-2.8%

Post retirement mortality assumption	**- 1 year**	**Base Figure**	**+ 1 year**
Adjustment to mortality age rating assumption *			
Present value of total obligation (£M)	47.21	45.61	44.06
% change in present value of total obligation	3.5%		3.4%
Projected service cost (£M)	0.50	0.48	0.46
Approximate % change in projected service cost	4.1%		4.0%

* a rating of +1 year means that members are assumed to follow the mortality pattern of the base table for an individual that is 1 year older than them

The Pension Fund actuaries have assessed the impact of the Covid 19 pandemic on pension liabilities. Mortality during March to May 2020 was around 30% higher than the fund average for equivalent periods in the previous 10 years. However, for the 12 months to 31 May 2020. mortality was only 10% higher. The impact of this increase in mortality was small in liability terms i.e. an estimated reduction in pensioner liabilities of 0.1%. A decision was made not to change the mortality assumption on the funding valuation.

McCloud Judgement

In December 2018 the Government lost a Court of Appeal case (the "McCloud/Sargeant" judgement) which found that the transitional protection arrangements put in place when the firefighters' and judges' pension schemes were reformed amount to illegal age discrimination. The Government has acknowledged that the difference in treatment will need to be remedied across all public service schemes, including the LGPS. Protections applied to all active members of schemes who were within 10 years of their Normal Pension Age on 1 April 2012. In relation to the LGPS all members joined the new Scheme for membership after 1 April 2014 (2015 for NI), but members within 10 years of normal retirement were given an underpin (or "better of both") promise, so their benefits earned after that date would be at least as valuable in terms of amount and when they could be drawn, as if they had remained in the pre-reformed final salary scheme.

MHCLG (now DLUHC) published its McCloud consultation for the LGPS (in England and Wales) on 16 July 2020, setting out proposed changes aimed at removing the unlawful age discrimination in the LGPS. In a written ministerial statement on 13 May 2021 MHCLG (now DLUHC) confirmed they would be proceeding with the key principles as laid out in that consultation.

In summary it was assumed the remedy applies to all members in service on 1 April 2012 for service after the scheme reform date, on retirement or prior withdrawal, and with extension to benefits payable to the dependents of those members. Figures are calculated using an average cost factor for each individual active member based on their age, sex, and pensionable pay in the latest valuation data. On grounds of practicality and pragmatism only the active membership data in the latest valuation is considered (any potential liabilities for members who have left employment between the date of the scheme reforms and the latest valuation data are unlikely to be significant for most employers).

The method for valuing the McCloud remedy is closely aligned with the method proposed by MHCLG (now DLUHC) in its consultation issued in July 2020.

Guaranteed Minimum Pension (GMP) Equalisation and Indexation

Guaranteed Minimum Pension (GMP) is a portion of pension that was accrued by individuals who were contracted out of the State Second Pension between 6 April 1978 and 6 April 1997.

Prior to 6 April 2016, public service pension schemes and the State Pension worked together to ensure pension increases on State Pension and LGPS Pension kept in line with inflation. The LGPS was not required to pay any pension increases on GMPs accrued before April 1988. The Additional Pension (AP) element of the State Pension paid top-up payments to pensioners to give inflation protection on the GMP element where this was not provided by the LGPS. However reforms were made to the State Pension system in April 2016 which scrapped AP and therefore removed the facility for central government to fully index the combined pension through AP. The government has since introduced 'interim solutions' for public sector schemes to pay full inflationary increases on GMPS for those reaching the State Pension Age (SPA) to ensure that members continue to receive full inflationary increases on the combined public sector scheme and State pensions.

The government has since introduced 'interim solutions' for public sector schemes to pay full inflationary increases on GMPS for those reaching the State Pension Age (SPA) to ensure that members continue to receive full inflationary increases on the combined public sector scheme and State pensions. This applied to those reaching SPA between 6 April 2016 and 5 April 2021. The Government has also indicated that it is committed to continuing to compensate all members of public sector pension schemes reached SAP after 5 April 2021.

On 7 October 2020 MHCLG consulted on proposed solutions to compensate members reaching SPA after 5 April 2021 which focused on making further extensions to GMP indexation followed by ultimate conversion or indefinite indexation as a permanent solutions for public sector pension schemes. The expectation is that full indexation will extend until at least April 2024 with conversion to be brought in as a longer term option.

The rate of which GMP was accrued, and the date it is payable, is different for men and women. On 26 October 2018 the High Court ruled in the Lloyds Bank case that equalisation for the effect of unequal GMPs is required. On 20 November 2020 the High Court ruled on the equalisation for GMPs of historic transfers out of the three largest Lloyds Banking Group pension schemes. The judgement requires all transfers between 17 May 1990 and 5 April 1997 with GMPs to be equalised. Schemes will be expected to pay a top-up to the receiving scheme with interest at Bank base rate +1%. At this point in time, it is unknown if there will be a blanket exemption on the application of this ruling to public sector schemes. The Pension Actuaries have not made any allowance for a potential liability resulting from this ruling in the accounting figures for this financial year.

Note 20: Usable Reserves

	Note	31 March 2021 £000	31 March 2022 £000
General Fund Balance		(7,894)	(9,489)
Earmarked Reserves	21	(11,452)	(11,305)
Capital Receipts Reserve		-	-
Capital Grants Unapplied Reserve		(23,686)	(60,986)
Total		**(43,032)**	**(81,780)**

The **General Fund Balance** is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the authority is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the authority is required to recover) at the end of the financial year.

Earmarked Reserves are amounts which the authority has chosen to set aside from the General Fund Balance to be used for specific purposes.

The **Capital Receipts Reserve** holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

The **Capital Grants Unapplied Reserve** holds the grants and contributions received towards capital projects for which the authority has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

Note 21: Transfers (to)/From Earmarked Reserves

This note sets out amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure.

	Opening Balance 1 April 2020	Transfers Out 2020/21	Transfers In 2020/21	Balance at 31 March 2021	Transfers Out 2021/22	Transfers In 2021/22	Balance at 31 March 2022
	£000	£000	£000	£000	£000	£000	£000
Metro Reinvigoration Reserve	(5,150)	-	(14)	**(5,164)**	891	-	(4,273)
Metro Fleet Replacement Reserve	(5,625)	-	(16)	**(5,641)**	-	(31)	(5,672)
Metro and Rail Studies	-	-	(389)	**(389)**	-	(712)	(1,101)
Nexus contribution to Bus Partnership Project	-	-	(258)	**(258)**	-	-	(258)
Total	**(10,775)**	**-**	**(677)**	**(11,452)**	**891**	**(743)**	**(11,304)**

Note 22: Unusable Reserves

Summary

	31 March 2021 £000	31 March 2022 £000
Capital Adjustment Account	(53,027)	(54,816)
Financial Instruments Adjustment Account	309	170
Revaluation Reserve	(4,436)	(4,340)
Pension Reserve	870	670
Total	**(56,284)**	**(58,315)**

Capital Adjustment Account

The Capital Adjustment Account (CAA) absorbs the timing differences arising from the different arrangements for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The CAA is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisation are charges to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures on a historical cost basis). The CAA is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement of assets.

The CAA also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 3 provides details of the source of all the transactions posted to the CAA, apart from those involving the Revaluation Reserve.

	2020/21	2021/22
	£000	£000
Opening Balance 1 April	**(68,819)**	**(53,027)**
Transferred to the NTCA	**16,282**	**-**
Reversal of items relating to capital expenditure debited or credited to the CIES:		
Charges for depreciation and impairment of non current assets	2,402	2,385
Other income that cannot be credited to the General Fund	(2,824)	(2,814)
Revenue expenditure funded from capital under statute	10,391	12,125
Write down of long term debtors	841	-
Adjusting amounts written out of the Revaluation Reserve	**(102)**	**(96)**
Capital financing applied in the year:		
Capital grants and contributions credited to the CIES that have been applied to capital financing	(8,947)	(11,959)
Statutory provision for the financing of capital investment	(1,391)	(993)
Capital expenditure charged against the General Fund	(19)	(437)
Debt redeemed using capital receipts	(841)	-
Balance at 31 March	**(53,027)**	**(54,816)**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account (FIAA) absorbs the timing differences arising from the different arrangements for accounting for income and expense relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions. It provides a balancing mechanism between the different rates at which gains and losses (e.g. premiums on the early repayment of debt) are recognised under the Code and are required by statute to be met from the General Fund.

	2020/21	2021/22
	£000	£000
Opening Balance 1 April	**3,092**	**309**
Transferred to the NTCA	(2,558)	-
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(225)	(140)
Balance at 31 March	**309**	**170**

Revaluation Reserve

The Revaluation Reserve (RR) contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation
- Disposed of and the gains are realised

The RR only contains revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the CAA.

	2020/21	2021/22
	£000	£000
Opening Balance 1 April	**(4,538)**	**(4,436)**
Difference between fair value depreciation and historical cost depreciation written off to the CAA	102	96
Balance at 31 March	**(4,436)**	**(4,340)**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2020/21	2021/22
	£000	£000
Opening Balance 1 April	**840**	**870**
Remeasurements of the net defined benefit liability (asset)	360	(480)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(280)	330
Employer's pension contributions and direct payments to pensioners payable in the year	(50)	(50)
Balance at 31 March	**870**	**670**

Note 23: Capital Expenditure and Capital Financing

	2020/21 £000	2021/22 £000
Opening Capital Financing Requirement 1 April	**102,866**	**102,776**
Capital Investment		
Property, Plant and Equipment	717	437
Revenue Expenditure Funded from Capital Under Statute	10,391	12,125
Sources of Finance		
Capital receipts - repayment of principal from long term debtors	(841)	(807)
Government Grants and other contributions	(8,947)	(11,959)
Sums set aside from revenue		
Direct revenue contributions	(19)	(437)
Minimum Revenue Provision	(975)	(993)
Additional Voluntary Provision	(416)	-
Closing Capital Financing Requirement 31 March	**102,776**	**101,142**
Decrease in underlying need to borrow (unsupported by government financial assistance)	**(90)**	**(1,634)**

Note 24: Adjustments to net surplus or deficit on the provision of services for non cash movements and items that are Investing or Financing activities

	2020/21 £000	2021/22 £000
Surplus on the provision of services	16,673	39,383
Adjustments to Surplus on Provision of Services for Non-Cash Movements		
Depreciation and Impairment	2,402	2,385
Increase/(Decrease) in Creditors	(86)	16,778
(Increase)/Decrease in Debtors	17,067	4,178
Movement in Pension Liability	(330)	280
Other non-cash items charged to the net surplus on the provision of services	(3,053)	(2,814)
	16,000	**20,807**
Adjustments for items included in the net surplus on the provision of services that are investing and financing activities		
Capital grants credited to surplus on provision of services	(25,271)	(49,259)
Net cash flow from operating activities	**7,402**	**10,931**

The cash flows for operating activities include the following items:

	2020/21 £000	2021/22 £000
Interest received	963	444
Interest paid	(4,057)	(4,115)

Note 25: Cash Flow Statement - Investing Activities

	2020/21 £000	2021/22 £000
Purchase of property, plant and equipment, investment property and intangible assets	150	250
Purchase of short-term and long-term investments	(41,592)	(159,968)
Proceeds from short-term and long-term investments	65,445	104,559
Other receipts from investing activities	27,737	46,950
Net cash flows from investing activities	**51,740**	**(8,209)**

Note 26: Cash Flow Statement - Financing Activities

	2020/21 £000	2021/22 £000
Repayments of short and long-term borrowing	(838)	(893)
Net cash flows from financing activities	**(838)**	**(893)**

Note 26a: Reconciliation of liabilities arising from Financing Activities

	1 April 2021	Financing Cash Flows	Changes which are not financing cash flows		31 March 2022
			Acquisition	Other	
	£000	£000	£000	£000	£000
Long term borrowings	(94,275)	707			(93,568)
Short term borrowings	(1,274)			8	(1,266)
Total Liabilities from financing activities	**(95,549)**	**707**	**-**	**8**	**(94,834)**

	1 April 2020	Financing Cash Flows	Changes which are not financing cash flows		31 March 2021
			Acquisition	Other	
	£000	£000	£000	£000	£000
Long term borrowings	(95,071)	796			(94,275)
Short term borrowings	(1,298)			24	(1,274)
Total Liabilities from financing activities	**(96,369)**	**796**	**-**	**24**	**(95,549)**

Note 27: Accounting Standards Issued, Not Yet Adopted

Impact of the adoption of new accounting standards on the 2021/22 Financial Statements

At the balance sheet date, the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is a recognition exemption for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS 16 for local government to 1 April 2022. Work to date has shown that NECA leases identified will not have a material effect on the 2021/22 statements.

IFRS 17 Insurance Contracts sets out the requirements for local authorities reporting information about insurance contracts it issues and reinsurance contracts it holds. The amendments are aimed at helping local authorities implement the Standard and making it easier for them to explain their financial performance. The amendments are effective from annual reporting periods beginning on or after 1 January 2023.

The following amendments have been made to the IFRS Standards and are effective from 1 January 2020.

Definition of a Business: Amendments to IFRS 3 Business Combinations determines whether an acquired set of activities and assets is a business or not. It clarifies the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements and narrow the definition of outputs.

Interest Rate Benchmark Reform: Amendments to IFRS9, IAS 39 and IFRS 7 enable users of financial statements to understand how the uncertainty arising from interest rate benchmark reform affects an entity's hedging relationships. These amendments provide temporary exceptions to specific hedge relationships solely due to the uncertainty arising from the reform.

Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS9, IAS 39, IFRS 7 IFRS 4 and IFRS 16 do not supersede the Phase 1 amendments. The amendments are applied retrospectively and include the potential reinstatements of hedge relationships that were discontinued solely due to changes directly required by the reform.

Most of these standards will not apply to the Authority or the Group. For those that do apply, they are not anticipated to have a material impact on the financial statements.

Note 28: Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in these accounts, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

Service Concession Arrangements

The Local Authority Accounting Code of Practice requires arrangements where private sector contractors provide a service for a period using a dedicated asset to be assessed under an application of the principles within IFRIC 12. There are two criteria used to determine whether arrangements fall under the scope of IFRIC 12:

- The public sector entity controls or regulates the services that the operator must provide with the infrastructure, to whom it must provide them, and at what price.
- The public sector entity controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the service arrangement.

For arrangements falling under the scope of IFRIC 12, the public sector entity will recognise the cost of the Property, Plant and Equipment underlying the service concession as a tangible fixed asset. The New Tyne Crossing concession has been judged to meet both of the IFRIC 12 criteria and, accordingly, the cost of the new Tunnel and the refurbishment of the existing Tunnel are recorded within the Authority's Property, Plant and Equipment on the Balance Sheet.

Transferred Assets and Liabilities in Local Government Pension Scheme transferred to TT2 Ltd

Assets and liabilities relating to membership accrued before 1 February 2008 transferred to TT2 Ltd on commencement of the concessionaire agreement. The project agreement provides that should there be a shortfall in the TT2 fund at the actuarial valuation, which can be attributed to pre-2008 benefits, the authority will be required to reimburse the shortfall. As a result of the most recent triennial valuation, there is currently no reimbursement due.

Accounting for the North East Joint Transport Committee

As set out in Note 1, on 2 November 2018 the boundaries of NECA changed and the North East Joint Transport Committee was created. The assets and liabilities which transferred from the former Tyne and Wear Integrated Transport Authority to NECA on its creation in April 2014 are now jointly owned by NECA and the NTCA, and assets, liabilities, income and expenditure (from the date of establishment) must be divided between the accounts of the two Combined Authorities.

For many of the assets and liabilities and revenue streams, these cannot be separated into those which relate to the authorities which are part of NECA and those which relate to the authorities which are part of NTCA. As a result, these balances have been apportioned between the two Combined Authorities on the basis of Tyne and Wear population.

Accounting for the Transfer of the North East Local Enterprise Partnership

As set out in Note 1, on 1 April 2020 the Accountable Body role for the North East Local Enterprise Partnership transferred to NTCA.

This has been accounted for in the 2020/21 financial statements as a transfer by absorption. Assets and liabilities have been transferred at carrying value. The Comprehensive Income and Expenditure Statement shows services transferred to NTCA separately from services continuing to be reported by NECA in the prior year results, in order to aid comparatives across financial years. In the notes to the accounts, a separate line disclosing the transfer is included after the balance brought forward from the previous year.

Note 29: Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2022 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 March 2021 and the projected service cost for the year ending 31 March 2022 are set out below. Discount rate assumption, an adjustment to the discount rate of +0.1% p.a. would decrease the present value of the total obligation to £46.29m, a variance of £0.61m, whereas a decrease of (0.1%) p.a. results in an increase to £47.56m, a variance of £0.66m. The percentage change in the present value of the total obligation would be (1.3%) and 1.4% respectively.

		Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption: an adjustment to the pension increase rate of +0.1% p.a. would increase the present value of the total obligation by £0.61m to £47.51m, whereas a decrease of (0.1%) p.a. results in a decrease to £46.29m, a variance of £0.61m. The percentage change in the present value of the total obligation would be 1.3% and (1.3%) respectively.
		Post retirement mortality assumption: an adjustment to the mortality age rating assumption of -1 year would change the present value of the total obligation to £48.59m, an increase of £1.69m, whereas an adjustment of +1 year results in a reduction to £45.26m, a variance of £1.69m. The percentage change in the present value of the total obligation would be 3.6% and (3.5%) respectively.
Government Funding	There is no certainty about the amount of government funding for Local Authorities until the outcome of the Comprehensive Spending Review is known in 2021	Possible impact could be reductions in; - funding for the North East region's transport infrastructure and initiatives - contributions from Local Authorities - grant funding from government

Government Funding	The outcome of the Fair Funding Review which aims to distribute government funding in a fairer way to Local Authorities - expected to be implemented in 2022/23	Possible impact could be reductions in; - funding for the North East region's transport infrastructure and initiatives - contributions from Local Authorities - grant funding from government
Brexit	The outcome of Brexit negotiations has implications for each local authority in the sense that any subsequent volatility in stock markets, exchange rates, interest rates and future availability of funding could potentially impact on amounts disclosed within the financial statements.	Areas impacted could include: - The availability of grant funding and impact on other funding streams. - The fair value of long-term borrowing (but not the principal sum or interest payable). - The liability related to defined benefit pension schemes, which is dependent on a large number of factors including investment performance, bond yields and inflation. - Unusable reserves - any movement in the liability related to defined benefit pension schemes will be offset within unusable reserves.

Covid-19	The exact consequences of the outbreak of the Covid-19 virus are currently unknown. Some possible areas of concern are:- - Possible reduction in Government Funding to Local Authorities - Possible reduction in income from the Tyne Tunnels due to changes in working practices and Government guidelines - Pension Scheme Assets	Possibility of Local Authorities reducing their spend on Transport related services / schemes as they prioritise services. This would lead to a reduction of levy income. Reduction of Tunnel use due to employers' new ways of working, which would, in turn, reduce the income from the Tunnels This would impact on the finances of the company who run the Tunnels on behalf of the authority. The Authority's net pensions liability includes a share of the overall Pension Fund investment assets. The Pension Fund has disclosed an uncertainty, due to Covid-19, in respect of mortality rates and the impact of longevity for the Fund's members which could be positive or negative.

Note 30: Accounting Policies

1. General Principles

The Statement of Accounts summarises the Authority's transactions for 2021/22 financial year and its position at the year-end of 31 March 2022. 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 2021/22, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The Code requires that a Local Authority's Statement of Accounts is prepared on a 'going concern' basis, that is, the accounts are based on the assumption that the Authority will continue in operational existence for the foreseeable future.

2. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that the economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliability the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payments on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument, rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded on the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. The Authority has a policy of not accruing for manual sundry creditor or sundry debtor provisions for less than £1,000, other than in exceptional circumstances.

3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in less than 90 days from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

4. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

5. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

6. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the services where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise the levy to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance.

Depreciation, revaluation and impairment losses are therefore replaced by a contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the

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

No such amounts are payable in 2021/22

8. Post-Employment Benefits

NECA is a member of the Local Government Pension Scheme, which provides members with defined benefits relating to pay and service. Its pension obligations relate primarily to former employees.

The relevant fund is the Tyne and Wear Pension Fund, administered by South Tyneside Metropolitan Borough Council, from whom a copy of the annual report may be obtained. The Fund website may be visited at www.twpf.info.

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate determined annually, based on the indicative rate of return on high quality corporate bonds.

- The assets of the pension fund attributable to the Authority are included in the Balance Sheet at their fair value:

o Quoted securities at current bid price
o Unquoted securities based on professional estimate
o Unitised securities at current bid price
o Property at market value.

The change in the net pensions liability is analysed into the following components:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the NECA Corporate line.

- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of the NECA Corporate

- Net interest on the net defined liability (asset), i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- Gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Corporate Costs.

- Remeasurements comprising:

o The return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

o Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

o Contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Further details are provided in Note 19 to the accounts.

9. Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

• Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.

• Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

10. Fair Value Measurement

The Authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or
b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority can access at the measurement date;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 – unobservable inputs for the asset or liability.

11. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charged required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of the financial instrument and are classified into three types using an approach that is based on the business model for holding the financial assets and their cashflow characteristics

- Amortised Cost – assets held within a business model with the sole objective of collecting contractual cash flows on specified dates that are solely payments of principal and interest.
- Fair value through other comprehensive income (FVOCI) – assets held within a business model with the objective to either sell the asset or collect contractual cash flows on specified dates that are solely payments of principal and interest.
- Fair value through profit and loss (FVPL) – objectives are achieved by any other means than collecting contractual cash flows.

The Authority can, at initial recognition of the asset, override the above classifications in the following circumstances and the decision is irrevocable:

- An equity instrument can be elected into FVOCI rather than FVPL if it is not held for trading.
- Any financial asset can be designated as measured as FVPL if this removes any deemed inconsistency in measurement by treating assets based upon the above classification.

Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

However, the authority can make loans to organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost that 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 form the Financial Instruments Adjustment Account in the Movement in Reserves Statement

Any gains or losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Expected Credit Loss Model

The Authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Fair Value Through Other Comprehensive Income (FVOCI)

Changes in fair value are recorded against Other Comprehensive Income and Expenditure gain/loss by an entry in the Financial Instrument Revaluation Reserve through the Movement in Reserves Statement.

However, interest is charged to the Surplus/Deficit on the Provision of Services as though the asset had been measured at amortised cost.

Where assets are identified as impaired, because of a likelihood arising from a future event that cashflows due under the contract will not be made, a charge for the value of the impairment is made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement with a corresponding entry being recognised in Other Comprehensive Income through the Financial Instruments Revaluation Reserve on the Balance Sheet.

When the asset is de-recognised the cumulative gain or loss previously recognised in Other Comprehensive Income is reclassified from the Financial Instrument Revaluation Reserve to the Surplus/Deficit on the Provision of Services as a reclassification adjustment.

Fair Value through Profit and Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services. The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price

- Other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure

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

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 bases:

- 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 NECA'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 that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. These revaluations are detailed within the Notes to the Core Financial Statements. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

· Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

De Minimis Levels

The use of a deminimis level for capital expenditure means that in the above categories assets below the deminimis 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 deminimis level. For all capital expenditure the de-minimis level is £10,000.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss and adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land) and assets that are not yet available for use (i.e. assets under construction).

Depreciation on all Property, Plant and Equipment assets (except vehicles) is calculated by taking the asset value at 31 March 2022, 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

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. Public Private Partnership (PPP) Contracts

Public Private Partnerships are agreements to receive services and provide capital jointly with the private sector. The New Tyne Crossing Partnership is judged to be such an arrangement.

The Code requires these arrangements to be assessed under an application of the principles within International Financial Reporting Interpretation Committee 12 (IFRIC 12) 'Service Concessions'.

Arrangements fall in scope of the Application where both of the following 'IFRIC 12' criteria are met:
- The public sector entity ('grantor') controls or regulates the services that the operator must provide with the infrastructure, to whom it must provide them, and at what price; and
- The grantor controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the service arrangement.

For any service concession within the scope of the Application, the grantor will recognise the cost of the property, plant and equipment underlying the service concession as a tangible fixed asset. The New Tyne Crossing is considered to meet both of the IFRIC 12 criteria, and NECA therefore recognises the costs of the new tunnel on its Balance Sheet.

In most arrangments within the scope of the Application, the grantor will account for the arrangement's financing by recording and measuring a long term liability in accordance with IAS 17. This treatment reflects an obligation to pay the operator for the full value of the asset along with the operator's cost of finance. However, in the New Tyne Crossing project, TT2 Ltd. (the Operator) receives a defined proportion of the total toll revenue and uses this to meet its cost of constructing and operating both vehicle tunnels. NECA may therefore have no long term obligation to transfer economic resources to TT2, and hence should not recognise a liability.

The provisions within the Payment Mechanism for payment of toll revenue to the operator are as follows:
- In each month NECA pays a Shadow Toll to the Operator; this being a fixed amount per vehicle, adjusted for changes in RPI;
- Throughout the Term, Formula Tolls for each vehicle type are defined to equal the corresponding vehicle Shadow Tolls;
- The Formula Tolls are the initially-defined sequence of tolls to be charged to users and collected by NECA. If NECA varies a Real Toll from its corresponding Formula Toll beyond a certain level, the Operator is compensated for the effect of this adjustment on demand.

NECA therefore has no exposure to any risk and reward associated with the Operator revenue, but only an executor contract to transfer the Operator's share of total revenues to the operator as it is collected.

It therefore follows from this conclusion that NECA has no long-term obligation to transfer economic resources to the Operator, since the Operator revenue is in substance transferred directly to it. NECA therefore should not recognise a long term liability to finance the project assets.

In relation to such an arrangement, the Code and the accompanying notes do not provide clear guidance. However, the guidance notes accompanying the Code suggest that the credit that matches the asset should be a deferred income balance. NECA has therefore recognised a deferred credit balance, added to as each of Phase 1 and Phase 2 of the project were completed, and equal to the fair value of the asset addition under each Phase. This balance is then released to the Comprehensive Income and Expenditure Statement over the life of the contract.

15. 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.

16. Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts. There are no contingent liabilities disclosed in 2021/22.

17. 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.

18. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the levy.

19. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from HM Revenue & Customs. VAT receivable is excluded from income.

20. Overheads

The costs of central support services e.g. Finance and Legal Services have been allocated to NECA on the basis of Service Level Agreements in accordance with guidance given by the Chartered Institute of Public Finance and Accountancy (CIPFA). A percentage is allocated to the different areas of NECA activity (e.g. Transport, Economic Development, Corporate) in accordance with estimated work done on each area.

21. 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

22. Group Accounts

NECA is required by the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 to produce Group Accounts to include services provided to Council Tax payers in the North East by organisations other than the Authority itself in which the Authority has an interest.

Although there has been no definitive ruling by CIPFA or central government in relation to Combined Authorities and Passenger Transport Executives, it is recognised that the accounts of Nexus fall within the definition of a subsidiary. As such, group accounts have been prepared on the basis of a full consolidation of the financial transactions and balances of NECA and Nexus. Nexus has been incorporated as a subsidiary, whereby the accounts of the two organisations are combined and any intra-group transactions are cancelled out.

For the 2021/22 accounts, NECA has fully complied with the requirements of the Code, providing Group figures for 2021/22 and comparators for 2020/21. 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.

23. Joint Transport Committee

On 2 November 2018, the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority (Establishment and Functions) Order 2018 (the Order) changed the boundaries of NECA and established the new mayoral combined authority.

The reconfiguration of NECA has been classed as a transfer by absorption meaning:

- NECA has accounted for its control up to the date of the reconfiguration albeit with clear disaggregation of the financial results relating to the functions being transferred; and
- Assets and liabilities transferred at book value.

The Order establishing the NTCA also required the seven local authorities to establish the Joint Transport Committee (JTC). Under the CIPFA Code, the JTC meets the definition of a ‘joint operation’, which determines its accounting treatment. Where a Joint Committee is accounted for as a Joint Arrangement each Joint Operator (in this case NECA and NTCA) must account for their own share of the assets, liabilities, revenues and expenses held or incurred jointly in their own single entity financial statements.

In order to comply with the CIPFA Code, NECA must:

- Split the revenues between that which relates to NECA and NTCA. In this case the constitution of the JTC and its funding arrangements suggests that, in the first instance, the revenues should be divisible into that which relates to Northumberland (allocated wholly to NTCA), that which relates to Durham (allocated wholly to NECA) and that which relate to Tyne and Wear (requires further division into NECA and NTCA).

- The revenues which relate to Tyne and Wear must then be divided into that which relates wholly to Newcastle and/or North Tyneside (allocated to NTCA), that which relates wholly to Gateshead, South Tyneside and/or Sunderland (allocated to NECA) and that which relates to activities not wholly attributable under the preceding two points which requires apportionment.

The Order gives no clear instruction on the basis of division of revenues, but the Deed of Cooperation made on 4 July 2018 between the seven local authorities in the area provides that "those costs and liabilities which are attributable to the exercise of functions exclusively in the area of the Tyne and Wear Authorities…shall be shared between the Tyne and Wear Authorities on a per capita basis relating to their resident populations at that time."
By similar rationale and argument, the division of assets, liabilities and expenditure incurred will also be divided on this basis.

Note 31: Events After the Balance Sheet Date

Adjusting events after the Balance Sheet date

Where events take place after 31 March which provide information about conditions existing at 31 March, the financial statements and notes are adjusted to reflect the impact of this information. No such events have taken place.

Non-adjusting Events after the Balance Sheet date

Where events take place after 31 March which do not relate to conditions at 31 March but which provide information that is relevant to an understanding of the Authority's financial position, the financial statements and notes are not adjusted but the relevant information is disclosed. No such events have taken place.

3.1 Group Movement in Reserves Statement

	Note	NECA Usable Reserves	NECA Unusable Reserves	Total NECA Reserves	Authority Share of Nexus	Total Group Reserves
		£000	£000	£000	£000	£000
Balance at 1 April 2020 carried forward		**(55,718)**	**(69,423)**	**(125,141)**	**(263,888)**	**(389,029)**
Transfer of Services to the NTCA at 1 April 2020		**28,415**	**13,724**	**42,138**	**-**	**42,138**
Total Comprehensive Income and Expenditure		(16,673)	360	**(16,313)**	(6,879)	(23,193)
Adjustments between accounting basis & funding basis under regulations		943	(943)	-	-	-
(Increase)/Decrease in 2020/21		**(15,730)**	**(583)**	**(16,313)**	**(6,879)**	**(23,193)**
Balance at 31 March 2021 carried forward		**(43,033)**	**(56,282)**	**(99,316)**	**(270,767)**	**(370,084)**
Total Comprehensive Income and Expenditure		(39,383)	(480)	**(39,863)**	(51,190)	(91,053)
Adjustments between accounting basis & funding basis under regulations		1,553	(1,553)	**-**	-	-
(Increase)/Decrease in 2021/22		**(37,830)**	**(2,033)**	**(39,863)**	**(51,190)**	**(91,053)**
Balance at 31 March 2022 carried forward		**(80,863)**	**(58,315)**	**(139,179)**	**(321,957)**	**(461,137)**

3.2 Group Comprehensive Income and Expenditure Statement

2020/21					2021/22		
Gross Expenditure	Gross Income	Net Expenditure		Note	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
			Continuing NECA Services				
574	(781)	(207)	Corporate		941	(162)	779
73	-	73	Transport - Retained Levy Budget		338	-	338
15,456	-	15,456	Transport - Durham		15,457	-	15,457
102,107	(47,022)	55,085	Transport - Tyne and Wear		106,199	(50,863)	55,336
7,576	(27,606)	(20,030)	Transport - Other		14,634	(45,051)	(30,417)
13,267	(14,234)	(967)	Transport - Tyne Tunnels		13,673	(17,983)	(4,310)
3,878	(3,878)	-	Covid-19 Grants		(4)	(10,188)	(10,192)
142,931	**(93,521)**	**49,410**	**Cost of Services**		**151,238**	**(124,247)**	**26,991**
9,039	(4,195)	4,844	**Financing and Investment Income and Expenditure**	G03	9,650	(4,989)	**4,662**
-	(81,465)	(81,465)	**Taxation and Non-Specific Grant Income**	G04	-	(97,089)	**(97,089)**
		-	**(Gain)/Loss on disposal or derecognition of non-current assets**		17	(697)	**(680)**
		(27,211)	**Surplus on the Provision of Services**				**(66,117)**
		(311)	**Taxation of Group Entities**				**-**
		(27,522)	**Group Surplus**				**(66,117)**
		4,331	Re-measurement of the defined benefit liability	G12			(24,937)
		-	Gains on Revaluation of Property	G06			-
		4,331	**Other Comprehensive Income and Expenditure**				**(24,937)**
		(23,192)	**Total Comprehensive Income and Expenditure**				**(91,053)**

3.3 Group Balance Sheet

31 March 2020 £000		Note	31 March 2022 £000
492,886	Property, Plant and Equipment	G6	521,676
2,974	Intangible Assets	G7	3,263
-	Long Term Debtors	G8	-
1	Long Term Investments	G8	1
495,860	**Long Term Assets**		**524,939**
34,383	Short Term Investments	G8	89,792
14,806	Short Term Debtors	G9	12,784
52,493	Cash and Cash Equivalents	G10	47,913
504	Inventories		503
102,185	**Current Assets**		**150,993**
(1,274)	Short Term Borrowing	G8	(1,266)
(26,065)	Short Term Creditors	G11	(35,566)
(3,356)	Grants Receipts in Advance	G5	(1,220)
(2,824)	New Tyne Crossing Deferred Income		(2,814)
(33,519)	**Current Liabilities**		**(40,866)**
(45,184)	New Tyne Crossing Deferred Income		(42,207)
(94,276)	Long Term Borrowing	G8	(93,568)
(50,015)	Pension Liability	G12	(34,349)
(3,152)	Provisions		(1,998)
(1,816)	Deferred Taxation	G13	(1,809)
(194,443)	**Long Term Liabilities**		**(173,930)**
370,083	**Net Assets**		**461,136**
(71,372)	Usable Reserves	G14	(112,332)
(298,711)	Unusable Reserves	G15	(348,804)
(370,083)	**Total Reserves**		**(461,136)**

Chief Finance Officer Certificate

I certify that the accounts set out on pages 73 to 103 give a true and fair view of the financial position of the North East Combined Authority Group as at the 31 March 2021.

Signed: Paul Darby, Chief Finance Officer

3.4 Group Cash Flow Statement

2020/21 £000		Note	2021/22 £000
27,211	Surplus on the provision of services	G16	66,117
47,919	Adjustments to net surplus or deficit on the provision of services for non-cash movements	G16	54,713
(58,890)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	G16	(97,545)
16,240	**Net cash flows from Operating Activities**	G16	**23,286**
43,089	Investing Activities	G17	(24,389)
(3,383)	Financing Activities	G18	(3,476)
55,946	**Net (Decrease)/Increase in cash and cash equivalents**		**(4,580)**
38,685	Cash and cash equivalents at the beginning of the reporting period		52,493
(42,138)	Transfer to the NTCA		-
52,493	**Cash and cash equivalents at the end of the reporting period**	G10	**47,913**

3.5 Explanatory Notes to the Group Financial Statements

Note G1: Group Accounts

Under 9.1.17 of the Code of Practice for Local Authority Accounting 2021/22, authorities with interests in subsidiaries, associates and/or joint ventures shall prepare Group Accounts in addition to their single entity financial statements, unless their interest is considered to be not material.

Nexus is the only subsidiary for the North East Combined Authority, and the Group Accounts have been prepared on a consolidation basis. The accounting policies adopted by Nexus are largely aligned with those of NECA with the following minor differences:

Deferred Taxation

NECA does not require a policy on Deferred Taxation. Deferred Taxation (which arises from the differences in the timing of the recognition of items, principally depreciation, in the accounts and by the tax authorities) has been calculated by Nexus on the liability method. Deferred tax is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of reversal.

Property, Plant and Equipment and Intangible Assets

Nexus uses the following estimated useful lives for each class of asset:
- Freehold buildings - 40 years
- Short leasehold buildings - over the lease term
- Infrastructure assets - 20 to 50 years
- Plant and Equipment - 5 to 30 years
- Vehicles - 5 to 10 years
- Marine Vessels - 30 years
- Intangibles - 5 to 10 years

Details of NECA depreciation policy can be found in Note 30 - Accounting Policies.

Nexus' policy is to commence depreciation on assets with effect from the month following capitalisation, whereas NECA charges a full year of depreciation in the year of acquisition.

Where Group Accounts are required, authorities must provide the main financial statements and the disclosure notes which add value to the understanding of the accounts. Disclosure notes have been produced to add more detail where the Group Accounts are materially different from the single entity accounts.

Copies of the single entity accounts for Nexus are available at www.nexus.org.uk

As described in Note 1 to the single entity accounts, the establishment of the North of Tyne Combined Authority (NTCA) and the North East Joint Transport Committee on 2 November 2018 necessitates the division of income and expenditure, assets and liabilities relating to Joint Transport Committee activity between the NECA and NTCA accounts. Since all Nexus activity reported in the NECA group accounts relates to Transport at the Tyne and Wear level, it has been fully apportioned between NECA and NTCA on the basis of Tyne and Wear population using the ONS statistics used as the basis of dividing the levy contributions.

For more details see Note 1.

Note G02: Expenditure and Funding Analysis

	2021/22				
	Net Expenditure Chargeable to the General Fund	Adjustments for Capital Purposes	Pension Adjustments	Other Differences	Net Expenditure in the CIES
	£000	£000	£000	£000	£000
Corporate	279	-	500	-	779
Transport - Retained Levy Budget	625	(287)	-	-	338
Transport - Durham	15,457	-	-	-	15,457
Transport - Tyne and Wear	30,412	16,434	8,490	-	55,336
Transport - Other	6,283	(36,700)	-	-	(30,417)
Transport - Tyne Tunnels	(2,487)	(1,773)	(50)	-	(4,310)
Covid-19 Grants	(10,192)	-	-	-	(10,192)
Cost of services	**40,377**	**(22,326)**	**8,940**	**-**	**26,991**
Other Income and Expenditure	(43,347)	(34,807)	-	86	**(93,107)**
(Surplus)/Deficit on Provision of Services	**(2,970)**	**(57,133)**	**8,940**	**86**	**(66,116)**
Opening General Fund Balances	(47,685)				
Closing General Fund Balances	**(50,655)**				

Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the service line, and adjusts for:

- Other operating expenditure - adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure - the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure - capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied during the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pension Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

- For Financing and investment income and expenditure - the net interest on the defined benefit liability is charged to the CIES.

Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For Financing and investment income and expenditure, the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

	2020/21				
	Net Expenditure Chargeable to the General Fund	Adjustments for Capital Purposes	Pension Adjustments	Other Differences	Net Expenditure in the CIES
	£000	£000	£000	£000	£000
Corporate	93	-	(300)	-	(207)
Skills	-	-	-	-	-
Transport - Retained Levy Budget	361	(288)	-	-	73
Transport - Durham	15,456	-	-	-	15,456
Transport - Tyne and Wear	24,323	16,352	14,410	-	55,098
Transport - Other	(6,001)	(14,029)	-	-	(20,030)
Transport - Tyne Tunnels	736	(1,653)	(50)	-	(967)
Covid-19 Grants	-	-	-	-	-
Cost of services	**34,968**	**382**	**14,060**	**-**	**49,423**
Other Income and Expenditure	(41,899)	(34,807)	-	86	**(76,621)**
(Surplus)/Deficit on Provision of Services	**(6,931)**	**(34,426)**	**14,060**	**86**	**(27,198)**
Opening General Fund Balances	(54,418)				
Transfer of services to NTCA 1 April 2020	13,664				
Closing General Fund Balances	**(47,685)**				

Note G02a: Income and Expenditure Analysed by Nature

	2020/21 £000	2021/22 £000
Expenditure		
Employee benefit expenses	23,546	23,208
Other service expenses	90,931	92,901
Support Services Recharges	2,940	3,352
Depreciation, impairment and Revenue Expenditure Funded from Capital Under Statute (REFCUS)	25,514	31,623
Interest payments	9,039	9,820
Total expenditure	**151,970**	**160,905**
Income		
Fees, charges and other service income	(24,500)	(38,369)
Interest and investment income	(4,195)	(5,159)
Income from transport levy	(49,349)	(48,567)
Government grants and contributions	(97,361)	(130,536)
Other income	(3,776)	(4,391)
Total income	**(179,181)**	**(227,022)**
Surplus on the provision of services	**(27,211)**	**(66,116)**

Note G03: Financing and Investment Income and Expenditure

	Note	2020/21	2021/22
		£000	£000
Interest Payable and Similar Charges		4,211	4,157
Interest Payable on defined benefit liability	G12	1,027	1,006
Interest Receivable and similar income		(394)	(501)
Total		**4,844**	**4,662**

Note G04: Taxation and Non-Specific Grant Income

	Note	2020/21	2021/22
		£000	£000
Transport Levy		(49,349)	(48,567)
Non-Specific Capital Grants		(32,115)	(48,522)
Total		**(81,464)**	**(97,089)**

Note G05: Grant Income

		2020/21	2021/22
		£000	£000
Local Authority Contributions to NECA		(161)	(276)
Local Growth Fund		(679)	(15)
Local Transport Plan		(7,736)	(7,755)
European Grants		(176)	-
North East Smart Ticketing Initiative		(113)	-
Transforming Cities Fund		(13,907)	(31,595)
Office for Low Emission Vehicles		(70)	(41)
COVID-19 Grants		(23,371)	(11,880)
Other Grants		(6,449)	-
Active Travel Fund		-	-
Bus Recovery Grant		-	(728)
Metro Rail Grant		(14,746)	(16,792)
Heavy Rail Grant		(146)	-
Nexus Non-Specific Grants		(31,374)	(1,006)
Total		**(98,928)**	**(70,089)**

Note G06: Property, Plant and Equipment

	2021/22					
	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Assets Under Construction £000	Land and Buildings £000	Total Property, Plant & Equipment £000	Service Concession Assets included in PPE £000
Cost or Valuation						
At 1 April 2021	19,618	656,385	34,748	2,209	712,960	219,001
Additions	-	260	50,156	-	50,416	260
Transfers from Assets Under Construction	76	11,522	(11,598)	-	-	-
Transfers to Intangibles	-	-	(32)	-	(32)	-
Derecognition - Disposals	(22)	(1,106)	(24)	(148)	(1,299)	-
Revaluation Recognised in Revaluation Reserve	-	-	-	-	-	-
Impairment recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-
Other Adjustments	-	(1,776)	-	-	(1,776)	-
At 31 March 2022	**19,672**	**665,285**	**73,250**	**2,061**	**760,269**	**219,261**

Accumulated Depreciation and Impairment						
At 1 April 2021	(14,258)	(205,509)	-	(308)	(220,075)	(30,879)
Depreciation charge	(645)	(18,532)	-	(14)	(19,191)	(2,218)
Derecognition - Disposals	22	511	-	141	673	-
At 31 March 2022	**(14,881)**	**(223,531)**	**-**	**(181)**	**(238,593)**	**(33,097)**

Net Book Value						
At 1 April 2021	**5,360**	**450,876**	**34,748**	**1,901**	**492,885**	**188,122**
At 31 March 2022	**4,791**	**441,754**	**73,250**	**1,881**	**521,676**	**186,164**

	2020/21					
	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Assets Under Construction £000	Land and Buildings £000	Total Property, Plant & Equipment £000	Service Concession Assets included in PPE £000
Cost or Valuation						
At 1 April 2020	21,210	634,079	25,823	1,812	682,924	219,358
Additions	-	528	36,354	-	36,882	528
Transfers from Assets Under Construction	677	26,727	(27,404)	-	-	-
Transfers between categories	(590)	-	-	590	-	-
Derecognition - Disposals	(1,679)	(2,702)	(25)	(193)	(4,599)	-
Revaluation Recognised in Revaluation Reserve	-	-	-	-	-	-
Impairment recognised in the Surplus/Deficit on the Provision of Services	-	(20)	-	-	(20)	(20)
Other Adjustments	-	(2,227)	-	-	(2,227)	(865)
At 31 March 2021	**19,618**	**656,385**	**34,748**	**2,209**	**712,960**	**219,001**

Accumulated Depreciation and Impairment						
At 1 April 2020	(14,075)	(189,336)	-	(415)	(203,826)	(28,657)
Depreciation charge	(858)	(17,948)	-	(23)	(18,829)	(2,222)
Derecognition - Disposals	675	1,775	-	130	2,580	-
At 31 March 2021	**(14,258)**	**(205,509)**	**-**	**(308)**	**(220,075)**	**(30,879)**

Net Book Value						
At 1 April 2020	**7,135**	**444,743**	**25,823**	**1,397**	**479,098**	**190,701**
At 31 March 2021	**5,360**	**450,876**	**34,748**	**1,901**	**492,885**	**188,122**

Note G07: Intangible Assets

Intangible assets in the Group Accounts relate wholly to Nexus.

	2020/21 £000	2021/22 £000
Cost or Valuation		
Opening Balance	5,962	6,705
Additions	767	566
Transfers from assets under construction	-	32
Derecognition - Disposals	(24)	(1)
Total	**6,705**	**7,302**
Amortisation		
Opening Balance	(3,461)	(3,732)
Amortisation provided during the period	(271)	(307)
Total	**(3,732)**	**(4,039)**
Net Book Value at 31 March	**2,973**	**3,263**

Note G08: Financial Instruments

Financial Assets

A financial asset is a right to future economic benefits controlled by the Authority that is represented by cash or other instruments or a contractual right to receive cash or another financial asset. The financial assets held by the Authority during the year are held under the following classifications.

	Non-current				Current			
	Investments		Debtors		Investments		Debtors	
	31 March 2021	31 March 2022	31 March 2021	31 March 2022	31 March 2021	31 March 2022	31 March 2021	31 March 2022
	£000	£000	£000	£000	£000	£000	£000	£000
Amortised cost	1	1	-	-	34,383	89,792	14,108	11,552
Total financial assets	1	1	-	-	34,383	89,792	14,108	11,552
Non-financial assets	-	-	-	-	-	-	698	1,232
Total	**1**	**1**	**-**	**-**	**34,383**	**89,792**	**14,806**	**12,784**

Financial assets at amortised cost

Financial assets are classified at amortised cost only if both of the following criteria are met:
- The asset is held within a business model whose objective is to collect the contractual cash flows; and
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

All of NECA's financial assets fit these criteria and are classified at amortised cost.

Trade receivables

Trade receivables are amounts due for goods and services delivered. They are generally due for settlement within 30 days and are therefore classified as current. Trade receivables are recognised initially at the amount of the consideration. Trade receivables are held with the objective of collecting the contractual cash flows and are therefore measured at amortised cost using the effective interest method.

Due to the short-term nature of held to maturity investments their carrying value is considered to be the same as their fair value.

Financial Liabilities held at amortised cost

A financial liability is an obligation to transfer economic benefits controlled by the Authority and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to Authority.

	Non-current				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31 March 2021	31 March 2022	31 March 2021	31 March 2022	31 March 2021	31 March 2022	31 March 2021	31 March 2022
	£000	£000	£000	£000	£000	£000	£000	£000
Amortised cost	(94,276)	(93,568)	-	-	(1,274)	(1,266)	(18,138)	(700)
Total financial liabilities	(94,276)	(93,568)	-	-	(1,274)	(1,266)	(18,138)	(700)
Non-financial liabilities	-	-	-	-	-	-	(7,927)	(34,866)
Total	**(94,276)**	**(93,568)**	**-**	**-**	**(1,274)**	**(1,266)**	**(26,065)**	**(35,566)**

The contractual terms for NECA's financial liabilities give rise to cash flows that are solely payments of principal and interest, and they have been accordingly classified at amortised cost.

Income, Expense, Gains and Losses

The gains and losses recognised in the CIES in relation to financial instruments are made up as follows:

31 March 2021				31 March 2022		
£000	£000	£000		£000	£000	£000
Financial Liabilities at amortised cost	**Financial assets: measured at amortised cost**	**Total**		**Financial Liabilities at amortised cost**	**Financial assets: measured at amortised cost**	**Total**
4,211	-	4,211	Interest expense	4,157	-	4,157
4,211	**-**	**4,211**	**Total expense in Surplus on Provision of Services**	**4,157**	**-**	**4,157**
-	(394)	(394)	Investment income	-	(501)	(501)
-	**(394)**	**(394)**	**Total income in Surplus on Provision of Services**	**-**	**(501)**	**(501)**
4,211	**(394)**	**3,817**	**Net (gain)/loss for the year**	**4,157**	**(501)**	**3,656**

Fair Value of Assets & Liabilities carried at Amortised Cost

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31st March 2020, using the following methods and assumptions:

- Loans borrowed by the Authority have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of "Lender's Option Borrower's Option" (LOBO) loans have been increased by the value of the embedded options. Lender's options to propose an increase to the interest rate of the loan have been valued according to a proprietary model for Bermudan cancellable swaps. Borrower's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

The fair values are shown in the table below are split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability: Fair values have been estimated by discounting the loans' contractual cash flows over the whole life of the instruments at the appropriate market rates for local authority loans of equivalent remaining term. The value of “Lender’s Option Borrower’s Option” (LOBO) loans have been increased by the value of the embedded options: lenders’ options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps; borrower’s contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that lenders will only exercise their options when market rates have risen above the contractual loan rate.
- Level 3 – fair value is determined using unobservable inputs: consideration of the estimated creditworthiness of the organisation receiving the loans based on their financial performance and track record of payment.

The fair values calculated are as follows:

		31 March 2021		31 March 2021	
	Level	**Carrying amount £000**	**Fair value £000**	**Carrying amount £000**	**Fair value £000**
Financial liabilities held at amortised cost	2	(95,550)	(151,970)	(94,834)	(136,768)
Total		**(95,550)**	**(151,970)**	**(94,834)**	**(136,768)**
Financial Assets at amortised cost					
Held to maturity investments		34,843	34,843	89,792	89,792
Total		**34,843**	**34,843**	**89,792**	**89,792**

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

Details of the nature and extent of risks arising from Financial Instruments are set out in Note 13 of the single entity accounts.

Note G09: Short Term Debtors

	31 March 2021 £000	31 March 2022 £000
Central Government bodies	6,153	10,477
Other local authorities	6,221	1,282
NHS bodies	1	1
Other entities and individuals	2,431	1,025
Total	**14,806**	**12,784**

Note G10: Cash and Cash Equivalents

	31 March 2021 £000	31 March 2022 £000
Cash	34,747	32,717
Short-term deposits with financial institutions	17,746	15,196
Total	**52,493**	**47,913**

Note G11: Short Term Creditors

	31 March 2021 £000	31 March 2022 £000
Central government bodies	(3,287)	(10,951)
Other local authorities	(4,392)	(5,494)
Other entities and individuals	(18,386)	(19,121)
Total	**(26,065)**	**(35,566)**

Note G12: Defined Benefit Pension Schemes

NECA and Nexus participate in the Tyne and Wear Pension Fund (the Fund) administered locally by South Tyneside Council, which is part of the Local Government Pension Scheme (LGPS). This is a funded defined benefit scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

In addition, there are arrangements for the award of discretionary post-retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

Consolidated Pension Liability

The Group pension liability of £50.015m (2020 £39.251m) is the sum of the NECA, Nexus and NEMOL pension liability. The details of the total NEMOL pension liability of £nil (2020 £13.702m) are set out within the NEMOL Annual Report and Accounts using the FRS 101 disclosure framework.

Following the TUPE of employees from Nexus to Stadler Rail Service UK Limited on 4 October 2020, the pension assets and liabilities in connection with active employees have transferred to Stadler. In addition, the remaining pension assets and liabilities associated with pensioners and deferred members in NEMOL have been subsumed by Nexus. In the Nexus Group accounts this has resulted in a one-off gain of £1.839m arising from differences in actuarial assumptions between NEMOL and Nexus. This is presented in the disclosures below as well as in the Comprehensive Income and Expenditure Statement as an exceptional item.

Transactions Relating to Post-employment Benefits

The following transactions relating to the Local Government Pension Scheme and Unfunded Benefits provided by the NECA Group have been included in the Comprehensive Income and Expenditure Statement and in the Movement in Reserves Statement during the year.

Comprehensive Income and Expenditure Statement

	LGPS		Discretionary Benefits	
	2019/20	2020/21	2019/20	2020/21
	£000	£000	£000	£000
Cost of Services:				
Current service cost [1]	8,222	9,535	-	-
Past service cost	65	-	-	-
Settlement cost	-	(620)		-
Exceptional loss on transfer of pension liability	1,693	(992)	-	-
Financing and Investment Income and Expenditure				
Interest cost	5,086	4,774	65	53
Expected Return on Scheme Assets	(4,137)	(3,800)	-	-
Total Post-Employment benefit charged to the Surplus or Deficit on the Provision of Services	**10,929**	**8,898**	**65**	**53**
Other Post Employment Benefits charged to the Comprehensive Income and Expenditure Statement:				
Return on plan assets (in excess of)/below that recognised in net interest	(14,941)	(50,604)	-	-
Remeasurement of the net Defined Benefit Liability	10,789	48,568	(325)	127
Adjustment in respect of paragraph 58	(6,170)	6,210	-	-
Total amount recognised in Other Comprehensive Income and Expenditure	**(10,322)**	**4,174**	**(325)**	**127**
Total amount recognised in CIES	**607**	**13,072**	**(260)**	**180**

1. The Current Service cost includes an allowance for administration expenses of £0.01m for NECA and £0.170m for the Nexus Group (of which £0.094m attributable to NECA).

Reconciliation of the Present Value of Scheme Liabilities:

	LGPS		Discretionary Benefits	
	2019/20	2020/21	2019/20	2020/21
	£000	£000	£000	£000
Opening balance at 1 April	**(251,679)**	**(271,818)**	**(2,880)**	**(2,381)**
Current service cost	(8,206)	(9,537)	-	-
Interest cost	(6,016)	(5,725)	(65)	(53)
Contributions by participants	(1,680)	(1,678)	-	-
Remeasurement of the net Defined Benefit liability	(10,789)	(47,487)	325	(122)
Net benefits paid out	8,312	6,600	239	227
Past service costs	(67)	-	-	-
Net increase in liabilities from disposals/acquisitions	-	(30)	-	-
Settlements	-	1,500	-	-
Net (increase)/decrease in liabilities from NEMOL/Stadler transfer	(1,693)	9,555	-	-
Closing balance at 31 March	**(271,818)**	**(318,620)**	**(2,381)**	**(2,329)**

Reconciliation of the Fair Value of the Scheme Assets:

	LGPS		Discretionary Benefits	
	2019/20	2020/21	2019/20	2020/21
	£000	£000	£000	£000
Opening balance at 1 April	**220,326**	**237,768**	**-**	**-**
Interest income on assets	5,279	4,819	-	-
Remeasurement gains/(losses) on assets	14,940	49,622	-	-
Employer contributions	3,855	2,118	239	68
Contributions by scheme participants	1,680	1,678	-	-
Net benefits paid out	(8,312)	(6,600)	(239)	(68)
Settlement costs	-	(880)	-	-
Net decrease in assets from Stadler transfer	-	(8,562)	-	-
Closing balance 31 March	**237,768**	**279,963**	**-**	**-**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

Scheme History	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000
Fair value of LGPS assets	**271,850**	**335,520**	**220,327**	**237,767**	**279,963**
Present value of liabilities:					
- LGPS liabilities	(301,460)	(395,160)	(251,678)	(271,818)	(318,620)
- Impact of minimum funding	(7,460)	(7,030)	(8,780)	(2,820)	(9,030)
Deficit on funded defined benefit scheme	**(37,070)**	**(66,670)**	**(40,131)**	**(36,871)**	**(47,687)**
Discretionary benefits	(5,130)	(4,870)	(2,880)	(2,380)	(2,329)
Total (Deficit)	**(42,200)**	**(71,540)**	**(43,011)**	**(39,251)**	**(50,016)**

The split of the defined benefit obligation at the last valuation date between the various categories of members was as follows:

	NECA	Nexus	NEMOL
Active members	9%	37%	85%
Deferred pensioners	13%	13%	5%
Pensioners	78%	50%	10%

The weighted average duration of the defined benefit obligation for scheme members is 13.5 years for NECA, 19.3 years for Nexus and 25.6 years for NEMOL.

The liabilities show the underlying commitments that the Authority has in the long run to pay post employment (retirement) benefits. The total liability of £327.650m has an impact on the net worth of the Authority recorded on the balance sheet, resulting in a negative pension balance of £50.015m. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- The deficit on the local government scheme will be made good by contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.
- The total contributions expected to be made to the Local Government Pension Scheme by the Authority in the year to 31 March 2021 is nil for NECA, £3.600m for Nexus (of which £1.996m is attributable to NECA) and nil for NEMOL. Additional contributions may also become due in respect of any employer discretions to enhance members' benefits in the Fund over the next accounting period.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Aon, an independent firm of actuaries, estimates for the pension fund being based on the latest full valuation of the scheme as at 31 March 2019.

The principal assumptions used by the actuary have been:

NECA and Nexus	**LGPS**		**Discretionary Benefits**	
	2019/20	**2020/21**	**2019/20**	**2020/21**
Mortality assumptions:				
Longevity at 65 for current pensioners:				
Men	21.8	21.9	21.8	21.9
Women	25.0	25.1	25.0	25.1
Longevity at 65 for future pensioners:				
Men	23.5	23.6	n/a	n/a
Women	26.8	26.9	n/a	n/a
Rate for discounting scheme liabilities	2.3%	2.1%	2.3%	2.1%
Rate of inflation - Retail Price Index	n/a	n/a	n/a	n/a
Rate of inflation - Consumer Price Index	2.0%	2.7%	2.0%	2.7%
Rate of increase in pensions	2.0%	2.7%	2.0%	2.7%
Pension accounts revaluation rate	2.0%	2.7%	n/a	n/a
Rate of increase in salaries	3.5%	4.2%	n/a	n/a

NEMOL	LGPS	
	2019/20	2020/21
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	21.8	21.9
Women	25.0	25.1
Longevity at 65 for future pensioners:		
Men	23.5	23.6
Women	26.8	26.9
Rate for discounting scheme liabilities	2.3%	1.6%*
Rate of inflation - Retail Price Index	n/a	n/a
Rate of inflation - Consumer Price Index	1.9%	2.2%*
Rate of increase in pensions	1.9%	2.2%*
Pension accounts revaluation rate	1.9%	2.2%*
Rate of increase in salaries	3.4%	3.7%*

* At date of transfer (4 October 2020)

The approximate split of assets for the Fund as a whole is shown in the table below:

	31 March 2020	31 March 2021		
	% Total	% Quoted	% Unquoted	% Total
Equity investments	54.8%	48.4%	7.1%	55.5%
Property	9.0%	0.0%	7.9%	7.9%
Government bonds	4.1%	2.2%	0.0%	2.2%
Corporate bonds	15.3%	19.8%	0.0%	19.8%
Cash	2.3%	4.0%	0.0%	4.0%
Other*	14.5%	4.7%	5.9%	10.6%
Total	**100.0%**	**79.1%**	**20.9%**	**100.0%**

* Other holdings may include hedge funds, currency holdings, asset allocation futures and other financial instruments. It is assumed that these will generate a return in line with equities.

Actual Return on Assets

	Local Government Pension Scheme	
	2019/20	2020/21
	£000	£000
Interest Income on Assets	5,279	4,819
Remeasurement gain/(loss) on assets	14,940	49,622
Actual Return on Assets	**20,219**	**54,441**

Sensitivity Analysis

Sensitivity analysis of NECA pension liabilities is set out in Note 19 of the single entity accounts. Sensitivity analysis of the Nexus pension liabilities is shown below.

The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation for Nexus as at 31 March 2021 and the projected cost for the period ending 31 March 2022 is set out below. In each case, only the assumption mentioned is altered; all other assumptions remain the same and are summarised above. The NEMOL sensitivity analysis, data summary and pensioner numbers are set out within the NEMOL Annual Report.

Sensitivity analysis of unfunded benefits has not been included on materiality grounds.

Discount rate assumption	**+0.1% per annum**	**Base Figure**	**-0.1% per annum**
Adjustment to discount rate			
Present value of total obligation (£M)	480.66	489.97	499.28
% change in present value of total obligation	-1.90%		1.90%
Projected service cost (£M)	18.25	18.89	19.55
Approximate % change in projected service cost	-3.40%		3.50%

Rate of general increase in salaries	**+0.1% per annum**	**Base Figure**	**-0.1% per annum**
Adjustment to salary increase rate			
Present value of total obligation (£M)	491.93	489.97	488.50
% change in present value of total obligation	1.40%		-0.30%
Projected service cost (£M)	18.89	18.89	18.89
Approximate % change in projected service cost	0.00%		0.00%

Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts	**+0.1% per annum**	**Base Figure**	**-0.1% per annum**
Adjustment to pension increase rate			
Present value of total obligation	497.32	489.97	482.13
% change in present value of total obligation	1.60%		-1.60%
Projected service cost (£M)	19.55	18.89	18.25
Approximate % change in projected service cost	-3.40%		3.50%

Post retirement mortality assumption	**-1 year**	**Base Figure**	**+1 year**
Adjustment to mortality age rating assumption *			
Present value of total obligation (£M)	506.61	489.97	472.82
% change in present value of total obligation	3.60%		-3.50%
Projected service cost (£M)	19.68	18.89	18.12
Approximate % change in projected service cost	4.20%		-4.10%

* a rating of +1 year means that members are assumed to follow the mortality pattern of the base table for an individual that is 1 year older than them

Note G13: Deferred Taxation

The movement for the year comprises:

	2020/21 £000	2021/22 £000
Capital Allowances	153	-
Roll over relief on capital gains	-	-
Other timing differences	49	6
Tax effect of losses	(539)	-
Total	**(337)**	**6**

The balance at the year end comprises:

	31 March 2021 £000	31 March 2022 £000
Excess of capital allowances over depreciation	(1,725)	(1,725)
Roll over relief on capital gains	(683)	(683)
Other timing differences	54	54
Tax effect of losses	539	545
Total	**(1,815)**	**(1,809)**

Note G14: Usable Reserves

	31 March 2021 £000	31 March 2022 £000
General Fund Balance	(36,234)	(31,564)
Earmarked Reserves	(11,452)	(19,091)
Capital Receipts Reserve	-	(691)
Capital Grants Unapplied Reserve	(23,686)	(60,986)
Total	**(71,372)**	**(112,332)**

Note G15: Unusable Reserves

Summary

	31 March 2021 £000	31 March 2022 £000
Capital Adjustment Account	(343,230)	(377,614)
Financial Instruments Adjustment Account	309	169
Revaluation Reserve	(5,805)	(5,709)
Pension Reserve	50,016	34,349
Total	**(298,710)**	**(348,805)**

Details of movements on the Financial Instruments Adjustment Account is shown in Note 22 of the NECA single entity accounts. This reserve relates to NECA only.

Revaluation Reserve

The Revaluation Reserve (RR) contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through
- Disposed of and the gains are realised

The RR only contains revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the CAA.

	£000
Opening Balance 1 April 2020	**(5,907)**
Difference between fair value depreciation and historical cost depreciation written off to the CAA	102
Revaluation Gain recognised in Revaluation Reserve	-
Balance at 31 March 2021	**(5,805)**
Difference between fair value depreciation and historical cost depreciation written off to the CAA	96
Revaluation Gain recognised in Revaluation Reserve	-
Balance at 31 March 2022	**(5,709)**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	£000
Balance at 1 April 2020	**31,625**
Remeasurements of the net defined benefit liability to 31 March 2020	4,331
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES to 31 March 2020	16,290
Employer's pension contributions and direct payments to pensioners to 31 March 2020	(2,229)
Balance at 31 March 2021	**50,017**
Remeasurements of the net defined benefit liability to 31 March 2021	(24,937)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES to 31 March 2020	12,995
Employer's pension contributions and direct payments to pensioners to 31 March 2020	(3,725)
Balance at 31 March 2021	**34,349**

Capital Adjustment Account

The Capital Adjustment Account (CAA) absorbs the timing differences arising from the different arrangements for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The CAA is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisation are charges to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures on a historical cost basis). The CAA is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement of assets.

The CAA also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

	£000
Balance at 1 April 2020	**(341,308)**
Transfer to NTCA	**16,282**
Reversal of items relating to capital expenditure debited or credited to the CIES:	
Charges for depreciation and impairment of non current assets	18,300
Other income that cannot be credited to the General Fund	(2,824)
Revenue expenditure funded from capital under statute	10,391
Write down of long term debtors	841
Non Current Assets written off on disposal	2,028
Adjusting amounts written out of the Revaluation Reserve	**(102)**
Capital financing applied in the year:	
Capital grants and contributions credited to the CIES that have been applied to capital financing	(43,013)
Statutory provision for the financing of capital investment	(1,391)
Capital expenditure charged against the General Fund	(1,593)
Debt redeemed using capital receipts	(841)
Balance at 31 March 2021	**(343,230)**
Reversal of items relating to capital expenditure debited or credited to the CIES:	
Charges for depreciation and impairment of non current assets	18,686
Other income that cannot be credited to the General Fund	(2,814)
Revenue expenditure funded from capital under statute	12,125
Write down of long term debtors	1,498
Non Current Assets written off on disposal	611
Adjusting amounts written out of the Revaluation Reserve	**(96)**
Capital financing applied in the year:	
Capital grants and contributions credited to the CIES that have been applied to capital financing	(61,678)
Statutory provision for the financing of capital investment	(993)
Capital expenditure charged against the General Fund	(915)
Debt redeemed using capital receipts	(807)
Balance at 31 March 2020	**(377,614)**

Note G16: Adjustments to net surplus or deficit on the provision of services for non-cash movements and items that are Investing or Financing activities

	2020/21 £000	2021/22 £000
Surplus/(Deficit) on the provision of services	27,211	66,117
Adjustments to Surplus/(Deficit) on Provision of Services for Non-Cash Movements		
Depreciation, Impairment and Amortisation	19,119	19,498
Loss on disposal of non-current assets	2,043	(69)
(Increase)/Decrease in Creditors	19,973	43,681
Increase/(Decrease) in Debtors	170	(15,028)
Increase/(Decrease) in Inventories	1,495	(2)
Movement in Pension Liability	6,606	9,447
Other non-cash items charged to the net surplus or deficit on the provision of services	(1,487)	(2,814)
	47,919	**54,713**
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		
Capital grants credited to surplus/(deficit) on provision of services	(60,641)	(99,336)
Other adjustments for items that are financing or investing activities	1,751	1,791
Net cash flow from operating activities	**16,240**	**23,286**

The cash flows for operating activities include the following items:

	2020/21 £000	2021/22 £000
Interest received	963	444
Interest paid	(4,057)	(4,115)

Note G17: Cash Flow Statement - Investing Activities

	2019/20 £000	2021/22 £000
Purchase of property, plant and equipment, investment property and intangible assets	(36,794)	(50,305)
Purchase of short-term and long-term investments	(41,592)	(159,968)
Other payments for investing activities	-	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-	697
Proceeds from short-term and long-term investments	61,973	84,615
Other receipts from investing activities	59,502	100,572
Net cash flows from investing activities	**43,089**	**(24,389)**

Note G18: Cash Flow Statement - Financing Activities

	2020/21 £000	2021/22 £000
Repayments of short and long-term borrowing	(1,679)	(1,671)
Other payments for financing activities	(1,704)	(1,805)
Net cash flows from financing activities	**(3,383)**	**(3,476)**

Note G18a: Reconciliation of liabilities arising from Financing Activities

	1 April 2021	Financing Cash Flows	Changes which are not financing cash flows Acquisition	Other	31 March 2022
	£000	£000	£000	£000	£000
Long term borrowings	(94,276)	708	-	-	(93,568)
Short term borrowings	(1,274)	-	-	8	(1,266)
Total Liabilities from financing activities	**(95,550)**	**708**	**-**	**8**	**(94,834)**

	1 April 2020	Financing Cash Flows	Changes which are not financing cash flows Acquisition	Other	31 March 2021
	£000	£000	£000	£000	£000
Long term borrowings	(95,072)	796	-	-	(94,276)
Short term borrowings	(1,298)	-	-	24	(1,274)
activities	**(96,370)**	**796**	**-**	**24**	**(95,550)**

Note G19: Capital Expenditure and Capital Financing

	£000
	£000
Opening Capital Financing Requirement 1 April 2020	**102,866**
Capital Investment	
Property, Plant and Equipment	36,882
Intangible Assets	779
Revenue Expenditure Funded from Capital Under Statute	10,391
Sources of Finance	
Capital receipts - repayment of principal from long term debtors	(841)
Government Grants and other contributions	(44,317)
Sums set aside from revenue	
Direct revenue contributions	(1,593)
Minimum Revenue Provision	(975)
Additional Voluntary Provision	(416)
Closing Capital Financing Requirement 31 March 2020	**102,776**
assistance)	**(90)**

Opening Capital Financing Requirement 1 April 2021	**102,776**
Capital Investment	
Property, Plant and Equipment	50,416
Intangible Assets	576
Revenue Expenditure Funded from Capital Under Statute	12,125
Sources of Finance	
Capital receipts - repayment of principal from long term debtors	(807)
Government Grants and other contributions	(62,036)
Sums set aside from revenue	
Direct revenue contributions	(915)
Minimum Revenue Provision	(993)
Additional Voluntary Provision	-
Closing Capital Financing Requirement 31 March 2021	**101,142**
assistance)	**(1,634)**

4.0 Supplemental Information

4.1 Glossary of Terms

Abbreviations	The symbol 'k' following a figure represents £ thousand. The symbol 'm' following a figure represents £ million.
Accruals	Income and expenditure are recognised as they are earned or incurred, not as money is received or paid.
Accounting policies	Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements.
Actuarial gains or losses (Pensions)	For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise either because events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses), or the actuarial assumptions themselves have changed.
Amortise	To write off gradually and systematically a given amount of money within a specific number of time periods.
Assets	Items of worth which are measurable in terms of money.
Assets Held for Sale	Those assets, primarily long-term assets, that the Authority wishes to dispose of through sale to others.
Balances	The total level of surplus funds the Authority has accumulated over the years.
Budgets	A statement of the Authority's forecast expenditure, that is, net revenue expenditure for the year.
Capital Expenditure	Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.
Capital Adjustment Account	The account accumulates (on the debit side) the write down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (revenue expenditure funded from capital under statute). The balance on the account represents timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

Capital Receipts	Monies received from the disposal of land and other fixed assets, and from the repayment of grants and loans made by the Authority.
Code of Practice on Local Authority Accounting in the UK	The Code specifies the principles and practices of accounting to give a 'true and fair' view of the financial position and transactions of a local authority.
Comprehensive Income & Expenditure Statement	This account summarises the resources that have been generated and consumed in providing services and managing the Authority during the financial year.
Consistency	The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.
Contingent Asset	A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control.
Contingent Liability	A contingent liability is either (i) a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Authority's control, or (ii) a present obligation from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.
Corporate & Democratic Core	The corporate & democratic core comprises all activities which local authorities engage in specifically because they are elected, multipurpose authorities.
Creditors	An amount owed by the Authority for work done, goods received or services rendered, but for which payment has not been made.
Current Service Cost (Pensions)	The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.
Curtailment (Pensions)	For a defined benefit pension scheme an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Examples include termination of employee's service through redundancy or amendment of the terms affecting future benefits.

Debtors	Monies owed to the Authority but not received at the balance sheet date.
Defined Benefit Scheme (Pensions)	A pension or other retirement scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.
Depreciation	The measure of the wearing out, consumption or other reduction in the useful economic life of an asset.
Earmarked Reserve	A sum set aside for a specific purpose.
Emoluments	Payments received in cash and benefits for employment.
Events after the Balance Sheet Date	Events after the balance sheet date are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the statement of Accounts is authorised for issue.
Expected Rate of Return on Pensions Assets	This is an actuarially calculated estimate of the return on the scheme's investment assets during the year.
Fair Value	The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the assets.
Fees and Charges	Income arising from the provision of services, for example, charges for the use of leisure facilities.
Finance Lease	A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. The payments usually cover the full cost of the asset together with a return for the cost of finance.
Financial Instrument	Document (such as a cheque, draft, bond, share, bill of exchange, futures or options contract) that has a monetary value or evidences a legally enforceable (binding) agreement between two or more parties regarding a right to payment of money.
Financial Instruments Adjustment Account	The reserve records the accumulated difference between the financing costs included in the Comprehensive Income & Expenditure Account and the accumulated financing costs required in accordance with regulations to be charged to the General Fund Balance.
General Fund	The total services of the Authority.

Going Concern	The concept that the Authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.
Impairment	A reduction in the value of a fixed asset below its carrying amount on the balance sheet resulting from causes such as obsolescence or physical damage.
Intangible Assets	An asset that is not physical in nature, e.g. software licences.
Interest Cost (Pensions)	For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.
Investment Properties	Interest in land and buildings where construction work and development has been completed and the asset is held for its investment potential, any rental income being negotiated at arms length.
Liabilities	Any amounts owed to individuals or organisations which will have to be paid at some time in the future.
Liquid Resources	Current asset investments that are readily disposable by the Authority without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.
Materiality	An item is material if its omission, non-disclosure or misstatement in the financial statements could be expected to lead to a distortion of the view given by the financial statements.
Minimum Revenue Provision (MRP)	An amount charged by the Authority to the Comprehensive Income & Expenditure Account, for debt redemption or for the discharge of other credit liabilities.
Movement in Reserves Statement	The statement shows the movement in the year on the different reserves held by the Authority.
Net Book Value	The amount at which fixed assets are included in the balance sheet being the historical cost or current value less the cumulative amounts provided for depreciation.
Net Debt	The Authority's borrowings less cash and liquid resources.
Operating Leases	Leases other than a finance lease.

Property, Plant & Equipment (PPE)	Assets that yield benefits to the Authority and the services that it provides for a period of more than one year. Examples include land, buildings and vehicles.
Provisions	These are sums set aside to meet liabilities or losses which have been incurred but where the amount and/or timing of such costs are uncertain.
Prudence	This accounting concept requires that revenue is not anticipated until realisation can be assessed with reasonable certainty. Provision is made for all known liabilities whether the amount is certain or can only be estimated in the light of information available.
Public Works Loan Board	This is a Government agency which provides loans to local authorities at favourable rates.
Related Party Transactions	A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. An example could be the purchase, sale, lease, rental or hire of assets between related parties.
Reserves	These are sums set aside to meet possible future liabilities where there is no certainty about whether or not these liabilities will be incurred.
Residual Value	The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.
Revaluation Reserve	The reserve records the accumulated gains on the fixed assets held by the Authority arising from increases in value as a result of inflation or other factors.
Revenue Expenditure	Expenditure on providing day-to-day services, for example employee costs and premises costs.
Revenue Expenditure Funded from Capital under Statute	Expenditure which may be properly incurred, but which does not result in an asset owned by the Authority e.g. grants to other organisations for capital purposes.

Unusable Reserves	The Authority cannot use this category of reserves to provide services. Includes reserves that hold unrealised gains and losses (e.g. revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'adjustments between accounting basis and funding basis under regulation'.
Usable Reserves	Those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.
Useful Life	The period over which the Authority will derive benefits from the use of a fixed asset.