

Audit and Standards Committee

Tuesday 22 June 2021 at 10.00am

Meeting to be held at Bridges 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 9 March 2021 **1-6**

For approval as a correct record

4. Audit Strategy Memorandum **7-46**

5. Audit Progress Report **47-68**

6. Draft Statement of Accounts 2020/21 – Progress Update and Narrative Report **69-88**

7. Consideration of ‘Going Concern Status’ for the Statement of Accounts for the year ended 31 March 2021 **89-98**

8. Draft Annual Governance Statement 2020/21 **99-128**

9. NECA Strategic Risk Register

129-246

10. Date and Time of Next Meeting: Tuesday 7 September at 10.00am

Contact Officer: Jonathan Lunness

Tel: 0191 4247536

Email: jonathan.lunness@northeastca.gov.uk

Audit and Standards Committee

Agenda Item 3

9 March 2021

10.00am – 10.30am

Meeting held virtually via Microsoft Teams

Present:

Independent Members: M Scrimshaw (Chair), G Clark (Vice Chair)

Councillors J Wallace (Gateshead)

Officers: Paul Darby (NECA – Chief Finance Officer), Tracy Davis (Senior Manager – Assurance - Sunderland City Council), Gavin Barker (Mazars), Jim Dafter (Mazars), Eleanor Goodman (NECA – Finance Manager), Angus Graham (Risk and Assurance Specialist – Sunderland City Council), Adam Robson (Risk and Assurance Specialist – Sunderland City Council), Jonathan Lunness (NECA Strategy and Democratic Services Assistant), Karen Connolly (Strategy and Democracy Officer, South Tyneside)

QUORUM

The Committee noted that the meeting was not quorate and therefore any decisions taken at this meeting would need to be ratified at the next quorate meeting.

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Cllr G Hobson, Cllr A Hetherington, Cllr E Bell, Cllr P Stewart and Nicola Robason – NECA Monitoring Officer (Core).

2. DECLARATIONS OF INTEREST

G Clark (Vice Chair) declared an interest as a Non-Executive Director of Nexus and Chair of the Nexus Audit Committee.

3. MINUTES OF THE MEETING HELD ON 08 DECEMBER 2020

The minutes of the previous meeting held 08 December 2020 were approved as a correct record.

4. ANNUAL AUDIT LETTER

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

Gavin Barker presented the report which provided a summary of the work and findings of the External Auditor in the 2019/20 audit period. The Committee noted that Gavin Barker would be taking over from Cameron Waddell from Mazars in regards the External Audit work for NECA.

It was noted that there was a positive outcome of the 2019/20 external audit, with unqualified opinions on the financial statements and Value for Money and financial statements prepared in accordance with the Code of Practice. The Committee noted that there was an emphasis of matter paragraph included in the audit report regarding material valuation uncertainty in regards property assets, although it was explained this was a common occurrence last year.

It was noted that there were no material issues to bring to attention regarding significant risks for management override of controls or revenue recognition in relation to Tyne Tunnel tolls and grant income. There was a single internal management control recommendation regarding related party declarations which received an appropriate management response.

The increase to fees on page 25 was highlighted and it was explained that this was the case across most audits and is currently with the Public Sector Auditor Appointments Ltd for approval.

The significant impact of the ongoing pandemic to the organisation and wider world would continue to be monitored, and work will continue with the officers and Members of the NECA. The Committee noted that there is to be a new approach to the Value for Money conclusion from the 2021 financial year, with further information to be brought to the Committee at a future meeting. The outcome of the Redmond Review (outlined on page 29) was also noted, including the changes to the audit timetable.

Paul Darby thanked all accountancy staff, both external and internal, that facilitated the accounts. It was noted that press reports suggest up to 42% of external audits for 2019/20 are still not signed off, and therefore it was testament to the internal and external teams that NECA has received an

unqualified opinion.

The Chair thanked Gavin Barker for the report.

RECOMMENDED That:

- i. the report, including comments and fees set out in the External Auditor's Annual Audit Letter 2019/20, be noted.

5. CLOSURE OF ACCOUNTS 2021/22 – TIMETABLE AND PROGRESS UPDATE

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

Eleanor Goodman presented the report, which provided an update on the progress in planning for the 2020/21 Closure of Accounts and a summary of key accounting changes of the Code of Practice.

The Committee noted Appendix 1 which summarised the changes to the Code of Practice. It was noted that there were no significant changes. It was noted that the Redmond Review has proposed the change of dates for audit from 31 July to 31 September, however this is subject to legislation although the Government has accepted the proposals.

Paragraph 2.5 of the report on page 33 outlined the timetable of key communications to the Committee, with Appendix 2 containing the full summary timetable. It was noted that the dates in the timetable are subject to key dependencies such as receiving information from the Tyne and Wear Pension Fund and Draft Accounts from Nexus. It was explained that the Government is consulting on changing the date for Draft Accounts from 31 May to 31 July, however planning was continuing with the aim to produce these as quickly as possible.

The Committee noted that as outlined in paragraph 2.8 of the report on page 34, information sharing between officers at NECA, NoTCA, Nexus and NEMOL would continue as it had worked well the previous year.

RECOMMENDED That:

- i. the report be noted.

6. AGREEMENT OF ACCOUNTING POLICIES FOR 2021/22 – STATEMENT OF ACCOUNTS

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

Eleanor Goodman presented the report which updated the Committee on NECA's accounting policies to be applied in preparation of the 2020/21 Statement of Accounts.

It was noted that there were no significant changes to the Code of Practice and so there were no proposed changes to the accounting policies for this year.

Jim Dafter noted that from the External Auditor's point of view he was happy with the accounting policies that had been presented.

RECOMMENDED That:

- i. the report be noted;
- ii. the accounting policies contained in the report be used in the preparation of the 2020/21 financial statements; and
- iii. the Chief Finance Officer be authorised to review accounting policies as necessary, and report changes to the Audit and Standards Committee.

7. NECA INTERNAL AUDIT PLAN 2021/22

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

Tracy Davis presented the report which provided the Committee with the proposed Internal Audit Plan and performance measures for 2021/22.

Members noted that there were no changes to the internal audit strategy. It was explained that there are 2 audits proposed for 2021/22, with details contained in section 4 of Appendix 1.

It was noted there will be an audit on Business Continuity Arrangements and another on the Coordination of the Audit Certificate for the Local Transport Grant Claim.

It was explained that there were no changes to the targets for next year and that there would continue to be update reports to the Committee.

RECOMMENDED That:

- i. the report be noted.

8. NECA STRATEGIC RISK REGISTER

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

Tracy Davis presented the report which provided an up to date assessment of the strategic risks for NECA.

It was noted that there were no changes to the risk scores or descriptions, however there had been some updates to the narrative, mostly relating to causes and likelihoods. It was noted that any changes were in blue text.

The Committee noted that following suggestions from Members, the risks had been split into regional or national issues, and then those that are within NECA or partners control.

It was noted that Adam Robson will be taking over from Angus Graham in providing detailed risk updates in any future reports.

The Chair welcomed the format of the report including any changes being highlighted in blue and the split between risks within and outside of NECA's control.

A Member queried if the Go Ultra Low North East programme which was scheduled to be delivered by January 2021 had been completed. It was noted that substantial work has been ongoing with this project and although it wasn't finished by January 2021 it was substantially completed. Further information would be circulated outside of the Committee.

It was raised by a Member whether any impact had yet been seen by the UK's departure from the EU on the availability of funding. It was noted that there had been some positive changes reported relating to the Nissan plant in Sunderland, although it was stressed it is still early days and there have been disruptions with imports and exports due to additional bureaucracy. The Committee noted the situation would continue to be monitored.

During discussion, it was noted that it at the recent Budget, the NECA backed bid for a Freeport at the Port of Tyne and Blyth was not approved and this would need to be considered for future risk registers.

The Chair requested that information be brought to the Committee informing Members of a brief summary on what exactly needs to be done to 'level up' in regards transport, with input from Nexus and Transport North East. Paragraph 6 on page 141 was highlighted as a concern, outlining a likely financial loss if funding from government is ceased and patronage on the Metro and bus services does not recover to pre-pandemic levels. A Member noted that a detailed recovery plan was submitted by Nexus to the Department for Transport which may be of interest to the Committee. The Chair noted that while it may be premature for definitive answers, the Committee would appreciate being involved in the discussions.

RECOMMENDED That:

- i. the report be noted;
- ii. it be requested that Officers from Nexus and Transport North East

attend the Committee to present information on the levelling up and the recovery plan for transport in the region.

9. DATE AND TIME OF NEXT MEETING

22 June 2021 (to be confirmed).

Audit and Standards Committee

Agenda Item 4

Date: 22 June 2021
Subject: External Audit Progress Report
Report of: External Auditor

Executive Summary

This report presents the Audit Strategy Memorandum of the External Auditors to NECA (Mazars), which sets out the strategy for the audit of the financial statements for the year ending 31 March 2021.

Recommendations

The Audit and Standards Committee is recommended to note the contents of this report.

1. Background Information

- 1.1 This report presents the Audit Strategy Memorandum report of the External Auditor, Mazars, which is attached as Appendix 1.

2 Proposals

- 2.1 The Audit Strategy Memorandum report attached at Appendix 1 sets out the audit plan in respect of the audit of NECA for the year ending 31 March 2021 and forms the basis for discussion at the Audit and Standards Committee.

3. Reasons for the Proposals

- 3.1 This report is presented to the Audit and Standards Committee as per point 4 of the Terms of Reference:

[The Committee will] receive the following plans on an annual basis: the External Auditor's Audit Service Plan, including details of any non-audit services provided.

4. Alternative Options Available

- 4.1 This report is provided for information.

5. Next Steps and Timetable for Implementation

- 5.1 The main audit of the NECA accounts will take place during September to November 2021, after which the external auditor will report their findings to the Audit and Standards Committee.

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 new financial commitments arising from this report which is for information. The fees set out within the report for information are included within the approved budget for 2020/21.

There are no Human Resources or ICT implications arising from this report.

8. Legal Implications

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

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 – Audit Strategy Memorandum

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: ✓

Audit Strategy Memorandum

North East Combined Authority

Year ending 31 March 2021



Contents

- 01** Engagement and responsibilities summary
- 02** Your audit engagement team
- 03** Audit scope, approach and timeline
- 04** Significant risks and other key judgement areas
- 05** Value for Money
- 06** Fees for audit and other services
- 07** Our commitment to independence
- 08** Materiality and misstatements

Appendix – Key communication points

This document is to be regarded as confidential to North East Combined Authority. It has been prepared for the sole use of the Leadership Board as Those Charged with Governance. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

The Leadership Board
North East Combined Authority
c/o South Tyneside Council
Town Hall & Civic Officers
Westoe Road
South Shields
NE33 2RL

Mazars LLP
The Corner
Bank Chambers
26 Mosley Street
Newcastle upon Tyne
NE1 1DF

10 June 2021

Dear Members

Audit Strategy Memorandum – Year ending 31 March 2021

We are pleased to present our Audit Strategy Memorandum for the North East Combined Authority (NECA) for the year ending 31 March 2021. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 7 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing the Group which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

With that in mind, we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion around our audit approach, any questions, concerns or input you may have on our approach or role as auditor. This document also contains an appendix that outlines our key communications with you during the course of the audit,

Client service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 07896 684 771.

Gavin Barker

Gavin Barker
Mazars LLP

Mazars LLP – The Corner, Bank Chambers, 26 Mosley Street, Newcastle upon Tyne NE1 1DF

Tel: 0191 383 6300 – www.mazars.co.uk

Mazars LLP is the UK firm of Mazars, an integrated international advisory and accountancy organisation. Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at Tower Bridge House, St Katharine's Way, London E1W 1DD.

We are registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861. VAT number: 839 8356 73

01

Section 01:

Engagement and responsibilities summary

1. Engagement and responsibilities summary

Overview of engagement

We are appointed to perform the external audit of NECA for the year to 31 March 2021. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.



Audit opinion

We are responsible for forming and expressing an opinion on the financial statements. Our audit does not relieve management or The Board, as those charged with governance, of their responsibilities.



Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. This includes establishing and maintaining internal controls over reliability of financial reporting.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance, including key management and Internal Audit as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However our audit should not be relied upon to identify all such misstatements.



Going concern

NECA is required to prepare its financial statements on a going concern basis by the Code of Practice on Local Authority Accounting. The Chief Financial Officer is responsible for the assessment of whether it is appropriate for NECA to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence and conclude on the appropriateness of the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements and the adequacy of disclosures made.



Value for money

We are also responsible for reaching a conclusion on the arrangements that NECA has in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in section 5 of this report.



Reporting to the NAO

We report to the NAO on the consistency of NECA and the Group financial statements with its Whole of Government Accounts (WGA) submission.



Electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of NECA and consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

Engagement and responsibilities summary

Your audit engagement team

Audit scope, approach and timeline

Significant risks and key judgement areas

Value for money

Fees for audit and other services

Our commitment to independence

Materiality and misstatements

Appendices

02

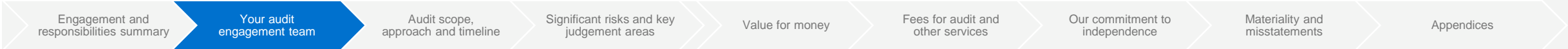
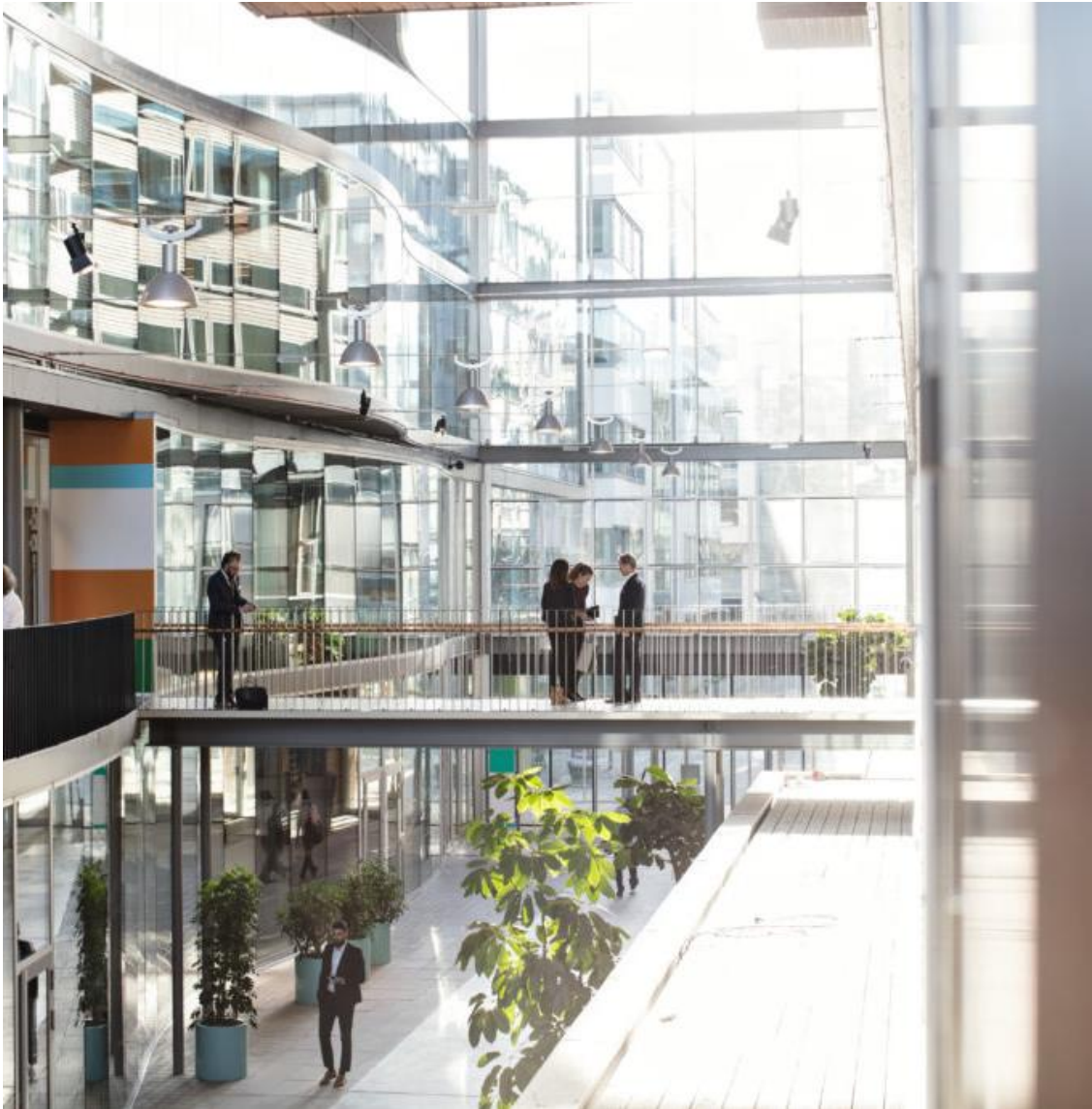
Section 02:

Your audit engagement team

2. Your audit engagement team

Your external audit service will be led by Gavin Barker.

Who	Role	Contact
Gavin Barker	Engagement lead	gavin.barkermazars.co.uk 07896 684 771
Jim Dafter	Engagement manager	jim.dafter@mazars.co.uk 0781 587 6042
Peter Hawkins	Engagement team leader	peter.hawkins@mazars.co.uk 0191 383 6341



03

Section 03:

Audit scope, approach and timeline

3. Audit scope, approach and timeline

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

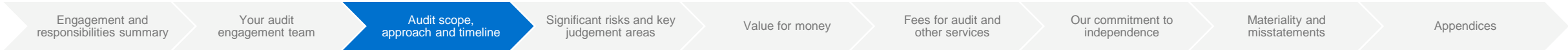
Audit approach

Our audit approach is a risk based approach primarily driven by the risks we consider to result in a higher risk of material misstatement of the financial statements. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

If we conclude that appropriately designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise: tests of details (of classes of transactions, account balances, and disclosures); and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

The diagram on the next page outlines the procedures we perform at the different stages of the audit.



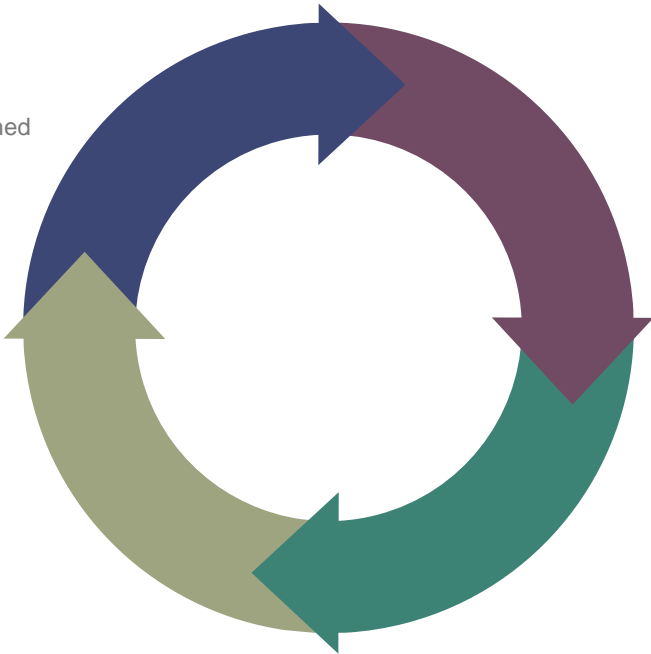
3. Audit scope, approach and timeline

Planning - January to March 2021

- Planning visit and developing our understanding of NECA
- Initial opinion and value for money risk assessments
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Preliminary analytical review

Completion – November 2021

- Final review and disclosure checklist of financial statements
- Final Director review
- Agreeing content of letter of representation
- Reporting to the Leadership Board
- Reviewing subsequent events
- Signing the auditor’s report

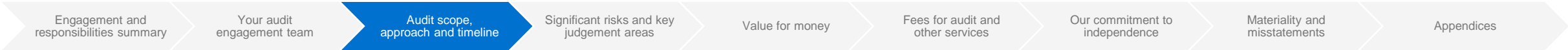


Interim – May to August 2021

- Documenting systems and controls
- Performing walkthroughs
- Interim controls testing including tests of IT general controls
- Early substantive testing of transactions
- Reassessment of audit plan and revision if necessary

Fieldwork – September to November 2021

- Receiving and reviewing draft financial statements
- Reassessment of audit plan and revision if necessary
- Executing the strategy starting with significant risks and high risk areas
- Communicating progress and issues
- Clearance meeting



3. Audit scope, approach and timeline

Reliance on internal audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

Where we intend to rely on the work on internal audit, we will evaluate the work performed by your internal audit team and perform our own audit procedures to determine its adequacy for our audit.

Management’s and our experts

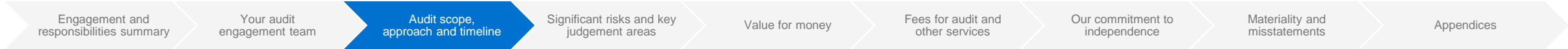
Management makes use of experts in specific areas when preparing the financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of account	Management’s expert	Our expert
Defined benefit liability	AON Hewitt Limited for Local Government Scheme	National Audit Office, prepared by PwC.
Fair Values	Link Asset Service	We do not typically engage an audit expert to assess the reasonableness for your expert’s financial instrument valuation estimates. Where this is required we will engage our own internal experts.

Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to NECA that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services.

Items of account	Service organisation	Audit approach
All areas	Durham County Council	Review NECA’s controls over: <ul style="list-style-type: none"> The information provided to the service organisation; and The outputs provided by the service organisation to NECA.



3. Audit scope, approach and timeline

Group audit approach

We are responsible for the audit of the group consolidation. For the year ended 31 March 2021, the Group will be made up of the following components:

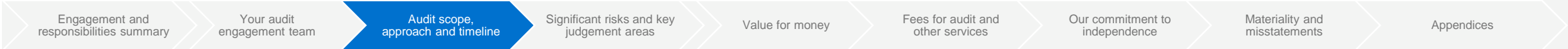
- North East Combined Authority (NECA);
- Nexus;
- North East Metro Operations Limited (NEMOL); and
- Tyneside Transport Services (TTS) Limited.

Gavin Barker will be responsible for ensuring appropriate audit procedures are performed to obtain assurance for the group and NECA.

An analysis of the group is shown below setting out :

- an overview of the type of work to be performed on the financial information of the components; and
- the percentage of the components of the group audited directly by Gavin Barker (Responsible Individual/Director for the Group), the percentage audited by Craig Maxwell (Mazars Responsible Individual/Partner for NEMOL).

NOTE - TTS Limited is not subject to separate audit, therefore the percentages on the next page exclude TTS Limited.



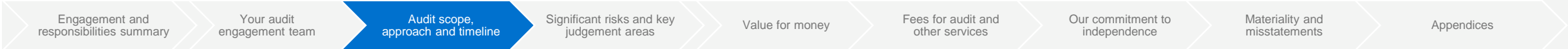
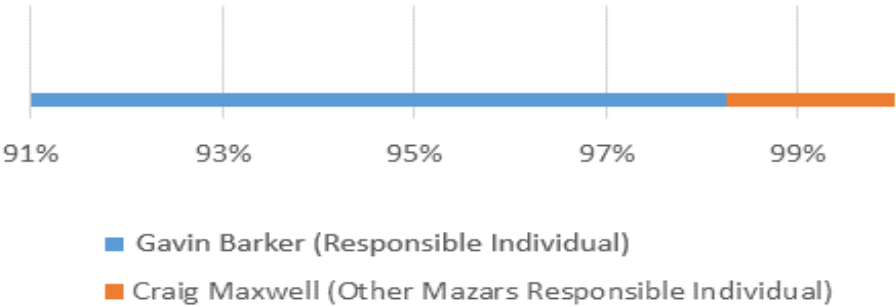
3. Audit scope, approach and timeline

Group audit approach

Planned approach by percentage of group (using operating expenditure)

Year	Full scope audit	Limited or specific review	Other audit procedures
2020/21 estimate	100%	0%	0%

Percentage of group (using operating expenditure) audited by responsible individual



04

Section 04:

Significant risks and other key judgement areas

4. Significant risks and other key judgement areas

Following the risk assessment approach discussed in section 3 of this document, we have identified relevant risks to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given below:

Significant risk

A significant risk is an identified and assessed risk of material misstatement that, in the auditor’s judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity’s controls, including control activities relevant to that risk.

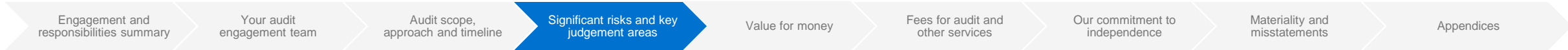
Enhanced risk

An enhanced risk is an area of higher assessed risk of material misstatement (‘RMM’) at audit assertion level other than a significant risk. Enhanced risks require additional consideration but does not rise to the level of a significant risk, these include but may not be limited to:

- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

Standard risk

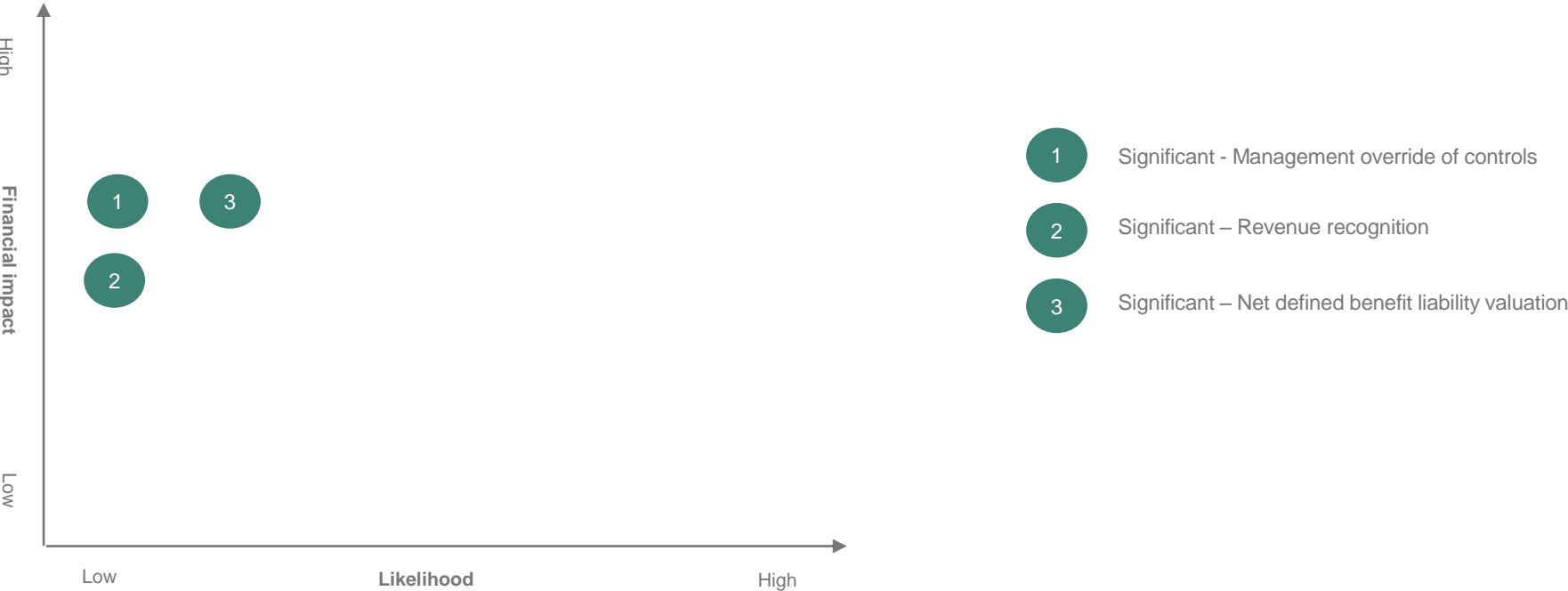
This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement (RMM), there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.



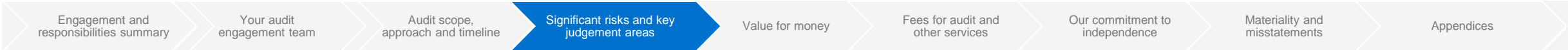
4. Significant risks and other key judgement areas

Summary risk assessment

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant. We have summarised our audit response to these risks on the next page.



Key: ● Significant risk ● Enhanced risk / significant management judgement



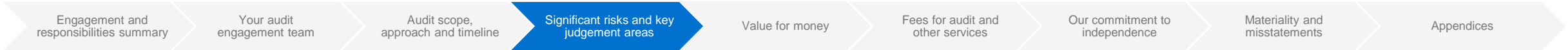
4. Significant risks and other key judgement areas

Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and also our testing approach with respect to significant risks. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Leadership Board.

Significant risks

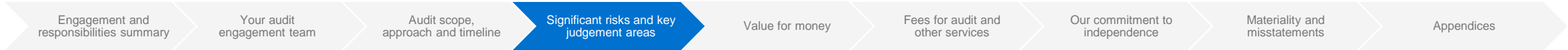
	Description	Fraud	Error	Judgement	Planned response
1	<p>Management override of controls (single entity and group accounts)</p> <p>This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	●	○	○	We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.



4. Significant risks and other key judgement areas

Significant risks

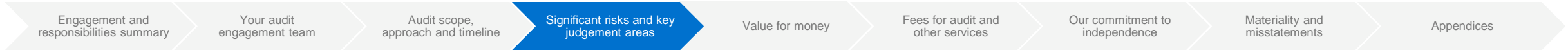
	Description	Fraud	Error	Judgement	Planned response
2	<p>Revenue recognition - in relation to Tyne Tunnel tolls and grant income (relevant to single entity and group accounts)</p> <p>Revenue recognition has been identified as a significant risk due to:</p> <ul style="list-style-type: none"> • cut off considerations for Tyne Tunnel toll income given the cash nature of the receipts; and • grant income is recognised when all conditions attached to the grant have been met so there is significant management judgement in determining if there are any conditions and if they have been met. 	●	●	●	<p>We plan to address the revenue recognition risk through performing audit work over:</p> <ul style="list-style-type: none"> • the design and implementation of controls management has in place to ensure income is recognised in the correct period; • cash receipts around the year end to ensure they have been recognised in the right year; • the judgements made by management in determining when grant income is recognised; • for Tyne Tunnel toll income, perform a substantive analytical review; and • for major grant income, obtaining counterparty confirmation.



4. Significant risks and other key judgement areas

Significant risks

	Description	Fraud	Error	Judgement	Planned response
3	<p>Defined benefit liability valuation (relevant to group accounts only) The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>	○	●	●	<p>We will discuss with key contacts any significant changes to the pensions estimates prior to the preparation of the final accounts. In addition to our standard programme of work in this area, we will:</p> <ul style="list-style-type: none"> • evaluate the management controls you have in place to assess the reasonableness of the figures provided by the actuary; and • consider the reasonableness of the actuary’s outputs, referring to an expert’s report on all actuaries nationally which is commissioned annually by the National Audit Office.



05

Section 05: **Value for Money**

6. Value for Money

The framework for Value for Money work

We are required to form a view as to whether NECA has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our view, and sets out the overall criterion and sub-criteria that we are required to consider.

The new Code of Audit Practice (the Code) has changed the way in which we report our findings in relation to Value for Money (VFM) arrangements from 2020/21. Whilst we are still required to be satisfied that NECA has proper arrangements in place, we will now report by exception in our auditor’s report where we have identified significant weakness in those arrangements. This is a significant change to the requirements under the previous Code which required us to give a conclusion on NECA’s arrangements as part of our auditor’s report.

Under the new Code, the key output of our work on VFM arrangements will be a commentary on those arrangements which will form part of the Auditor’s Annual Report.

Specified reporting criteria

The Code requires us to structure our commentary to report under three specified criteria:

1. **Financial sustainability** – how NECA plans and manages its resources to ensure it can continue to deliver its services
2. **Governance** – how NECA ensures that it makes informed decisions and properly manages its risks
3. **Improving economy, efficiency and effectiveness** – how NECA uses information about its costs and performance to improve the way it manages and delivers its services

Our approach

Our work falls into three primary phases as outlined opposite. We need to gather sufficient evidence to support our commentary on NECA’s arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified we are required to report these to NECA and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle and we are not expected to wait until issuing our overall commentary to do so.



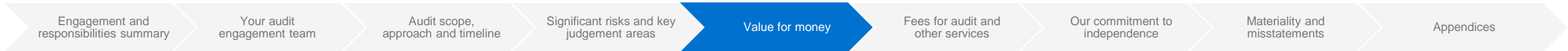
5. Value for Money

Identified risks of significant weaknesses in arrangements

The NAO's guidance requires us to carry out work at the planning stage to understand NECA's arrangements and to identify risks that significant weaknesses in arrangements may exist.

Due to the late release of the NAO's Auditor Guidance Note and supporting information to auditors, we have not yet fully completed our planning and risk assessment work. We will report the results of our planning and risk assessment work to the Leadership Board at a later date.

Although we have not fully completed our planning and risk assessment work, we have held discussions with management and reviewed the recent budget setting reports. We have not identified a significant risk in relation to our Value for Money Conclusion.



06

Section 06:

Fees for audit and other services

6. Fees for audit and other services

Fees for work as NECA's appointed auditor

At this stage of the audit, we are planning the following adjustments to the scale fees set by PSAA, subject to PSAA approval.

Area of work	2020/21 Proposed Fee	2019/20 Actual Fee
Code Audit Work; PSAA scale fee	£18,709	£18,709
Fee increases agreed with Management.	TBC	£8,002
Total audit fees *	£18,709*	£26,711

* The revised Code of Audit Practice is likely to lead to additional audit work to support the new value for money conclusion and the changes in reporting requirements. It is currently unclear exactly what impact this will have on the work required and fees. We have consequently not reflected any impact in the proposed fee. We will update the Leadership Board as the position is clarified.

Also, there are additional regulatory pressures for auditors to undertake more work than originally reflected in PSAA scale fees. We will discuss this with management as the audit progresses.

All fees shown above are subject to VAT.

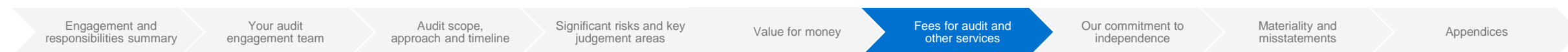
Fees for non-PSAA work

In addition to the fees outlined above in relation to our appointment by PSAA, we have been separately engaged by NECA and the Group to carry out additional work as outlined below. Before agreeing to undertake any additional work we consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section 7.

Services provided to other entities within NECA's group

The group consists of the NECA, Nexus, NEMOL and TTS. We are responsible for the direction, supervision and performance of the group audit.

We are also the external auditor for Nexus and NEMOL. We do not carry out the external audit of TTS as it is within the limits for audit exemptions under Section 479A of the Companies Act 2006 relating to subsidiary companies.



07

Section 07:

Our commitment to independence

7. Our commitment to independence

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually in writing that we comply with the FRC's Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

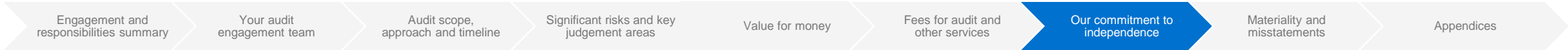
- All partners and staff are required to complete an annual independence declaration;
- All new partners and staff are required to complete an independence confirmation and also complete computer based ethical training;
- Rotation policies covering audit engagement partners and other key members of the audit team; and
- Use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Gavin Barker in the first instance.

Prior to the provision of any non-audit services Gavin Barker will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

No threats to our independence have been identified.

Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.



08

Section 08:

Materiality and other misstatements

8. Materiality and misstatements

Summary of initial materiality thresholds

Threshold	Initial threshold NECA £'000s	Initial threshold Group £'000s
Overall materiality	£6,286	£12,196
Performance materiality	£4,714	£9,147
Specific materiality		
- Senior manager remuneration	£5	£5
Trivial threshold for errors to be reported to the Leadership Board	£189	£366

Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole.

Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- Have a reasonable knowledge of business, economic activities and accounts;
- Have a willingness to study the information in the financial statements with reasonable diligence;
- Understand that financial statements are prepared, presented and audited to levels of materiality;
- Recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- Will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

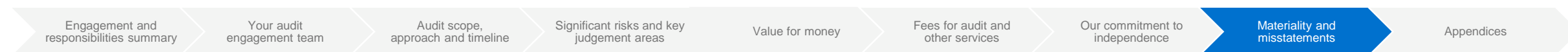
Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Our provisional materiality is set based on a benchmark of total assets. We will identify a figure for materiality but identify separate levels for procedures design to detect individual errors, and also a level above which all identified errors will be reported to the Leadership Board.

We consider that total assets remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.



8. Materiality and misstatements

Materiality (continued)

We expect to set a materiality threshold at 2% of total assets. Based on 2% of total assets we anticipate the overall materiality for the year ending 31 March 2021 to be in the region of £6.286m (NECA) and £12.196m (Group).

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Our initial assessment of performance materiality is based on low inherent risk, meaning that we have applied 75% of overall materiality as performance materiality.

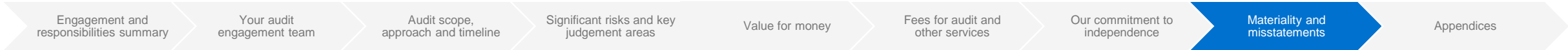
Misstatements

We accumulate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Leadership Board that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £189,000 NECA and £366k Group based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Gavin Barker.

Reporting to the Leadership Board

The following three types of audit differences will be presented to the Leadership Board:

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).





Appendix: Key communication points

Appendix: Key communication points

We value communication with Those Charged With Governance as a two way feedback process at the heart of our client service commitment. ISA 260 (UK) 'Communication with Those Charged with Governance' and ISA 265 (UK) 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Form, timing and content of our communications

We will present the following reports:

- Our Audit Strategy Memorandum;
- Our Audit Completion Report; and
- Auditor's Annual Report

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

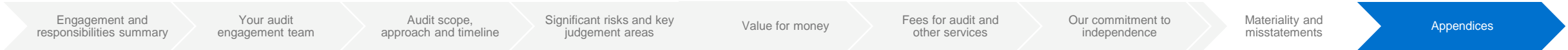
Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;

- Our commitment to independence;
- Responsibilities for preventing and detecting errors;
- Materiality and misstatements; and
- Fees for audit and other services.

Key communication points at the completion stage to be included in our Audit Completion Report

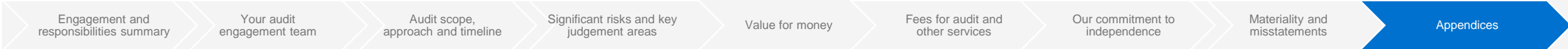
- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.



Appendix: Key communication points

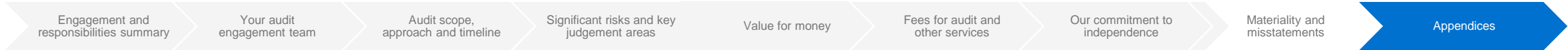
ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
With respect to misstatements: <ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion; • The effect of uncorrected misstatements related to prior periods; • A request that any uncorrected misstatement is corrected; and • In writing, corrected misstatements that are significant. 	Audit Completion Report
With respect to fraud communications: <ul style="list-style-type: none"> • Enquiries of the Leadership Board to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity; • Any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • A discussion of any other matters related to fraud. 	Audit Completion Report and discussion at the Leadership Board Audit Planning and Clearance meetings



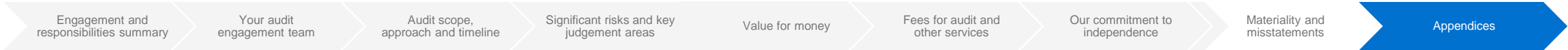
Appendix: Key communication points

Required communication	Where addressed
<p>Significant matters arising during the audit in connection with the entity’s related parties including, when applicable:</p> <ul style="list-style-type: none"> • Non-disclosure by management; • Inappropriate authorisation and approval of transactions; • Disagreement over disclosures; • Non-compliance with laws and regulations; and • Difficulty in identifying the party that ultimately controls the entity. 	<p>Audit Completion Report</p>
<p>Significant findings from the audit including:</p> <ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • Significant difficulties, if any, encountered during the audit; • Significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; • Written representations that we are seeking; • Expected modifications to the audit report; and • Other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to the Leadership Board in the context of fulfilling their responsibilities. 	<p>Audit Completion Report</p>
<p>Significant deficiencies in internal controls identified during the audit.</p>	<p>Audit Completion Report</p>
<p>Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.</p>	<p>Audit Completion Report</p>



Appendix: Key communication points

Required communication	Where addressed
<p>Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of the Leadership Board into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Leadership Board may be aware of.</p>	<p>Audit Completion Report and Leadership Board</p>
<p>With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty; • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and • The adequacy of related disclosures in the financial statements. 	<p>Audit Completion Report</p>
<p>Reporting on the valuation methods applied to the various items in the annual or consolidated financial statements including any impact of changes of such methods</p>	<p>Audit Completion Report</p>
<p>Explanation of the scope of consolidation and the exclusion criteria applied by the entity to the non-consolidated entities, if any, and whether those criteria applied are in accordance with the relevant financial reporting framework.</p>	<p>Audit Strategy Memorandum and/or Audit Completion Report as appropriate</p>
<p>Where applicable, identification of any audit work performed by component auditors in relation to the audit of the consolidated financial statements other than by Mazars' member firms</p>	<p>Audit Strategy Memorandum and/or Audit Completion Report as appropriate</p>
<p>Indication of whether all requested explanations and documents were provided by the entity</p>	<p>Audit Completion Report</p>



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Mazars

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

Audit and Standards Committee

Agenda Item 5

Date: 22 June 2021
Subject: External Audit Progress Report
Report of: External Auditor

Executive Summary

This report provides the Audit and Standards Committee with an update on progress in delivering our responsibilities as your external auditors and also includes, at Section 2 for your information, a summary of recent national reports and publications.

Recommendations

The Audit and Standards Committee is recommended to note the contents of this report.

1. Background Information

- 1.1 This report presents the Audit Progress Report of the External Auditors to NECA (Mazars), which is attached as Appendix 1.

2 Proposals

- 2.1 The Audit Strategy Memorandum report attached at Appendix 1 sets out the update on progress in delivering the audit of NECA for the year ending 31 March 2021 along with a summary of recent national reports and publications.

3. Reasons for the Proposals

- 3.1 This report is presented to the Audit and Standards Committee as per point 5 of the Terms of Reference:

[The Committee will] receive an interim and end of year report on the progress made by Internal Audit and External Audit in achieving their respective plans of work, so that the Committee may monitor performance in this regard.

4. Alternative Options Available

- 4.1 This report is provided for information.

5. Next Steps and Timetable for Implementation

- 5.1 The main audit of the NECA accounts will take place during September to November 2021, after which the external auditor will report their findings to the Audit and Standards Committee.

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 new financial commitments arising from this report which is for information. Fees for the audit of the 2020/21 accounts are included within the NECA budget.

8. Legal Implications

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

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 – 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: ✓

Audit Progress Report

North East Combined Authority

June 2021



1. Audit progress
2. National publications

01

Section 01:
Audit progress

Audit progress

Purpose of this report

This report provides the Audit and Standards Committee with an update on progress in delivering our responsibilities as your external auditors and also includes, at Section 2, for your information, a summary of recent national reports and publications.

2019/20 audit

Public Sector Audit Appointments (PSAA) Limited has recently confirmed its agreement of the fee variations related to the 2019/20 audit. We will arrange for billing in due course.

2020/21 audit

We have included our 2020/21 Audit Strategy Memorandum as a separate item on this agenda.

We have communicated to management that we will be unable to meet the end of September timetable due to a backlog of work, resource difficulties, the departure of staff and difficulties with recruitment and retention. We now plan to undertake the audit from late September 2021 at the earliest, with completion by the end of November 2021 at the latest, subject to receipt of Pension Fund assurances from the auditor of the Tyne and Wear Pension Fund. We will try and do some preliminary work earlier than this in relation to sample selection, so that when we start the work in earnest, management will have had time to gather the supporting information we need.

As you are aware, the difficulties we are experiencing reflect the significant challenges in the local audit sector and are being experienced nationally by all audit firms working within the local audit regime. These issues were set out in the independent review by Sir Tony Redmond into the effectiveness of external audit and transparency of financial reporting in local authorities which reported on 8 September 2020 and the National Audit Office (NAO) publication, Timeliness of Local Auditor Reporting on Local Government in England, 2020 published on 16 March 2021.

Audit progress

Redmond concluded that the “local audit market is very fragile” and highlighted that 40% of 2018/19 audits had failed to meet the reporting timetable of 31 July 2019.

The position worsened in 2019/20 in part due to the pandemic. The NAO report highlights that only 45% of 2019/20 audits met the 30 November 2020 deadline, which had been extended as a result of the Covid-19 pandemic. Some of the relevant underlying weaknesses were summarised in the NAO report as follows:

14 The COVID-19 pandemic has exacerbated problems which already existed within the local audit landscape. Our previous reports and consultation with the sector identified several long-standing problems within local audit. There is insufficient staff with the relevant qualifications, skills and experience in both local finance teams and firms serving the local audit sector, and a net loss of qualified staff from both. The requirements of International Financial Reporting Standards, along with the increased expectations from the Financial Reporting Council (FRC) following the high-profile corporate failures such as Carillion, have combined to produce a significant increase in audit work, such as on asset and pensions valuations, which local authorities found less useful. The relative lack of attractiveness of the audit of local public bodies, compared with alternative audit opportunities available to staff, has contributed to a high staff turnover level.

Mazars has avoided the worst of these difficulties in the last two audit years (2018/19 and 2019/20) but we are now experiencing similar problems to the other audit firms.

One of the Government’s responses to the Redmond Review has been to extend the audit timetable for 2020/21 audits to 30 September 2021 on the grounds that 31 July is unrealistic at the current time. However, this is two months earlier than last year’s timetable of 30 November and fails to account for the continuing impact of the pandemic. The working restrictions imposed on all of us by Covid-19 has meant that work is taking longer to complete and this has also led to a backlog of 2019/20 audit work.

Our priority is to deliver a high quality audit and where we are unable, for reasons beyond our control, to work to the shorter timetable our only option is to deliver the work at a later date. We will keep Management and the Audit and Standards Committee informed as we work through these difficulties.

We recognise that the position is not satisfactory, but we are doing everything possible to address the situation. We are actively recruiting new staff but they are unlikely to resolve the issues this year, although the steps we are taking will help prevent a recurrence in future years.

02

Section 02:

National publications

National Publications

	Publication/update	Key points
Chartered Institute of Public Finance and Accountability (CIPFA)		
1.	Consultation on stronger Prudential Code	CIPFA is consulting on the Prudential Code, including proposals to strengthen the requirements for commercial investments.
2.	Fraud and Corruption Tracker	CIPFA's latest information has been published.
3.	CIPFA Bulletin 06 – Application of the Good Governance Framework 2020/21	Provides updated guidance and takes into account the introduction of the CIPFA Financial Management Code 2019 during 2020/21.
4.	CIPFA Bulletin 09: Closure of the 2020-21 Financial Statements, 30 April 2021	This bulletin provides guidance for local government bodies on a range of issues that may need to be considered as part of their 2020-21 accounts preparation.
Ministry of Housing, Communities and Local Government (MHCLG)		
5.	MHCLG's Consultation on amendments to the Accounts and Audit Regulations 2015	Consultation closed on the 1 st March 2021; the Accounts deadline was set as 31 July 2021 and Audit deadline of 30 September 2021.
6.	MHCLG - Methodology for allocating £15 million to local bodies and review of Appointing Person regulations, 20 April 2021	£15 million in additional funding in 2021/22 towards external audit fees. Consultation on amending the timescale for setting fee scales.
7.	MHCLG - Local authority financial reporting and external audit: Spring update, 19 May 2021	A new regulator, the Audit, Reporting and Governance Authority (ARGA), to replace the FRC, preferred system leader. Public Sector Audit Appointments (PSAA) role to continue into next national procurement.
National Audit Office (NAO)		
8.	Local government finance in the pandemic, March 2021	The report found that the Department's successful monthly collection of data and continued intensive engagement with the sector provided a good evidence base to underpin the financial and other support provided by government.

National Publications

	Publication/update	Key points
National Audit Office (NAO)		
9.	Timeliness of local auditor reporting in England, 2020	The report is based on published data, the views of local authority finance directors, key stakeholders in the audit landscape, and audit firms.
10.	Public service pensions	This report outlines how the public service pensions landscape has changed since the Hutton Review and highlights key challenges for the future.
11.	NAO Updated Guidance for Auditors, April 2021	Revised guidance for VFM arrangements work under the new Code of Audit Practice, including extended deadlines, and updated guidance on consideration of going concern in the public sector context.
12.	NAO Report – <i>Initial learning from the government’s response to the COVID-19 pandemic, May 2021</i>	Latest NAO report on learning from the government response to the pandemic.

NATIONAL PUBLICATIONS

CIPFA

1. CIPFA consults on a stronger Prudential Code, January 2021

CIPFA has launched a consultation on proposals to strengthen the Prudential Code, following growing concerns over local government commercial property investments. The Prudential Code is a professional code of practice that aims to ensure local authorities' financial plans are affordable, prudent and sustainable. To date, the provisions in the Code have not prevented a minority of councils from taking on disproportionate levels of commercial debt to generate yield. The proposed changes are intended to prevent future misinterpretations of the Code and strengthen the necessary regard to its provisions to protect local decision making and innovation. The consultation will be open for 10 weeks and responses must be submitted by 12 April 2021.

<https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/cipfa-consults-on-stronger-local-government-prudential-code>

2. Fraud and corruption Tracker, February 2021

The latest CIPFA Fraud and Corruption Tracker (CFaCT), which includes local government data between 1 April 2019 and 31 March 2020, provides a baseline illustration about the prevalence of grant fraud in the public sector, just before unprecedented levels of COVID-19 grant funding for councils were released by the government in March of last year. The report follows previous warnings from the National Crime Agency and other law enforcement bodies of an increase in cases related to suspected COVID-19 grant fraud. Valued at an estimated loss of £36.6m, the report reveals only 161 instances of grant fraud occurred in 2019/20.

The report also shows that council tax continued to be the largest area of identified fraud for councils, with more than 30,600 cases totalling £35.9m in 2019/20. This year, 32% of respondents also stated their organisation had been a victim of a Distributed Denial-of-Service (DDoS)/hacking attack in the last 12 months, a 5% increase from the previous year. Survey respondents also expressed concern about councils' inability to tackle usual areas of fraud due to resource being re-directed into the processing and review of COVID-19 business grants.

<https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/grant-fraud-represented-less-than-of-uk-public-sector-fraud-pre-pandemic>

NATIONAL PUBLICATIONS

CIPFA

3. CIPFA Bulletin 06, Application of the Good Governance Framework 2020/21, February 2021

This bulletin covers the impact of the continuing COVID-19 pandemic on governance in local government bodies and the requirements of the Delivering Good Governance in Local Government Framework 2016 CIPFA and Solace (the Framework). It also takes into account the introduction of the CIPFA Financial Management Code 2019 (FM Code) during 2020/21.

<https://www.cipfa.org/policy-and-guidance/cipfa-bulletins/cipfa-bulletin-06-application-of-the-good-governance-framework-202021>

4. CIPFA Bulletin 09: Closure of the 2020-21 Financial Statements, 30 April 2021

Auditors will wish to be aware that CIPFA have published Bulletin 09: Closure of the 2020-21 Financial Statements. This bulletin provides guidance for local government bodies on a range of issues that may need to be considered as part of their 2020-21 accounts preparation.

Hot topics include accounting for grant funding in the pandemic, accounting for dedicated schools grant deficits and accounting for collection fund surpluses and deficits in 2020/21.

<https://www.cipfa.org/policy-and-guidance/cipfa-bulletins/cipfa-bulletin-09-closure-of-the-202021-financial-statements>

NATIONAL PUBLICATIONS

MHCLG

5. MHCLG's Consultation on amendments to the Accounts and Audit Regulations 2015, February 2021

MCHLG has consulted on its proposed changes to the accounts publication deadline for 2020/21 and 2021/22.

The draft regulations includes provisions, at regulation 2 to change the publication deadline for principal authorities from 31 July to 30 September as proposed in recommendation 10 by the Redmond review, but for 2 years - 2020/21 and 2021/22. The intention is for the amended deadline to be reviewed after that period when it will be clearer as to whether the audit completion rate has improved.

The draft regulations also enable principal bodies to publish their draft accounts for inspection, linked to the later publication deadline, by removing the fixed period for public inspection, to say instead that the draft accounts must be published on or before the first working day of August. This will allow authorities and audit firms more flexibility to schedule their audits in line with the later publication deadline but, importantly, will not prevent them from being signed off earlier. This mirrors the approach taken in the Accounts and Audit (Amendment) (Coronavirus) Regulations 2020.

MCHLG's consultation closed on 1 March 2021.

6. MHCLG - Methodology for allocating £15 million to local bodies and review of Appointing Person regulations, 20 April 2021

The Ministry of Housing, Communities & Local Government (MHCLG) announced as part of its response to the Redmond Review, that it would provide £15 million in additional funding in 2021/22 towards external audit fees and the development of the proposed new standardised statement of service information and costs. The department has now launched a short, four-week consultation, seeking views on the on the methodology for allocating these funds to local bodies.

<https://www.gov.uk/government/consultations/consultation-on-allocation-of-15-million-to-local-bodies-for-audit/redmond-review-response-changes-to-the-audit-fees-methodology-for-allocating-15-million-to-local-bodies>

Running alongside this, the department has also launched a separate six-week consultation on the implementation of changes to the fee setting process for principal bodies set out in the Local Audit (Appointing Person) Regulations 2015. The consultation primarily seeks views on amending the timescale for setting fee scales, enabling the appointing person to consult on and approve a standardised additional fee, and for such payments to be made in year rather than at the completion of the audit.

<https://www.gov.uk/government/consultations/amendments-to-local-audit-fee-setting-arrangements>

NATIONAL PUBLICATIONS

MHCLG

7. MHCLG - Local authority financial reporting and external audit: Spring update, 19 May 2021

In December 2020, MHCLG delivered its response to the Redmond Review. This report details the actions already taken to implement the Redmond Review recommendations, and also sets out the government's thinking on the recommendations relating to systems leadership.

In March 2021 the government published a White Paper setting out its plans to reform corporate audit, reporting and governance. The White Paper set out details of how the government proposes to establish a new regulator, the Audit, Reporting and Governance Authority (ARGA), to replace the FRC. It also set out government plans to create a new audit profession that is distinct from the accountancy profession, and to encourage competition in the market for audit of large listed companies. We have looked at options for local audit in the context of these wider reforms.

In this context, it is our view that ARGA, the new regulator being established to replace the FRC, would be best placed to take on the local audit system leader role.

The Department welcomes the changes made in the latest Code of Audit Practice in relation to VFM reporting. Until recently, the Code required auditors to give a binary opinion on whether the proper arrangements were in place. However, this was revised in the recent update to the Code, which now requires auditors to provide a narrative statement on the arrangements in place. The department welcomes this change, as it is our view that the binary value for money judgement required under the previous Code did not provide sufficient information for taxpayers or local bodies, particularly in a context where the complexity and commercialisation of local authority finances has increased. The new value for money requirements in the updated Code including a new commentary on governance, arrangements for achieving financial sustainability, and improving economy, efficiency and effectiveness - should help to address this.

MHCLG has confirmed that PSAA is the organisation best placed to act as the appointing body, including overseeing the next procurement of audit contracts. There is a balance to be struck between cost and quality. Historically, there were concerns that fees were too high and it was right that real savings were delivered for the taxpayer following the abolition of the Audit Commission. However, the context has changed since 2014, including the structure of the market, plus new obligations and the complexity of the work. It is striking that local audit scale fees reduced by 40% between 2014/15 and 2018/19, while central government and FTSE100 fees have increased by 20%. We have been working closely with PSAA in recent months to develop our plans for allowing greater flexibility to reflect additional costs in audit fees, and are allocating £15m to local bodies to help with this and the additional requirements associated with implementing Redmond's recommendations.

<https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-spring-update/local-authority-financial-reporting-and-external-audit-spring-update>

NATIONAL PUBLICATIONS

National Audit Office

8. Local government finance in the pandemic, March 2021

The NAO published its report *Local government finance in the pandemic* in March 2021. Local authorities in England have made a major contribution to the national response to the pandemic. This has in turn placed significant pressure on finances, which in many cases were already under strain. The report examines if MHCLG's approach to local government finance in the COVID-19 pandemic enabled the Department to assess and fund the costs of the new services which local authorities have been asked to deliver. It also examines whether the Department fulfilled its responsibilities in securing financial sustainability across the sector. The report focuses on:

- the financial health of the sector before the pandemic and the financial impact of the pandemic in 2020/21;
- action taken by the government to support the sector in 2020/21, including its effectiveness; and
- action taken by government to support the sector's financial sustainability in 2021/22.

The report found that the Department's successful monthly collection of data and continued intensive engagement with the sector provided a good evidence base to underpin the financial and other support provided by government. Action by the Department and wider government to support the sector averted system-wide financial failure at a very challenging time and means that the Department managed the most severe risks to value for money in the short term.

However, the financial position of local government remains a cause for concern. Many authorities will be relying on reserves to balance their 2020/21 year-end budgets. Despite continuing support into 2021/22, the outlook for next year is uncertain. Many authorities are setting budgets for 2021/22 in which they have limited confidence, and which are balanced through cuts to service budgets and the use of reserves.

<https://www.nao.org.uk/report/local-government-finance-in-the-pandemic/>

NATIONAL PUBLICATIONS

National Audit Office

9. NAO Report – Timeliness of local auditor reporting in England, 2020

On 16 March, the NAO published its report Timeliness of local auditor reporting on local government in England, 2020. Since 2015, the Comptroller and Auditor General (C&AG) has been responsible for setting the standards for local public audit in England, through maintaining a Code of Audit Practice and issuing associated guidance to local auditors. This report sets out the:

- roles and responsibilities of local auditors and national bodies to the local audit framework in England; and
- facts relating to the decline in the timeliness of delivering audit opinions on local government in England and the main factors contributing to that decline in timeliness.

The report is based on published data, the views of local authority finance directors, key stakeholders in the audit landscape, and audit firms. The report also considers the impact on central government. Given the increasing financial challenge and service pressures on local authorities since 2010, local councils need strong arrangements to manage finances and secure value for money.

The report concludes that the position for 2019/20, with 55% of local authorities failing to publish audited accounts by 30 November, is concerning, given the important part that external audit plays in assurance over taxpayers' money both centrally and locally.

Since the NAO reported on local authority governance and audit in 2019, and despite efforts by the various organisations involved in the local audit system and by the Ministry of Housing, Communities and Local Government, the report concludes that the situation has worsened. The increase in late audit opinions, concerns about audit quality and doubts over audit firms' willingness to continue to audit local authorities all highlight that the situation needs urgent attention, which will require co-operation and collaboration by all bodies involved in the local audit system, together with clear leadership from government.

<https://www.nao.org.uk/report/timeliness-of-local-auditor-reporting-on-local-government-in-england-2020/?slide=1>

NATIONAL PUBLICATIONS

National Audit Office

10. NAO Report – public service pensions, March 2021

As an employer, the government provides public service employees with access to occupational pension schemes. As at 31 March 2020, there were more than 8 million members of four of the largest public service pension schemes (the armed forces, civil service, NHS and teachers' pension schemes), of which 2.8 million were retired and receiving pension benefits and 5.2 million were either current or former employees. Around 25% of pensioners and 16% of the working-age population are members of a public service pension scheme.

In general, public service pensions have become more expensive over time as the number of people receiving them has increased, owing to more members entering retirement and living longer. This trend applies across public and private pensions and is consistent with international experience. In 2010 the government established the Independent Public Service Pensions Commission, chaired by Lord Hutton (the Hutton Review) to undertake a fundamental structural review of public service pensions. Following the Hutton Review final report in March 2011, and a period of negotiations with trade unions representing public service employees, the government introduced reforms intended to manage the future costs of providing pensions.

Public service pensions are a notable benefit to public servants. HM Treasury focuses on the affordability of these pensions and who pays for them. The total costs of providing pensions have been increasing over time, reflecting increasing numbers of pensioners. The government's pension reforms over recent years have contained the rise in future taxpayer costs by making pensions less generous and by increasing contributions from employees. However, taxpayer funding has increased and it will take decades for the full effects of the 2011/2015 reforms to be seen in the government's affordability measure. The balance of taxpayer funding has shifted from central payments by HM Treasury to employer contributions by departments and organisations to ensure that employers bear the consequences of their employment decisions.

However, HM Treasury needs to monitor more than just affordability. Government's approach to protecting those nearest retirement has been ruled unlawful and will cost time and money to resolve. The government's reforms also take no account of pensions as a recruitment and retention tool, with pensions continuing to be relatively inflexible; the only real choice for most employees is to stay in the scheme or opt out altogether.

<https://www.nao.org.uk/report/public-service-pensions/>

NATIONAL PUBLICATIONS

National Audit Office

11. NAO Updated Guidance for Auditors, April 2021

In April 2021, the Comptroller and Auditor General (C&AG) approved and published updated auditor guidance:

Auditor Guidance Note 03 (AGN 03) - Auditors' Work on Value for Money Arrangements. This has been updated to enable auditors to give their opinion on the financial statements if they have not yet completed all their VFM arrangements work (where there is no material impact on the opinion), including the approach to reporting any further issues if necessary by exception when auditors issue their certificate. The AGN also introduced revised deadlines for the Auditor's Annual Report, which includes the new commentary on VFM arrangements, of up to 3 months after issuing the audit opinion.

Auditor Guidance Note 07 (AGN 07) – Auditor Reporting. This was updated to bring it into line with AGN 03 as above.

Supplementary Guidance Note 01 (SGN 01) - Going Concern – Auditors' responsibilities for local public bodies. The SGN focus is primarily on *Practice Note (PN) 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom, (Revised 2020)*, setting an expectation that auditors will follow the approach it sets out. This recognises that going concern in the public sector context includes the concept of the 'continued provision of services' and the legislative basis for public services, which means that the circumstances that will give rise to a material uncertainty in going concern are relatively limited and rare, and would normally require legislative changes. This view is also reflected in the CIPFA Code, which recognises that the financial statements are prepared on a going concern basis.

The NAO guidance does, however, highlight the wider issue of financial sustainability and funding for public services. Management will still need to undertake a going concern assessment, and disclose an appropriate narrative within its financial statements in relation to the impact of the pandemic and pressures on funding, and disclose any potential material uncertainties should they exist.

All of the NAO auditor guidance is publicly available at this link: <https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/>

NATIONAL PUBLICATIONS

National Audit Office

12. NAO Report – *Initial learning from the government’s response to the COVID-19 pandemic, May 2021*

The NAO has recently published its *Initial learning from the government’s response to the COVID-19 pandemic* report, which is part of a programme of work the NAO is undertaking to support Parliament in its scrutiny of government’s response to COVID-19. The report finds that the COVID-19 pandemic has stress-tested the government’s ability to deal with unforeseen events and potential shocks. Government has often acted at unprecedented speed to respond to a virus which has caused dramatic disruption to people’s lives, public service provision and society as a whole. Government had to continue to deliver essential public services, while reprioritising resources to deliver its response to the COVID-19 pandemic and supporting staff to work from home. In its response, government has had to streamline decision-making, work across departments and public bodies and use a range of delivery structures.

Departments will need to reflect on the lessons learned to ensure that they capitalise on the benefits and opportunities these new ways of working have brought.

This report draws out learning from the reports that we have published to date, as well as other work we have published that covered the COVID-19 pandemic. It sets out this learning across six themes:

- risk management;
- transparency and public trust;
- data and evidence;
- coordination and delivery models;
- supporting and protecting people; and
- financial and workforce pressures.

The NAO will continue to draw out learning from the government’s response to the pandemic from our future work.

The full report is available from the NAO website. <https://www.nao.org.uk/wp-content/uploads/2021/05/Initial-learning-from-the-governments-response-to-the-COVID-19-pandemic.pdf>

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

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Audit and Standards Committee

Agenda Item 6

Date: 22 June 2021

Subject: Draft Statement of Accounts 2020/21 – Progress Update and Narrative Report

Report of: Chief Finance Officer

Executive Summary

This report provides an update on progress with the production of the Draft Statement of Accounts for 2020/21 which are largely complete and which are now planned to be published on the NECA website by 30 June.

Following the revision of the statutory deadlines in the Accounts and Audit Regulations for 2020/21, the opportunity was taken to add extra time to the timetable for the preparation of the draft accounts to allow for additional review and quality assurance and to allow Nexus additional time for the completion of their draft statements.

A report elsewhere on the agenda sets out changes to the proposed timescales for the audit of the draft accounts which is now intended to commence in late September and will not be concluded until November.

Attached as an appendix to the report is the draft Narrative Report to accompany the Statement of Accounts for members information and consideration.

Recommendations

It is recommended that the committee note the report and consider whether it wishes to:

- (a) Seek to arrange an additional meeting in July to consider the draft statements that are planned to be published on 30 June 2021; or
- (b) Defer consideration of the draft statements until the next scheduled meeting in September 2021.

1. Background Information

- 1.1 At the last meeting of this Committee the proposed timetable for the production of the 2020/21 Statement of Accounts was presented to the Committee.

2 Proposals

Timetable

- 2.1 Following a consultation exercise, the Ministry of Housing, Communities and Local Government confirmed in March that the revised Accounts and Audit Regulations for the 2020/21 accounts would be adopted. This provides for revised dates for the publication of audited accounts in England from 31 July to 30 September. This will apply for the two years 2020/21 and 2021/22.
- 2.2 It was also confirmed that in respect of the period for the exercise of public rights, the common inspection date will be removed, requiring instead that the draft accounts be published no later than 1 August. This will apply for the two years set out above.
- 2.3 The draft NECA accounts including Group statements are largely complete and are planned to be published on the NECA website by 30 June 2021. Extra time was added to the original timetable to allow for additional quality assurance on the NECA accounts and to allow Nexus additional time for the completion of their draft statements (which have now been completed and provided to NECA).
- 2.4 As set out in a report elsewhere on this agenda, the external auditors have communicated to management that they will be unable to meet the 30 September audit deadline and the audit of the NECA accounts will begin at the end of September, with completion planned for November. The delay is due to a backlog of work, resource difficulties, the departure of staff and difficulties with recruitment and retention.
- 2.5 It had been anticipated that the draft accounts to be published would be circulated for consideration at this meeting in advance of the publication, however, due to staffing issues (unplanned leave as a result of self-isolation) this has not proved possible.

Narrative Report

- 2.6 Attached to this report as Appendix 1 is the draft Narrative Report for 2020/21. The Narrative Report provides information about the North East Combined Authority (NECA), including the key issues affecting the Authority and its accounts. It provides an explanatory narrative to key elements of the statements and sections in the accounts and also provides a summary of the Authority's financial performance for 2020/21 and its future financial prospects. The Narrative Report aims to provide the reader with:
- A guide to the different financial statements within the Statement of Accounts;

- An overview of the activities and significant matters which occurred during the year;
- A summary of the Authority’s financial performance during the year ending 31 March 2021 and its financial position at that date; and
- A look ahead to 2021/22 and beyond.

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”.

3.2 The draft NECA accounts including Group statements are planned to be published on the NECA website by 30 June 2021. It had been anticipated that the draft accounts would be circulated for consideration at this meeting in advance of the publication, however, due to staffing issues (unplanned leave as a result of self-isolation) this has not proved possible. The Committees views on whether it wishes to convene a separate meeting in July or defer consideration of the draft accounts until September are being sought to aid forward planning.

4. Alternative Options Available

4.1 This report is provided for information. The Committees views on when it wishes to consider the draft statements are being sought.

5. Next Steps and Timetable for Implementation

5.1 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 – most likely November / December 2021.

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 financial or other resources implications arising from this report.

8. Legal Implications

8.1 Compliance with the Accounts and Audit Regulations 2015 and the CIPFA Code of Practice on Local Authority Accounting 2020/21 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 public inspection period during July and August 2021.

13. Other Impact of the Proposals

13.1 There are no other impacts arising from these proposals.

14. Appendices

14.1 Appendix 1 – Draft Narrative Report 2020/21

15. Background Papers

15.1 [The Accounts and Audit \(Amendment\) Regulations 2021 \(legislation.gov.uk\)](https://www.legislation.gov.uk)

16. Contact Officers

16.1 Eleanor Goodman, NECA Finance Manager,
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17. Sign off

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



Narrative Report for the Year ended 31 March 2021 - Draft

1. Introduction

This Narrative Report provides information about the North East Combined Authority (NECA), including the key issues affecting the Authority and its accounts. It provides an explanatory narrative to key elements of the statements and sections in the accounts and also provides a summary of the Authority's financial performance for 2020/21 and its future financial prospects.

This report provides the reader with:

- A guide to the different financial statements within the Statement of Accounts.
- An overview of the activities and significant matters which occurred during the year.
- A summary of the Authority's financial performance during the year ending 31 March 2021 and its financial position at that date.
- A look ahead to 2021/22 and beyond.

The Statement of Accounts sets out the financial performance of the Authority for the year ending 31 March 2021 and its financial position at that date. They have been prepared in accordance with proper practices as set out in the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Code requires that the accounts give a true and fair view of the financial position of the Authority. In line with the Code, suitable accounting policies have been applied and where necessary prudent judgements and estimates have been made.

The accounts feature four main financial statements:

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

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

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

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

The Authority seeks to make the best possible use of resources available with regard to economy, efficiency and effectiveness. This is a responsibility shared by Members and Officers of the Authority, with the Chief Finance Officer having a specific role in ensuring the adequacy of resources and proper financial administration. Our budget proposals for 2021/22, available on the NECA website (www.northeastca.gov.uk) sets out how we will do this looking forward. The Statement of Accounts accompanying this report looks back at our performance over the past year. Reviewed together they provide the reader with an understanding of the financial position of the Authority.

2. What is the North East Combined Authority?

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

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

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

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

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

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

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

Revenue Financial Summary 2020/21

Revenue expenditure covers the cost of the Authority's day to day operations and contributions to and from reserves. A summary of NECA expenditure against the budget is set out in the Table 1 below. Expenditure totalling £125.049m was slightly higher than the revenue budget of £124.794m due to slightly higher than forecast payments made to constituent authorities for Covid 19 transport grants. Income received was £118.463m, which resulted in a net deficit to fund from reserves of £6.586m. This was in line with forecasts presented to the Leadership Board and the JTC during the year and included an advance to TT2 Ltd in connection with the Tyne Pass project, funded from Tyne Tunnels reserves.

Table 1: Summary of Revenue Expenditure

	2020/21 Revised Budget	2020/21 Actual	Variance
	£000	£000	£000
Expenditure			
Joint Transport Committee			
- Retained Levy Budget	1,991	1,907	(84)
- Grant to Durham	15,456	15,456	-
- Grant to Nexus	59,000	59,000	-
- Grant to Northumberland	6,224	6,224	-
Tyne Tunnels			
- Contract Payments	13,933	12,717	(1,216)
- TT2 Advance (Tyne Pass)	6,670	6,670	-
- JTC costs	263	457	194
- Financing Costs	6,507	7,428	921
Other Transport Activity			
- Transport Strategy Unit	1,273	1,062	(211)
- Covid Grants	13,211	13,868	657
Corporate/Central Budget	266	260	(6)
Total Expenditure	124,974	125,049	255
Income			
External Grant Funding	(14,114)	(14,655)	(541)
Transport Levies	(82,800)	(82,800)	-
Tolls Income	(20,650)	(20,544)	106
Interest/Investment Income	(80)	(107)	(27)
Contributions from Constituent Authorities	(161)	(161)	-
Other Income	(178)	(196)	(18)
Total Income	(117,983)	(118,463)	(480)
Net Revenue Expenditure to fund from Reserves	6,811	6,586	(225)

This statement provides a comparison of the outturn position with the NECA (including JTC) revised revenue budget for 2020/21, before any allocation of costs and income between the accounts of NECA and NTCA. The purpose of this statement is to give the reader an understanding of overall spending and income for the whole year, in comparison with the revised budget.

Within the accompanying Statement of Accounts document the **Comprehensive Income & Expenditure Statement** (CIES, page 5 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 4 of the Statement of Accounts) reflects these statutory adjustments and shows how the financial performance for the year has impacted on the Authority's reserves. There has been a decrease in reserves from £125.141m at 31 March 2020 to £98.589m at 31 March 2021, mainly due to the transfer of reserves relating to the North East LEP to the North of Tyne Combined Authority on 1 April 2020.

The balance of usable reserves at the year-end was £42.306m, which is a £13.411m decrease on the previous year. This is made up of a number of different elements, most of which are held for specific purposes. The decrease is due to the transfer of usable reserves to the NTCA (£29.451m) partially offset by an increase in capital grants received which have not yet been applied to fund expenditure (known as the Capital Grants Unapplied reserve) and the creation of new earmarked reserves to hold funds relating to the Bus Partnership and Metro Studies projects.

3. Capital Investment

Capital investment (including Nexus as part of the NECA Group) during the year totalled £83.448m. Expenditure consisted of capital expenditure on the Authority's own assets and capital expenditure via capital grants to third parties. An analysis of capital investment by programme are shown in the following table.

Table 2: Capital Expenditure by Programme

	2020/21 Revised Programme	2020/21 Actual	2020/21 Variance
	£000	£000	£000
Transforming Cities Fund Tranche 1	2,650	1,932	(718)
Transforming Cities Fund Tranche 2	249	726	477
Go Ultra Low	378	426	48
Ultra-Low Emission Vehicles - Taxi Project	497	419	(78)
Metro Asset Renewal Plan	23,003	20,990	(2,013)
Metro Fleet Replacement	46,584	43,689	(2,895)
Nexus Other Capital Projects	1,403	769	(634)
Metro Flow	1,573	1,142	(431)
Tyne Tunnels	1,047	952	(95)
Local Transport Plan *	11,309	11,246	(63)
Active Travel Fund (capital elements)	1,157	1,157	-
Total Capital Programme	89,850	83,448	(6,402)

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

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

Table 3: Capital Funding 2020/21

	2020/21 Actual	2020/21
	£000	%
Local Growth Fund Grant	1,057	1.3%
Local Transport Plan Grant	14,226	17.0%
Metro Capital Grant	23,605	28.3%
Metro Fleet Grant	35,800	42.9%
Transforming Cities Fund Grant	3,883	4.7%
Other Capital Grants	2,031	2.4%
Reserves	2,846	3.4%
Total Funding	83,448	100.0%

4. Treasury Management

The Balance Sheet on page 6 of the accounts shows external borrowing of £95.550m at the end of the year, which is split between short term borrowing (£1.274m) and long term borrowing (£94.276m), after the allocation of part of the transport borrowing to NTCA accounts. This is a small decrease compared to balance of £96.37m the previous year due to repayments made on Equal Instalment of Principal (EIP) loans during the year. The average rate of interest on external borrowing for the year was 4.3%, which is comparable with the previous year.

The Balance Sheet also shows short term external investments of £29.946m in the NECA accounts at the end of the year compared to £58.236m at the end of the previous year. The total of investments included £6.655m of investments held on behalf of Nexus. A further £22.182m cash equivalents were held, including £11.091m on behalf of Nexus. The decrease compared to the previous year is due to NECA no longer holding balances on behalf of the North East LEP since these were transferred to NTCA.

5. 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 £7.15m at 31 March 2021, compared with £2.82m at 31 March 2020. The increase in year is due to market

conditions at 31 March 2021 and the impact on asset values. For accounting purposes this surplus is restricted to nil on the NECA balance sheet. NECA gets a benefit from the surplus in the form of savings on employers' pension contributions for current employees, which has enabled significant savings on the revenue budget.

Unfunded or discretionary benefits (such as early retirement awards) sit outside the Authority's funded part of the scheme and are therefore not backed by assets and must be paid as incurred on a monthly basis. These costs relate to former Tyne Tunnels employees and are paid from the Tyne Tunnels revenue account, at a cost of approximately £50,000 in 2020/21. At the end of the year there was an unfunded liability of £0.87m (£0.84m at 31 March 2020) and this is disclosed on the Balance Sheet.

The deficit as at 31 March 2021 takes into account the national judgements on McCloud and Guaranteed Minimum Pensions (GMP). The actuarial valuation is influenced by a number of economic factors. Note 19 to the accounts on page 33 provides further analysis and disclosure of the Pension Fund liability.

Net Assets

Net assets in the NECA accounts have decreased from £125.141m at 31 March 2020 to £98.589m at 31 March 2021. The decrease in total net assets is due to the transfer of net assets relating to the North East LEP to NTCA on 1 April 2020.

6. 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.

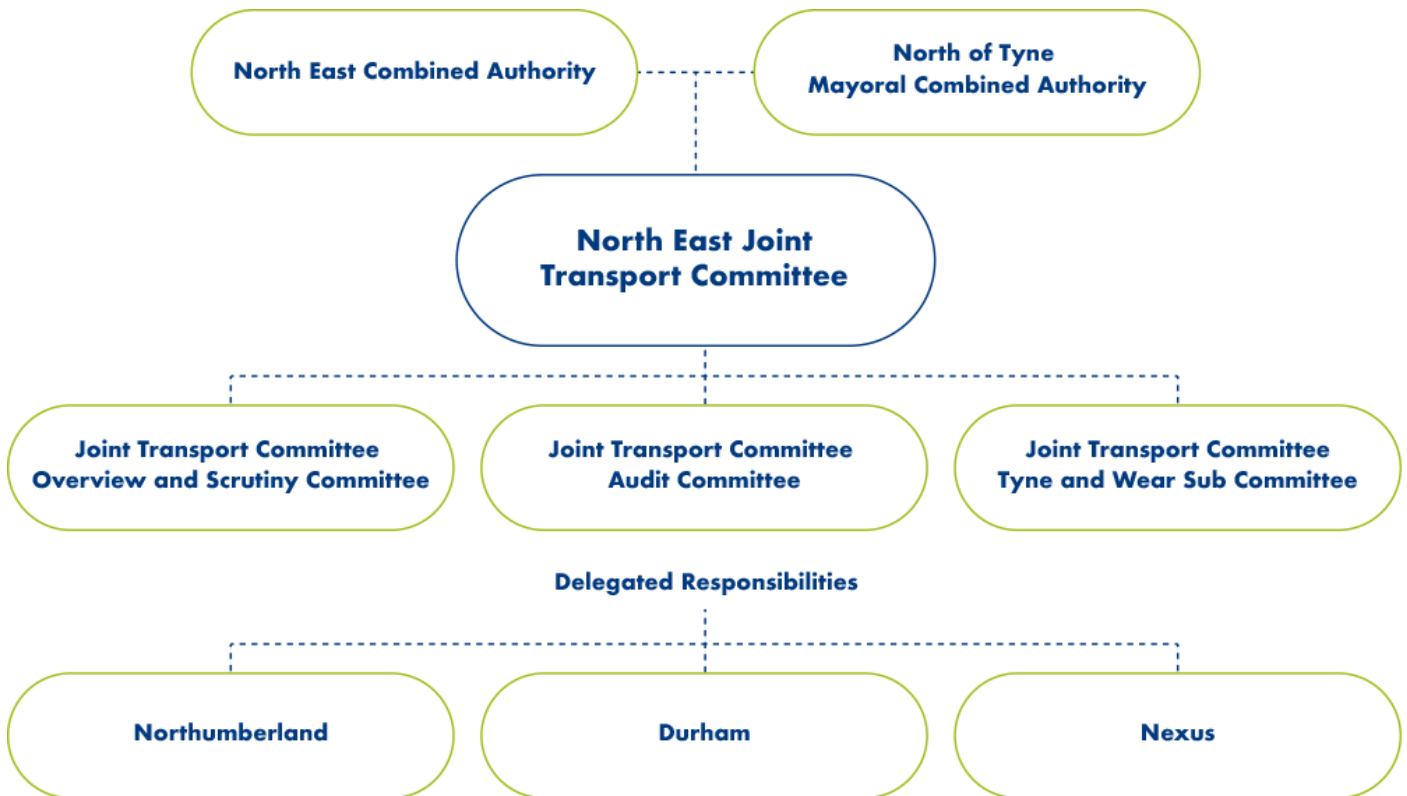
The Nexus accounts are apportioned between NTCA and NECA accounts (after elimination of intra-Group transactions), with the balance sheet information at 31 March 2021 allocated between the two Combined Authorities in proportion to their relative share of Tyne and Wear Population as set out in table 4. The full accounts for the Nexus Group and more information about their activity and performance can be obtained from the Nexus website at <https://www.nexus.org.uk>.

7. Accounting for the North East Joint Transport Committee

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

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

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



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

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

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

For the 2020/21 accounts the mid-year estimated population published by the Office of National Statistics as at June 2018 is used, which is the basis on which the Transport Levy payments for the year are required to be calculated. The calculation of the proportion used to allocate the figures in the accounts at 31 March 2021 is shown in Table 4 below.

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

	Mid-Year 2018 Population	Proportion
	People	Proportion
NECA		
- Gateshead	202,508	
- South Tyneside	150,265	
- Sunderland	277,417	
	630,190	0.55456
NTCA		
- Newcastle	300,196	
- North Tyneside	205,985	
	506,181	0.44544
Tyne and Wear Total	1,136,371	

8. 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 4)

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 5)

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 6)

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 7)

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 9 onwards)

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

9. 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.

10. Non-Financial Performance

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

Economic Development and Digital

- Inward Investment – 2020/21 was a challenging year for inward investment due to Covid-19, with a significant decrease in active inward investment project numbers and a very difficult environment in which to attract new investment. Provisional full-year success figures for the North East LEP area for 2020/21 are as follows: a total of 68 inward investment projects resulting in 2,935 jobs. Of these, 53 were foreign direct investment (FDI) projects leading to 2,713 jobs, the rest were new UK companies locating to the North East. The new jobs figure was helped significantly by Amazon’s investment in County Durham which led to 1,500 new jobs.
- There has been excellent collaboration on Digital Connectivity across the NECA area through the Digital Durham programme to boost superfast broadband (30mbps) across the NECA area. Digital Durham allows subsidised (through Government and Local Authority funding) rollout to areas which would not have been commercially viable. Subsequently, over 87,000 premises in the NECA area can now access superfast broadband as a result:
 - Durham – Over 63,700 (with some delivery left to complete)
 - Gateshead – Over 14,100
 - South Tyneside – Over 4,600
 - Sunderland – Over 4,600

- Current broadband coverage in the NECA area is ahead of the national average for superfast and ultrafast, but behind on gigabit-capable connectivity.

Finance, Skills and Employability

- Central to the Skills and Employability agenda are the issues of financing particularly the reliance on external funding as we approach the final stages of the current European Structural Investment Fund (ESIF) programme with little detail as yet as to the operation of the UK Shared Prosperity fund after the current Community Renewal Fund pilot exercise, alongside the ongoing development of good partnership and inter authority working arrangements that have been developed.

Transport

In March 2021, the JTC approved the first region-wide Transport Plan for the North East. The approval of the Transport Plan represents a significant milestone for the JTC and sets out collective ambitions up to 2035 to create a modern transport network, with schemes totalling £6.8 billion included.

The Plan seven Delivery Plan categories for implementing the objectives of the Plan and achieving the vision of ‘moving to a green, healthy, dynamic and thriving north-east’.

- Helping people make the right travel choice
- Upgrading north east active travel infrastructure
- Bus, ferry and first and last mile
- Local rail and Metro
- Road infrastructure
- Maintaining and renewing our transport network
- National and international connectivity

NECA owns the Tyne Tunnels, which link the A19 under the River Tyne between Howdon and Jarrow. There are two tolled vehicle tunnels, and tunnels for both pedestrians and cyclists. The Tunnels are entirely self-financing from the tolls income raised, i.e. there is no call on the Authority’s budget or local taxpayers to support them, and assets and liabilities associated with the tunnels are ringfenced to the Tyne and Wear constituent councils within the Authority. The Tyne Pedestrian and Cyclist Tunnels reopened to the public in August 2019 and have been well received and well used, although work is still ongoing on the completion of the glass inclined lifts. This was delayed in 2020/21 due to the impact of the Covid-19 pandemic.

Traffic flows at the Tyne Tunnel have been significantly reduced since March 2020 when the impact of the Covid-19 pandemic took effect. The normal level of traffic pre-Covid was approximately 55,000 vehicles per day. As a result of Covid-19 lockdown measures, traffic levels dropped drastically during March and April 2020 to approximately 17,000 vehicles per day which is 30% of normal levels. This is the lowest level of traffic seen during the life of the TT2 contract.

During the summer months of 2020 traffic increased and by the end of August was almost 85% of normal levels. However, local Covid-19 restrictions put in place from mid-September onwards saw usage levels drop off again. Traffic during the November national lockdown was 73% of normal levels. During the early months of 2021 traffic dropped again to 65% under the January national lockdown restrictions and has remained around 70-75% of normal levels during March.

Table 5 – Tyne Tunnel Traffic Flow data

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

Class 1 = Motorcycles; Class 2 = Car, Van or Bus less than 3m high with 2 axles; Class 3 = HGV, Van or Bus more than 3m high or 3 axles or more; Exempt = emergency vehicles and blue badge holders

The tolls were increased in line with inflation on 25 August 2020 from £3.60 to £3.70 (or £3.33 with a pre-paid permit) for Class 3 vehicles. There was no increase applied during the financial year for Class 2 vehicles which remained at £1.80 (or £1.62 with a pre-paid permit).

Tyne and Wear Passenger Transport Executive – Nexus

The North East Joint Transport Committee sets public transport policy for the region, which in Tyne and Wear is delivered operationally by Nexus. The following performance indicators describe the general performance of public transport in Tyne and Wear during 2020/21.

- The number of passenger journeys across all modes within Tyne and Wear in 2020/21 was estimated at 49.6 million; a 67.9% decline when compared to 154.5 million in the previous year:
 - Bus patronage reduced to 39.8 million in 2020/21; a 66.7% decline when compared to 119.4 million in the previous year.
 - Metro patronage reduced to 9.4 million; a 71.6% decline when compared to 33.1 million in the previous year;
 - Ferry patronage reduced to 0.154 million passengers in 2020/21; a 56.4% decline when compared to 0.353 million journeys in the previous year.
 - Rail patronage reduced to 0.250 million journeys in 2020/21; an 85.1% decline when compared to 1.680 million journeys in the previous year.
- Metro reliability (operated mileage) was 95.8% during 2020/21, stable versus the figure of 95.7% achieved in the previous year.
- Metro reliability (Charter punctuality) was 87.4% during 2020/21, an increase on the 80.8% achieved in the previous year.

NECA Staffing

- NECA continues to adapt and change to meet the requirements of the area, while keeping costs to a minimum. Many services are provided through Service Level Agreements with constituent local authorities.
- On 1 April 2020 the Accountable Body responsibility for the North East LEP transferred to NTCA and the TUPE transfer of LEP and Invest North East England staff to NTCA was also completed.
- On the same date, the TUPE transfer of 10 staff previously employed by Newcastle City Council and Nexus and seconded to NECA was completed. The majority of these staff work in the North East Transport Strategy Unit.

- Changes have been made to support arrangements during 2020/21, including the transfer of provision of financial systems support from Newcastle City Council to Durham County Council, and the provision of ICT support from Newcastle City Council to Gateshead Council.

Table 6 – Change in Staffing numbers since 2015/16

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

11. Impact of the Covid-19 pandemic

It is clear that the pandemic has had a profound economic impact with the NECA area hit hard given the high proportion of jobs across the area in at-risk sectors (particularly hospitality, retail, visitor economy and travel). Town and city centres were hit by the major drop in footfall and national retailer restructuring and store closures, while manufacturers, particularly automotive, experienced supply chain issues. Many firms exhausted reserves and cash flows, with real concerns about survival.

The impact on the labour market was also significant, with a rise in total unemployment since March 2020 (5.4% in North East compared to 4.8% nationally) and the unemployment claim count in the NECA area up from 4.7% in March 2020 to 7.5% in April 2021, particularly amongst 18-24s (up 4,000). The rate has flatlined since the Autumn with Furlough keeping this down; circa 60,000 workers (13% of workforce) were on Furlough at the end of March 2021.

Over the past year transport has also been dominated by Covid-19. The major reductions in public transport use, and uncertainties over the scale and pace of any recovery in this remains a major challenge for the area. At the same time the rapid recovery of general traffic levels, in some cases to levels above those seen before the pandemic, emphasise the continued need to focus investment on more sustainable and less polluting forms of transport.

The NECA Response

The four Local Authorities have supported businesses throughout the pandemic, including:

- Restart Grants
- Open, Closed & Sector Local Restriction Support Grant schemes
- Additional Restrictions Grants
- Christmas Support Payments for Wet-led Pubs
- Helping businesses to access Government loans
- Signposting to support (particularly on import/export re EU Exit)
- Coordinating Kickstart six-month placements
- Accessing Getting Building Funds to accelerate key projects

This is alongside monitoring the impact upon key sectors and trends (an anecdotal rise in start-up activity and industrial unit demand is being seen) and reporting feedback and concerns to BEIS and MHCLG, such as issues around those excluded from support.

In Transport, NECA acting through the JTC has provided support to TT2 Ltd which experienced significant reductions in traffic volumes using the tunnels. Bids have been coordinated by Transport North East to obtain much needed grant funding support for transport activity for the seven north east councils and Nexus.

Staff working through our delivery partners including Nexus and TT2 have continued working on the front line throughout the pandemic delivering excellent customer service, often in difficult circumstances, to enable essential journeys to continue.

Delays have been experienced on some areas of the capital programme in 2020/21 as a result of the pandemic, particularly on Transforming Cities Fund schemes. This presents a challenge for future years as funding is time-limited and significant works are required by local authority scheme promoters to complete delivery.

12. Looking Ahead

Transport

During 2021/22 the North East Joint Transport Committee will need to publish a Bus Service Improvement Plan by the end of October, and by April 2022 will need to have a formal Enhanced Partnership with operators in place or be following the statutory process to decide whether to implement a franchising scheme.

Transport Programmes coordinated by Transport North East on behalf of the JTC area include Transforming Cities Fund (TCF) and Active Travel Fund. TCF will deliver major improvements to the area's sustainable transport infrastructure. The 'Metro Flow' project will deliver dualling of the single-track sections of Metro between Pelaw and Bede on the South Shields route. This will allow for improved reliability and potentially higher frequency services over much of the Metro network. Other schemes being funded from this source include a new bus station for Durham, improvements to Sunderland rail station and major improvements to pedestrian and cycle routes in Gateshead. A region wide scheme providing improvements to traffic signals on the main bus routes is also under development.

The Government's strategy for walking and cycling, Gear Change, published in July 2020, sets out a commitment to further investment in improving active travel. Local authorities are already developing ambitious proposals for improving active travel infrastructure and the additional funding promised in the strategy should help build on current work to provide further improvements in future.

Publication of the Government's Integrated Rail Plan (IRP) is still awaited. This will give greater clarity on future priorities for investment in key connections such as the East Coast Main Line. A programme board has been established to develop the business case for re-opening of the Leamside Line. This will bring together the various projects and interests involved in this to develop a single focused approach to re-opening the full extent of the line between Pelaw and Ferryhill.

Further improvements to infrastructure for Electric Vehicles, including the new Electric Vehicle filling station in Sunderland, have been delivered as part of the Go Ultra Low (North East) project. Further

funding has now also been secured by the North East Joint Transport Committee from the Local Growth Fund to fund further expansion of the network of charge points available.

It is estimated that increases in traffic levels at the Tyne Tunnels will occur at each stage of lockdown easing in spring/summer 2021, but there is no certainty that traffic levels will again reach the previous pre-covid levels. Many businesses and individuals have changed their journey habits due to Covid, for example shifts in modes of transport, more online meetings and more home-working, all of which may mean fewer journeys overall on a permanent basis.

Work is continuing in developing the 'Tyne Pass' project to introduce a fully automated payment system using Automatic Number Plate Recognition (ANPR) technology at the Tyne Tunnels, to replace the existing coin and permit systems, and it is planned to launch later in the 2021/22 financial year.

Economic Development and Digital

The inward investment outlook for 2021/22 is more promising, with a number of big projects opening or shortly to be announced.

Invest North East England continues working with partners on significant new projects in a variety of sectors which involve many thousands of new jobs. A particular focus this year will be on developing a Northshoring campaign; attracting energy sector projects; strengthening relationships with key overseas Department of International Trade posts, particularly in Europe, USA and India; contracting with Department for International Trade and programme managing the Northern Powerhouse Key Account Management programme in the North East and continuing to work on proactive lead generation.

Local Authorities are working on applications for the Levelling Up Fund, launched by Government in March 2021.

There has been excellent progress on broadband coverage following Digital Durham collaboration and the attraction of commercial rollout. There is now a need to collaborate further with the private sector and Government to drive gigabit-capable coverage.

Finance, Skills and Employability

Employment and Skills issues and opportunities for development remain under development through meetings of the Skills and Employment Working Group. In responding to the Further Education Reform White Paper, areas of interest and focus currently being examined by member authorities as part of the development of improved Employment and Skills working across the NECA area include:

- Strategic Development Funding to foster College-LA collaboration;
- Create a further Institute of Technology (based around digital or green growth) and/or widen sector focus of current North East IoT at New College Durham
- Pilot a sector-specific Skills Bootcamp linked to the National Retraining Strategy in a skills shortage area (i.e. manufacturing)
- Marketing push from Gov on Lifetime Skills Guarantee across LA7 (and potentially piloting something similar for higher level technical skills)
- Offer to be a pilot area for the new Skills and Productivity Board to look at employment projections and labour market needs analysis (with a real focus on reskilling and progression)
- Dedicated College Business Centres linked to key business sites
- Prioritise North East bids to FE Capital Transformation Fund

- AEB devolution across whole area LA7 so ensuring the whole of the North East can shape provision (with ability to tailor Skills Guarantee)
- DfE to work in partnership to ensure coherent place-based offer (by devolving Traineeship funds too)
- Raise 25% apprenticeship levy transfer threshold to 50% (and recycle levy underspend)
- Funding for more trained and qualified careers guidance specialists in schools and communities (pilot more locally based activity with the aim of reducing NEET levels)
- Creation of an Adult Education Maintenance Allowance to meet living costs (if UC changes allowing people to train full time covers training costs)
- Strengthened partnership with National Careers Service (beyond the new website being created) to realise their aim of an all-age careers system
- Further support for Furloughed employees who will need to change jobs/retraining

13. 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:

Eleanor Goodman
Finance Manager, NECA
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Date: 22 June 2021

Subject: Consideration of 'Going Concern Status' for the Statement of Accounts for the year ended 31 March 2021

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 2020/21 (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 2021 NECA held general reserves of £7.166 million (provisional) and reserves earmarked for specific future purposes, including those held on behalf of Nexus, of £11.452 million (provisional);
- (c) net assets at 31 March 2020 amounted to £98.589 million (provisional);
- (d) the authority has been able to set a balanced budget for 2021/22 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

It is recommended that the committee 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 2020/21 (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 existence 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. Such a transfer has taken place during 2020/21 with the transfer on the 1 April 2020 of the accountable body responsibility for the North East Local Enterprise Partnership (North East LEP) to the North of Tyne Combined Authority (NTCA).

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
2017	170.698
2018	163.599
2019	114.283
2020	125.141
2021 (provisional)	98.589

2.5 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 2019/20 and was reported to the Audit and Standards Committee on 27 October 2020. Within that report the external auditor stated he was satisfied that in all significant respects, the authority had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Current Position

2.9 At 31 March 2021 the authority held general reserves of £7.167 million (provisional) and reserves earmarked for specific future purposes, including those held on behalf of Nexus, of £11.453 million (provisional).

2.10 The financial position of the authority remains healthy. Net assets at 31 March 2021 amounted to £98.589 million (provisional), a decrease of £26.552 million during 2020/21. However, this is mainly due to the transfer on 1 April 2020 of Accountable Body responsibility for the North East Local Enterprise Partnership, and the accompanying transfer of assets, liabilities and reserves relating to the North East LEP to the North of Tyne Combined Authority.

Future Plans

- 2.11 The authority approved its budget for 2021/22 and Medium Term Financial Strategy (MTFS) to 2023/24, at the Leadership Board meeting on 2 February 2021.

Medium Term Financial Strategy – 2021/22 to 2023/24

- 2.12 The financial outlook for the constituent local authorities that form NECA will continue to be extremely uncertain until the Comprehensive Spending Review and the Fair Funding Review are 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 unlikely that there will be clarity in any of these areas until well into 2021/22, most likely the autumn of 2021 at the earliest. This continues to make medium term financial planning difficult because NECA is largely funded by the constituent local authority contributions in the form of the Transport Levy and contributions to the Corporate costs of the authority.
- 2.14 The Fair Funding Review, which was originally scheduled for implementation from April 2020 alongside a move to 75% Business Rates Retention (BRR) has been delayed until at least 2022/23.
- 2.15 There is currently no certainty in terms of the quantum of funding available to local government from 2022/23 onwards, nor how this funding will be apportioned between authorities. It is clear however that there are significant risks to the funding for the constituent authorities of NECA and the North East Joint Transport Committee (JTC) depending on the principles that are ultimately agreed for fair funding distribution and how any move to 75% BRR is implemented.
- 2.16 The COVID-19 pandemic will also continue to have a significant financial impact on the constituent authorities and NECA in 2021/22 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 has recovered somewhat during 2020/21 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.
- 2.17 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 onto the Durham County Council platform.
- 2.18 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.
- 2.19 The MTFS sets out the authorities 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.

- 2.20 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.
- 2.21 After taking into account base budget pressures, additional investment and savings, the authority's net budget requirement for 2021/22 is £83.065 million. The financing of the net budget requirement is detailed in the following table.

Financing of the 2021/22 Budget

Funding Stream	Amount £m
JTC Transport Levies	82.895
Contributions from constituent local authorities – NECA Corporate	0.100
Contributions from constituent local authorities – JTC Accountable Body	0.070
TOTAL	83.065

Capital Funding

- 2.22 On 19 January 2021, the JTC agreed the 2020/21 revised capital budget and the capital programme for the period 2021/22 to 2023/24.

	2021/22	2022/23	2023/24
Transforming Cities Fund (Tranche 1)	0.248	0.000	0.000
Transforming Cities Fund (Tranche 2)	34.735	67.547	0.000
Metro Asset Renewal Plan	19.222	40.100	43.200
Metro Fleet Replacement	63.069	71.200	94.400
Nexus Other Capital Projects	8.252	3.100	0.300
Metro Flow	8.100	92.500	0.800
Tyne Tunnels	0.500	0.000	0.000
Local Transport Plan	11.309	11.309	11.309
Active Travel Fund	7.239	0.000	0.000
	152.674	285.756	150.009
Funded by:			
Government Grants	147.174	282.756	147.609
Reserves	5.500	3.000	2.400

- 2.23 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".

2.24 The authority has been able to set a balanced budget for 2021/22 and has a clear plan in place to continue to deliver services up to 2024. Based upon this, it is evident that the authority is a going concern.

Financial Reserves

2.25 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.

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

Risk

2.27 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 2021/22. Given the pressures faced, particularly from social care, 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 is expected to be implemented in 2022/23. 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 which will need to be closely monitored;
- it is not possible to be clear at this point as to any long-term impact from the coronavirus 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.

2.28 Based upon the above there are no risks which would indicate that the authority is not a going concern.

Conclusion

2.29 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.

2.30 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 2020/21 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 2021.

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, NECA Finance Manager,
eleanor.goodman@northeastca.gov.uk, 0191 433 3860

17. Sign off

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

Date: 22 June 2020

Subject: Draft Annual Governance Statement 2020/21

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 2020/21 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.

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. Normally this would be at the September meeting, however, due to the delays in commencing the external audit this is likely to be in November or December 2021. The Audit and Standards Committee is requested to consider the draft 2020/21 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 2020/21 Annual Governance Statement

2.1 The 2020/21 Annual Governance Statement 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 2020/21
- Views of the external auditor and other external inspectorates

Audit and Standards Committee

- Key Partnerships - Completion of assurance statements
- 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 2020/21 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 General Data Protection Regulations – Data Protection Officer Role and the Finance Service Relocation. Both audits are complete, in addition, an audit of the Local Transport Grant claim was undertaken for the Authority. 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.

Audit and Standards Committee

- 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 issued an unqualified opinion on the NECA 2019/20 accounts and an unqualified value for money opinion. An audit of the Authority's 2020/21 accounts will shortly commence , and further assurance will be given at that point before the accounts are finalised.
- 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 2020/21 that merits disclosure in the Annual Governance Statement 2020/21.

4. Proposals

- 4.1 The Committee are asked to agree the draft 2020/21 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

Audit and Standards Committee

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.

6. Next Steps and Timetable for Implementation

6.1 The final Annual Governance Statement will be considered by the Audit and Standards Committee in November / December 2021, before it is included in the 2020/21 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 2020/21 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 2020/21.

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.

Audit and Standards Committee

11. Equalities and Diversity

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

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 Assurance Statement

16. Background Papers

Audit and Standards Committee

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

17. Contact Officers

17.1 Tracy Davis, Assistant Head of Assurance
E mail: tracy.davis@sunderland.gov.uk
Mobile: 07342704254

18. Sign off

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



ANNUAL GOVERNANCE STATEMENT 2020/21

In partnership with



Durham County Council



Gateshead Council



South Tyneside Council



Sunderland City Council



North East LEP



NEXUS

Annual Governance Statement 2020/21

Section 1	Introduction
Section 2	Scope of Responsibility
Section 3	The Purpose of the Governance Framework
Section 4	The Governance Framework
Section 5	Annual Review of Effectiveness of Governance Framework
Section 6	North East Joint Transport Committee and North of Tyne Combined Authority
Section 7	Significant Weaknesses in Governance and Internal Control
Section 8	Conclusion

Section 1: Introduction

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

Section 2: Scope Of Responsibility

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

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

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

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

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

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

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

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

- a) identify and prioritise the risks to the achievement of our aims and objectives; and
- b) evaluate the likelihood of those risks being realised, the impact should they be realised, and to manage them efficiently, effectively and economically.

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

Section 3: Purpose Of The Governance Framework

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

The Governance Framework has been in place for the year ended 31 March 2021 and up to the date of approval of the Authority's Annual Report and Accounts.

This Annual Governance Statement meets the requirements of the Accounts and Audit Regulations 2015 (Amended 2020) (6) (1) to conduct a review of the effectiveness of the system of internal controls required by Regulation 3 and prepare an Annual Governance Statement.

Section 4: The Governance Framework

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

1. Ensuring openness and comprehensive stakeholder engagement

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

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

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

1.4 During the COVID 19 pandemic meetings have been held remotely up until April 2021. The AGM for NECA was held in June 2021 in person in line with the change in Governments Policy.

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

1.6 Our [Freedom of Information Scheme](#) is published on our website.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5.4 The control and financial management arrangements are reviewed by Internal and External Audit throughout the year. The outcome for 2020/21 are noted in Section 5 of this Statement - Annual Review of Effectiveness of Governance Framework.

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

5.6 An assessment of the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the Authority's internal auditors. The chief internal auditor will provide an annual opinion for 2020/21 to support this AGS.

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

6.1 The North East LEP works with its partners to produce and deliver the Strategic Economic Plan (SEP). The SEP was updated January 2019 at a time of significant change for the global

and national economy. New opportunities in technology and areas such as ageing, and the management of climate risks provide potential for economic growth.

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

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

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

7.2 We publish details of [delegated decisions on our website](#).

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

Section 5: Annual Review Of Effectiveness Of Governance Framework

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

The review is informed by:

(a) The views of our internal auditors, reported to Audit and Standards Committee through regular progress reports, and the Annual Internal Audit Opinion. The Annual Internal Audit Opinion for 2020/21 is that the authority has good control arrangements in place. The internal Audit service complies with the CIPFA Statement on the Role of the Head of Internal Audit (2010) and the Public Sector Internal Audit Standards. The service receives a regular independent review against these standards, the last being in December 2018 which concluded:

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

- (b) An annual review of the effectiveness of internal audit (as required by Public Sector Internal Audit Standards).
- (c) The views of our external auditors, reported to Audit and Standards Committee through regular progress reports, the Annual Audit Letter and Annual Completion Report.
- (d) The activities and operations of the themes (economic development and regeneration, employability & inclusion, and transport & digital connectivity) and significant partnerships through written assurance statements.
- (e) The views of the Authority’s Monitoring Officer, Chief Finance Officer and Senior Information Risk Owner, through written statements (Appendix 2 of the Annual Governance Review 2020/21 Report).
- (f) The views of Members through the ongoing activities of Audit and Standards Committee (providing independent assurance on the effectiveness of the governance and internal control environment). And an Overview and Scrutiny Committee who review and scrutinise Leadership Board decisions as well as other Transport committee’s decisions.
- (g) The Risk Management process, particularly the Strategic Risk Register.

- (h) Performance information which is reported to Leadership Board and other meetings on a regular basis.
- (i) The assurance framework that is in place to ensure Local Growth Fund monies are subject to appropriate levels of internal control and are focussed on the delivery of the Combined Authority's objectives and delivery of the Strategic Economic Plan.
- (j) An Assurance Statement from Nexus has been obtained and is attached at Appendix 4 of the Annual Governance Statement 2020/21 Report. The opinion of the Nexus Chief Internal Auditor for 2020/21 is "*The opinion of the Chief Internal Auditor (Nexus), based on the internal audit work undertaken in year, is that there is an adequate and effective framework of governance, risk management and control.*"

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

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

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

NECA as accountable body for the Joint Transport Committee and the functions delegated to it, are responsible for overseeing the legal and financial management of all regional transport resources, recognising that the assets are, in many cases jointly owned by the two Combined

Authorities. NECA will also host the Transport Strategic Unit (formerly named the Regional Transport Team), including the newly appointed Proper Officer for Transport.

Section 7: Significant Weaknesses In Governance and Internal Control

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

The review highlighted no significant weaknesses in governance or internal control during 2020/21.

Section 8: Conclusion

We consider the governance and internal control environment operating during 2020/21 to provide reasonable and objective assurance that any significant risks impacting on the achievement of our principal objectives will be identified and actions taken to avoid or mitigate their impact.

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

The annual review has shown that the arrangements for 2020/21 are in place and operating as planned.

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

Head of Paid Service

Full Name:

Signature:

Date:

Chair of the North East Combined Authority

Full Name:

Signature:

Date:



Chief Finance Officer Assurance Statement for 2020/21

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 2020/21 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 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:

A handwritten signature in black ink, appearing to read 'P. Darby', written over a white background.

Paul Darby

Date: 11.06.21



Monitoring Officer (Core) Assurance Statement for 2020/21

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 2020/21 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

A handwritten signature in black ink, appearing to read 'N Robason', is written over the printed name.

Date: 4 June 2021

Senior Information Risk Owner Assurance Statement for 2020/21

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 2020/21 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.

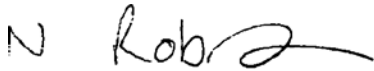
Whilst NECA policies do require further updating considering the transitional and accountable body changes in relation to the North East Local Enterprise Partnership, they remain fit for purpose.

- 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

A handwritten signature in black ink, appearing to read 'N Robason', written in a cursive style.

Date: 4 June 2021

NEXUS

Assurance Statement for 2020/2021

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.

Within Nexus, the following arrangements have been in place during 2020/2021 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 2020/2021 Internal Audit Plan was kept under review by Nexus' Audit Committee which comprises three non-Executive Board members. The Audit Committee also received updates in connection with Nexus' corporate risk register at each meeting;
- Although Nexus received a modified audit report in connection with its 2019/20 accounts, this was solely because External Audit were unable to attend a stock take scheduled for March 2020 owing to COVID-19 lockdown restrictions which prevented them from concluding that the value of Nexus' inventory was materially fairly stated. Apart from this modification in relation to Inventory, the external auditor's report included an opinion that the financial statements gave a true and fair view of Nexus's financial position as at 31 March 2020 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 2019/20.;
- Effective partnership and contracting arrangements were in place;
- The COVID-19 pandemic adversely affected Nexus and the services it provides 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;
- Nexus has continued to respond to the COVID-19 pandemic in the following ways:

- we have increased the frequency of cleaning across the Metro and public transport network and in our offices, with a particular focus on 'touch points' e.g. areas that have been identified as potentially higher risk of harbouring infection;
- employed additional support as part of the Customer Engagement Team to encourage people to wear their masks on Metro and ensure correct ventilation on Metrocars;
- provided screens in offices across Nexus locations to provide a COVID-secure working environment for employees who must go into the office, made the wearing of masks mandatory when moving around Nexus buildings, and provided hand sanitising stations throughout Nexus locations;

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:

A handwritten signature in black ink, appearing to be 'A. Z. A.' with a horizontal line underneath.

Name in full: JOHN FENWICK

Date: 4th June 2021

Date: 22 June 2021
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 April 2021. Consequently, the Strategic Risk Register still contains 13 risks.

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

The 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 currently 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 ongoing Covid-19 pandemic;
- b) the direct negative impact of the ongoing Covid pandemic on business activity;
and
- c) the need to change behaviour in society to achieve some of the objectives.

The level of risk associated with the remaining seven 'organisational' risks previously reported relating to NECA has remained stable with no changes reported since the previous update to the Committee in April 2021. This includes the risk level of 'high' regarding the level of funding available to NECA.

While the UK government has the ambition to 'level up' the economy, the government's ability and willingness to invest in infrastructure, skills and growth may be reduced due to the financial consequences of the Covid-19 pandemic. There is also some continued uncertainty over future UK development funding although some information is now available on the Shared Prosperity Fund, in the form of the Prospectus for its forerunner the UK Community Renewal Fund and the Prospectus for the Levelling up Fund.

The North East Joint Transport Committee (JTC) Strategic Risk Register was updated and last considered by the JTC Audit Committee in June 2021 and is attached to this report. A further update is scheduled for consideration by the JTC Audit Committee in September 2021.

Recommendations

The Audit and Standards Committee is asked to consider the NECA Strategic Risk Register (noting the Strategic Risk Register of the JTC) 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.
- 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 It should be noted 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.

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 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 need¹³²

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

2.4 The Strategic Risk Register has been updated in light of the content of recent reports considered by the NECA Leadership Board and its sub-committees, information from other relevant bodies e.g. North East LEP, Joint Transport Committee etc, and discussions with NECA, JTC and NECA Member officers.

Any recent changes, developments or activities considered relevant to the assessment of NECA's strategic risks have been highlighted in **green** 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) The majority of changes relate to recent developments relevant to the achievement of NECA's strategic objectives and the availability of future funding. These changes are recorded in the 'likelihood' section of each risk in Appendix 2. Notable factors include:
- The government's intention to apply to join Asian and Pacific nations in the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, a drop in UK exports of 8.7%/£7 billion on Quarter 1 of 2021 according to the ONS, the creation of eight new Freeports, with Teeside being the closest to the NECA Region.
 - A government White Paper to develop further education to support the Prime Minister's Lifetime Skills Guarantee, government statement that UKSPF will replace EU Structural Funds investment from 2022 and the release of the Prospectuses for the UK Community Renewal Fund and the Levelling Up Fund.
 - Release of the government's Project Gigabit: Phase One Delivery Plan with details of procurements starting for telecoms providers to compete for subsidies to deliver gigabit capable networks to specific areas across the UK including the NECA region in Phase 1a.
- c) With regard to the risk regarding the 'future availability of funding' one further cause as to why future funding may be at risk has been added in Appendix 2.
- d) Based on comments made at the Audit and Standards Committee in December 2020 in Appendix 2, for each strategic risk, factors affecting the 'likelihood' of the risk occurring have been categorised between i) those which are beyond the control of NECA and ii) those which are considered within control of NECA, its members and its partners e.g. NELEP.
- e) For further clarification a review has been carried out to group causes, likelihoods and mitigating actions under common themes where this appears relevant. There is also now a specific split between factors affecting the likelihood of risks occurring and the actual, current controls that are in place to address them. Together this has been done to identify clear links between, causes, likelihood factors and the activity to that is within the control of the NECA and its partners to address them in the form of current controls and mitigating actions. It is also hoped that this will support the ongoing appraisal and development of activity that seeks to address the identified risks.

- 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 'NECA Strategic Risk - Details' 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.

Appendix 4 contains the report prepared for the JTC Audit Committee in June 2021 regarding the JTC Strategic Risk Register.

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 2021/22 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.

Appendix 4 - Report prepared for JTC Audit Committee in December 2020 regarding the JTC Strategic Risk Register

14. Background Documents

14.1 None

15. Contact Officers

Tracy Davis – Senior Manager – Assurance, Sunderland City Council.
tracy.davis@sunderland.gov.uk
Telephone - 07342704254

16. Sign off

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

NECA Strategic Risks - Summary			
Risk Title & Description	Risk Level (RAG Rating)	Direction of Travel	Notes
Risks to Achievement of NECA Strategic Objectives			
<p><u>1 Decarbonise the growing economy in NECA area.</u></p> <p>Failure to achieve the planned outcomes to realise the decarbonisation of economic activity, infrastructure and housing within the NECA area.</p>	Red 12	Static	Due to possible negative impact of Covid-19 on future funding and need for behavioural change
<p><u>2 Further development of international trade and investment in the NECA area</u></p> <p>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.</p>	Red 12	Static	Due to possible negative of Covid 19 on future funding/investment downturn in world economy and impacts of EU Exit
<p><u>3 Better Skills and More Quality Jobs</u></p> <p>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</p>	Red12	Static	Due to possible negative impact of Covid-19 on future funding and economic activity and need for behavioural change
<p><u>4 Draw many more NECA residents into the economic mainstream</u></p> <p>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.</p>	Amber 9	Static	Due to possible negative impact of Covid-19 on future employment opportunities and on future funding
<p><u>5 Become a sustainable well-connected region</u></p> <p>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</p>	Red 12	Static	Due to possible negative of Covid 19 on future funding

connectivity, and to achieve a high level of digital skill within the workforce.			
<p><u>6 Shaping the Great North East</u></p> <p>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.</p>	Red 12	Static	Due to possible negative impact of Covid-19 on funding and economic activity

NECA Strategic Risks - Summary

Risk Title & Description	Risk Level (RAG Rating)	Direction of Travel	Notes
NECA Organisation Risks			
<p><u>1 Future Availability of Funding</u></p> <p>Sources and levels of funding available to NECA may not be aligned to the Strategic Economic objectives of NECA.</p>	Red 12	Static	<p>Uncertainty over future UK development funding due to EU Exit and the possible negative impact of Covid-19</p>
<p><u>2 Funding Opportunities</u></p> <p>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.</p>	Amber 8	Static	N/a
<p><u>3 Use of Funding and Resources</u></p> <p>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.</p>	Amber 8	Static	N/a
<p><u>4 Governance Arrangements</u></p> <p>The governance arrangements of NECA are not appropriate to allow effective and timely decision making and the achievement of its objectives</p>	Amber 8	Static	N/a
<p><u>5 Operational Capacity and Resourcing</u></p> <p>NECA does not have the necessary operational capacity, skills and budget, to successfully deliver its, objectives, plans and responsibilities.</p>	Amber 8	Static	N/a
<p><u>6 Delivery of Projects/Programmes</u></p> <p>Projects which are funded through NECA are delayed, are significantly overspent or do not deliver the intended product to meet the identified transport need.</p>	Green 6	Static	<p style="text-align: center;">N/a</p> <p style="text-align: right;">139</p>

<u>7 Infrastructure Assets</u> Infrastructure assets which are owned by NECA are inadequately managed and maintained.	Green 6	Static	N/a

Strategic Risks - Details

Risks to the Achievement of NECA Strategic Risks	
<p><u>1 Decarbonise the growing economy in NECA area</u></p> <p>Failure to achieve the planned outcomes to realise the decarbonisation of economic activity, infrastructure and housing within the NECA area.</p>	<p><u>Risk Owner</u> Head of Paid Service</p>
	<p><u>Risk Score</u></p>
	<p>Red 12</p>
	<p>Likelihood – Medium 3 Impact – Critical 4</p>
<p>Possible Cause(s):</p> <p><i>Central and Local Government Policies</i></p> <ul style="list-style-type: none"> • Lack of effective carbon offset schemes. • Lack of prioritisation of carbon neutral agenda by policy decision makers e.g. UK government resulting in the: <ul style="list-style-type: none"> - lack of ambitious targets being set for renewable/clean energy use and energy efficiency goals e.g. timescales not ambitious. - decisions relating to carbon reduction being made for short term expediency e.g. elections rather than for long term benefits. - lack of regulation to encourage decarbonisation e.g. imposition of emission standards for products, processes, vehicles etc; imposition of energy efficiency standards for vehicles, appliances, buildings/houses etc; lack of carbon pricing and taxation etc - lack of procurement which favours low/no carbon emission products so supporting new emerging clean industries and leading by example. - lack of effective funding arrangements to facilitate the move to cleaner energy e.g. lack of investment in research and development into clean energy technologies where it is not commercially attractive to do so; not eliminating/reducing subsidies related to fossil fuels; lack of funding to subsidise the price of energy efficient appliances/measures to those on low incomes and to help them not be disadvantaged by decarbonisation; lack of funding to subsidise the cost of deploying low/no emission technology where it is not currently cost effective as high carbon alternatives; lack of tax reliefs to encourage business to develop and introduce new cleaner technologies. - lack of 'structural' assistance finance packages to support communities where decarbonisation has a negative economic impact to enable for example, workers in declining industries to retrain. - the 'propping up' of industries which are being displaced by the move to cleaner energy. - lack of incentives to encourage business investment in new cleaner technologies. - lack of arrangements to facilitate the transition away from fossil fuels e.g. lack of agencies to help kickstart investment in and set up of new 'green' industries. - lack of provision of information to the public and business to inform them of ways to save energy or move to other alternative cleaner energy sources. • Lack of committed well targeted long-term funding at local, regional or national government level for the activity to transition to a decarbonised economy. • Council/other public and private sector delivery partners' policies and priorities are not aligned to NECA aims/plans re carbon neutrality for the economy 	

Regional Planning

- The potential effect of the activities planned by NECA, North East Joint Transport Committee and its delivery partners to achieve carbon neutrality are over-stated.
- Lack of a coordinated realistic regional plan and vision to achieve the decarbonisation objectives in the NECA region and/or lack of will/'buy in' or resources to deliver plan by all or some stakeholders.
- As 80% of world energy sources is currently fossil fuel, the sheer scale of change to decarbonise an economy may mean the rate of change is slow and the planned timescales to achieve this are overoptimistic.
- 19 Lack of planning to achieve decarbonisation goals in the north east area.

Public Acceptance

- The cost of alternative clean energy e.g. solar, wind etc remains high relative to the cost of fossil fuels making it unattractive to energy users, both business and domestic.
- The relatively large up-front cost of renewable energy infrastructure, equipment means it may be unattractive to users, both business and domestic, to switch from fossil fuel technology e.g. installation of solar panels, cost of electric vehicle
- Lack of availability of transformative clean energy technologies to enable all users, both business and domestic, to move to clean energy
 - for use in all activity where fossil fuels are currently used e.g. fuel for aeroplanes, other industrial applications, and
 - which is lower priced, as convenient, as reliable and as safe as fossil fuels.
- The impact of alternative energy sources e.g. renewable electricity on the environment e.g. wind turbines, land needed for solar panels etc may cause opposition leading to the cessation of development of, or delays in the delivery of, decarbonising arrangements.
- The potential negative economic impact of communities hit by the removal of carbon producing industries as part of the decarbonisation process may lead to opposition to stop or slow down the transition process e.g. politicians protecting interests of the people they represent.
- Business and energy users' unwillingness (e.g. due to fear, lack of knowledge/information about alternative energy sources and impact of carbon emissions on the environment, scepticism etc) or inability (e.g. due to lack of finance, infrastructure, etc) to change behaviours to take action to reduce their use of fossil fuel energy further or their activity indirectly causing carbon emission (e.g. diet, recycling etc) or to switch to new clean energy.

Covid-19

- 11 Due to a financial recession, e.g. caused by Covid 19 pandemic, organisations, both energy users and producers, may cut back on, or do not have, the resources, e.g. finance, hr, skills etc to
 - invest in research and innovation to develop new clean energy sources or new processes, infrastructure or equipment to distribute new clean energy, or
 - adapt to and embrace the use and application of new clean energy technologies in all aspects of production, movement and supply, or
 - make processes, using energy sourced from fossil fuels, more energy efficient, or
 - manufacture, market and install new renewable or alternative energy technologies.

Infrastructure Change

- 12 Lack of available funding to develop or maintain infrastructure for new clean energy technologies and to allow a transition of the economy as a whole from reliance on fossil fuels to new cleaner energy.
- 16 Lack of skills and personnel required to carry out the work necessary to achieve decarbonisation within the private sector (e.g. industrial, energy, housing, agricultural,

transport sectors etc) and public sector (e.g. public transport).

- 17 Lack of fully developed technologies e.g. carbon capture and storage.
- 18 Lack of infrastructure to support adoption of new energy technologies e.g. electric car charging points.

(* 'Decarbonising the economy' is defined as the activity to reduce and eliminate carbon emissions into the environment to improve its quality.

Potential Impact/Consequence

Without the reduction and/or elimination of carbon emissions into the atmosphere, the levels of carbon dioxide, nitrogen dioxide, other greenhouse gases and air particulates will remain high so:

- contributing to climate change with potential for extreme weather events.
- continuing to effect adversely the health of the population by increasing symptoms of respiratory (e.g. asthma) and cardiovascular disease (e.g. lung cancer, strokes, heart disease) in some cases leading to death. Air pollution can also an impact of child development and development of dementia. This increases pressure on NHS resources e.g. increase hospital admissions.
- contributing to lower productivity in the region due to work absence for health reasons
- exacerbating health inequalities as certain groups in society are more susceptible to high levels of air pollution e.g. elderly, children, those with disabilities, lower income groups who tend to live in housing in urban areas near roads

Likelihood:

Factors outside of JTC Control

Central Government Policy

- As part of climate change legislation, Climate Change Act 2008, the UK government has committed to a goal that the country achieves carbon neutrality by 2050.
- The UK has reduced its carbon emission by 42% from 1990 to 2017, with progress particularly within the power and waste sectors. *In April 2021 the government announced they plan to reduce emissions by 78% by 2035.*
- As part of the government's carbon neutrality commitment and to drive a significant acceleration in the pace of decarbonisation, as part of the UK Industrial Strategy, a 'Clean Growth' strategy has been adopted which sets out the action the UK government will take to cut emissions, increase efficiency, help lower the amount consumers and businesses spend on energy across the country and put cleaner growth at the centre of its industrial strategy. The strategy includes action across all sectors i.e. business/industry, transport, power, natural resources, homes, and public sector. However, progress in some areas, e.g. home energy efficiency, is based on the condition 'where practical, cost-effective and affordable'.
- In December 2020, UK government launched its ten-point plan for a 'Green Industrial Revolution' to build back better, support green jobs, and accelerate the UK's path to net zero carbon emissions mobilising £12 billion of government investment as well as private sector investment. Areas include energy sources, transport, buildings, carbon capture.
- UK government has adopted measure to reduce carbon emissions. These include:
 - Committing funds into research re low carbon technologies across all sectors.
 - Energy Entrepreneurs Fund offers funding to businesses for the development and demonstration of state-of-the-art technologies, products and processes in the areas of energy efficiency, power generation and electricity storage.
 - Energy Innovation Programme which aims to accelerate the commercialisation of

innovative clean energy technologies and processes through the 2020s and 2030s e.g. Clean Growth Fund offers funding for start-up for new businesses seeking to commercialise promising technologies

- intention to ban sale of new petrol and diesel cars by 2030.
- investment in technological innovation re road vehicles e.g. batteries.
- introduction of an 'Air Quality Plan' to reduce air pollution. As part of this plan funding schemes have been made available for extending the charging infrastructure for ultra-low emission vehicles (ULEV) including fast charging, putting low emission buses and taxis on the road, and improving cycling and walking infrastructure.
- Levies and tax reliefs to encourage business to move to technologies that do not use fossil fuels e.g. Climate Change Levy, CRC Energy Efficiency Scheme, Landfill Tax, capital allowances on energy efficient items.
- Climate Change Agreements i.e. voluntary agreements between high carbon emission business sectors and UK government to reduce carbon dioxide emission and energy use in return for reduction in Climate Change Levy on energy bills.
- Building regulations have been put in place to ensure homes are more energy efficient e.g. from 2016 all newly built homes must be net carbon zero, from 2020 all privately rented properties must have a minimum energy efficiency rating. (However, there are still approximately 62% of homes in England not meeting the long-term target for minimum energy efficiency standards)
- The Home Energy Conservation Act 1995 recognises a local authority's ability to improve energy efficiency in all residential accommodation in its area e.g. by area-based initiatives to improve energy efficiency or promoting awareness of partner schemes.

Covid 19

- The Covid -19 pandemic has caused:
 - A switch to the use of cars (high greenhouse gas emitters), a growth in cycling and walking and a decline in public transport patronage. This is possibly due to the need for social distancing, increased home working reducing the need to travel and a fear of catching the virus
 - There has been a huge reduction in the use of public transport including bus services and the Metro causing a severe loss in income. Without appropriate funding this may result in a future reduction in service level provision in low carbon emitting public transport services.
 - Air quality improved during the lockdown due in part to less transport activity.
 - Increased rates in recycling of waste.
 - Severe drop in economic activity.
- The effect and cost of the Covid-19 pandemic on the UK economy may cause the UK government to reduce the level of funding available to the region to enable it to achieve its' decarbonisation objectives.
- To help the UK economy recover from the effects of the Covid pandemic the UK government introduced the £2billion Clean Homes Grant Scheme to aid domestic users make energy efficiency home improvements to their homes. Of this £500 million made available to Local Authorities to help low income households to improve energy efficiency in their homes. However, the scheme is due to end in 2021.
- The government's Energy Company Obligation Scheme (ECO) obligates energy suppliers to promote measures which improve the ability of low income, fuel poor and vulnerable households to heat their homes.

Energy Industry

- Promotion of smart meter scheme for domestic and business users.
- Ofgem, the government energy market regulator working on behalf of domestic and business customers, promotes environmental programmes to help users move towards

low carbon emission technologies e.g. Renewable Heating Initiative

Infrastructure

- The costs of many low carbon technologies: renewable power sources like solar and wind are becoming more comparable in cost to coal and gas.

Other Initiatives

- Introduction of schemes to reduce one-off use of plastics e.g. plastic bags

Factors within control of JTC, its members and its partners e.g. NELEP, and Current Controls

Current Controls:

Central and Local Government Policies

- NECA and all four Local Authorities in the region have declared a 'climate emergency' undertaking to
 - make each Council almost/totally carbon neutral by 2030
 - develop and deliver carbon reduction action plans to reduce the use of fossil fuels both by themselves e.g. LED street lighting, new/refitted energy efficient buildings, and, working with partners, residents and business, the council area each serves e.g. heat network development, awareness re recycling/reusing, measures to reduce energy consumption, development of enterprise zones supporting low carbon innovation e.g. the A19 Ultra Low Carbon Vehicles Corridor
 - make environmental considerations as part of decision making and working to reduce carbon emissions.
- NECA, its constituent Councils and its partners in the North East region e.g. North of Tyne Combined Authority, North East LEP continue to lobby and engage with the UK government to:
 - ensure policy makers and decision makers are aware of the decarbonisation vision, plan and policies and needs for the NECA and North East region e.g. submission of Covid North East Recovery and Renewal Deal.
 - provide the necessary powers, resources and funding to achieve NECA's decarbonisation agenda.

Joint Transport Committee

- One of the North East Joint Transport Committee (JTC) objectives for the JTC area is to reduce the level of carbon emissions from transport. The JTC is currently developing plans to achieve this goal e.g. greater usage of public transport and reduction in use of vehicles.
- NECA members via their membership of the North East Joint Transport Committee (JTC) continues to receive funding for transport initiatives which help to reduce carbon emissions e.g. part of Transforming Cities Funding funded schemes to encourage more travel by bus, cycling and walking improve the frequency and reliability of the Metro, speed up urban buses, make rail services more reliable, extend the cycling network and improve Park and Ride facilities; funding has been received for expanding the electric charging infrastructure in the north east; the Active Travel fund is enabling measures to support and encourage the increase in cycling and walking in the north east.

Local Powers

- Local councils have the powers to tackle air pollution and emission requirements.
- In accordance with provisions of planning legislation and national planning guidance, Local Planning Authorities have a duty to ensure approved Local Plans and planning

proposals should contribute to the mitigation of, and adaptation to, climate change.

Further Mitigating Actions

Central and Local Government Policies

NECA and other local partners e.g. NELEP continue to work with and lobby Government and influence emerging policy thinking.

Chair – NECA Leadership Board

<p><u>2 Further development of international trade and investment in the NECA area</u></p> <p>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.</p>	<p><u>Risk Owner</u> Head of Paid Service</p>
	<p><u>Risk Score</u></p>
	<p>Red 12</p>
	<p>Likelihood – Medium 3 Impact – Critical 4</p>
<p>Possible Causes</p> <p>Maintaining Level of Exports</p> <p><i>Brexit</i></p> <ul style="list-style-type: none"> • A trade deal with the EU is secured, but the increased bureaucracy around trading (export licences, border controls) may result in delays that impact upon just-in-time supply chains (again hitting the manufacturing and automotive sectors in particular) and increase costs making exporting less attractive. • Foreign business based in the UK/north east using the UK as a base to export to the EU may transfer some or all of their activity to the EU region after the end of the transition period. • Foreign direct investors may reconsider investing in the UK or choose to locate operations in EU countries in order to be closer to EU markets. • The UK government fails to secure new trade deals with non-EU countries after the end of the 'transition' period, including those replacing EU negotiated trade deals, resulting in less favourable trading terms e.g. imposition of tariffs making the price of good and services less competitive. • Lack of preparation by business and UK government to meet the new exporting requirements after the UK left the EU at the end of 2020. <p><i>Business Awareness and Skills</i></p> <ul style="list-style-type: none"> • Lack of knowledge, expertise and capacity within businesses (particularly SMEs) regarding exporting e.g. processes, regulations etc. • Lack of awareness of businesses regarding export opportunities in foreign countries. • Lack of advice support (e.g. from government) for businesses who wish to begin exporting and expand exporting activity. • Lack of finance by business to meet the costs of setting up to export. • Lack of understanding by business of the differences in a foreign country when transacting business e.g. language, social and cultural norms, laws and regulations etc. <p><i>Exchange Rates and Foreign Trading Policies</i></p> <ul style="list-style-type: none"> • Adverse exchange rates make the price of exported goods and services more expensive and less competitive. • Policy of the foreign countries with regard to importing foreign goods and services e.g. protectionism may mean exporters face exporting barriers making it less attractive to export e.g. quotas, embargos on goods/services, subsidies provided to locally produced goods/services, licensing requirements, procurement favouring locally produced goods/services. <p><i>Economic Slowdown</i></p> <ul style="list-style-type: none"> • Global economic slowdown resulting in lower demand for exported goods and services in foreign markets. 	

- A severe economic slowdown in the UK may result in the failure of businesses regularly exporting.

Attracting Direct Inward Investment

- Lack of entrepreneurial culture in the region.
- Lack of appropriately skilled and committed labour force.
- Lack of infrastructure to meet needs of potential investor e.g. accommodation for operations, transport, digital infrastructure/communication, support services, supply chains.
- Lack of attractiveness of financial incentive package to expand into the area.
- The level of bureaucracy and the potential for delays when moving to the area.
- Lack of quality of life for new personnel moving to the area e.g. housing, environment.
- The future economic prospects for the region are not promising.
- The UK leaving the EU may make the UK/NECA area less attractive than other countries within the EU for businesses seeking to trade with EU countries as well as the UK.
- Lack, or poor promotion, of the north east/NECA area. Lack of clarity as to how a potential investor may explore opportunities in the NECA area.
- The 'offer' provided by other UK regions/countries may be more attractive to a potential investor than the NECA area.
- Government policy makes it less attractive to potential foreign investors e.g. regulations limiting market access to certain business sectors/markets or favouring local business, lack of well-defined laws and arbitration processes, foreign ownership limits.

Diversifying Industrial Base

- Diversification can be achieved in 2 ways by:
 - attracting new direct investment into the region or
 - developing and growing businesses within the NECA area

Direct Inward Investment

- Re direct inward investment, see possible causes above.

Growth of Local Businesses

- Lack of aspiration and ambition from businesses and potential entrepreneurs.
- For persons considering starting their own business, a lack of confidence, finance and knowledge.
- Lack of support, advice, funding, facilities and mentoring for new business start-ups and those SME seeking to expand.
- Lack of clear pathway for SMEs and person starting a new business 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 given the hit to cash reserves and stockpiles from the Covid-19 pandemic

Potential Impact/Consequence

Without the maintenance of inward investment and export levels and the diversification of the industrial base in the NECA region:

- 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 increase the number of persons in employment and consequently the wealth of the region
- there will be less of an opportunity of good quality jobs in the areas for its citizens which may in turn cause person seeking employment to move away from the area.

Likelihood:

Factors outside of JTC Control

Exporting

- The area has a proven track record for exporting. Businesses in the NECA region export over £7billion of their output, approximately 30% of its output.
- A trade deal with the EU, accounting for 49% of UK exports and 60% of all North East exports, has been achieved. With no tariffs/quotas this is positive for international trading, however there are still 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. It is uncertain what the effect of the UK leaving the EU will be in the longer term regarding north-east exporting activity.
- In addition to the EU trade deal, the UK government is currently negotiating free trade deals with countries around the world. At the end of 2020 a further 63 deals covering approximately 10% of its export trade have been completed to date (source: <https://www.bbc.co.uk/news/uk-47213842>.) 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.
- *On 31 January, the government announced it would apply to join a free trade area with 11 Asia and Pacific nations called the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Current members include Australia, Canada, Japan and New Zealand. The government is also holding trade talks with the US, Australia and New Zealand. (source: <https://www.bbc.co.uk/news/uk-47213842>)*
- In preparation for leaving the EU, the UK government ran a 'check, change, go' campaign to make businesses aware of what they need to do to continue to export smoothly (with HMRC writing to exporters and a series of EU Exit webinars held and advice by sector published). There are concerns about how effective the campaign was and consequently how ready businesses, e.g. SMEs, are. (concerns flagged in reports published in Oct/Nov by the Institute for Government and the National Audit Office).
- The Dept for International Trade (DiT) has a team based in the NECA region working with local partners to support all businesses, whether first time or experienced exporters, in the North East to develop their international sales and enter new markets. The UK government can provide financing via the Export Credit Agency.
- The UK Government has introduced in Oct 2020 its Export Growth Plan which aims to support businesses to grow their overseas trade. Measures include additional financial support (i.e. £38 million Internationalisation Fund for small business) and expertise (e.g. new international trade advisors, pilot 'export academies' to build the capabilities of smaller businesses) some of which is targeted towards specific regions that are most in need e.g. Northern Powerhouse region.
- *Since Brexit the exchange rate with both the euro and dollar has been consistently low.*
- *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)*

Direct Inward Investment

- The UK as a whole has a long history of international trade, has a widespread network of

other partners, has mature industries in many sectors such as finance, and the workforce speaks an international language.

- The UK operates an 'open' economy which allows access to markets by foreign and UK business alike. Its laws and regulations are clear and applicable to all.
- In terms of support for business, the NECA region offers transport connectivity e.g. 3 globally connected ports, access to international airports, as well as 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 region, comparative to others, has a lower productivity performance.
- The new EU/UK trade deal, through complex rules regarding the origin of parts, provides an opportunity a) to bring supply chains to the UK (e.g. in Jan 2021 Nissan announced it was moving more of its electric vehicle battery production to Sunderland.) and b) 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 one to the NECA region being Teesside. Freeports establish a Free Zone that reduces customs fees and tax for occupiers (incentivising exports)*

Diversification

- The NECA region is reliant on small number of large employers, and the SME sector is not as strong as other parts of the UK.
- The number of 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.
- The UK government provide support for business start-ups and scaling up by a) providing information as to where support can be found in a geographic region (Department for Business, Energy and Industrial Strategy) and b) providing financial support e.g. tax reliefs e.g. investing in start-up or scale up 'Enterprise Investment Scheme', research; loans e.g. business start-up loans; and grants e.g. Innovate UK provides grants to start up/scale up in the technology/science sector.
- There are currently 47 support schemes for business start-up/scale ups in the North East region published by the government. Funding to allow businesses to develop/expand are available from government schemes e.g. Start Up Loan Scheme.
- The £3.9 million Intensive Industrial Innovation Programme (IIIP) allows North East universities to work directly with small and medium sized enterprises (SMEs) to encourage growth by developing new services and products for the market.
- Within the NECA area are significant research and innovation centres and adaptable public infrastructure that provide business with access to cutting edge knowledge and test beds that facilitate commercialisation and innovation. These included national catapult centres e.g. high value manufacturing, and a range of national innovation centres e.g. NETPark in Durham.

Covid-19

- The effect and cost of the Covid-19 pandemic on the UK economy may cause the UK government to reduce the level of funding available to the region to enable it to achieve its objective of developing its 'offer' to attract new inward investment and to diversify its economy has caused a contraction in the economy, and may cause the failure of businesses or cause businesses to be unable to expand due to lack of resources or lack of market demand. In 20/21 so far, inward investment activity is lower than in previous years.

- The negative impact of Covid-19 pandemic on the world economy has caused a 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)*

Factors within control of JTC, its members and its partners e.g. NELEP, and Current Controls

Direct Inward Investment

- The NECA region has an excellent track record of attracting and growing businesses with a global presence e.g. Hitachi, Nissan.

Current Controls:

Exporting

- Councils with its partners within the NECA area have teams which provide support to businesses from all sectors to start exporting or increase their activity and such teams are 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, together with the NE Chamber of Commerce, is currently developing a North East Trade and Export Strategy. NELEP are working on an Internationalisation Strategy.
- *NECA are working closely with NELEP, Ports, Nissan, IAMP and others on a possible North East bid to the Government's Freeport competition (bid deadline is Feb 2021) which would establish a Free Zone that reduces customs fees and tax for occupiers (incentivising exports)*
- *Eight new English Freeports were confirmed in the 2021 Budget with the closest one to the NECA region being Teesside. Freeports establish a Free Zone that reduces customs fees and tax for occupiers (incentivising exports)*

Direct Inward Investment

- Within the North East, the Invest North East England service operates as a first point of contact for businesses looking to locate and invest in the region including NECA. Working alongside the region's seven local authorities, its aim is to support new inward investment, e.g. connections, access to services, advice, skills, navigation of funding channels, provision of information about local economy and potential locations et) and promote the region as prime location for businesses to locate, grow and prosper.
- Each Council in the NECA area operates Business Investment Teams which in part support businesses to invest in or relocate to Sunderland.
- In terms of the NECA region economic 'offer' in terms of facilities the area is part of the North East Enterprise Zone which is made up of 21 sites of which 7 are located in the NECA region e.g. IAMP etc. These offer 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.

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 e.g. local Councils, North East Growth Hub, Scale Up North East, as well as private sector organisations e.g. Federation of Small Businesses, CDC Enterprise

Agency.

- The role of NELEP is to promote and develop economic growth in the North East region. To this end 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:
 - a £2 million Incubator Support Fund to support the development of the innovation incubation facilities in the North East LEP area to enable the start-up, expansion and preparation for growth and sale up of innovative businesses.
 - a £27 million Innovation Fund to provide funding at an early stage of development for innovative ideas and businesses at an early stage of development e.g. Centre for Sustainable Advanced Manufacturing:
 - a ‘High Growth Potential Business’ campaign will seek to reach, engage and identify start-up businesses to 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. An example is the development of the Netpark Incubator in Durham.
- Funding to allow businesses to develop/expand are available from local sources e.g. Business Enterprise Fund, North East Fund, North East Investment Fund, NE Business Support Funds, Rural Growth Network.

Other

- NELEP’s Strategic Economic Plan for the region is aligned to NECA improving diversification, increasing inward investment and exports.
- NECA, its constituent Councils and its partners in the North East region e.g. North of Tyne Combined Authority, North East LEP continue to lobby and engage with the UK government to:
- ensure policy makers and decision makers are aware of the ambition of both NECA and North East region to develop trade, diversify and increase investment in the economy e.g. submission of Covid North East Recovery and Renewal Deal and
- provide the necessary powers, resources and funding to achieve NECA’s objectives.

Further Mitigating Actions

Central and Local Government Policies

NECA and other local partners e.g. NELEP continue to work with and lobby Government and influence emerging policy thinking.	Chair – NECA Leadership Board
NECA and other local partners continue to lobby Government on successor funds to ESIF (the UKSPF) that can help to support diversification, inward investment and exporting	Chair – NECA Leadership Board

<p>3 <u>Better Skills and More Quality Jobs</u></p> <p>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</p>	<p><u>Risk Owner</u> Head of Paid Service</p>
	<p><u>Risk Score</u></p>
	<p>Red 12</p>
	<p>Likelihood – Medium 3 Impact – Critical 4</p>
<p>Possible Causes</p> <p>Better Skilled Labour Market to meet Future Employer Demand</p> <p><i>Education and Advice Provision</i></p> <ul style="list-style-type: none"> • Poor communication leading to a lack of understanding within education of skills needed for, and future job/career opportunities provided by business • Education and skills provision provided by education institutions do not meet the future needs of business • Poor or incorrect/out of date careers advice is provided to students so they are not fully informed of future career opportunities to be provided by business and the level and type of skills/education needed • Lack of capacity within education to teach/provide up to date skills and qualifications needed by business in the future e.g. schools unable to keep pace with progress in digital changes to ensure curriculum continue provide IT skills to meet future needs of digital businesses. <p><i>Public Engagement</i></p> <ul style="list-style-type: none"> • Lack of ambition/motivation by young people or adults to attain academically and/or gain skills/qualifications needed for the future 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 awareness by individuals of the available pathways to gain further employment skills and qualifications relevant to the workplace • Lack of opportunity for people to gain practical experience in the workplace and gain further work skills. <p><i>Funding</i></p> <ul style="list-style-type: none"> • Lack of resources by some young people/adults to access equipment to aid development of employment skills e.g. IT to develop digital skills. • Lack of education and skills funding, whether for young people or adults, provided by government to allow an individual to gain better or 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 provided by employers in the future. • Lack of funding by employers to invest in their employees to gain the skills/qualifications needed to move their businesses forward. <p><i>Other</i></p> <ul style="list-style-type: none"> • Sudden changes in the structure of the economy mean some of the skills of current labour market may in part become redundant leaving them without the skills to take up new employment opportunities provided by business. 	

- Highly educated and skilled graduates developed within the area do not remain thus lowering the level of educational attainment and employment skills within the local labour market.

Grow Economy by Development of Major Investment Sites

1. Council priorities are not aligned to those of NECA.
2. Sufficient appropriate sites are unable to be located or acquired.
3. The need for planning permission may not allow sites to be developed as required or delays in development of sites.
4. Lack of sufficient public funding to develop the initial infrastructure of sites to allow private sector investment and occupation.
5. Policy makers do not develop or promote sites in a way to attract sufficient employers or employers in business sectors which will provide the expected a) increase in employment and/or b) number of 'good' and secure employment opportunities.
6. An economic downturn may cause businesses to be unwilling or unable to take up opportunities offered by the development of these sites.
7. The overall 'offer' to potential private sector investors in these major sites provided by councils in the NECA region may not be sufficient to attract the investors.
8. The overall 'offer' provided other UK or foreign locations may cause businesses to invest/locate elsewhere.

Extend Opportunities i.e. more business start ups

For causes see Strategic Risk 2 under 'Growth of Local Businesses'

Regional Planning

- Lack of a coordinated realistic NECA regional economic plan to support the upskilling of labour market in the NECA area, to grow the economy by developing major investment sites and to extend the range of opportunities for individuals and/or lack of will or resources to deliver plan by all or any stakeholders.

Potential Impact/Consequences

Without the upskilling of the labour market in the NECA area, the development of major investment sites and the extending of the range of opportunities for individuals then:

- a) there will be less of an opportunity of good quality jobs in the areas for its citizens which may in turn cause person seeking employment to move away from the area.
- b) insufficient good quality and secure jobs may be created in the area leading to higher level of unemployment and less wealth and income being generated in the region
- c) individuals will be unable to take up opportunities of good quality jobs leading to them gaining less wealth, thus having less spending power for the region to benefit from.
- d) businesses may invest in other regions instead of the NECA area.
- e) productivity rates in the NECA area will not increase making it relatively unattractive to investors and not allowing individuals to gain increases in income due to greater productivity.
- f) there will be less opportunity for social mobility.

Likelihood:

Factors Outside NECA control

Better Skilled Labour Market to meet Future Employer Demand

- Although skill levels are increasing there is a relatively low skills base in the North East.
- Within the North East, while educational attainment is increasing, there are relatively poor outcomes re secondary school in respect of qualifications and post school destinations.

- Graduate qualifications within the North East are below the national average.
- Historically employers in the North East have under invested in training and workforce development.
- The Covid-19 pandemic has impacted a) the provision of apprenticeship and training schemes, b) the provision of education in schools. It has also accentuated educational inequalities.
- The UK government, via the Education and Skills Funding Agency, currently provides funding for several initiatives to improve skills, e.g. i.e. adult education budget, traineeship scheme for 19-24 year olds, apprenticeship levy scheme which requires the funding to be used on 'apprenticeship training at whatever level in an organisation. However, it should be noted the adult education budget is managed nationally rather than by policy makers in the NECA areas so it may not address fully local needs. Similarly, the apprenticeship levy scheme support training costs only but not wage costs of the apprentice which may be a barrier to take up.
- 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
- *In September 2020* The UK government ~~are in the process of introducing~~ introduced 'T' Levels as an alternative to A levels, apprenticeships and other 16 to 19 courses. Equivalent to 3 A levels, a 'T' Level focuses on vocational skills and can help students into skilled employment, higher study or apprenticeships. They involve both academic study and work placements. Three FE colleges in the NECA area will be among the first in the UK to provide '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 more the needs of employers. Proposed changes support the Prime Minister's Lifetime Skills Guarantee, and include:*
 - *Develop higher-level technical qualifications that provide a valuable alternative to a university degree.*
 - *Implement the flexible Lifelong Loan Entitlement to the equivalent of four years of post-18 education from 2025.*

This will be funded in part by a new government funded £2.5 million National Skills Fund programme, *with £95 million available 2021/22.*
- Over recent years, central to the skills and employment agenda has been the reliance of EU funding via the ESIF programme which is coming to an end with the exit from the EU. *The government have stated that the UK Shared Prosperity Fund will replace Investment from EU Structural Funds with one of priority areas for the UKSPF being investment in people and skills tailored to local needs. The Fund will be launched in 2022.*

Grow Economy by Development of Major Investment Sites

- In June 2020, the UK government allocated £47 million to the North East from the Getting Building Fund, a fund set up to deliver shovel ready capital projects by the end of 2021. Part of these funds will be used to move forward some major investment pipeline projects which NECA has identified e.g. Aykley Heads site, Durham.

Extend Opportunities i.e. more business start ups

For likelihood see Strategic Risk 2 under 'Growth of Local Businesses'

Covid-19

- In spite the government aspiration of levelling up the UK economy, the effect and cost of the Covid-19 pandemic on the UK economy may cause the UK government to reduce the

level of funding available to the NECA region to enable it to achieve its objectives re skills, investment in key sites and extending opportunity e.g. if public funds are not available to complete infrastructure enabling works on major investment sites then private investment in the site will not be forthcoming.

- The impact of the Covid pandemic on business in the UK and elsewhere may cause the failure of businesses or cause businesses to be unable to expand and invest in skills and infrastructure due to lack of resources, lack of market demand or lack of access to external funding e.g. banks reluctant to lend. It may cause businesses to put investment plans on hold. 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.

Central Government Policy

- In *November* 2020 the government announced a £4billion 'Levelling Up' Fund programme in England to be delivered by 2025 with £600million available in 2021/22. It will aim to invest in local infrastructure to support economic recovery and drive growth.
- *The Prospectus for the for the Levelling Up Fund notes the focus for 2021-22 is:*
 - *smaller transport projects that make a genuine difference to local areas;*
 - *town centre and high street regeneration;*
 - *and support for maintaining and expanding the UK's world-leading portfolio of cultural and heritage assets.*

Factors within control of NECA, its members and its partners e.g. NELEP, and Current Controls

Current Controls:

Better Skilled Labour Market to meet Future Employer Demand

- The North East Local Enterprise Partnership promotes skills and education through its:
 - 'North East Ambition' programme which aims to support every school and college in the North East to be achieving the Good Career Guidance Benchmarks by 2024. By doing this, every young person should be able to identify routes to a successful working life, make more informed decisions about their future and be better prepared for the workplace.
 - 'Education Challenge' programme to support schools to integrate understanding of the world of work and career opportunities into their curriculum to ensure those entering the workforce have the skills, both academics and employability, to support our diverse economy and are fully aware of the progression routes available to make this happen.
 - Operation of an Employment and Skills Board/Skills Advisory Panel to provide a single point of coordination in the North East region to bring together local employers and skills providers to pool knowledge on skills and labour market needs, both current and future, and to work together to understand and address key local challenges.
 - Initiatives in higher education to retain graduate talent locally, to encourage businesses to provide work experience to university students, to work with business to understand their future graduate skill level needs and with universities to consider their future 'offer' and provision.
 - Investment in capital projects to support education, skills and training provision e.g. specialist equipment to enable delivery of essential technology skills at FE Institute of Technology in NECA area, World of Work, Metro Skills Centre.
- The North East Growth Hub has developed an apprenticeship toolkit which is promoted to business in the north east with a particular focus on degree level apprenticeships

Grow Economy by Development of Major Investment Sites

- Since 2012, 7 enterprise zones e.g. IAMP, Jade Business Park in the NECA region have been identified and the delivery of the Enterprise Zone sites' infrastructure programme is in progress. However, anticipated future surpluses arising from income from these zones to be recycled to reinvest in future economic infrastructure is dependent on successful site occupation of these zones which, due to the current Covid-affected economy, is more uncertain.
- In addition, NELEP and councils in the NECA region have contributed funding for other major investment sites e.g. NetPark, Gateshead Quays, Integra 61.
- Councils in the NECA region have identified approximately 27 major investment pipeline projects to develop to contribute to the growth of the economy by attracting 31,000 new jobs to the region. The anticipated investment required is £3.4 billion, of which public funding requires if £1 billion. Some are being delivered by private investors e.g. Riverwalk Durham, some by public funds e.g. National Innovation Centre, Gateshead but most are being funded partly by public funds and partly private investors e.g. Riverside Sunderland. The sites are at various stages of development.
- Councils within their local plan have incorporated development of investment sites to complement NECA's strategic economic plans.
- Councils in the NECA region continue to liaise to identify and develop major investment sites.

Extend Opportunities i.e. more business start ups

For likelihood see Strategic Risk 2 under 'Growth of Local Businesses'

Regional Planning

- 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.

Central and Local Government Policies

- NECA, its constituent Councils and its partners in the North East region e.g. North of Tyne Combined Authority, North East LEP continue to lobby and engage with the UK government to ensure policy makers and decision makers are aware of the ambition of both NECA and North East region to develop the skills of its labour pool, grow the economy by developing major investment sites and encouraging more business start-ups e.g. submission of Covid North East Recovery and Renewal Deal requesting funding and the provision of the necessary powers, resources and funding to achieve NECA's objectives.

Further Mitigating Actions

Central and Local Government Policies

NECA and other local partners e.g. NELEP continue to work with and lobby Government for funding etc and influence emerging policy thinking.

Chair – NECA Leadership Board

<p>4 <u>Draw many more NECA residents into the economic mainstream</u></p> <p>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.</p>	<p style="text-align: center;"><u>Risk Owner</u> Head of Paid Service</p> <hr/> <p style="text-align: center;"><u>Risk Score</u></p> <p style="text-align: center; background-color: yellow;">Amber - 9</p> <p style="text-align: center;">Likelihood – Medium 3 Impact – Significant 3</p>
<p>Possible Cause(s):</p> <p><i>Potential Employees with Barriers</i></p> <ol style="list-style-type: none"> 1. Individuals with barriers to employment lack confidence to enter the labour market or gain skills. 2. Individuals have a dependency on benefits or fear losing income by being employed. 3. A lack of coordination between health and employability services in supporting individuals back to work. 4. Individuals are unaware of the employment opportunities available. 5. An economic downturn causing unemployment causes increased competition from others when an individual who has barriers to overcome applies for a job. <p><i>Employers</i></p> <ul style="list-style-type: none"> • Employers have an unwillingness to offer employment to people who have barriers to overcome to enter the workplace e.g. people with disabilities, mental health problems etc. <p><i>Support and Training</i></p> <ul style="list-style-type: none"> • A lack of availability of appropriate support and training. • Individual with barriers to work are unaware of the employment, support and training opportunities available. • Lack of understanding as to the need of a specific individual who has barriers to overcome to enter the workplace. • The support and training provided is of poor quality. <p><i>Funding</i></p> <ul style="list-style-type: none"> • Individuals with barriers to work lack financial resources to access employment or support/training. • Lack of funding to incentivise employers to offer employment and/or individuals to take up employment or training and/or to fund appropriate support and training. 	
<p>Potential Impact/Consequence</p> <p>If people of all ages cannot 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 then:</p> <ul style="list-style-type: none"> • 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 everyone to fulfil their potential and participate fully in society will be lost.
- Businesses will be denied access to a larger and better workforce.

Likelihood:

Factors Outside NECA control

Unemployment

- Despite significant improvements in recent years, the levels of unemployment and economic inactivity rates for people of working age, young and older people (50 – 66) in the North East are above the national rate (excluding London).
- *According to the Office of National Statistics the Employment rate has risen by 1.1% to 72.2% for the period January to March 2021, with the unemployment rate falling by 1% to 5.4%, and the inactivity rate falling by 0.5% to 23.5% for the same period. The unemployment rate is still above the national average of 4.8%.*

Central Government Policy - Potential Employees with Barriers, including Funding

- In 2017, the government set a goal to see 1 million more disabled people in work in the 10 years to 2027.
- The government benefits system is set up so any person moving from benefits into employment should not be financially worse off.
- The government have several initiatives specifically aimed to help people access timely and personalised support to overcome their barriers to work and to equip them with the capabilities so that they can find employment, including:
 - Employment and Support Allowance which is aimed in part 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 e.g. 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 which allows local support to claimants by removing barriers to employment e.g. interview travel costs.
 - Work and Health Programme which is aimed at helping people with barriers to work to gain skills and employment. It is aimed at people close to readiness for work.
 - £40 million Intensive Personalised Employment Support (IPES) which is 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 aimed at employers to help them make the most of the opportunities provided by employing disabled people.
 - The Fuller Working Lives initiative in which government is committed to giving more support to 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 government has announced:
 - a £2 billion 'Kickstart' Scheme to pay 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 and 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, and an

expansion to the Work and Health Programme, the Flexible Support Fund and sector based work academies (SWAP).

- In the Nov 2020 Spending Review, further funding of £3.7 million was added to fund the Plan for Jobs.
- 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 2021.

Covid-19

- In spite the government aspiration of levelling up the UK economy, the effect and cost of the Covid-19 pandemic on the UK economy may cause the UK government to reduce the level of long term funding available to the NECA region to enable it to achieve its objectives re drawing NECA residents into the mainstream.
- The impact of the Covid pandemic on the economy and business in the UK and elsewhere may cause the failure of businesses or cause businesses to reduce their workforce resulting in increased unemployment. The Covid 19 pandemic has had a significant impact on employment among the young people. The impact of the pandemic on business has tried to be mitigated by funding provided to businesses e.g. job retention scheme, business grants, rates relief.

End of European Funding

- The exit of the UK from the EU means a significant funding source is lost to support NECA's objectives. There is currently *still some* uncertainty over the long-term capital and revenue UK funding streams which will replace the EU funding sources.
- 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.
- *The government have stated that the UK Shared Prosperity Fund will replace Investment from EU Structural Funds with one of priority areas for the UKSPF being investment in people and skills tailored to local needs. The Fund will be launched in 2022 and will have an estimated value of £1.5 billion per annum.*
- *For 2021 the government have made available the UK Community Renewal Fund which totals £220 million. The Prospectus for the fund noted that lead authority role for inviting bids to the fund is allocated to Mayoral Combined Authorities, where they exist in England, The Greater London Authority, County Councils, Unitary authorities elsewhere in England and in Scotland and Wales, so this does not include NECA but rather each Local Authority member. This may be an indicator for how the government intends to allocate future funding.*

Factors within control of NECA, its members and its partners e.g. NELEP, and Current Controls

Current Controls:

NELEP Strategic Economic Plan - Support and Training for Potential Employees with Barriers

- The North East LEP, as part of the region's Strategic Economic Plan, has as part of its aims, the aspiration to reduce the level of unemployment and economic inactivity, recognises that some groups are more likely to be out of work than others and as part of its 'skills, employment, inclusion and progression' agenda includes activity to increase youth employment, improve labour market activation, and help deliver Fuller Working Lives. Activities include:
 - Delivery of 'Generation North East' (GENE) which provides employability and job

search support to unemployed or inactive young people aged 18-29 years, helping them to progress towards and into employment. It operates within part of the NECA region.

- 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 people facing barrier to employment due to health problems building on Mental Health Trailblazer and Working Lives project.
- North East Growth Hub is promoting the Fuller Working Lives Strategy to encourage and help employers retain, retrain and recruit people aged 50 and over.

Central and Local Government Policies

- Councils within the NECA region have objectives and activities to support people with barriers to employment e.g. ‘Durham Works’ is a partnership supported in part by Durham County Council to help young people aged 18 -24 from County Durham progress into work, training, education or volunteering. This is funded until 2021 with part funding from the EU; Gateshead have provided community grants to help third sector organisations to help people into employment.
- NECA, its constituent Councils and its partners in the North East region e.g. North of Tyne Combined Authority, North East LEP continue to lobby and engage with the UK government to ensure policy makers and decision makers are aware of the ambition of both NECA and North East region to draw its residents into the mainstream e.g. submission of Covid North East Recovery and Renewal Deal requesting funding and the provision of the necessary powers, resources and funding to achieve NECA’s objectives.

Further Mitigating Actions

Central and Local Government Policies

NECA and other local partners e.g. NELEP continue to work with and lobby Government and influence emerging policy thinking.

Chair – NECA Leadership Board

<p>5 <u>Become a sustainable well-connected region</u></p> <p>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.</p>	<p><u>Risk Owner</u> Head of Paid Service</p>
	<p><u>Risk Score</u></p>
	<p>Red 12</p>
	<p>Likelihood – Medium 3 Impact – Critical 4</p>
<p>Possible Cause(s):</p> <p>Transport Refer to Appendix 2 North East Joint Transport Committee (JTC) Strategic Risk Register Report, Risks to Achievement of JTC Strategic Objectives, risks 1 - 4.</p> <p>Improve Digital Connectivity/Digital Skills</p> <p>Awareness</p> <ul style="list-style-type: none"> • Lack of understanding of the importance and value of digital connectivity by policy makers, business and education so it is not considered a priority. • Lack of motivation or understanding as to the importance and value of digital skills by individuals and the potential opportunities e.g. employment, removal of social exclusion those skills could bring. <p>Funding</p> <ul style="list-style-type: none"> • Lack of funding, both from public and private sector, for investment in digital infrastructure, IT equipment and skills. <p>Digital Infrastructure</p> <ul style="list-style-type: none"> • Lack of economic viability may mean the private sector may not be willing to invest in new digital infrastructure. • The digital infrastructure does not meet individual or business needs e.g. accessibility, reliability, data transfer speeds. • Lack of access by individuals or organisations (e.g. schools) to appropriate IT equipment e.g. individuals on low incomes may be unable to purchase IT equipment. <p>Support and Training</p> <ul style="list-style-type: none"> • Lack of available teaching resources re digital skills or the teaching capacity available is insufficient to meet demand. • Lack of awareness by individuals/businesses of digital skills teaching resources available. • Appropriate digital skills are not taught by learning providers. Consequently, digital skills/teaching resources do not provide the appropriate skills business require or the digital skills taught do not keep pace with employer/business requirements. 	
<p>Potential Impact/Consequence</p> <p>If transport networks cannot be strengthened and extended in the NECA area while encouraging green travel, digital connectivity not improved and digital skill within the workforce is not improved then:</p> <ul style="list-style-type: none"> • Residents, particularly low-income earners, in the NECA region will not be able to access work or move into education and training that could improve their prospects e.g. economic, health. Progress on social mobility in the region will be limited. 	

- Residents in some areas of the NECA region will 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 choose to locate, or start up, or expand business in locations other than the north east resulting in loss of new employment opportunities for its residents, and 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 in the NECA area and the quality of public and private services may not be achieved.
- An opportunity to contribute towards the decarbonisation of the NECA area may be lost.

Likelihood:

Factors Outside NECA control

Transport

Refer to Appendix 2 North East Joint Transport Committee (JTC) Strategic Risk Register Report, Risks to Achievement of JTC Strategic Objectives, risks 1 - 4.

Improve Digital Connectivity/Digital Skills

Digital Infrastructure

- In the North East region, overall 97.8% of properties have access to 'superfast' (≥ 30 mbps) broadband. However, generally in rural areas, the level of access is lower – for the UK as a whole only 80% of rural properties have access to superfast broadband.
- In the North East region 61% of properties have access to ultrafast broadband (>100 mbps) only 7% of properties have access to 'gigabit' (>1000 mbps) broadband, the lowest rate in the UK
- To meet future demand for gigabit broadband internet connectivity, 'full fibre' connections (i.e. fibre cables into properties) are needed. Currently the internet infrastructure in the North East only has 7% full fibre connectivity.
- Only 57% of UK premises that have access to superfast broadband are signed up to superfast packages.

Support and Training

- In the North East nearly one in six people (approximately 15%) do not have/are not achieving all expected digital foundation skill levels.

Usage

- Internet usage in the North East is comparatively low, the region currently ranking eighth out of nine English regions.

Central Government Policy, including Infrastructure, Funding and Support and Training

- The UK government in 2017 adopted a UK Digital Strategy which among other things includes:
 - a requirement for the UK's telecoms industry to provide gigabit-capable infrastructure to 100% of premises by 2025 (subsequently reduced to 85%). This is challenging for areas with rural populations and will require a four-fold increase in building rates by the telecoms industry from previous levels.
 - an allocation of £5 billion for its UK Gigabit programme (the Future Programme) to subsidise roll-out of gigabit infrastructure to the most difficult to reach 20% of premises e.g. rural, remote areas.

- the complete roll out of 4G technology by 2020.
- £1billion to accelerate the development and uptake of next generation digital infrastructure - including full fibre and 5G wireless mobile phone technology although it is acknowledged that the vast majority of the capital investment required for full fibre and 5G rollout will need to come from the private sector where there is an economic case for the telecoms industry to do so, e.g. £62 million investment in Sunderland by 'City Fibre'. Action to accelerate development includes the introduction of 100% business rate relief for full fibre infrastructure, the set-up of a National Digital Infrastructure Fund, the introduction of planning policies to consider digital infrastructure, an appropriate regulatory framework, and a national programme of 5G testbeds and trials to help create demand for a demand for 5G capacity as uses for 5G technology are developed e.g. AI, automated logistics.
- the roll out of free wifi on trains and more public spaces.
- the policy that adults who lack core digital skills do not have to pay to access basic digital skills training. From 2020 there is a legal entitlement for adults with no or low digital skills to undertake new digital qualifications. Funding is provided from within the Adult Education Budget.
- the setting up of new Digital Skills Partnership where the government will work with partners to tackle the digital skills gap. The Partnership will play a crucial role in helping people access digitally focused jobs at a local level, 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.
- the introduction of coding in the National Curriculum from Key Stage One onwards.
- changes to computer science degree courses to ensure computer science students have the real-world, up to date skills needed in the digital economy and work environment to meet the needs of employers.
- extra funding for the Computing at School Network of Teaching Excellence in Computer Science, whose network of over 350 Master Teachers can provide continuing professional development to teachers needing to further develop their computing expertise.
- extra funding for the National Careers Service (NCS) to help more young people from a wider range of backgrounds to consider a career in technology by piloting new ways to include digital skills and careers in NCS programmes.
- making it mandatory to have full fibre connections for new homes.
- The Digital Strategy is due to be revised in 2020 to adapt to the impact of the Covid 19 pandemic and to accelerate Britain's economic recovery by aiding the development of a skilled digital workforce.
- The Dept for Education operate the 'Future Digital Inclusion programme'. It is aimed at supporting those who are hardest to reach in the community to gain digital skills with a focus on unemployed people, people on a low income and people with a disability. The programme is delivered by Good Things Foundation who have numerous centres in the NECA area.
- From March 2020, the government introduced the Universal Service Order (USO) for broadband. This measure provides a legal right for a property to request a decent broadband connection to those premises that do not have access to a decent and affordable connection. There is funding available up to a cost threshold of £3,400 per property.
- The UK government has set up a 'Building Digital UK' team. Its' aim is to deliver broadband networks to the UK. Programmes it runs includes:
 - Gigabit Broadband Voucher Scheme. This scheme is available to homes and businesses in rural areas of the UK when part of a group scheme and provides funding (£1500 per home, £3500 per SME) to support the cost of installing gigabit-capable broadband.

- Shared Rural Mobile Network where the government and mobile providers are providing 4G coverage in areas (e.g. rural where it is not commercially viable to do so.)
- *In April the government released Project Gigabit: Phase One Delivery Plan policy paper. Following Ofcom's publication of the Wholesale Fixed Telecoms Market Review 2021-26 in March, setting the regulatory environment for commercial delivery, the plan sets out proposals to subsidise gigabit network build to get as close to 100% as possible:*
 - *gigabit procurements starting 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, South Tyneside and part of Northumberland.*
- In Oct 20 the Government announced a new scheme called JETS (Job Entry Targeted Support) which is aimed at people who are unemployed due to the effects of COVID-19. It will offer the training needed to pivot into new roles through the Sector Based Work Academy Programme and will include digital skill support.
- Higher level digital apprenticeships are available which are being promoted.

Covid-19

- In spite of the government aspiration of levelling up the UK economy, the effect and cost of the Covid-19 pandemic on the UK economy may cause the UK government to reduce the level of long-term funding available to the NECA region to enable it to achieve its objectives re connectivity.
- The impact of the Covid pandemic has resulted in significant, possibly long term, reductions in the use of public transport e.g. Metro, train and bus in the NECA region with a consequence loss of income. There is uncertainty as to the future levels of public transport use which may result in reduction in services. However, the Covid pandemic has increased the use of digital technology due to homeworking which may cause an acceleration in digital infrastructure to meet demand.

Factors within control of NECA, its members and its partners e.g. NELEP, and Current Controls

Current Controls:

Transport

Refer to Appendix 2 North East Joint Transport Committee (JTC) Strategic Risk Register Report, Risks to Achievement of JTC Strategic Objectives, risks 1 - 4.

Improve Digital Connectivity/Digital Skills

NELEP Strategic Economic Plan – Development of Support and Training and Infrastructure

- The North East LEP's Strategic Economic Plan for the North East region sets out all of the activities that need to take place to improve the North East economy. This includes the development of digital skills provision and local digital infrastructure. The LEP has also developed a Digital Strategy.

Local Authorities Digital Strategies - Infrastructure

- Each of the councils within the NECA region have developed a digital strategy and are delivering a programme to improve digital connectivity and skills for businesses and residents within their area as well as for the council itself. Activities undertaken have included, among others:

- 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. Further phases are planned.
- Upgrades to digital infrastructure within Sunderland city centre to allow access to free ultrafast public 5G wifi, and ultra-fast connectivity to social housing tower blocks and a school. Sunderland also has gained funding as part of government’s Getting Building Fund for the development of next generation digital connectivity and infrastructure to accelerate regeneration within the City Centre and Riverside. It further plans to be the first local authority in the country to become a ‘neutral host’ for 5G and fibre connectivity aiming to enable telecoms operators to buy space from its infrastructure to offer their own 5G services.
- Durham Council operate a) ‘Digital Drive’ a £4million initiative to support SMEs in Co Durham to maximise their potential through digital technology including the provision of 40% grant funding for digital projects and b) ‘Reboot’, a partnership scheme that offers low-cost computer equipment to County Durham based registered charities and social enterprises
- Gateshead Council has secured funding from BDUK to ensure that as many premises as possible will be able to obtain a high-speed broadband service. In the long term, Gateshead Council are aiming to roll out fibre-based broadband to 100% of premises.

Central and Local Government Policies

- NECA, its constituent Councils and its partners in the North East region e.g. North of Tyne Combined Authority, North East LEP, continue to lobby and engage with the UK government to ensure policy makers and decision makers are aware of the ambition of both NECA and North East region to improve connectivity e.g. submission of Covid North East Recovery and Renewal Deal requesting the provision of the necessary powers, resources and funding to achieve NECA’s objectives.

Further Mitigating Actions

Central and Local Government Policies

NECA and other local partners e.g. NELEP continue to work with and lobby Government and influence emerging policy thinking.	Chair – NECA Leadership Board
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<p>6 <u>Shaping the Great North East</u></p> <p>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.</p>	<p><u>Risk Owner</u> Head of Paid Service</p>
	<p><u>Risk Score</u></p>
	<p>Red 12</p>
	<p>Likelihood – Medium 3 Impact – Critical 4</p>
<p>Possible Cause(s):</p> <p><i>Regional Planning</i></p> <ul style="list-style-type: none"> • Policy makers in the area do not have a clear vision or plan as to the ‘offer’ they wish the NECA area to make to business, potential investors, residents and visitors • There is a poor understanding of the current NECA area ‘offer’ and where improvements are needed. • There is a lack of a comprehensive coordinated plan for the NECA region to deliver improvements in the region’s ‘offer’ which does not address issues which are critical to a thriving economy (e.g. education and skills, employment opportunities, business infrastructure etc) and being a place which offers an exceptional quality of life (housing, culture, leisure etc) <p><i>Central and Local Government Policies</i></p> <ul style="list-style-type: none"> • The priorities of central government and other partners e.g. local authorities within NECA are not aligned with those of NECA. <p><i>Funding</i></p> <ul style="list-style-type: none"> • Lack of funding, either private or public, to deliver the changes necessary to improve the ‘offer’ 	
<p>Potential Impact/Consequence</p> <p>Without a thriving economy, and a green and prosperous place that offers an exceptional quality of life and improved opportunities for all:</p> <ul style="list-style-type: none"> • there will be less of an opportunity of good quality jobs in the areas for its citizens which may in turn cause residents seeking employment to move away from the area and people considering moving to the NECA area to live somewhere else. Thus, there would be less spending power for the region to benefit from • the lack of opportunity to experience an excellent quality of life in the region may mean talent for commerce and academia to strengthen and grow key activity sectors in the NECA area may not be attracted and/or talent living in the area currently may leave. • businesses may find the region relatively unattractive for its business and employees and invest in other regions instead of the NECA area. • The area may be less attractive to tourists, with the area missing out on the associated income generation 	
<p>Likelihood:</p> <p>Factors Outside NECA control</p> <p><i>Attractiveness</i></p> <ul style="list-style-type: none"> • The NECA area is currently an attractive place to live, learn, build a career, and to carry 	

out business, business and invest. It has a competitively priced and diverse housing, good transport connectivity, a rich culture and leisure offer and a varied and beautiful natural environment. The NECA area is home to three universities, two cities, three world-class ports. It has a thriving economy and home to the region's world-leading advanced manufacturing and technology sectors and a thriving hub of business services and innovative creative and cultural firms. These factors together with globally connected supply chains, diverse talent pool, development sites, Enterprise Zones, strength in global growth markets, digital connectivity, and cost competitiveness makes the region an attractive place to operate.

Unemployment and Productivity

- The NECA economy faces two ongoing challenges which are too few employment opportunities including too few jobs in high skilled occupations and lower levels of productivity. These factors continue to limit opportunities for residents and businesses and reduce attractiveness to investors.

High Street

- The impact of changes in patterns of consumer retail behaviour has had a negative impact on 'high street' retailers and the vibrancy and attractiveness of town centres e.g. empty shop units

Housing

- There is under provision in the housing stock to meet demand including affordable homes and to respond to demographic change. Changes in housing since Covid

Other Local Business Factors

- NECA area faces other place shaping challenges, including
 - the restructuring of entire sectors such as retail and contact centres – both undergoing rapid change as a result of digital technologies.
 - older industrial estates in the NECA area are frequently in fragmented ownership, which means that market solutions can take too long to take effect and dereliction threatens.

North East Cultural Partnership

- The North East Culture Partnership has developed and delivered a plan to develop the culture and arts offer in the North East. In response to the Covid pandemic it has developed a Recovery and Resilience Plan.

Covid-19

- In spite the government aspiration of levelling up the UK economy, the effect and cost of the Covid-19 pandemic on the UK economy may cause the UK government to reduce the level of long term funding available to the NECA region to enable it to achieve its objectives re its 'place offer' and to maintain its current 'offer' e.g. public services.
- The impact of the Covid pandemic in the NECA area has resulted in significant reductions in a) employment levels and opportunities and b) the level in economic activity especially in the retail sector (with people moving 'on-line') resulting in shop closures, tourism, hospitality, and in culture and arts. In the long term it is uncertain if organisations will survive and if so, how long they will take to recover. It is also uncertain if they will have reserves or access to finance to make investments to expand or change their business models. There may also be a long-term impact on new housing development and an increased demand for affordable housing.
- As part of UK government's package of support to the economy during the Covid pandemic e.g. business rate support, business grants, job furlough scheme etc, is:
 - a £1.57 billion Culture Recovery Fund has been set up to safeguard cultural and

heritage organisations. To date, approximately £4.5 million has been provided to organisations in the NECA area e.g. Beamish Museum, Customs House etc.

- A £900 million Getting Building Fund has been set up to support housebuilding and improve high streets. Of this £47 million has been awarded to accelerate the regeneration of sites in the North East LEP area including Sunderland South Riverside and town centre, Gateshead Quays, Tyne Dock Enterprise Park and Aykley Heads Business Park Durham.
- The National Lottery Heritage Fund provide financial grants to heritage organisations and are providing Covid Recovery support funding

Central Government Policy

High Street

- As part of the 'levelling up' agenda, the government have set up a programme, 'Our Plan for the High Street' to support the regeneration and repurposing of city and town centres. These include:
 - £3.6 billion Towns Fund to support towns to build prosperous futures. Part of this funding is being used to support the regeneration of Bishop Auckland town centre.
 - £1 billion for Future High Street Fund to support the transformation of the high street including £55 million to regenerate heritage high streets.
 - a cut in business rates by up to a third for a wide range of retail properties for two years.
 - a consultation on planning reform to make it simpler to create more homes, jobs and choice in our town centres.
 - the setting up a High Streets Task Force which will support local leadership with expert advice on helping local high streets to adapt and thrive.

Housing

- As part of the Government's policy to increase new home building it
 - has provided a £5 billion Housing Infrastructure scheme to allow infrastructure to be built to unlock new home building. As part of this programme, £32 million has been awarded to support house building in the Sunderland South Growth Area and Newton Aycliffe Growth Area.
 - through Homes England, provides funding for building of new homes for social housing is available.
 - operates a New Homes Bonus programme to encourage local authorities to grant planning permission of new homes in return for extra revenue, though this scheme is being withdrawn over the next four years.

Planning Guidelines

- UK national planning guidelines require that planning policies and decisions should contribute to and enhance the natural and local environment.

Funding

- In November 2020 the government announced:
 - a £4 billion 'Levelling Up' Fund programme to be delivered by 2025 with £600 million available in 2021/22. It will take a place-based approach funding projects improving the 'infrastructure of everyday life' e.g. a new bypass, upgraded railway stations, less traffic, more libraries, museums, and galleries, better high streets and town centres etc.
 - the introduction of the UKSPF from 2022 *with an estimated £1.5 billion available per annum*. Although little detail is currently available one of the priority areas is investment in communities and place including cultural and sporting facilities, civic, green and rural infrastructure, community-owned assets, neighbourhood and housing improvements, town centre and transport improvements and digital connectivity.
- *For 2021 the government have made available the UK Community Renewal Fund which totals £220 million. The Prospectus for the fund noted that lead authority role for inviting*

bids to the fund is allocated to Mayoral Combined Authorities, where they exist in England, The Greater London Authority, County Councils, Unitary authorities elsewhere in England and in Scotland and Wales, so this does not include NECA but rather each Local Authority member. This may be an indicator for how the government intends to allocate future funding.

- In December 2020 as part of its Green Industrial Revolution, the government announced it sees the natural environment as a key part to carbon emission reduction. It aims to create further National Parks and extend the Green Recovery Challenge Fund for conservation and restoration projects

Factors within control of NECA, its members and its partners e.g. NELEP, and Current Controls

Current Controls:

NELEP – Strategic Economic Plan and Local Industrial Strategy

- The North East LEP's Strategic Economic Plan and Local Industrial Strategy seeks to make the North East an even better place to live, learn and to do business by supporting economic growth. This includes investing in economic assets and infrastructure like sites for investment to encourage economic growth and housing and as such is aligned to NECA's objectives. As part of these plans strategic investment sites within the NECA area have been identified and are being developed to attract business investment to further economic development e.g. enterprise zones including IAMP, Follingsby, Holborn, Jade, and increase housing provision e.g. Sunderland South Strategic Growth Area.

Local Authority Plans

- Local councils within the NECA region have or are developing delivering plans e.g. Local Plans, City Plans etc which seek to improve the area both to help its local economy and to make their areas more attractive to live addressing matters such as the environment, housing, transport, recreation and leisure, tourism etc. As part of these plans urban centres are being regenerated e.g. Riverside Sunderland, South Shields 365 and Riverside.

Local Planning Authorities

- The seven local planning authorities in the North East are adopting a collaborative approach to spatial planning to ensure the planning and delivery of both commercial and housing development across the North East including the NECA region is coordinated to promote economic growth alongside the enhancement of the natural environment.
- Gateshead Council have taken part in the RIBA Future Place Programme, a place making initiative, to help plan the future of Gateshead town centre.

North East Property Fund

- A £10 million North East Property Fund is available to supporting smaller scale North East housing and commercial property development projects. The purpose of the fund is to support house building in the north east.

Local Authority Policies

- Each of the councils in the NECA area:
 - operate programmes to support the reduction of empty homes
 - have declared a climate emergency to ensure environmental considerations are taken into account when making decisions.
- To support the NECA economy and business tourism a conference centre is being constructed on the Gateshead Quays site.

Central Government Policy

- NECA, its constituent Councils and its partners in the North East region e.g. North of Tyne Combined Authority, North East LEP, continue to lobby and engage with the UK government to ensure policy makers and decision makers are aware of the ambition of both NECA and North East region to improve the economy and improve the NECA ‘place offer’ e.g. submission of Covid North East Recovery and Renewal Deal requesting the provision of the necessary powers, resources and funding to achieve NECA’s objectives.

Further Mitigating Actions

Central and Local Government Policies

NECA and other local partners e.g. NELEP continue to work with and lobby Government and influence emerging policy thinking.

Chair – NECA Leadership Board

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.

Risk Owner
Head of Paid Service

Risk Score

Red 12

Likelihood – Medium 3
Impact – Critical 4

Possible Cause(s):

Central Government Policy

- A downturn in the UK economy for whatever reason, e.g. Covid, may cause the UK government to reduce funds available for investment as part of expenditure cutting exercises nationally as a means of redressing public finances.
- Uncertainty in relation to the UK political environment. A change in future UK government policy may mean Government policy may not be aligned to support the economic and transport developments and needs of the North-East region. This may have an adverse effect on the achievement of goals in the North East e.g. investment and infrastructure funding to be concentrated in only certain geographic areas excluding the North East or certain types of schemes which may not be in line with NECA plans e.g. Strategic Economic Plan (SEP).
- There is uncertainty around the current UK government regarding the future design, function and level of future regional/local strategic capital funding sources from Government. The UK Shared Prosperity Fund which is due to fill the gap after the UK government's 'Local Growth Fund' capital funding scheme is proposed to come into effect in April 2022, but the Government consultation has been delayed.
- There is a possibility that the range of funding opportunities and/or flexibilities available to non-mayoral Combined Authorities, e.g. NECA, may be limited in the future by the UK government making funding being conditional on Combined Authorities having a specific governance model.

End of European Funding

- The exit of the UK from the EU may have a negative impact on the availability of funding previously provided from EU sources. Currently funds from the EU funding programmes, e.g. European Structural and Investment Funding (ESIF) Programme, allocated to the UK up to end of 2020 which have not yet been committed to specific projects are available for use.
- *The government have stated that the UK Shared Prosperity Fund will replace Investment from EU Structural Funds with one of priority areas for the UKSPF being investment in people and skills tailored to local needs. The Fund will be launched in 2022 and will have an estimated value of £1.5 billion per annum.*
- *For 2021 the government have made available the UK Community Renewal Fund which totals £220 million. The Prospectus for the fund noted that lead authority role for inviting bids to the fund is allocated to Mayoral Combined Authorities, where they exist in England, The Greater London Authority, County Councils, Unitary authorities elsewhere in England and in Scotland and Wales, so this does not include NECA but rather each Local Authority member. This may be an indicator for how the government intends to allocate future funding.*

Potential Impact/Consequence:

A 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. This could result in the success of the Strategic Economic Plan being adversely affected and outcomes delayed or not achieved. Funding levels may not be sufficient to meet NECA's plans.

Likelihood:

Factors Outside NECA control

Covid-19

- In spite the government aspiration of levelling up the UK economy, the huge negative effect and cost of the Covid-19 pandemic on the UK economy may cause the UK government to reduce the level of medium/long term funding available to the NECA region to enable it to achieve its objectives and to minimise the effect of the Covid pandemic.

Central Government Policy

- In late 2020 the government announced that the UKSPF will, from April 2022, provide funding for development programmes and is intended to replace the European Structural and Investment Fund (no longer available to the UK) and the Local Growth Fund. Government has stated that funding for the UKSPF will ramp up so that total domestic UK-wide funding will at least match receipts from EU structural funds and could provide funding up to £1.5 billion annually however details have yet been provided e.g. total amount, amounts to be devolved to regions, competitive bidding, outputs, eligibility criteria, or clarity around match funding. Under ESIF funding the North East area attracted a high level of funding relative other UK areas, however it is uncertain under UKSPF if the area will attract similar funding levels moving forward.
- *The government have stated that the UK Shared Prosperity Fund will replace Investment from EU Structural Funds with one of priority areas for the UKSPF being investment in people and skills tailored to local needs. The Fund will be launched in 2022 and will have an estimated value of £1.5 billion per annum.*
- *For 2021 the government have made available the UK Community Renewal Fund which totals £220 million. The Prospectus for the fund noted that lead authority role for inviting bids to the fund is allocated to Mayoral Combined Authorities, where they exist in England, The Greater London Authority, County Councils, Unitary authorities elsewhere in England and in Scotland and Wales, so this does not include NECA but rather each Local Authority member. This may be an indicator for how the government intends to allocate future funding.*
- A £4 billion 'Levelling Up' Fund for England has been announced by the government which will be used to invest in local infrastructure to drive economic growth and regeneration. It will allocate fund on a competitive bid basis. £600 million is available during 2021/22. Projects need to be delivered within the current Parliament.
- *The Prospectus for the for the Levelling Up Fund notes the focus for 2021-22 is:*
 - *smaller transport projects that make a genuine difference to local areas;*
 - *town centre and high street regeneration;*
 - *and support for maintaining and expanding the UK's world-leading portfolio of cultural and heritage assets.*
- The government has also published the outcome of a review of its investment decision making approach, i.e. its 'Green Book', which is designed to ensure that government funding/investment decisions are made in a way that spreads opportunity across the UK

and supports the levelling up agenda.

- The 2020 government budget also included a range of funding opportunities for ‘Mayoral Combined Authority’ areas subject to putting in place appropriate governance to agree and deliver funding, including an elected Mayor for their city regions. *This insight is supported by the approach included in the UK Community Renewal Fund’s prospectus.*

Factors within control of NECA, its members and its partners e.g. NELEP, and Current Controls

Current Controls:

Government Funding

- Following the UK’s exit from the EU, ESIF funding stopped from 1 January 2021. However, there are still many ESIF Funded projects in delivery or development across the region. The UK government has guaranteed to provide funding for ESIF projects which are contracted for by the end of 2020 and will be completed by 2023.
- Allocations to the NELEP area up to end of 2020 amounted to £487 million. The vast majority of these funds have already been committed to approved or pipeline projects within the NELEP area. Any remaining EU funds not already allocated to approved or pipeline projects within the NELEP area will revert to, and be administered by, the Government through the ERDF or ESF National Reserve Funds.
- One off’ funding has become available during 2020 to NECA or its partners to support the objectives of NECA. This has included:
 - £25 million from the government’s Housing Infrastructure Fund to support infrastructure work to further house building in a strategic site in the NECA area i.e. South Sunderland Strategic Growth Area.
 - As part of the £47 million from the government’s Getting Building Fund was awarded to the North East LEP. Part of this funding has been allocated to fund the development of key economic growth sites in the NECA area.

Strategic Economic Plan

- The SEP has been updated and relaunched in 2019 to acknowledge the significant changes in the global and national economy.

Support to Local Industry

- The North East LEP is leading the regional development of the Local Industrial Strategy which will also set out future funding requirements to increase productivity in the North East.
- NECA secured £58.5m of JEREMIE 2 grant funding (part of the European Regional Development Fund) and a Special Purpose Vehicle has been established to deliver funding for small and medium sized enterprises.

Central and Local Government Policies

- NECA members and officers and partners of NECA, e.g. local councils, North East LEP etc continue to lobby and engage with the UK government to:
 - ensure policy makers and decision makers are aware of the economic and transport vision, plan and policies and needs for the North East are known and to influence policy thinking;
 - persuade government to make economic development and transport funding a priority;
 - track and discuss the progress of the development of the UKSPF.
- In Autumn 2020 the submission of the ‘Covid North East Recovery and Renewal Deal’ document was submitted to government, as part of its Comprehensive Spending Review, requesting the provision of the necessary 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 other potential partners to identify new non-government funding sources which may help to progress the delivery of the SEP.

Further Mitigating Actions	Lead Officer(s)
<i>Central and Local Government Policies</i>	
NECA and other local partners will continue to work with the Managing Authorities (MHCLG, DWP and DEFRA) to ensure that the maximum unallocated EU funding will be allocated to the North East.	Head of Paid Service
NECA and other local partners e.g. NELEP, local councils continue to work with and lobby Government and influence emerging policy thinking.	Chair – NECA Leadership Board

<p>2 <u>Funding Opportunities</u></p> <p>Failure of NECA to secure the maximum amount of funding available to progress projects which support the delivery of the Strategic Economic Plan for the North-East regions.</p>	<p><u>Risk Owner</u> Head of Paid Service</p>
	<p><u>Risk Score</u></p>
	<p>Amber 8</p>
	<p>Likelihood – Low 2 Impact – Critical 4</p>
<p>Possible Cause(s):</p> <ul style="list-style-type: none"> • Funding opportunities are missed due to lack of awareness or missing relevant deadlines or lack of development of appropriate projects. • Poor quality of funding applications made by NECA and/or North East Joint Transport Committee (JTC). • Funding may be made available through a competitive process e.g. there is also a significant risk that funding for ‘Innovation’ capital projects will be allocated via national competitions. Strong applications from funding competitors may result in any funding application not being successful at all or only a proportion of the funds applied for being awarded. • Failure by NECA to build and develop relationships with key partners to maximise funding opportunities. 	
<p>Potential Impact/Consequence:</p> <p>If opportunities are missed or not maximised by NECA then progression of plans to deliver the economic improvements required by the region will be significantly delayed. Consequently, the benefits associated with the transport will not be fully realised or delayed e.g. supporting economic growth.</p>	
<p>Current Controls:</p> <ul style="list-style-type: none"> • NECA and JTC officer’s horizon scan to identify upcoming funding opportunities. • NECA and JTC are in regular contact with the UK government and other funding bodies to identify funding opportunities early. • NECA and JTC have established relationships with other bodies e.g. councils, universities etc to allow NECA to work in partnership, where applicable, to exploit funding opportunities by submitting bids for funding to benefit the region. • NECA and JTC and its partners lobby relevant government bodies to promote schemes required for the North East to be included in key government schemes. • The officers of NECA and JTC have the experience, skills and knowledge to submit strong bids for funding. It is familiar with the requirements needed for submitting bid and the process to go through. • All projects included in a bid are subject to scrutiny to ensure the proposed projects is in line with NECA objectives and plans and meets the bid criteria. • During any application process NECA and JTC liaise with the funding provider 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. 	
<p>Further Mitigating Actions</p>	<p>Lead Officer(s)</p>

Pipeline Projects

NECA are working with key stakeholders to develop and prepare pipeline projects ready for Government releasing further 'calls' for applications for funding.

NECA Economic Directors/Heads of Transport Officer Group

<p>3 <u>Use of Funding and Resources</u></p> <p>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.</p>	<p><u>Risk Owner</u> Head of Paid Service</p>
	<p><u>Risk Score</u></p>
	<p>Amber 8</p>
	<p>Likelihood – Low 2 Impact – Critical 4</p>
<p>Possible Cause(s):</p> <ul style="list-style-type: none"> • 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/programmes. • Fraud and corruption. • Failure by NECA to secure agreement on the priority of projects within the region it serves. 	
<p>Potential Impact/Consequence:</p> <ul style="list-style-type: none"> • Programmes/projects may not be completed or have to be delayed or the size of project reduced e.g. quality, quantity which may results intended benefits not being realised and damage to the reputation of NECA and its partners e.g. JTC/North East LEP. • If the funding is not used by a deadline then funding 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 NECA plans. 	
<p>Current Controls:</p> <ul style="list-style-type: none"> • NECA officers and its partner's e.g. JTC/North East LEP have experience, skills and knowledge to submit strong bids for funding. It is familiar with the requirements needed for submitting bid and the process to go through. • All projects included in a bid are subject to scrutiny to ensure the proposed projects are in line with NECA objectives and plans and meets the bid criteria. • Projects delivered by NECA and its partners directly are managed using recognised project management principles. NECA and its partners have the experience and skills to manage projects. • Where projects to be delivered involves a procurement exercise then this must be carried out on a competitive basis. • Where funding is provided through NECA to third parties to deliver a project all third parties must provide details as to progress regarding costs and progress of the project. NECA monitor progress on an ongoing basis together with the legitimacy of spend. • Funding providers provide clear conditions as to the use of funds which is published to all relevant stakeholders. • 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. 	

Further Mitigating Actions	Lead Officer(s)
<i>Plans and Programme Review</i>	
<p>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.</p>	<p>Head of Paid Service Chief Finance Officer</p>

<p>4 Governance Arrangements</p> <p>The governance arrangements of NECA are not appropriate to allow effective and timely decision making and the achievement of its objectives</p>	<p><u>Risk Owner</u> Deputy Monitoring Officer</p>
	<p><u>Risk Score</u></p>
	<p>Amber 8</p>
	<p>Likelihood – Low 2 Impact – Critical 4</p>
<p>Possible Cause(s):</p> <ul style="list-style-type: none"> • Changes in the environment in which NECA work render the current governance arrangements out of date e.g. membership, structures, geographical spread. 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 (LAs) that made up a single Combined Authority splitting and forming two combined authorities (CAs). NECA now constitutes the four Local Authorities, south of the River Tyne. The North of Tyne Mayoral Combined Authority (NoTCA) was established and constitutes the three LAs north of the River Tyne. The change happened on 2 November 2018. Regional transport continues to operate and be governed at the seven LA geography through the newly formed Joint Transport Committee. • Lack of understanding of nature and objectives and roles of NECA or importance of governance arrangements. • Lack of commitment and/or organisation or resource to support the set-up of governance arrangements or changes to it. 	
<p>Potential Impact/Consequence:</p> <ul style="list-style-type: none"> • Poor decisions may be made which are not in the interest of NECA region. • Decisions may be delayed, not taken by the most appropriate body or not based on the correct information. • Lack of clarity of roles and responsibilities may lead to NECA not adequately fulfilling its statutory functions, not monitoring its finances, having a lack of clarity over its objectives, not ensuring adequate transport services delivered to the public and improvements in economic and infrastructure not being delivered. This may lead to having a poor reputation, losing out on funds, poor value for money being achieved and the economic benefits of infrastructure projects not being achieved. 	
<p>Current Controls:</p> <ul style="list-style-type: none"> • The seven Local Authorities have approved a Deed of Cooperation which sets out operational working between the 7 Local Authorities and the two Combined Authorities. This will be revised completely later in March 2020. • The Statutory Orders provides for the existence of NECA and specifies its current membership, functions and procedures. • Formal decision-making committees including NECA Leadership Board, NECA Overview and Scrutiny Committee, NECA Economic Development and Regeneration Advisory Board etc and Joint Transport Committee and sub-committees are operational. • The 7 Local Authorities continue to work together using agreed joint working arrangements i.e. regular officer meetings of Chief Executives, Finance Directors, Monitoring Officers and Heads of Transport, plus formal Transport and Governance Committees 	

- The Strategic Economic Plan (SEP) has been refreshed in 2019 by the North East LEP to ensure the economic priorities remain current, reflecting the region's economic position
- All 7 LAs continue to support the North East LEP and the SEP and are working together to develop the regional Local Industrial Strategy (LIS).
- A Strategic Partnership Register has been agreed which identifies all partnerships that are entirely or substantially responsible for delivering or managing an outcome for NECA
- A revised Constitution has been adopted by NECA Leadership Board.
- Responsibilities for the delivery of support services to NECA by local authorities e.g. finance, legal etc to enable NECA's governance arrangements to function effectively have been agreed.
- NECA maintains an internal audit function which, as part of its remit provides assurance, as to the governance arrangements within NECA.

Further Mitigating Actions	Lead Officer(s)
<i>Relationship with NoTCA</i>	
NECA Leadership Board will develop and communicate a clear statement of the role, differentiating facts and working arrangements with NoTCA.	Head of Paid Service

<p>5. Operational Capacity and Resourcing</p> <p>NECA does not have the necessary operational capacity, skills and budget, to successfully deliver the objectives and plans.</p>	<p><u>Risk Owner</u> Head of Paid Service</p>
	<p><u>Risk Score</u></p>
	<p>Amber 8</p>
	<p>Likelihood – Low 2 Impact – Critical 4</p>
<p>Possible Cause(s):</p> <ul style="list-style-type: none"> • Lack of full appreciation of resources needed for NECA to: <ul style="list-style-type: none"> - Develop and deliver its objectives and plans. especially in light of the recent change to two Combined Authorities operating within the North-East region rather than one. - Act as the accountable body to North East Joint Transport Committee (JTC). NECA is the accountable body for the JTC and has extra responsibility for implementing the decisions of the JTC, providing support to the JTC committees and managing the JTC's finances. It is uncertain how much resource will be needed by NECA officers and committee members moving forward therefore the current budget may be insufficient. • Statutory officers to NECA, the accountable body for the JTC, need to carry out duties for their main employer in addition to their roles in NECA which may result in capacity issues. • Insufficient financial resources are allocated for the operation of NECA. • Lack of commitment by local councils providing support services to NECA. • Key senior officers of NECA and JTC leave their posts. • Severe epidemic widely affecting population including NECA officers. • Lack of effective business continuity arrangements. 	
<p>Potential Impact/Consequence:</p> <ul style="list-style-type: none"> • Decisions may be delayed, or incomplete information provided as part of the decision-making process. Functions may not be carried out as quickly or as fully as they should be leading to loss of money, incorrect decisions, complaints and loss of credibility of NECA. • The JTC operations may be interrupted by a failure of NECA to provide essential support services. 	
<p>Current Controls:</p> <ul style="list-style-type: none"> • All statutory officers in NECA have been appointed and are in post. Deputy statutory officers are also in place. • Representatives from the 4 councils in NECA region have been appointed to NECA and its sub committees. Deputies have also been appointed. • NECA have adopted a budget for 2020/21 <i>and 2021/22</i> to meet the costs of the capacity, skills and expertise need to deliver JTC activities. • A further finance officer has been employed by NECA to help meet the extra demands of NECA's role place as the Accountable Body for the JTC. • 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. • Economic Directors' Group have put in place a programme of work looking at the impact of the Covid pandemic, Brexit on the economy, Local Authority finances, developing a 	

NECA strategic plan as well as looking at the and the region more widely.

- NECA Leadership Board has agreed a budget for its capital programme for 2020/21.
- As part of the budget process Chief Executive's and the Head of Paid Service identified the risks relating to capacity and political commitment. The four local authority Chief Executives are reviewing the capacity required for the future.
- 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.
- All 4 member Local Authorities continue to support NECA and its activities. Service Level Agreements are in place between NECA and the 4 member Local Authorities for support services e.g. legal, finance etc provided by the latter.

Further Mitigating Actions

Lead Officer(s)

Accountable Body Arrangements

Accountable Body Arrangements – NECA continue to be the accountable body for the Joint Transport Committee and the functions delegated to it. NECA will host the Transport Strategic Unit including the Proper Officer for Transport.

Head of Paid Service

Review of Resource Requirements

A review of resource requirements for the new combined authority is underway.

Chief Finance Officer

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<p>6 <u>Delivery of Projects/Programmes</u></p> <p>Projects which are funded through NECA are delayed, are significantly overspent or do not deliver the intended product to meet the identified transport need.</p>	<p><u>Risk Owner</u> Head of Paid Service</p>
	<p><u>Risk Score</u></p>
	<p>Green 6</p>
	<p>Likelihood – Low 2 Impact – Significant 3</p>
<p>Possible Causes(s):</p> <ul style="list-style-type: none"> • Poor 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. 	
<p>Potential Impact/Consequence:</p> <ul style="list-style-type: none"> • Projects may not be completed or have to be delayed or the size of project reduced e.g. quality, quantity which may results intended benefits not being realised and damage to the reputation of NECA. • If the funding is not used by a deadline then funding 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 NECA plans. 	
<p><i>Current Controls:</i></p> <ul style="list-style-type: none"> • NECA officer and its partner's e.g. North East LEP have experience, skills and knowledge to submit strong bids for funding. It is familiar with the requirements needed for submitting bid and the process to go through. • All projects included in a bid are subject to scrutiny to ensure the proposed projects is in line with NECA objectives and plans and meets the bid criteria. • Projects delivered by NECA and its partners directly are managed using recognised project management principles. NECA and its partners have the experience and skills to manage projects • Where projects to be delivered involves a procurement exercise then this must be carried out on a competitive basis. • Where funding is provided through NECA to third parties to deliver a project all third parties must provide details as to progress regarding costs and progress of the project. • Funding providers provide clear conditions as to the use of funds which are published to all relevant stakeholders. 	
<p>Further Mitigating Actions</p>	<p>Lead Officer(s)</p>
<p><i>Monitoring Delivery</i></p>	
<p>Monitoring of the delivery of the overall programme of projects should be carried out on a regular basis.</p>	<p>Head of Paid Service</p>

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<p>7 <u>Infrastructure Assets</u></p> <p>Infrastructure assets which are owned by NECA are inadequately managed and maintained.</p>	<p style="text-align: center;"><u>Risk Owner</u> Head of Paid Service</p> <hr/> <p style="text-align: center;"><u>Risk Score</u></p> <p style="text-align: center; background-color: #92d050;">Green 6</p> <p style="text-align: center;">Likelihood – Low 2 Impact – Significant 3</p>
<p>Possible Cause(s):</p> <ul style="list-style-type: none"> • Lack of awareness of the existence of the asset. • Lack of clarity as to who has responsibility for the management and maintenance of the assets. • Lack of clarity as to maintenance standards required. • Lack of resources to maintain the assets. 	
<p>Potential Impact/Consequence:</p> <ul style="list-style-type: none"> • 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. If the funding is not used by a deadline then funding 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. 	
<p><i>Current Controls:</i></p> <ul style="list-style-type: none"> • 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. 	
<p>Further Mitigating Actions</p>	<p>Lead Officer(s)</p>
<p><i>Asset Management</i></p>	
<p>Asset management arrangement continue to provide assurance over the maintenance of NECA's assets.</p>	<p>Head of Paid Service</p>

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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	<ul style="list-style-type: none"> Over half the objectives/programmes affected More than one critical objective affected Partners do not commit to the Shared vision 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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) 	<ul style="list-style-type: none"> Adverse national media attention External criticism (press) Significant change in confidence or satisfaction of stakeholders Significant loss of community confidence

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Significant	<ul style="list-style-type: none"> • One or more objectives/programmes affected • One or more partners do not commit to shared vision • Significant environmental impact 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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) 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Less than 2 priority outcomes adversely affected • Isolated serious injury/ill health • Minor environmental impact 	<ul style="list-style-type: none"> • Threatened loss of partner's commitment • Minor impact on services provided to users 	<ul style="list-style-type: none"> • Minor financial loss in more than one partner • Some/loss of funding or funding opportunity threatened 	<ul style="list-style-type: none"> • Failure to reach agreement with individual partner • Change in confidence or satisfaction • Minor change in community confidence
Insignif.	<ul style="list-style-type: none"> • Minor effect on priorities/service objectives • Isolated minor injury/ill health • No environmental impact 		<ul style="list-style-type: none"> • 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.

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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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Appendix 4

Date: 16 June 2021

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 April 2021. Consequently, therefore the Strategic Risk Register still contains the same 14 risks.

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

The level of risk associated with the JTC's risks regarding the achievement of its strategic objectives previously reported remain the same. However, the Committee is asked to consider the risk scores of two risks in particular due to the current relaxation of COVID 19 restrictions, as follows:

- a) Strategic Risk 2 - Failure to achieve the planned outcomes to overcome inequality and support the growth of the economy in the JTC area.
- b) Strategic Risk 4 - 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.

The level of risk associated with the remaining nine 'organisational' risks previously reported relating to the JTC has remained stable.

Recommendations

1. The Audit Committee is asked to consider the Strategic Risk Register and comment on its content.
2. The Audit Committee is asked to consider the risk scores of Strategic Risks 2 and 4.

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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 its 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 16th 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 has been reviewed in light of feedback from the last JTC Audit Committee meeting in April 2021, the content of recent reports considered by the JTC Committee and its sub-committees including those reporting progress on the North East Transport Plan and discussions with Managing Director, Transport North East.
- 1.6 It should be noted 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 of 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.

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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.

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- 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 has been 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.

Any recent changes, developments or activities considered relevant to the assessment of JTC's strategic risks have been highlighted in green 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) It is pleasing to note that the majority of changes relate to factors that are within the control of the JTC. The inclusion of current controls and mitigation actions relating to the development of rail, bus and EV strategies for the North East, progress on prioritising public EV sites and installing rapid chargers for the taxi trade, and an Active Travel summer programme for the public cut across the 5 risks relating to the JTC's strategic objectives.
- c) For further clarification a review has been carried out to group causes, likelihoods and mitigating actions under common themes where this appears relevant. There is also now a specific split between factors affecting the likelihood of risks occurring and the actual, current controls that are in place to address them. Together this has been done to identify clear links between, causes, likelihood factors and the activity to that is within the control of the JTC and its partners to address them in the form of current controls and mitigating actions. It is also hoped that this will support the ongoing appraisal and development of activity that seeks to address the identified risks.
- d) Although none of the risk scores have been changed in this report, the Committee is asked to consider the scores for two risks in particular, as follows:

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Strategic risk 2 - Failure to achieve the planned outcomes to overcome inequality and support the growth of the economy in the JTC area.

Strategic risk 4 - 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.

The current likelihood score for both risks is described as Medium (Risk is likely to occur in most circumstances). Although there are still a number of actions to be implemented to mitigate these risks it is considered that the impact of Covid 19 is less now than it was when the risks was first developed given that the Country is likely to move out restrictions in the near future. The likelihood score of Low (Risk may occur) could be considered to be more appropriate at the current time. Changing the likelihood scores to Low move the risk rating for both risks to Amber from Red. Members are asked to consider this and agree whether or not the risk scores should be changed.

- 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 - Details' 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.

- 2.6 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, with support from officers. 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 regularly reviewed. Update reports will be provided to the JTC Audit Committee.

5. Potential Impact on Objectives

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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.

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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

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Appendix 1

Strategic Risks - Summary			
Risk Title & Description	Risk Level (RAG Rating)	Direction of Travel	Notes
Risks to Achievement of JTC Strategic Objectives			
<u>1 Carbon Neutral Transport</u> 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
<u>2 Inequality and Growth of the Economy</u> 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 users of public transport
<u>3 Health</u> 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
<u>4 Appealing Sustainable Transport</u> 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

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Strategic Risks - Summary			
Risk Title & Description	Risk Level (RAG Rating)	Direction of Travel	Notes
<u>5 Safety and Security</u>			
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			
<u>1 Future Availability of Funding</u>			
Sources and levels of funding available to the JTC to develop the North-East regions transport infrastructure within the region may reduce.	Amber 8	Static	Increased Funding Opportunities for JTC
<u>2 Funding Opportunities</u>			
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
<u>3 Use of Funding and Resources</u>			
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
<u>4 Governance Arrangements</u>			
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
<u>5 Operational Capacity and Resourcing</u>			
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
<u>6 Delivery of Transport Improvement Projects/Programmes</u>			
Projects which are funded through the JTC are delayed, are significantly overspent or do not deliver the intended product to meet the identified	Amber 8	Static	N/a

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transport need.			
Strategic Risks - Summary			
Risk Title & Description	Risk Level (RAG Rating)	Direction of Travel	Notes
<p><u>7 Transport Infrastructure Assets</u></p> <p>Transport assets, which are the responsibility of the JTC, are inadequately managed and maintained.</p>	Green 6	Static	N/a
<p><u>8 Service Delivery</u></p> <p>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>	Green 6	Static	N/a
<p><u>9 'Catastrophic Event'</u></p> <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. power, fuel).</p>	Amber 8	Static	N/a

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Appendix 2

Strategic Risks - Details

Risks to Achievement of JTC Strategic Objectives	
<p>1 <u>Carbon Neutral Transport</u></p> <p>Failure to achieve the aspiration of a fully carbon neutral transport network within the JTC area by 2035.</p>	<p><u>Risk Owner</u> Head of Paid Service (for Transport)</p> <p><u>Risk Score</u></p> <p style="background-color: red; color: white; font-weight: bold;">Red 12</p> <p>Likelihood – Medium 3 Impact – Critical 4</p>
<p>Possible Cause(s):</p> <p><i>Private Transport</i></p> <ul style="list-style-type: none"> • Growing demand for car travel and freight as economy grows. • Road vehicle owners holding on to current more polluting vehicles for longer e.g. people may be less reluctant to increase personal spending, commit to loans during recession or if people have been furloughed or lost their job as a result of Covid-19 they may be unable to afford a new car. • Drivers' unwillingness or inability to give up the use of their car and use more sustainable forms of transport e.g. walking, cycling or public transport for reasons such as convenience, independence, no practical alternative mode of sustainable transport available to meet needs. • 'Range anxiety' and lack of awareness resulting in consumers opting to purchase diesel/petrol vehicles instead of Electric Vehicles (EVs). • Lack of, or lack of user awareness of, charging infrastructure to support increase in uptake of EVs and lack of EV charging infrastructure to support EV owners who do not have off street parking. • High cost of Electric Vehicles when compared to diesel/petrol cars/vans. • Lack of incentives (e.g. financial) for road users to adopt zero/low emission vehicles. • Increased road traffic volumes and/or poor road infrastructure/traffic flow management causing congestion. • Road building/widening schemes in North East e.g. A19 will attract greater road usage. <p><i>Active Travel</i></p> <ul style="list-style-type: none"> • Poor infrastructures for cycling, walking and lack of segregated cycleways. • Reluctance to cycle instead of using the car over perceptions that cycling is unsafe, • Safety and security concerns about using public transport, cycling or walking at particular times of day. <p><i>Public Transport</i></p> <ul style="list-style-type: none"> • Public health concerns/fears, e.g. spread of Covid-19 during pandemic, about use of alternative modes of transport e.g. bus, train, Metro and associated inconvenience e.g. limited numbers/capacity due to need for social distancing, use of face mask causing greater use of road vehicles may put off people using low emission public transport. 	

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- Public reluctance to use public transport following government's advice during Covid-19 lockdown to only use public transport for essential journeys that cannot be made by walking, cycling or by car. Public may have interpreted this message to mean that public transport is unsafe/people are at risk of Covid-19 when using public transport.
- Lack of expansion in public transport network meaning that some communities are not served by the public transport network and therefore need to rely on car travel.
- Withdrawal of some bus routes or service frequencies resulting in some communities not being served by public transport.
- Lack of confidence by residents in the use of public transport e.g. fear for safety, harassment.
- Safety and security concerns about using public transport, cycling or walking at particular times of day.

Central and Local Government Policy

- Lack of effective carbon offset schemes.
- Lack of committed long term funding at local, regional or national government level.
- Lack of regular funding for EV infrastructure.
- Lack of prioritisation of carbon neutral agenda by transport policy decision makers.
- Council/transport delivery partners policies and priorities are not aligned to JTC aims/plans re carbon neutrality for transport.

Transport Plan

- Lack of a coordinated realistic regional plan and vision to achieve a carbon neutral transport network in the North East region and/or lack of will or resources to deliver plan by all or any stakeholder in transport.
- The potential effect of the activities planned by JTC and its delivery partners to achieve carbon neutrality are over-stated.

Potential Impact/Consequence:

The levels of carbon dioxide, nitrogen dioxide, other greenhouse gases and air particulates will remain high so:

- contributing to climate change with potential for extreme weather events.
- continuing to effect adversely the health of the population by increasing symptoms of respiratory (e.g. asthma) and cardiovascular disease (e.g. lung cancer, strokes, heart disease) in some cases leading to death. Air pollution can also have an impact of child development and development of dementia. This increases pressure on NHS resources e.g. increase hospital admissions.
- contributing to lower productivity in the region due to work absence for health reasons.
- exacerbating health inequalities as certain groups in society are more susceptible to high levels of air pollution e.g. elderly, children, those with disabilities, lower income groups who tend to live in housing in urban areas near roads.

Likelihood:

Factors outside of JTC Control

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Central Government Policy

- Under climate change legislation UK government has goal that the country achieves carbon neutrality by 2050. Legal limits are in place re levels of air pollution.
- UK government has adopted measure to improve air quality. These include:
 - Intention to ban sale of new petrol and diesel cars by 2030.
 - Investment in technological innovation re road vehicles e.g. batteries.
 - Introduction of an 'Air Quality Plan' to reduce air pollution. As part of this plan funding schemes have been made available for extending the charging infrastructure for ultra-low emission vehicles (ULEV) including fast charging, putting low emission buses and taxis on the road, and improving cycling and walking infrastructure.
- The effect and cost of the Covid-19 pandemic on the UK economy may cause the UK government to reduce the level of funding available to the region to enable it to achieve its transport carbon neutral objective.
- *The UK government is committed to funding 4000 zero-emission buses in the UK by the end of 2025 and this is confirmed in the National Bus Strategy that was launched in March 2021. Zero Emission Bus Regional Areas (ZEBRA), a competitive grant programme has been launched for schemes of up to £35m to support zero emission buses.*
- The UK government has committed funding to the development of the Northumberland Rail line project to allow passenger use.

Rail

- Network Rail has recently completed a strategy looking at the requirements needed to meet net zero carbon targets on the rail network by 2040. As part of this strategy there is an initial proposal that the whole North East rail network be electrified.

Other Public Transport

- Bus operators within the region are using greater numbers of low emission buses. However, these are not in sufficient numbers to meet the stringent requirements for Clean Air Zones. This is partly because the funding for modifications for buses is less than for vans or taxis.
- Electric charging infrastructure for taxis is currently being installed at appropriate sites across the region.

Covid-19

The Covid -19 pandemic has caused:

- A switch to the use of cars (high greenhouse gas emitters), a growth in cycling and walking and a decline in public transport patronage. This is possibly due to the need for social distancing, increased home working reducing the need to travel and a fear of catching the virus.
- There has been a huge reduction in the use of public transport including bus services and the Metro causing a severe loss in income. Without appropriate funding this may result in a future reduction in service level provision in public transport services. The government is currently providing funding to support the Metro however it is seeking to cease this as soon as possible. To this end it has asked for plans to be developed which allow the Metro to be self sustainable post Covid so its services match its income.
- Air quality improved during the lockdown due in part to less transport activity.

Factors within control of JTC, its members and its partners eg Nexus, NELEP, and Current Controls

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Central and Local Government Policy

- The JTC received £10m from Tranche 1 of Transforming Cities Fund (TCF) for the funding of schemes that encourage more travel by bus, cycling and walking, improving connectivity to city centres and key employment sites.
- UK government has introduced Clean Air Zone (CAZ) framework for cities. As part of this Newcastle, Gateshead and North Tyneside Council are in the process of adopting a clean air zone.
- Councils have a responsibility to assess levels of air quality and if necessary, adopt a remedial plan and powers to tackle air pollution. Councils also have access to funding via the Air Quality Grant Scheme.
- Councils can use licensing powers to introduce emission requirements on taxi/private hire vehicles.

Public Transport

- Award of £198.483m from Tranche 2 of the TCF to JTC will be used to deliver 27 transformational schemes that will improve the frequency and reliability of the Metro, speed up urban buses, make rail services more reliable, extend the cycling network and improve Park and Ride facilities.

Active Travel

- See above re Award of £198.483m from Tranche 3 of TCF.

The JTC has received Tranche 2 of the Emergency Active Travel Fund, £15.7m to install an ambitious programme of measures to reallocate road space to cycling and walking.

Current Controls:

Central and Local Government Policy

- Both Combined Authorities and all seven Local Authorities in the region have declared a 'climate emergency' undertaking to make environmental considerations as part of decision making and working to reduce carbon emissions.
- JTC members, Transport North East officers and partners of the JTC e.g. local councils continue to lobby and engage with the UK government at national and subnational level i.e. Transport for the North (TfN), Northern Transport Acceleration Council (NTAC) to:
 - ensure policy makers and decision makers are aware of the transport vision, plan and policies and needs for the North East are known, and
 - persuade government to make transport funding a priority.

Private Transport

- The region received £3m (from ERDF and Office for Low Emission Vehicles) to deliver the Go Ultra Low Programme. The JTC's Transport Strategy Unit (TSU) are completing a project to deliver ULEV charging stations and points.
- The JTC has been awarded £100,000 from the Local Growth Fund to carry out an enabling study to identify 25 strategic sites for the installation of EV charging infrastructure. £500,000 LGF has been reserved to take forward between 4-6 priority EV hubs by summer 2021. This will increase the availability of EV charging infrastructure in

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the region.

- *Local Growth fund supported EV Enabling Study has identified 5 additional EV infrastructure sites, that have been priorities due to estimated costings and deliverability within funding timescales*
- The Tyne Pass Scheme, a free flow scheme at the Tyne Tunnel, allowing barrier free movement is being developed.

Rail

- *A Rail strategy for the North East is under development, including a focus on bids to Restoring Your Railways Fund for Leamside Line, Bensham Curve (Team Valley – Chester le Street), Cobalt/Silverlink (Tyne and Wear Metro extension), Gilsland Station, Enhanced service between Newcastle and Berwick and Belford Station .*

Other Public Transport

- Nexus are in the process of upgrading the Metro' infrastructure and rolling stock to provide improved services and reliability.
- As part of a Bus strategy for the North East, a forum has been set up to allow the JTC and north east bus operators to discuss bus service provision matters.
- *Four Rapid chargers for the taxi trade have been installed and are now live with four more to follow and a further one planned.*

Active Travel

- The JTC has received £2.262m from Tranche 1 of the Department for Transport's Emergency Active Travel Fund. The funding has been used to install 'pop up' measures to support and encourage the increase in cycling and walking experienced during lockdown.

Transport Plan

- The JTC has adopted the North East Transport Plan. One of the plan's objectives is to achieve transport carbon neutrality with associated targets attached. The document provides the planned activity necessary to achieve this goal.
- The North East Transport Plan sets out an ambition for £6bn of transport infrastructure investment in the North East and will form the basis of the ask to central Government.

Further Mitigating Actions	Lead Officer(s)
<i>Private Transport</i>	
<i>Four rapid chargers for the Go Ultra Low taxi project have been installed, with a further five to operational soon, and a tenth to follow, to improve access to electric vehicle charging infrastructure for the taxi trade. A two year engagement programme with the taxi trade to commence from March 2021. Has this commenced?</i>	Managing Director, Transport North East
The Go Ultra Low North East programme is to be delivered. The aim of the programme is to increase the uptake of ultra-low emission vehicles (ULEVs) in the North East	Managing Director, Transport North East
<i>Continue to progress EV strategy.</i>	<i>Managing Director, Transport North East</i>

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<i>With JTC approval, a supplier to install, operate and maintain the 5 additional EV Infrastructure sites identified by Local Growth EV Enabling Study will be procured.</i>	<i>Managing Director, Transport North East</i>
<i>Public Transport including Rail</i>	
<i>Continue to progress Rail strategy.</i>	<i>Managing Director, Transport North East</i>
<i>Continue to progress Bus strategy.</i>	<i>Managing Director, Transport North East</i>
Capital projects funded by TCF Phase 2 to delivered in line with timescales	Managing Director, Transport North East
<i>Active Travel</i>	
Scheme promoters to deliver schemes funded through Emergency Active Travel Fund. Schemes will deliver improvements for cycling and walking.	Managing Director, Transport North East
<i>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. The programme will be based around:</i> <ul style="list-style-type: none"> <i>• Get Active day out Travel itineraries.</i> <i>• Maps of the cycling and walking network.</i> <i>• Cycling skills roadshows, interactive workshops and promotion of the programme.</i> <i>The programme is aimed to support all of the objectives of the Transport Plan.</i>	<i>Managing Director, Transport North East</i>
<i>Transport Plan</i>	
Planned activity to deliver the North East Transport Plan projects to achieve one of the Plan's objectives to achieve transport carbon neutrality is to be delivered in line with timescales.	Managing Director, Transport North East

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<p><u>2 Inequality and Growth of the Economy</u></p> <p>Failure of the transport system to achieve the planned outcomes to overcome inequality* and support the growth of the economy in the JTC area.</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center; padding: 5px;"><u>Risk Owner</u></td> </tr> <tr> <td style="text-align: center; padding: 5px;">Head of Paid Service (for Transport)</td> </tr> <tr> <td style="text-align: center; padding: 5px;"><u>Risk Score</u></td> </tr> <tr style="background-color: red; color: white;"> <td style="text-align: center; padding: 5px;">Red 12</td> </tr> <tr> <td style="text-align: center; padding: 5px;">Likelihood – Medium 3 Impact – Critical 4</td> </tr> </table>	<u>Risk Owner</u>	Head of Paid Service (for Transport)	<u>Risk Score</u>	Red 12	Likelihood – Medium 3 Impact – Critical 4
<u>Risk Owner</u>						
Head of Paid Service (for Transport)						
<u>Risk Score</u>						
Red 12						
Likelihood – Medium 3 Impact – Critical 4						
<p>Possible Cause(s):</p> <p>Transport Inequality*</p> <p><i>Transport Network</i></p> <ul style="list-style-type: none"> • Transport network does not adequately allow all residents to access transport to meet their needs e.g. transport is not available or not reachable, or if it is, the service is unreliable, or is not frequent enough or runs at the wrong times. This could be due to: <ul style="list-style-type: none"> - Poor planning where transport infrastructure to support new housing or business development is not adequately considered. - Inadequate understanding of transport needs of residents and businesses - The geographic spread of communities in rural areas means it may not be cost effective to provide public transport. - Lack of funding from government (central or local) due to policy or financial necessity due to economic downturn to operate current transport service provision or to develop new or alternative public transport provision. - Lack of resources to maintain transport infrastructure and fleets to service users <p><i>Public Transport</i></p> <ul style="list-style-type: none"> • Costs to users of public transport provision is prohibitive due to: <ul style="list-style-type: none"> - High fares e.g. as a result of inflation. - Reduction in subsidies/concessions to users of public transport as a result of government policy or financial necessity due to an economic downturn or public investment priority is road and rail rather than bus/Metro which affects those on low incomes disproportionately more. • Inadequate communication between providers of public transport in different area resulting in a lack of integration of services causing users to be unable to complete journeys in a reasonable time. • Residents are not aware of all the public transport services available and do not know where to go to access public transport information. • Lack of innovative transport solutions to address transport inequality. • Lack of flexible ticketing options for public transport e.g. tickets that allow travel on services provided by more than one operator, lack of saver tickets which do not require passengers to travel daily to get the best value. <p><i>Central and Local Government Policy</i></p> <ul style="list-style-type: none"> • Lack of integrated and partnership working between organisation responsible for transport policy and service delivery and other stakeholders e.g. those responsible for employment, 						

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education, skills, housing and economic development policy; alternative public transport service providers e.g. community transport etc.

- Council/transport delivery partners policies and priorities are not aligned to JTC aims/plans re transport inequality and economic growth.

Growth of the Economy

Transport Network

- Insufficient capacity within the transport infrastructure to allow businesses to connect to suppliers, and consumers either at a local, regional, national and/or international level.

Causes could be:

- A failure to understand the current and future transport needs of north east businesses and to develop and deliver clear overall plans to meet those needs;
- Poor design of transport solutions e.g. wrong place or wrong mode of transport;
- Lack of funding from government (central or local) due to policy or financial necessity due to an economic downturn to develop and deliver transport improvement projects leading to inaction, delay or cancellation;
- Lack of involvement by relevant North East bodies in regional, national transport initiatives and central government to put forward transport case re connectivity to the north east region;
- Lack of agreement as to the prioritisation of transport improvement projects.
- Transport routes available are not sufficiently efficient for business needs e.g. long journey times, lack of safety of goods, unreliable. Causes could be:
 - Poor management of transport networks causing congestion on roads, poor timetabling of services e.g. rail;
 - Lack of prioritisation for adequate maintenance e.g. roads, rail, rolling stock;
 - Lack of adequate funding to deliver improvements to the transport network
- Transport infrastructure does not allow businesses to access the employment pool available within the region that they require. The possible causes are as those for transport inequality above.

Transport Plan

- Lack of a coordinated realistic regional transport plan and vision to overcome transport inequality and to support the growth of the economy in the North East region and/or lack of will or resources to deliver plan by all or any stakeholder in transport

(* 'Transport inequality' is defined as the failure to provide adequate public transit options for low income residents making it difficult for a) residents to find and commute to higher paying jobs, or education and training, that would help them improve their economic status and/or b) residents to travel to key services to meet their needs whether business, medical or leisure)

Potential Impact/Consequence:

- Residents, particularly low-income earners, in the north east will not be able to access work or move into education and training that could improve their prospects e.g. economic, health. Progress on social mobility in the region will be limited.
- Residents in some areas of the region will not be able to access health care and other essential services as a result of a poor transport network.
- Residents without appropriate transport infrastructure business may choose to locate or

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expand business in locations other than the north east resulting in loss of new employment opportunities for its residents, and loss of investment and income to the region.

Likelihood:

Factors outside of JTC Control

Central Government Policy

- Currently there is no commitment to invest to grow the capacity and resilience of the East Coast Mainline corridor between York and Newcastle to link the region to HS2 and other Northern Powerhouse rail routes. The East Coast Main Line is unable to cope with existing demand, let alone that of the future. If the line is not invested in the economic gap between the north and south will widen and 'levelling up' won't be achieved.
- Government measures as a result of the Covid-19 pandemic has resulted in the reduction of public transport services e.g. bus, Metro, rail and a lack of capacity due to the need to socially distance. This impacts to a greater extent those on lower incomes and those without access to a car.

Transport Network

- Significant major road schemes are currently being undertaken on the strategic road network e.g. A19, A1 improvements to improve traffic flows. Highways England have 6 further major road widening/improvement schemes relating to the A1 and A19 routes planned up to 2025.
- The area served by the JTC has approximately a third of its population living in rural communities.
- East-west connectivity from the region is slow via road and rail.

Covid-19

- The Covid-19 pandemic has reduced Metro and bus patronage resulting in financial losses. These losses have been supported by a short-term funding grant from government. If this funding ceased and patronage levels do not increase bus companies and Nexus will be making a loss which could result in the need to reduce/ withdraw some services. The government is currently providing funding to support the Metro however it is seeking to cease this as soon as possible. To this end it has asked for plans to be developed which allow the Metro to be self sustainable post Covid so its services match its income.
- *The current relaxation of Covid-19 restrictions should help to reduce these pressures in the near future.*

Rail

- The UK government has committed funding to the development of the Northumberland Rail line project to allow passenger use.
- As part of Network Rail's long-term planning process, an assessment of the routes from York to the North East has been completed. There are a number of recommendations to make improvements to be taken forward for future business case development or option analysis. These will improve the capacity of rail network in the North East area.
- *The government is expected to publish its Integrated Rail Plan (IRP) for the North and*

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Midlands shortly, following its review of the recommendations from the National Infrastructure Commission's (NIC) Rail Needs Assessment for the North and Midlands, published in December 2020. This should help clarify the future direction for high-speed long-distance services to and from the North East.

- *Network Rail and train operators are working on East Coast Mainline May 2022 Timetable change which has identified a desperate shortage of capacity on the route. LNER is running a formal 12 week public consultation up to 13th June.*

Other Public Transport

- The Metro is currently accessible to 40% of the population with bus use per household the highest in England outside London.
- *The Government's National Bus Strategy promotes Local Transport Authorities working in Enhanced Partnership with operators to access funding to assist with market recovery from the pandemic: this may be a requirement.*

Factors within control of JTC, its members and its partners eg Nexus, NELEP, and Current Controls

- The JTC has recently been awarded £198.483m from Tranche 2 of the Transforming Cities Fund. The funding will be used to deliver 27 transformational schemes that will improve the frequency and reliability of the Metro, speed up urban buses, make rail services more reliable, extend the cycling network and improve Park and Ride facilities.
- The JTC has received Tranche 2 of the Emergency Active Travel Fund, £15.7m to install an ambitious programme of measures to reallocate road space to cycling and walking.

Current Controls:

Central and Local Government Policy

- JTC members, Transport North East officers and partners of the JTC e.g. local councils continue to lobby and engage with the UK government at national and subnational level i.e. Transport for the North (TfN), Northern Transport Acceleration Council (NTAC) to:
- ensure policy makers and decision makers are aware of the transport vision, plan and policies and needs for the North East are known, and
- persuade government to make transport funding a priority.
- The region has come together to focus its attention on recovery with transport and digital being a key element. A "Connected North East: Our Blueprint" has been developed and submitted to Government ahead of the deadline for submissions for the Comprehensive Spending Review. It makes the case for investment in the region to aid recovery from the pandemic.

Rail

- *A Rail strategy for the North East is under development, including a focus on bids to Restoring Your Railways Fund for Leamside Line, Bensham Curve (Team Valley – Chester le Street ,), Cobalt/Silverlink (Tyne and Wear Metro extension), Gilsland Station, Enhanced service between Newcastle and Berwick and Belford Station*

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Other Public Transport

- Local councils continue to contribute to a transport levy to the Joint Transport Committee to fund concessionary fares schemes and subsidies for bus services in the region and the Tyne and Wear Metro service. However due to financial pressure on councils in recent years this has remained fairly static. With the reduced use of public transport, the demand for increases in subsidies may rise if current service levels are to be maintained
- Nexus are currently completing a programme of Metro infrastructure improvements and are starting a programme of replacing its rolling stock.
- A final business case has been submitted to for the development of the Northumberland Line, a new train line between Ashington and Newcastle. *The government announced £34m for a study relating to the Line on 23rd Jan.*
- *As part of a Bus strategy for the North East, a forum has been set up to allow the JTC and north east bus operators to discuss bus service provision matters.*

Transport Network

- Projects have recently been completed to enhance accessibility e.g. opening of new railway station at Horden and improvements in traffic management systems and bus prioritisation.

Active Travel

- The JTC has received £2.262m from Tranche 1 of the Department for Transport's Emergency Active Travel Fund. The funding has been used to install 'pop up' measures to support and encourage the increase in cycling and walking experienced during lockdown.

Transport Plan

- A North East Transport Plan has been adopted by the JTC. One of the Plan's objectives is to 'overcome inequality and grow our economy'. The Transport Plan is accompanied by an Intervention Plan which sets out how objectives will be achieved.
- The North East Transport Plan sets out an ambition for £6bn of transport infrastructure investment in the North East and will form the basis of the ask to central Government.

Further Mitigating Actions

Lead Officer(s)

Transport Plan

Planned activity to deliver the North East Transport Plan projects to achieve one of the Plan's objectives to 'overcome inequality and grow our economy' is to be delivered in line with timescales.

Managing Director,
Transport North East

Rail

Continue to make the case to government for urgent investment in the East Coast Main Line north of York

Managing Director,
Transport North East

Regional response to LNER formal consultation on May 2022 East Coast Mainline Timetable change to reflect JTC members views.

*Managing Director,
Transport North East*

Continue to progress Rail strategy.

*Managing Director,
Transport North East*

Other Public Transport

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Capital projects funded by TCF Phase 2 to be delivered in line with timescales.	Managing Director, Transport North East
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.	Managing Director, Transport North East
<i>Continue to progress Bus strategy.</i>	<i>Managing Director, Transport North East</i>
<i>Active Travel</i>	
Scheme promoters to deliver schemes funded through Emergency Active Travel Fund. Schemes will deliver improvements for cycling and walking	Managing Director, Transport North East
<p><i>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. The programme will be based around:</i></p> <ul style="list-style-type: none"> <i>• Get Active day out Travel itineraries;</i> <i>• Maps of the cycling and walking network;</i> <i>• Cycling skills roadshows, interactive workshops and promotion of the programme.</i> <p><i>The programme is aimed to support all of the objectives of the Transport Plan.</i></p>	<i>Managing Director, Transport North East</i>

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<p><u>3 Health</u></p> <p>Failure of the transport system to achieve the planned outcomes to contribute to the improvements in health of the population in the JTC area.</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center; padding: 5px;"><u>Risk Owner</u> Head of Paid Service (for Transport)</td> </tr> <tr> <td style="text-align: center; padding: 5px;"><u>Risk Score</u></td> </tr> <tr style="background-color: #FFD700;"> <td style="text-align: center; padding: 5px;">Amber 8</td> </tr> <tr> <td style="text-align: center; padding: 5px;">Likelihood – Low 2 Impact – Significant 4</td> </tr> </table>	<u>Risk Owner</u> Head of Paid Service (for Transport)	<u>Risk Score</u>	Amber 8	Likelihood – Low 2 Impact – Significant 4
<u>Risk Owner</u> Head of Paid Service (for Transport)					
<u>Risk Score</u>					
Amber 8					
Likelihood – Low 2 Impact – Significant 4					
<p>Possible Cause(s):</p> <p>The transport system can contribute to the health improvement of the population in 2 ways by a) increasing the amount of ‘active travel’* and b) reducing the amount of air pollution. Causes which may prevent progress in these 2 areas are:</p> <p>Active Travel</p> <ul style="list-style-type: none"> • Fear for personal safety, perceived or real. • Lack of time to make journeys using active travel. • Convenience and comfort of using the car (e.g. carrying heavy/bulky items, avoiding bad weather). • Unwillingness to take part in active travel. • Lack of facilities to support active travel e.g. changing/showering/locker facilities, secure cycle parking. • Lack of fit for purpose, well maintained walking/cycling infrastructure e.g. lack of segregated cycle lanes, lack of continuous routes between home and workplace/school/community service. • Impracticality for journey purpose, e.g. school drop off on way to work, shopping on way home from work, may not be suitable for people with disabilities. • Plans and policies, e.g. council Local Plans, do not take into account the active travel agenda. • Lack of support/confidence to change travel behaviour to active modes and lack of confidence in ability to cycle, particularly on roads. • Insufficient promotion and knowledge of existing walk/cycle routes. <p>Air Quality</p> <ul style="list-style-type: none"> • Refer to possible causes re Strategic Risk 1, Carbon Neutral Transport <p>Central and Local Government Policy</p> <ul style="list-style-type: none"> • Lack of available funding to develop or maintain infrastructure. • Policies of JTC and other stakeholders e.g. councils are not aligned. • Competing priorities e.g. improving journey times for vehicles to aid economic activity yet reducing speed of traffic for cyclists/walkers; need for essential road maintenance when desire to improve/develop active travel facilities. • Lack of committed long term funding at local, regional or national government level. 					

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Transport Plan

- Lack of a coordinated realistic regional plan and vision to achieve the planned outcomes to contribute to the improvements in health of the population in the North East region and/or lack of will or resources to deliver plan by all or any stakeholder in transport.

Private and Public Transport

- Cost affordability. Costs of transport for users may be too high.

*‘Active travel’ is defined as the use of walking and cycling as a means of transport to get to a particular destination e.g. work, shopping, visit friends. Active travel can be used for a complete journey or part of a journey e.g. walk to get on a bus

Potential Impact/Consequence:

- Continued overcrowding of public transport e.g. trains and buses exacerbated by social distancing due to the Covid-19 pandemic will continue.
- Levels of congestion on roads will not be reduced, therefore air quality will not improve.
- Road casualties will not be reduced.
- The benefits of physical activity in the area will not be realised e.g. lower death rates; lower rates of cardiovascular disease, cancer, obesity, diabetes; better mental health so maintaining the pressure on NHS services and costs.
- Levels of absenteeism from work due to ill health will be not reduced so productivity declines.
- Improvements in quality of life in the area will not be achieved i.e. better air quality, lower carbon emissions from transport, reduced noise pollution from transport.

Likelihood:

Factors outside of JTC Control

Active Travel

- July 2020 Government published ‘Gear Change: a bold vision for cycling and walking.’ The document sets out actions required by government to make England a great cycling and walking nation.
- Government has also provided funding to:
 - Improve cycling facilities at railway stations
 - Provide programmes to support walking to school
 - Cycling UK to provide bike maintenance and cycling classes.
- The government operates a ‘cycle to work’ scheme which is a tax exemption initiative to promote cycling to work. Employers can loan cycles to employees as a tax-free benefit.
- There has been a recent increase in the uptake of cycling and walking during the Covid-19 pandemic period. With the ongoing need for social distancing including public transport this uptake is likely to be maintained for the foreseeable future.
- Post Covid-19 pandemic the Government has announced a £250 million emergency active travel fund which is to be used to:
 - adopt a bike voucher repair scheme to get unused bikes owned by the public repaired. Its effectiveness will be monitored to see if scheme will be continued.

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- provide initially pop-up measures to create a safer environment for walking and cycling in England.
- The North East received £2.262m from Tranche 1 of the Fund to quickly deliver temporary improvements. The JTC has received Tranche 2 of the Emergency Active Travel Fund, £15.7m to install an ambitious programme of measures to reallocate road space to cycling and walking. These measures will improve safety for pedestrians and cyclists and encourage active travel. This emergency active travel fund is part of a £2 billion funding package nationally for investment in cycling and walking.
- The JTC area contains many cycling routes, some of which are part of the national cycling network.
- A new Capability Fund has been announced in March 2021 with the North East receiving £2.1m to spend on revenue projects improving access to public and active travel.

Air Pollution

- Refer to 'likelihood' section re Strategic Risk 1, Carbon Neutral Transport.

Factors within control of JTC, its members and its partners eg Nexus, NELEP, and Current Controls

Active Travel

- Councils have received government guidance e.g. 'Working Together to Promote Active Travel', National Planning Policy Framework which encourages them to shape and create an environment to encourage active travel via a basket of measures e.g. via planning process to allow the built environment to encourage cycling/walking; 20 mph speed limit zones; improving infrastructure for cycling; school travel plan development; access to green spaces; good street lighting; road crossing points etc.
- Government issued in May 2020 statutory guidance for Local Authorities on the reallocating of road space in response to COVID-19. The aims of the reallocation of road space is to increase in the number of cyclists and pedestrians and enable social distancing.

Current Controls:

Central and Local Government Policy

- JTC members, Transport North East officers and partners of the JTC e.g. local councils continue to lobby and engage with the UK government at national and subnational level i.e. Transport for the North (TfN), Northern Transport Acceleration Council (NTAC) to:
 - ensure policy makers and decision makers are aware of the transport vision, plan and policies and needs for the North East are known, and
 - persuade government to make transport funding a priority.

Transport Plan

- A North East Transport Plan has been adopted by the JTC. One of the Plan's objectives is to 'contribute to health improvements of the population'. The Transport Plan is accompanied by an Intervention Plan which sets out how objectives will be achieved.
- The North East Transport Plan sets out an ambition for £6bn of transport infrastructure investment in the North East and will form the basis of the ask to Central Government

Further Mitigating Actions

Lead Officer(s)

Transport Plan

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<p>Planned activity to deliver the North East Transport Plan projects to achieve one of the Plan's objectives to 'contribute to health improvements of the population' is to be delivered in line with timescales.</p>	<p>Managing Director, Transport North East</p>
<p><i>Public Transport including Rail</i></p>	
<p>Capital projects funded by TCF Phase 2 to be delivered in line with timescales.</p>	<p>Managing Director, Transport North East</p>
<p><i>Active Travel</i></p>	
<p>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.</p>	<p>Managing Director, Transport North East</p>
<p><i>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. The programme will be based around:</i></p> <ul style="list-style-type: none"> <i>• Get Active day out Travel itineraries;</i> <i>• Maps of the cycling and walking network;</i> <i>• Cycling skills roadshows, interactive workshops and promotion of the programme.</i> <p><i>The programme is aimed to support all of the objectives of the Transport Plan.</i></p>	<p><i>Managing Director, Transport North East</i></p>

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<p><u>4 Appealing Sustainable Transport</u></p> <p>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.</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center; padding: 5px;"><u>Risk Owner</u> Head of Paid Service (for Transport)</td> </tr> <tr> <td style="text-align: center; padding: 5px;"><u>Risk Score</u></td> </tr> <tr style="background-color: red; color: white;"> <td style="text-align: center; padding: 5px;">Red 12</td> </tr> <tr> <td style="text-align: center; padding: 5px;">Likelihood – Medium 3 Impact – Critical 4</td> </tr> </table>	<u>Risk Owner</u> Head of Paid Service (for Transport)	<u>Risk Score</u>	Red 12	Likelihood – Medium 3 Impact – Critical 4
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Red 12					
Likelihood – Medium 3 Impact – Critical 4					
<p>Possible Cause(s):</p> <p><i>Public Transport</i></p> <ul style="list-style-type: none"> • Lack of understanding, when developing the sustainable transport offer, of what potential users i.e. citizens or visitors, consider to be important and 'appealing' when considering whether to use alternatives to the car. • Transport provision currently in place or to be developed does not adequately allow citizens and visitors to access sustainable transport options to meet their needs e.g. sustainable transport is not available or not reachable, or if it is, the service is unreliable, does not have sufficient capacity or is not frequent enough or runs at the wrong times or does not take them to destination they require. This could be due to: <ul style="list-style-type: none"> - Poor planning where sustainable transport infrastructure to support citizen/visitor needs, and appeal to, is not adequately considered. - Inadequate understanding of transport needs of residents and visitors - The geographic spread of communities in rural areas means it may not be economic for the provision of appropriate sustainable transport options e.g. bus services in rural areas are often poor or non-existent because they are not commercially viable for bus operators. - Lack of funding from government (central or local) to operate sustainable transport service provision or to develop new or alternative sustainable transport provision. As a result, for example, vehicles breakdown more often and become unreliable or cycle routes are not maintained so they are less likely to be used. - Lack of resources to maintain sustainable transport infrastructure and fleets to potential users. • Costs to users of sustainable public transport provision, e.g. buses, trains, Metro, is perceived to be high relative to the use of a car due to: <ul style="list-style-type: none"> - Level of fares and - Reduction in subsidies/concessions to users of public transport as a result of government (national/local) policy or financial necessity due to an economic downturn e.g. Covid-19 impact. • Inadequate communication between providers of sustainable transport in different areas resulting in a lack of integration of services/routes causing users to be unable to complete journeys in a reasonable time. • Inability to plan journeys and purchase tickets seamlessly across all modes of transport and operators. 					

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- Residents are not aware of all the public transport services available and do not know where to go to access public transport information.
- Policies and priorities of council/transport delivery partners are not aligned to JTC aims/plans re offer of appealing sustainable transport choices.

Active Travel

- Infrastructure for sustainable transport does not address potential users' fears, perceived or otherwise, regarding their personal safety and security e.g. injury, illness e.g. Covid-19, harassment/personal attack. The infrastructure e.g. separate cycle lanes, lighting, security measures etc may be absent completely or insufficient.

Private Transport

- Road user's unwillingness to give up the use of their current vehicles for other sustainable transport options e.g. bike, walking, train, Metro, buses for reasons such as convenience, independence, perceived cost, journey time etc. This may mean no sustainable alternative mode of transport will be considered 'appealing' to a citizen, visitor.

Transport Plan

- Lack of an overall sustainable transport plan for the area as a whole to deliver an appealing sustainable transport offer which provides a blueprint for the north east area overall to which all transport delivery partners e.g. councils, Nexus, rail providers etc can support and help to deliver.

* Sustainable transport is defined as alternative modes of transport to the car which do not use or rely on dwindling natural resources e.g. renewable energy. This includes walking and cycling as well as other forms of public transport but excludes cars.

Potential Impact/Consequence:

- Levels of congestion on roads and road casualties will not be reduced.
- Health of population does not improve so maintaining the pressure on NHS services and costs.
- The benefits of physical activity in the area will not be realised e.g. lower death rates; lower rates of cardiovascular disease, cancer, obesity, diabetes; better mental health.
- Levels of absenteeism from work due to ill health will be not reduced so reducing productivity.
- Improvements in quality of life in the area will not be achieved i.e. better air quality, lower carbon emissions from transport, reduced noise pollution from transport
- The number of tourists may be reduced.
- Investment in region may be reduced.

Likelihood:

Factors outside of JTC Control

Central Government Policy

- Currently no commitment to invest to grow the capacity and resilience of the East Coast

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Mainline corridor between York and Newcastle ensuring that the line is 'HS2/NPR ready' by the 2030s. The East Coast Main Line is unable to cope with existing demand, let alone that of the future. If the line is not invested in the economic gap between the north and south will widen and 'levelling up' won't be achieved.

Active Travel

- In July 2020 Government published their cycling and walking plan 'Gear Change; a bold vision for cycling and walking.' The document sets out actions required by government to make England a great cycling and walking nation. Actions are grouped under 4 themes:
 - better streets for cycling and people;
 - cycling and walking at the heart of decision-making;
 - empowering and encouraging local authorities;
 - enabling people to cycle and protecting them when they do.
- The UK government has also provided funding to improve cycling facilities at railway stations, provide programmes to support walking to school and, via Cycling UK, to provide bike maintenance and cycling classes.

Rail

- The UK government has committed funding to the development of the Northumberland Rail line project to allow passenger use.
- *Network Rail and train operators are working on East Coast Mainline May 2022 Timetable change which has identified a desperate shortage of capacity on the route. LNER is running a formal 12 week public consultation up to 13th June.*

Other Public Transport

- Bus operators within the region are using greater numbers of low emission buses. However, these are not in sufficient numbers to meet the stringent requirements for Clean Air Zones. This is partly because the funding for modifications for buses is less than for vans or taxis.
- Measures to control the spread of the Covid-19 virus include social distancing and wearing of face masks in enclosed spaces. Social distancing has meant the capacity of sustainable public transport has been significantly reduced.
- The Metro is currently accessible to 40% of the Tyne and Wear population with bus use per household the highest in England outside London.
- Most transport operators are now very good at communicating with customers, particular via social media.
- Transport operators are improving arrangements to allow users to purchase tickets seamlessly across all modes of transport and operators.
- *The Government's National Bus Strategy promotes Local Transport Authorities working in Enhanced Partnership with operators to access funding to assist with market recovery from the pandemic: this may be a requirement.*

Covid-19

- Due to the Covid-19 virus the public use of sustainable public transport, although increasing, has not returned to pre-Covid 19 levels. People are either staying at home e.g.

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working from home or are seeking either the car or walking/cycling as alternative safer modes of transport where possible.

- During the Covid-19 lockdown public funding e.g. central government funding has been provided to support sustainable transport services e.g. buses, Metro, however it is uncertain in the longer term if this funding is to continue and if user numbers/income do not return to pre Covid-19 levels quickly then this may result in fewer sustainable public transport services being offered. The government is currently providing funding to support the Metro however it is seeking to cease this as soon as possible. To this end it has asked for plans to be developed which allow the Metro to be self sustainable post Covid so its services match its income.
- *The current relaxation of Covid-19 restrictions should help to reduce these pressures in the near future.*

Transport Network

- East-west connectivity from the region is slow via road and rail

Factors within control of JTC, its members and its partners eg Nexus, NELEP, and Current Controls

- The JTC has received £2.262m from Tranche 1 of the Department for Transport's Emergency Active Travel Fund. The funding has been used to install 'pop up' measures to support and encourage the increase in cycling and walking experienced during lockdown.
- The JTC has received Tranche 2 of the Emergency Active Travel Fund, £15.7m to install an ambitious programme of measures to reallocate road space to cycling and walking.
- Funding from the Transforming Cities Fund has recently been awarded to the JTC for delivery of transport schemes within the north east. This has, via Tranche 1, provided to the JTC capital funding for schemes to encourage travel by bus, cycling and walking. Urban traffic management centres have been expanded to manage traffic and provide bus prioritisation. The £198.483m received for Tranche 2 will be used to deliver 27 transformational schemes that will improve the frequency and reliability of the Metro, speed up urban buses, make rail services more reliable, extend the cycling network and improve Park and Ride facilities.

Current Controls:

Rail

- *A Rail strategy for the North East is under development, including a focus on bids to Restoring Your Railways Fund for Leamside Line, Bensham Curve (Team Valley – Chester le Street), Cobalt/Silverlink (Tyne and Wear Metro extension), Gilsland Station, Enhanced service between Newcastle and Berwick and Belford Station*

Other Public Transport

- Nexus are in the process of upgrading the Metro' infrastructure and rolling stock to provide improved services and reliability.
- Local councils continue to contribute to a transport levy to the Joint Transport Committee

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to fund concessionary fares schemes and subsidies for bus services in the region and the Tyne and Wear Metro service. However due to financial pressure on councils this has remained fairly static over recent years. This, together with the reduced use of public transport due to Covid- 19, the demand for increases in subsidies may rise if current service levels are to be maintained otherwise fares may have to rise

- As part of a Bus strategy for the North East, a forum has been set up to allow the JTC and north east bus operators to discuss bus service provision matters.

Central and Local Government Policy

- 19 JTC members, Transport North East officers supporting the JTC and partners of the JTC e.g. local councils continue to lobby and engage with the UK government at national and subnational level i.e. Transport for the North (TfN), Northern Transport Acceleration Council (NTAC) to:
 - ensure policy makers and decision makers are aware of the transport vision, plan and policies and needs for the North East are known and;
 - persuade government to make transport funding a priority.

Transport Network

- Projects have recently been completed to enhance accessibility e.g. opening of new railway station at Horden, road improvements to ease congestion and improve traffic flow, resulting in more reliable journey times, delivery of 'pop up' cycling and walking schemes funded by Emergency Active Travel Fund.
- The Transport Strategy Unit at the JTC carry out research to get a better understanding of needs of users and potential users.

Transport Plan

- A North East Transport Plan has been adopted by the JTC. One of the Plan's objectives is to achieve appealing sustainable transport choices. The Transport Plan is accompanied by an Intervention Plan which sets out how objectives will be achieved.
- The North East Transport Plan sets out an ambition for £6bn of transport infrastructure investment in the North East and will form the basis of the ask to central Government.

Active Travel

- Local Authorities have also developed schemes to improve cycling and walking infrastructure. There are a number of cycling schemes in the Local Growth Fund Local Sustainable Transport Fund (LSTF) capital package.

Further Mitigating Actions	Lead Officer(s)
Rail	
Continue to make the case to government for urgent investment in the East Coast Main Line	Managing Director, Transport North East
Planned activity to deliver the North East Transport Plan projects to achieve one of the Plan's objectives to achieve appealing sustainable transport choices is to be delivered in line with timescales.	Managing Director, Transport North East

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<i>Regional response to LNER formal consultation on May 2022 East Coast Mainline Timetable change to reflect JTC members views.</i>	<i>Managing Director, Transport North East</i>
<i>Continue to progress Rail strategy.</i>	<i>Managing Director, Transport North East</i>
<i>Other Public Transport</i>	
Capital projects funded by TCF Phase 2 to be delivered in line with timescales	Managing Director, Transport North East
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.	Managing Director, Transport North East
<i>Continue to progress Bus strategy.</i>	<i>Managing Director, Transport North East</i>
<i>Active Travel</i>	
<p><i>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. The programme will be based around:</i></p> <ul style="list-style-type: none"> <i>• Get Active day out Travel itineraries;</i> <i>• Maps of the cycling and walking network;</i> <i>• Cycling skills roadshows, interactive workshops and promotion of the programme.</i> <p><i>The programme is aimed to support all of the objectives of the Transport Plan.</i></p>	<i>Managing Director, Transport North East</i>

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<p><u>5 Safety and Security</u></p> <p>The transport system within the JTC area fails to achieve the planned outcomes regarding its safety and security</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center; padding: 5px;"><u>Risk Owner</u> Head of Paid Service (for Transport)</td> </tr> <tr> <td style="text-align: center; padding: 5px;"><u>Risk Score</u></td> </tr> <tr style="background-color: #FFD700;"> <td style="text-align: center; padding: 5px;">Amber 8</td> </tr> <tr> <td style="text-align: center; padding: 5px;">Likelihood – Low 2 Impact – Critical 4</td> </tr> </table>	<u>Risk Owner</u> Head of Paid Service (for Transport)	<u>Risk Score</u>	Amber 8	Likelihood – Low 2 Impact – Critical 4
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<u>Risk Score</u>					
Amber 8					
Likelihood – Low 2 Impact – Critical 4					
<p>Possible Cause(s):</p> <p><i>Transport Network</i></p> <ul style="list-style-type: none"> • Lack of understanding, when developing the transport network, of what users and potential users consider to be important when considering safety and security aspects. • Poor design of transport infrastructure regarding safety and security of users and employees providing public transport services e.g. road layouts, traffic management e.g. speed limits, safety features on rail/Metro rolling stock and buses, lack of segregation between road users e.g. cars, lorries and cyclists, lack of street lighting or CCTV etc. • Competing priorities may compromise safety and security e.g. quicker journey times for vehicles and protection of pedestrians, cyclists. • Lack of funding to incorporate the appropriate relevant safety and security features to protect all users of the transport network and provide assurance to them • Lack of awareness of, or unwillingness of transport system users e.g. vehicle drivers, pedestrians, cyclists, rail/Metro users to abide by, rules designed to protect them when travelling e.g. highway code, user guidance/warning notices at stations • Poor maintenance of transport infrastructure and vehicles leading to accidents and failures in systems to protect transport users. This could be due to poor maintenance regimes or lack of adequate funding. <p><i>Public Transport</i></p> <ul style="list-style-type: none"> • Safety incidents on public transport reported in the media can impact on how the public feels regarding levels of safety on public transport. 					
<p>Potential Impact/Consequence:</p> <ul style="list-style-type: none"> • Current rate of death and injuries will not be reduced • Fear of use of public transport with consequent impact on air quality, congestion, and inequality e.g. if residents are too concerned to travel then this could limit job opportunities and access to further education. • Improvements in health will not be achieved e.g. Potential ‘active travel’ users will not transfer due to fears re safety and security. 					
<p>Likelihood:</p> <p>Factors outside of JTC Control</p> <p><i>Central Government Policy</i></p>					

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- UK government law and guidance puts an onus on both transport providers, transport user, councils and other transport stakeholders regarding safety and security.
- In July 2020 Government published their cycling and walking plan 'Gear Change; a bold vision for cycling and walking.' The document sets out actions required by government to make England a great cycling and walking nation. Actions are grouped under 4 themes:
 - better streets for cycling and people;
 - cycling and walking at the heart of decision-making;
 - empowering and encouraging local authorities;
 - enabling people to cycle and protecting them when they do.
- The UK government has also provided funding to provide bike maintenance and cycling classes.
- In 2019 the UK government started a 2-year initiative to reduce road deaths and injuries.

Covid-19

- The possibility of Covid-19 transmission when using public transport network together with the need to maintain social distancing rules has meant reduced numbers using public transport. Cars, motorcycles and active travel become more attractive to use however new users may not have the skills and knowledge to keep themselves and others safe.

Factors within control of JTC, its members and its partners eg Nexus, NELEP, and Current Controls

Active Travel

- Funding from the Transforming Cities Fund has recently been awarded to the JTC for delivery of transport schemes within the north east. This has provided to the JTC capital funding for schemes to improve and extend dedicated cycling networks and improved walking infrastructure.
- Post Covid-19 pandemic the Government has announced a £250 million emergency active travel fund which is to be used in part to provide initially pop-up measures to create a safer environment for walking and cycling in England. Approximately £2.62m is available to the JTC from Tranche 1 of the fund and is to be spent on schemes that meaningfully alter the status quo on the road to allocate space to cyclists and pedestrians.
- The JTC has Received Tranche 2 of the Emergency Active Travel Fund, £15.7m to install an ambitious programme of measures to reallocate road space to cycling and walking.
- Councils have received government guidance e.g. 'Working Together to Promote Active Travel', National Planning Policy Framework which encourages them to shape and create an environment to encourage active travel via a basket of measures e.g. via planning process to allow the built environment to encourage cycling/walking; 20 mph speed limit zones; improving infrastructure for cycling; good street lighting; road crossing points etc.
- Councils issued in May 2020 with statutory guidance requiring Councils to reallocate road space to allow the increase in the number of cyclists and pedestrians.

Current Controls:

Central and Local Government Policy

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- JTC members, Transport North East officers supporting the JTC and partners of the JTC e.g. local councils continue to lobby and engage with the UK government at national and subnational level i.e. Transport for the North (TfN), (Northern Transport Acceleration Council (NTAC) to:
 - ensure policy makers and decision makers are aware of the transport vision, plan and policies and needs for the North East are known and,
 - persuade government to make transport funding a priority.

Public Transport including Rail

- Nexus continues to operate legally required safety management systems for buses, Metro and the Ferry accredited by relevant enforcement agency. They include compliance with robust engineering standards, liaison with police re anti-social behaviour, security patrols, use of CCTV, promoting a safety and security culture and development of security plans for individual Metro stations and the Metro as a whole.
- A new Customer Support Team has been deployed across the Metro system to address
- customer concerns about security and to tackle anti-social behaviour.
- Nexus are currently completing a programme of Metro infrastructure improvements and are starting a programme of replacing its rolling stock.

Covid 19

- Since the easing of lockdown due to the Covid-19 pandemic, measures have been put in place by Nexus, bus and rail companies to ensure that public transport is a safe and secure environment for people to travel, e.g. passengers are required to wear face-coverings on all public transport. Public transport providers in the North East are meeting the Government's Covid-secure standard for public transport. Promotion of public transport that the network is Covid-secure to encourage public transport use is starting e.g. Nexus have website explaining what measures are in place.

Transport Plan

- A North East Transport Plan has been adopted by the JTC. One of the Plan's objectives relates to the safety and security of the transport network. The Transport Plan is accompanied by an Intervention Plan which sets out how objectives will be achieved.
- The North East Transport Plan sets out an ambition for £6bn of transport infrastructure investment in the North East and will form the basis of the ask to central Government.

Further Mitigating Actions	Lead Officer(s)
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.	Managing Director, Transport North East
<i>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. The programme will be based around:</i> <ul style="list-style-type: none"> • <i>Get Active day out Travel itineraries;</i> • <i>Maps of the cycling and walking network;</i> 	<i>Managing Director, Transport North East</i>

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<ul style="list-style-type: none"> • <i>Cycling skills roadshows, interactive workshops and promotion of the programme.</i> <p><i>The programme is aimed to support all of the objectives of the Transport Plan.</i></p>	
<p><i>Public Transport including Rail</i></p>	
<p>Capital projects funded by TCF Phase 2 to be delivered in line with timescales</p>	<p>Managing Director, Transport North East</p>
<p><i>Transport Plan</i></p>	
<p><i>Planned activity to deliver the North East Transport Plan projects to achieve one of the Plan's objectives regarding the safety and security of the transport network is to be delivered in line with timescales.</i></p>	<p><i>Managing Director, Transport North East</i></p>

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JTC Organisation Risks						
<p>1 <u>Future Availability of Funding</u></p> <p>Sources and levels of funding available to the JTC to develop the North-East regions transport infrastructure within the region may reduce.</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center; padding: 5px;"><u>Risk Owner</u></td> </tr> <tr> <td style="text-align: center; padding: 5px;">Head of Paid Service (for Transport)</td> </tr> <tr> <td style="text-align: center; padding: 5px;"><u>Risk Score</u></td> </tr> <tr style="background-color: #ffc107;"> <td style="text-align: center; padding: 5px;">Amber 8</td> </tr> <tr> <td style="text-align: center; padding: 5px;">Likelihood – Low 2 Impact – Critical 4</td> </tr> </table>	<u>Risk Owner</u>	Head of Paid Service (for Transport)	<u>Risk Score</u>	Amber 8	Likelihood – Low 2 Impact – Critical 4
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Likelihood – Low 2 Impact – Critical 4						
<p>Possible Cause(s):</p> <p style="color: green;">Central Government Policy</p> <ul style="list-style-type: none"> A downturn in the UK economy for whatever reason, e.g. the Covid-19 pandemic has caused a financial recession, may cause the UK government to reduce funds available for the development of transport infrastructure as part of expenditure cutting exercises nationally, as a means of redressing public finances. Uncertainty around the nature and level of future capital funding streams from Government. Some current government funding regimes are ceasing e.g. Local Growth Fund. The UK Shared Prosperity Fund (UKSPF) is likely to replace former funding streams beyond 2022, however the consultation document expected from Government is delayed and therefore the future funding opportunities, both capital and revenue, are uncertain at this time. The longer the delay the greater the chance of a gap between the end of previous funding streams (2020) and the introduction of the UKSPF (current earliest start date April 2022) and the greater uncertainty. A change in UK government transport policy, may mean: <ul style="list-style-type: none"> - Government policy may not be aligned to support the transport developments and needs of the North East region. This may have an adverse effect on the achievement of transport goals in the North East e.g. transport funding to be concentrated in only certain geographic areas excluding the North East or certain types of transport scheme e.g. rail not road which may not be in line with JTC plans, and/or, - Government funding may be such that major transport projects may be unable to be funded e.g. the time limit put on the length of project funding may mean major projects may not meet funding criteria as projects cannot be completed within relevant time limits. There is a possibility that the range of funding opportunities and/or flexibilities available to non-mayoral Combined Authorities, e.g. NECA, may be limited in the future by the UK government making funding being conditional on Combined Authorities having a specific governance model. 						
<p>Potential Impact/Consequence:</p> <p>The JTC would not able to deliver projects to either maintain infrastructure to ensure adequate public transport services are maintained or to improve infrastructure to enhance transport services. This would hinder future economic growth within the region.</p>						

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Likelihood:

Factors outside of JTC Control

Central Government Policy

- In late 2020 the government announced that the UKSPF will, from April 2022, provide funding for development programmes and is intended to replace the European funding (no longer available to the UK) and the Local Growth Fund. Government has stated that funding for the UKSPF will ramp up so that total domestic UK-wide funding could provide funding up to £1.5 billion annually however details have yet been provided e.g. total amount, amounts to be devolved to regions, competitive bidding, outputs, eligibility criteria, or clarity around match funding.
- A £4 billion 'Levelling Up' Fund for England has been announced by the government which will be used to invest in local infrastructure, including transport projects, to drive economic growth and regeneration. It will allocate fund on a competitive bid basis. £600 million is available during 2021/22. Projects need to be delivered within the current Parliament.
- The government has also published the outcome of a review of its investment decision-making approach, i.e. its 'Green Book', which is designed to ensure that government funding/investment decisions are made in a way that spreads opportunity across the UK and supports the levelling up agenda.
- A potential share of a UK government devolved funding pot, the Intracity Transport Fund, for local transport of £4.2bn over five years from 2022 is being made available. This is to be shared by eight city regions across England, including Tyne and Wear, subject to appropriate governance being in place. However specific details are unknown e.g. amount allocated.
- The government is setting up a UK Infrastructure Bank. Its objective is to help deliver the UK's net zero carbon target and support regional and local economic growth by offering low cost finance e.g. to councils.
- *Zero Emission Bus Regional Areas (ZEBRA): A competitive grant programme has been launched for schemes of up to £35m to support zero emission buses.*

Factors within control of JTC, its members and its partners eg Nexus, NELEP, and Current Controls

Current Controls:

Central and Local Government Policy

- JTC members, NECA officers supporting the JTC and partners of the JTC e.g. local councils continue to lobby and engage with the UK government at national and subnational level i.e. Transport for the North (TfN), Northern Transport Acceleration Council (NTAC) to:
 - ensure policy makers and decision makers are aware of the transport vision, plan and policies and needs for the North East are known and,
 - persuade government to make transport funding a priority.
- JTC work with other potential partners to identify new non-government funding sources which may help to progress the delivery of the JTC transport plans.

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Transport Plan

- The North East Transport Plan adopted by the JTC, which is evidence based and describes out how transport needs will be addressed taking into account relevant government policies, sets out an ambition for £6bn of transport infrastructure investment in the North East and will form the basis of the 'ask' to central Government.

Further Mitigating Actions	Lead Officer(s)
<i>Central and Local Government Policy</i>	
JTC Members and Officers, together with its partners eg Councils continue to lobby government for resources financial resources to enable delivery of the North East Transport Plan.	Managing Director, Transport North East

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<p>2 <u>Funding Opportunities</u></p> <p>Failure of the JTC to secure the maximum amount of transport funding available to progress transport infrastructure in the North East region.</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center; padding: 5px;"><u>Risk Owner</u> Head of Paid Service (for Transport)</td> </tr> <tr> <td style="text-align: center; padding: 5px;"><u>Risk Score</u></td> </tr> <tr style="background-color: #FFD700;"> <td style="text-align: center; padding: 5px;">Amber 8</td> </tr> <tr> <td style="text-align: center; padding: 5px;">Likelihood – Low 2 Impact – Critical 4</td> </tr> </table>	<u>Risk Owner</u> Head of Paid Service (for Transport)	<u>Risk Score</u>	Amber 8	Likelihood – Low 2 Impact – Critical 4
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Likelihood – Low 2 Impact – Critical 4					
<p>Possible Cause(s):</p> <ul style="list-style-type: none"> Funding opportunities are missed due to lack of awareness or missing relevant deadlines. Poor quality of funding applications made by JTC. Funding may be made available through a competitive process. Strong applications from funding competitors may result in any funding application not being successful at all or only a proportion of the funds applied for being awarded. 					
<p>Potential Impact/Consequence:</p> <p>If opportunities are missed or not maximised by the JTC then progression of plans to deliver the transport improvements required by the region will be significantly delayed. Consequently, the benefits associated with the transport will not be fully realised or delayed e.g. supporting economic growth.</p>					
<p>Likelihood:</p> <p><i>Current Controls:</i></p> <ul style="list-style-type: none"> JTC officers’ horizon scan to identify upcoming funding opportunities. JTC are in regular contact with the UK government and other funding bodies to identify funding opportunities early. JTC has established 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, to exploit funding opportunities by submitting bids for transport funding to benefit the region. JTC and its partners lobby relevant government bodies to persuade transport infrastructure schemes required for the North East to be included in key government schemes. The Managing Director, Transport North East and officers of the Transport Strategy Unit (TSU) have experience, skills and knowledge to submit strong bids for funding. They are familiar with the requirements needed for submitting bids and the process to go through. All projects included in a bid are subject to scrutiny using the TSU’s ‘Transport Assurance Framework’ to ensure the proposed projects are in line with the JTC objectives and plans and meet the bid criteria. During any application process the TSU liaises with the provider to understand clearly what it is looking for. A significant proportion of funding available for transport projects is through a competitive process. 					

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Transport Plan

- The North East Transport Plan has been adopted by the JTC, which is evidence based and describes how transport needs will be addressed taking into account relevant government policies, sets out an ambition for £6bn of transport infrastructure investment in the North East and will form the basis of the 'ask' to central Government.

Further Mitigating Actions	Lead Officer(s)
<i>Transport Plan</i>	
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.	Managing Director, Transport North East

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<p>3 <u>Use of Funding and Resources</u></p> <p>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 may not be sufficient to complete intended projects or maintain adequate levels of service delivery.</p>	<p><u>Risk Owner</u> Head of Paid Service (for Transport)</p>
	<p><u>Risk Score</u></p>
	<p>Amber 8</p>
	<p>Likelihood – Low 2 Impact – Critical 4</p>
<p>Possible Cause(s):</p> <ul style="list-style-type: none"> • 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. 	
<p>Potential Impact/Consequence:</p> <ul style="list-style-type: none"> • Transport projects may not be completed or have to be delayed or the size of project reduced e.g. quality, quantity which may result in intended benefits not being realised and damage to the reputation of the JTC. • If the funding is not used by a deadline then funding 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. 	
<p>Likelihood:</p> <p><i>Current Controls:</i></p> <ul style="list-style-type: none"> • The Managing Director, Transport North East and officers of the Transport Strategy Unit (TSU) have experience, skills and knowledge to submit strong bids for funding. They are familiar with the requirements needed for submitting bids and the process to go through. • All projects included in a bid are subject to scrutiny using the TSU's 'Transport Assurance Framework' to ensure the proposed projects is in line with the JTC objectives and plans and meets the bid criteria. • Projects delivered by the JTC directly are managed using recognised project management principles. The TSU has the experience and skills to manage projects. • Where projects are delivered by the JTC's partners e.g. Nexus, the JTC has arrangements in place to gain assurance that the projects are progressing as expected and where not, corrective actions are being taken to effectively manage the key issues e.g. regular reporting by partners. • Where transport projects are to be delivered by an external supplier then any work let is subject to a competitive procurement process. • Where funding is provided through the JTC to third parties to deliver a transport project all third parties have a funding agreement in place which includes the need for the third party to provide details as to progress regarding costs and progress of the project. JTC officers monitor progress on an ongoing basis. • Funding providers provide clear conditions as to the use of funds which is published to all 	

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relevant stakeholders. • JTC officer are subject to relevant codes of conduct.	
Further Mitigating Actions	Lead Officer(s)
<i>Plans and Programme Review</i>	
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.	Managing Director, Transport North East NECA Chief Finance Officer

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<p>4 Governance Arrangements</p> <p>The governance arrangements of the JTC are not appropriate to allow effective and timely decision making and the achievement of its objectives</p>	<p><u>Risk Owner</u> Head of Paid Service (for Transport)</p>
	<p><u>Risk Score</u></p>
	<p>Green 4</p>
	<p>Likelihood – Negligible 1 Impact – Critical 4</p>
<p>Possible Cause(s): New organisational arrangements have been put in place as a result of 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. Two new Combined Authorities have been established together with the North-East Transport Committee being responsible for regional transport which is accountable to the new Combined Authorities. As a result, new governance arrangements may not be effective due to:</p> <ul style="list-style-type: none"> • Lack of capacity to support the governance arrangements. • Lack of clarity of roles and responsibilities. • Lack of development of new working arrangements or delays in implementing proposed changes. • Priorities not aligned to new arrangements. 	
<p>Potential Impact/Consequence:</p> <ul style="list-style-type: none"> • 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 the JTC not adequately fulfilling its statutory functions adequately, not monitoring its finances, having a lack of clarity over its objectives, not ensuring adequate transport services delivered to the public and improvements in transport infrastructure not being delivered. This may lead to having a poor reputation, losing out on funds, poor value for money being achieved and poor transport service provision. 	
<p>Likelihood:</p> <p><i>Current Controls:</i></p> <ul style="list-style-type: none"> • All 7 LAs continue to support the JTC and its activities. • The JTC has its own Standing Orders outlining its functions and that of its sub committees, its rules of procedure and the roles of statutory officers. Decisions at committee meetings are based on a majority vote basis although the aim is to have a consensual approach whereby all committee members agree on any decision. • The statutory role of ‘Proper Officer for Transport’ was established by the Statutory Order. • A Delegation Scheme for the Proper Officer for Transport has been adopted. This allows prompt decision making to be made where necessary within certain limits (i.e. financial, subject to JTC internal rules e.g. financial procedures etc) and where appropriate requiring the involvement of other JTC statutory officers. 	

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- A JTC Chief Executive Transport Strategy Board is in place which strengthens the decision making by providing challenge and scrutiny regarding reports being submitted to the JTC.
- 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.

Further Mitigating Actions	Lead Officer(s)
Review of roles, responsibilities, and arrangements regarding the activities of the Transport Strategy Unit including business planning, performance management, project assurance, overseeing of delivery programmes etc. and implementation of revised arrangements.	Managing Director Transport North East Monitoring Officer

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<p>5. Operational Capacity and Resourcing</p> <p>The JTC does not have the necessary operational capacity, skills and budget, to successfully deliver the Committee's objectives and plans.</p>	<p><u>Risk Owner</u> Head of Paid Service (for Transport)</p>
	<p><u>Risk Score</u></p>
	<p>Amber 8</p>
	<p>Likelihood – Low 2 Impact – Critical 4</p>
<p>Possible Cause(s):</p> <ul style="list-style-type: none"> • Due to two Combined Authorities operating within the North-East region rather than one, by statutory order the JTC was formed to carry out the transport function responsibilities of the two Combined Authorities. NECA is the accountable body for the new JTC and has extra responsibility for implementing the decisions of the JTC, providing support to the JTC committees and managing the JTC's finances. It is uncertain how much resource will be needed by NECA officers and committee members moving forward therefore the current budget may be insufficient. • Statutory officers to NECA, the accountable body for the JTC, need to carry out duties for their main employer in addition to their roles in NECA which may result in capacity issues. Likewise, the Managing Director, Transport North East fulfil two roles, one for the JTC and one for Nexus. Support services provided to NECA and the JTC are provided from Council's which are part of NECA • Increased demand for, and changes in the nature and scope of, work re transport policy, funding bid submission and programme delivery 	
<p>Potential Impact/Consequence:</p> <p>Decisions may be delayed, or incomplete information provided as part of the decision-making process. Functions may not be carried out as quickly or as fully as they should be leading to loss of money, incorrect decisions, delay in development of transport policies and funding bids, weakened oversight re the delivery of transport programmes, and loss of credibility of JTC.</p>	
<p>Likelihood:</p> <p><i>Current Controls:</i></p> <ul style="list-style-type: none"> • All statutory officers in NECA, accountable body for the JTC are in place. Deputy statutory officers are also in place for NECA. • The 'Proper Office for Transport' to the JTC is in place. • Representatives from the 7 councils in the North-East area have been appointed to the JTC and the Tyne Wear Sub Committee. Deputies have also been appointed. • The JTC have adopted a budget for 2021/22 to deliver JTC activities. • The Transport Strategy Unit, with officers now employed by NECA and located centrally, is in place to support the delivery of the JTC objectives. • Partners continue to provide input to the work of the JTC via, for example, Council transport leads. 	

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- Where appropriate, external consultants, are employed to provide specialist expertise to support the work of the JTC and to protect its interests e.g. advice in respect of possible changes to the contract to manage and operate the Tyne Tunnel services.
- A further finance officer has been employed by NECA to help meet the extra demands of NECA as the Accountable Body for the JTC. Likewise, administration support has been enhanced for the TSU.
- A Tyne Tunnels Manager has been employed by NECA with responsibility to the JTC.
- A Transport North East Strategy Director has been employed to lead the Transport Strategy Unit developing long term transport policies, plans, analytical models and business cases to ensure that the North East's transport networks achieve the shared objectives and goals of NECA, NoTCA, their constituent councils and the North East Local Enterprise Partnership.
- Approval has been given by the Transport Strategy Board for the appointment of programme management resources to coordinate the delivery of the Transforming Cities Fund Tranche 2 programme – has this progressed?
- Service Level Agreements are in place for support services provided to the JTC.

Further Mitigating Actions	Lead Officer(s)
As part of a current review of roles, responsibilities, and arrangements regarding the activities of the Transport Strategy Unit an assessment is being made of its role and the capacity and skills required to meet the role e.g. communications, programme management.	Managing Director Transport North East
As the new JTC arrangements are embedded a review is to be made of the effectiveness of the support provided to the JTC to ensure they are adequate.	NECA Chief Finance Officer Managing Director Transport North East Monitoring Officer

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<p>6 <u>Delivery of Transport Improvement Projects/Programmes</u></p> <p>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.</p>	<p><u>Risk Owner</u> Head of Paid Service (for Transport)</p>
	<p><u>Risk Score</u></p>
	<p>Amber 8</p>
	<p>Likelihood – Low 2 Impact – Critical 4</p>
<p>Possible Cause(s):</p> <ul style="list-style-type: none"> • 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. 	
<p>Potential Impact/Consequence:</p> <ul style="list-style-type: none"> • Transport projects may not be completed or have to be delayed or the size of project reduced e.g. quality, quantity which may result in intended benefits not being realised and damage to the reputation of the JTC. • If the funding is not used by a deadline then funding 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. 	
<p>Likelihood:</p> <p>Current Controls:</p> <ul style="list-style-type: none"> • The Managing Director, Transport North East and officers of the Transport Strategy Unit (TSU) have experience, skills and knowledge to submit strong bids for funding. They are familiar with the requirements needed for submitting bid and the process to go through. • All projects included in a bid are subject to scrutiny using the TSU’s ‘Transport Assurance Framework’ to ensure the proposed projects is in line with the JTC objectives and plans and meets the bid criteria. • Projects delivered by the JTC directly are managed using recognised project management principles. The TSU has the experience and skills to manage projects. • Where projects are delivered by the JTC’s partners e.g. Nexus, the JTC has arrangements in place to gain assurance that the projects are progressing as expected and where not, corrective actions are being taken to effectively manage the key issues e.g. regular reporting by partners. • Where transport projects are to be delivered by an external supplier then any work let is subject to a competitive procurement process. • Where funding is provided through the JTC to third parties to deliver a transport project all third parties have a funding agreement in place which includes the need for the third party 	

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to provide details as to progress regarding costs and progress of the project. JTC officers monitor progress on an ongoing basis.

- Funding providers provide clear conditions as to the use of funds which is published to all relevant stakeholders.
- JTC officers are subject to relevant codes of conduct.
- Internal Audit have received the project management arrangements for the JTC.

Further Mitigating Actions	Lead Officer(s)
Monitoring of the delivery of the overall JTC programme of projects should be carried out on a regular basis.	Managing Director Transport North East
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

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<p>7 <u>Transport Infrastructure Assets</u></p> <p>Transport assets, which are the responsibility of the JTC, are inadequately managed and maintained</p>	<p><u>Risk Owner</u> Head of Paid Service (for Transport)</p>
	<p><u>Risk Score</u></p>
	<p>Green 6</p>
	<p>Likelihood – Low 2 Impact – Significant 3</p>
<p>Possible Cause(s):</p> <ul style="list-style-type: none"> • Lack of awareness of the existence of the asset. • Lack of clarity as to 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. 	
<p>Potential Impact/Consequence:</p> <ul style="list-style-type: none"> • Greater financial resources may be needed to 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 the funding is not used by a deadline then funding 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. 	
<p>Likelihood:</p> <p><i>Current Controls:</i></p> <ul style="list-style-type: none"> • JTC’s constitution makes it clear it has overall responsibility and oversight for transport infrastructure assets owned by NECA and North of Tyne Combined Authority. • The JTC 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 agreement reports need to be submitted to JTC to gain assurance the relevant maintenance is being carried out. • A Tyne Tunnels Manager has been employed by NECA with responsibility to the JTC. The post has oversight of the performance of third-party providers e.g. TT2 Ltd operating the Tyne Tunnels. 	
<p>Further Mitigating Actions</p>	<p>Lead Officer(s)</p>
<p>As part of a current review of roles, responsibilities, and arrangements regarding the activities of the JTC and the Transport Strategy Unit an assessment is being made of the</p>	<p>Managing Director Transport North East</p>

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capacity and skills within the JTC to carry out its contract management responsibilities.

8 Service Delivery

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.

Risk Owner

Head of Paid Service (for Transport)

Risk Score

Green 6

Likelihood – Low 2
Impact – Significant 3

Possible Cause(s):

- Lack of clarity as to the responsibilities and duties regarding the oversight of public transport services within the region.
- Failure to appreciate the impact of maintaining adequate levels of transport services on 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.

Potential Impact/Consequence:

- Loss of confidence by stakeholders, e.g. government in the JTC's ability to meet its responsibilities.
- Loss of confidence by users of services.
- Without oversight by the JTC, public transport providers e.g. Nexus, may not provide the required services resulting in less use of public transport and greater congestion on the roads, which is contrary to the aims and objectives of the JTC.

Likelihood:

Current Controls:

- JTC's constitution makes it clear it has overall responsibility and oversight for certain statutory public transport services.
- JTC committees i.e. Leadership Board and Tyne Wear Sub 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.
- 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.
- 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

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delivery partners (Network Rail and Highways England).	
Further Mitigating Actions	Lead Officer(s)
An assessment needs to be made by the JTC of its arrangements to gain assurance that issues with transport service delivery causing poor service to the public faced by transport providers e.g. Nexus, are being addressed effectively.	Managing Director Transport North East

<p><u>9 ‘Catastrophic Event’</u></p> <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)</p>	<p style="text-align: center;"><u>Risk Owner</u> Head of Paid Service (for Transport)</p> <hr/> <p style="text-align: center;"><u>Risk Score</u></p> <p style="text-align: center; background-color: #FFD700;">Amber 8</p> <p style="text-align: center;">Likelihood – Possible 2 Impact – Critical 4</p>
<p>Possible Cause(s):</p> <ul style="list-style-type: none"> • Lack of clarity as to the responsibilities and duties of the relevant stakeholders e.g. JTC, Nexus, councils, Highways England, rail authority and providers etc regarding the oversight of public transport services within the region in the event of a ‘catastrophic event’. • Failure to appreciate and understand the possible catastrophic events that could occur affecting transport system and the consequent impact they may have e.g. inability to get to work. • 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. 	
<p>Potential Impact/Consequence:</p> <ul style="list-style-type: none"> • Excessive death or people suffering injury • Economic activity excessively reduced due to inability of employees to carry out employment duties/activity • Loss of reputation to the region. 	
<p>Likelihood:</p> <p><i>Current Controls:</i></p> <ul style="list-style-type: none"> • 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. • Within the JTC area all Councils are members of a Local Resilience Forum (LRF) (either Durham or Northumbria) as are the JTC’s transport delivery partners i.e. Nexus, Highways England, Network Rail. The LRF allows the effective delivery of the Council’s duties under the CCA that need to be developed in a multi-disciplinary environment and 	

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enables each Council to develop its understanding of the possible risks it faces, and to take action to address the risk and to plan for civil emergencies and business continuity planning should they occur.

- Providers of public transport services e.g. Nexus have developed their own risk plans, emergency response plans and business continuity plans which will allow them to respond quickly and effectively to a catastrophic event

TT2 Ltd have risk, emergency response and business continuity plans in place which would allow them to respond effectively to a catastrophic event. Regular emergency/safety training exercises take place which include North and South Tyneside Councils, Tyne and Wear Fire and Rescue and the other emergency services.

Further Mitigating Actions	Lead Officer(s)
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

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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	<ul style="list-style-type: none"> Over half the objectives/programmes affected More than one critical objective affected Partners do not commit to the Shared vision 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> 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) 	<ul style="list-style-type: none"> Adverse national media attention External criticism (press) Significant change in confidence or satisfaction of stakeholders Significant loss of community confidence

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Significant	<ul style="list-style-type: none"> • One or more objectives/programmes affected • One or more partners do not commit to shared vision • Significant environmental impact 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • 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) 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Less than 2 priority outcomes adversely affected • Isolated serious injury/ill health • Minor environmental impact 	<ul style="list-style-type: none"> • Threatened loss of partner's commitment • Minor impact on public transport services provided to users 	<ul style="list-style-type: none"> • Minor financial loss in more than one partner • Some/loss of transport funding or funding opportunity threatened 	<ul style="list-style-type: none"> • Failure to reach agreement with individual partner • Change in confidence or satisfaction • Minor change in community confidence
Insignif.	<ul style="list-style-type: none"> • Minor effect on priorities/service objectives • Isolated minor injury/ill health • No environmental impact 		<ul style="list-style-type: none"> • 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.