Audit and Standards Committee

Tuesday 9 March 2021 at 10.00am

Meeting to be held virtually via Microsoft Teams

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AGENDA

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

Audit and Standards Committee

Agenda Item 3

08 December 2020

10.15am – 11.00am

Meeting held virtually via Microsoft Teams

Present:

Independent Members:	M Scrimshaw (Chair), G Clark (Vice Chair)
Councillors	G Hobson (South Tyneside), J Wallace (Gateshead), A Lawson (Sunderland)
Officers:	Paul Darby (NECA – Deputy Chief Financial Officer), Tracy Davis (Senior Manager – Assurance - Sunderland City Council), Cameron Waddell (Mazars), Eleanor Goodman (NECA – Finance Manager), Angus Graham (Risk and Assurance Specialist – Sunderland City Council), John Rumney (Acting Head of Legal Services, South Tyneside), Gavin Armstrong (NECA Policy and Scrutiny Officer), Jonathan Lunness (NECA Strategy and Democratic Services Assistant), Karen Connolly (Strategy and Democracy Officer, South Tyneside)

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Cllr P Stewart, Cllr E Bell, Cllr B Kellett and Nicola Robason – NECA Deputy Monitoring Officer.

2. DECLARATIONS OF INTEREST

Cllr G Hobson declared an interest as Chair of the JTC Tyne and Wear Sub-Committee.

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 27 OCTOBER 2020

The minutes of the previous meeting held 27 October 2020 were approved as a correct record.

It was raised that on page 2 of the minutes that the response from the Pension Fund Auditor was being examined for any impact on NECA's accounts. C Waddell updated the Committee that an issue had been found of a difference of around £26 million between the value of assets from the actuary and from the amount found by the pension fund. This was above trivial but below the material threshold. It was noted that this had been reflected in the letter of representation.

4. AUDIT COMPLETION REPORT: CONCLUSION OF OUTSTANDING MATTERS – FOLLOW UP

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

Cameron Waddell presented the report which provided an update on the conclusion of outstanding matters from the Audit Completion Report. The issues arising from the response from the Pension Fund Auditor were noted and it was explained that this had been reflected in the follow up letters to NECA and NEXUS. It was noted that there were no other issues of concerns to bring to the attention of the Committee.

Paul Darby updated the Committee that the audit completion certificate had been issued by the External Auditors and subsequently circulated to the Committee. C Waddell noted that some authorities had experienced difficulties submitting data to the NAO, however because of the size of NECA it had been able to submit the data on time.

It was noted by the Committee that it was C Waddell's fifth year working on NECA's audit and so would be rotated off the account the following year.

The Chair and Members thanked C Waddell for his work and contributions over the years, as well as the work of the auditors and finance teams completing the audit on time, particularly given the difficult current circumstances.

RESOLVED That:

i. the report be noted.

5. NECA Budget Proposals 2021/22

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

P Darby presented the report which updated the Committee on the NECA Budget proposals as part of the budget consultation process. It was noted that a report on the draft 2021/22 Budget had been presented to the Leadership Board on 3 November 2020.

The contribution from the NECA constituent authorities to corporate costs was proposed to increase to £25,000 per authority. The contribution of costs for the JTC Accountable Body role was proposed to be maintained at £10,000 per local authority.

A Member sought clarification on the level of interest income, notably the £20,000 in the 2020/21 forecast in Appendix 1 of the report. P Darby explained that NECA and the JTC administers a range of grant money, distributed over a period of time and therefore while there may be substantial balances in an account, the money is only there to be distributed through capital grant schemes. P Darby suggested a note of clarification regarding this point could be circulated.

The Chair thanked P Darby for the report.

RESOLVED That:

i. the report be noted.
ii. a note of clarification regarding the level of interest income be circulated to Members.

6. NECA INTERNAL AUDIT PROGRESS REPORT 2020/21

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 updated Members on the Internal Audit Plan for 2020/21.

The Committee noted that at the last meeting of the Committee, an Internal Audit Plan was agreed for 2020/21. It was explained that the audit regarding Finance Service Relocation was currently being arranged and was hoped to be completed early in 2021. The audit regarding the General Data Protection Regulations was planned to be completed by the end of March 2021.

The Chair raised the large amount of N/A data in Appendix 2. It was explained by T Davis that the data will become available as the audits are progressed throughout the year and the document will be kept up to date for upcoming Committee meetings.

The Chair thanked T Davis for the report.

RESOLVED That:

i. the report be noted.

7. NECA STRATEGIC RISK REGISTER

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

T Davis presented the report which provided Members with an up to date assessment of the strategic risks NECA faces as it seeks to achieve its objectives.

It was noted by the Committee that the previous register focused on 'organisational' risks to NECA, whereas the up to date register also focuses on risks to NECA's strategic priorities as determined from the Strategic Economic Plan.

T Davis explained that there had been no changes to the seven organisational risks previously reported on the register, whilst there had been six new risks added covering the authority's strategic priorities. It was noted that the six strategic objectives were covered in point 1.5 of the report, with point 2.2 of the report outlining the risks to these strategic objectives. Point 2.3 of the report outlined the strategic risks relating to NECA as an organisation. It was noted that there remains a level of uncertainty given the situation regarding the exit from the European Union and the ongoing Covid-19 pandemic and so risks would continue to be monitored and updated as required.

A Member raised concerns regarding the amount of red and amber risk scores and noted that due to the exit from the European Union and Covid-19 it would be hard work to reduce those risks.

It was highlighted by a Member the need to keep the registers up to date to reflect the most recent Government announcements. A Member also raised that due to the volume of detail it could be difficult to see exactly what NECA is doing in terms of risk mitigation. During discussion it was suggested that having the amount of detail to begin with was helpful and that in future meetings changes and amendments could be highlighted to the Committee.

It was suggested by the Committee that is may be helpful for a breakdown to be presented at future meetings outlining what grants and schemes NECA has applied for and exactly what was received.

Members of the Committee discussed the strategic risks, nothing that in some cases they do not align across risks. An example was raised between two risks whereby one noted that there are too few high skilled jobs while another highlighted there being not enough skilled people to fill the jobs.

In the Risks to Achievement of JTC Strategic Objectives (Item 7, Appendix 4b), under risk number 2 - Inequality and Growth of the Economy (page 105 of the agenda), it was queried by a Member what was meant by ‘urgent investment in the East Coast Main Line north of York’ as a further mitigating action. P Darby noted that there was an ask of government to increase capacity and further detailed could be circulated to Members.

In the Risks to Achievement of JTC Strategic Objectives, under risk number 3 - Health (page 107 of the agenda), it was noted by the Committee that the cost of public transport was not recognised as a factor. T Davis noted that this could be reviewed and amended as required.

In the Risks to Achievement of JTC Strategic Objectives, under risk number 4 – Appealing Sustainable Transport (page 110 of the agenda), it was noted by a Member that noticeboards can sometimes be difficult to read and that this could impact on people choosing to use public transport. During discussion by Members, it was noted that whilst services offer apps on smart phones, not everyone can use these.

In the Risks to Achievement of JTC Strategic Objectives, under risk number 5 – Safety and Security (page 114 of the agenda), it was suggested that the wording in regards the perception of public transport as less safe and secure be amended. A Member noted that NEXUS itself recognises this as an issue and that is not just a perception informed by the media.

RESOLVED That:

i. the report be noted.

8. DATE AND TIME OF NEXT MEETING

Tuesday 9 March 2021 at 10.00am.

North East Combined Authority

DURHAM • GATESHEAD • SOUTH TYNESIDE • SUNDERLAND

Audit and Standards Committee

Agenda Item 4

Date: **9 March 2020**

Subject: **Annual Audit Letter**

Report of: **Chief Finance Officer**

Executive Summary

The Audit and Standards Committee is asked to note the contents of the External Auditor's (Mazars) Annual Audit Letter for 2019/20.

The Audit Letter provides a summary of the work and findings of the External Auditor in the 2019/20 audit period and summarises many of the points raised in the Audit Completion Report presented to the Audit Committee on 27 October 2020.

The full letter is attached as Appendix 1 and confirms the following:

1. The auditor's report issued on 20 November 2020 included the opinion that the financial statements give a true and fair view of NECA's financial position as at 31 March 2020 and of its income and expenditure for the year then ended and have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20;
2. The auditor's opinion that the other information in the Statement of Accounts is consistent with the audited financial statements;
3. The auditor's opinion that they are satisfied that in all significant respects, NECA has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020;
4. The auditors have reported to the Group Auditor in line with the requirements applicable to NECA's Whole of Government Accounts return;
5. That the auditors did not use their powers under s24 of the Local Audit and Accountability Act to issue a report in the public interest or to make written recommendations to NECA;

The letter sets out the final fee for the year which is £26,711 compared with the original proposed fee of £18,709.

Recommendations

The Audit and Standards Committee is recommended to note the comments and fees set out in the External Auditor’s Annual Audit Letter for 2019/20.

1. Background Information

1.1 This report presents the Annual Audit Letter for 2019/20, which is the final reporting requirement in relation to the external audit of the 2019/20 accounts.

1.2 The audit opinion on the accounts was issued on 20 November 2020 in line with the revised statutory deadline. The Audit Completion Report was considered by this committee at its meeting on 27 October, with a follow up on conclusion of outstanding matters considered at the meeting on 8 December.

2 Proposals

2.1 The Annual Audit Letter 2019/20 is attached as Appendix 1 to this report and sets out the findings and conclusion of the audit of the NECA accounts for 2019/20.

2.2 The letter confirms that an unqualified opinion on the NECA accounts and an unqualified Value for Money conclusion was issued on 20 November. No material issues were identified in relation to their work on identified significant risks. In relation to the identified area of management judgement (Defined benefit liability valuation) the auditor's report wording was updated to draw attention to a disclosure in respect of material uncertainty due to Covid 19 for the pension fund property investments.

2.4 One internal control recommendation has been raised to ensure that related party declarations are completed and received annually.

2.3 The letter sets out the proposed final fee for 2019/20 of £26,711 as compared with the proposed fee of £18,709. This is subject to approval by Public Sector Audit Appointments Ltd. (PSAA). The additional fee is associated with additional work required to complete the audit this year.

3. Reasons for the Proposals

3.1 The Annual Audit Letter is presented to Audit and Standards committee as required under the Committee's terms of reference.

4. Alternative Options Available

4.1 The report is presented for information, with no decision required.

5. Next Steps and Timetable for Implementation

5.1 NECA finance officers are engaging with the external auditors in relation to planning for the 2020/21 accounts closedown.

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 letter sets out that an additional fee of £8,002 (subject to confirmation by PSAA will be charged). This will be accommodated within existing NECA budgets.

8. Legal Implications

8.1 There are no legal implications arising from this report. It is a requirement of the Local Government Act 2003 and the Accounts and Audit (England) Regulations 2015 for the Statement of Accounts to be produced in accordance with proper accounting practices.

9. Key Risks

9.1 There are no risk management implications arising from this report. Key audit risks in relation to the accounts are considered in the letter.

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 was subject to a public inspection period from 1 July 2020 to 11 August 2020 with no objections raised or enquiries made.

13. Other Impact of the Proposals

13.1 There are no other impacts arising from these proposals.

14. Appendices

14.1 Appendix 1 - Annual Audit Letter 2019/20

15. Background Papers

15.1 None

16. Contact Officers

16.1 Jim Dafter, Senior Manager Mazars, jim.dafter@mazars.co.uk, 07815 876 042

Eleanor Goodman, NECA Finance Manager, eleanor.goodman@northeastca.gov.uk, 07546 653402

17. Sign off

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

- Chief Finance Officer: ✓

Annual Audit Letter

Item 4 - Appendix 1

North East Combined Authority

Year ending 31 March 2020

mazars

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Contents

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the North East Combined Authority. No responsibility is accepted to any member or officer in their individual capacity or to any third party. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

Purpose of the Annual Audit Letter

Our Annual Audit Letter summarises the work we have undertaken as the auditor for the North East Combined Authority (NECA) for the year ended 31 March 2020. Although this letter is addressed to NECA, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (the NAO). The detailed sections of this letter provide details on those responsibilities, the work we have done to discharge them, and the key findings arising from our work. These are summarised below.

Area of responsibility	Summary
Audit of the financial statements	Our auditor's report issued on 20 November 2020 included our opinion that the financial statements: • give a true and fair view of the NECA's and Group's financial position as at 31 March 2020 and of its expenditure and income for the year then ended; and • have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20
Other information published alongside the audited financial statements	Our auditor's report included our opinion that the other information in the Statement of Accounts is consistent with the audited financial statements.
Value for money conclusion	Our auditor's report concluded that we are satisfied that in all significant respects, NECA has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.
Statutory reporting	Our auditor's report confirmed that we did not use our powers under section 24 of the 2014 Act to issue a report in the public interest or to make written recommendations to NECA.
Reporting to the group auditor	In line with group audit instructions, issued by the NAO on 4 November, we reported to the group auditor in line with the requirements applicable to the NECA's WGA return on 3 December 2020.

2. AUDIT OF THE FINANCIAL STATEMENTS

Opinion on the financial statements	Unqualified

The scope of our audit and the results of our work

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to NECA and whether they give a true and fair view of NECA's financial position as at 31 March 2020 and of its financial performance for the year then ended.

Our audit was conducted in accordance with the requirements of the Code of Audit Practice issued by the NAO, and International Standards on Auditing (ISAs). These require us to consider whether:

- the accounting policies are appropriate to NECA's circumstances and have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management in the preparation of the financial statements are reasonable; and
- the overall presentation of the financial statements provides a true and fair view.

Emphasis of matter

Our audit report, stated that in our view, the financial statements give a true and fair view of the NECA's and Group's financial position as at 31 March 2020 and of its financial performance for the year then ended. However, our audit report was modified to include an emphasis of matter paragraph associated with material valuation uncertainty relating to property assets held by the Pension Fund. As disclosed in Note 19 of NECA financial statements, and Note 12 of the Group financial statements, the outbreak of Covid-19 had a significant impact on global financial markets, and as such the Pension Fund's property investment manager included a material valuation uncertainty clause in some of their 31 March 2020 valuation reports due to the possible impact of Covid-19. Therefore, there was less certainty and a higher degree of caution needed to be attached to valuations of unquoted property assets than would normally be the case.

Our approach to materiality

We apply the concept of materiality when planning and performing our audit, and when evaluating the effect of misstatements identified as part of our work. We consider the concept of materiality at numerous stages throughout the audit process, in particular when determining the nature, timing and extent of our audit procedures, and when evaluating the effect of uncorrected misstatements. An item is considered material if its misstatement or omission could reasonably be expected to influence the economic decisions of users of the financial statements.

Judgements about materiality are made in the light of surrounding circumstances and are affected by both qualitative and quantitative factors. As a result we have set materiality for the financial statements as a whole (financial statement materiality) and a lower level of materiality for specific items of account (specific materiality) due to the nature of these items or because they attract public interest. We also set a threshold for reporting identified misstatements to NECA. We call this our trivial threshold.

The table below provides details of the materiality levels applied in the audit of the financial statements for the year ended 31 March 2020:

Financial statement materiality	Our financial statement materiality is based on 2% of Gross Revenue Expenditure	£6.286 million (NECA) £12.196 million (Group).
Trivial threshold	Our trivial threshold is based on 3% of financial statement materiality.	£189,000 (NECA) £366,000 (Group)
Specific materiality	We have applied a lower level of materiality to the following area of the accounts: - Senior Officer Remuneration	£5,000

2. AUDIT OF THE FINANCIAL STATEMENTS

Our response to significant risks

As part of our continuous planning procedures we considered whether there were risks of material misstatement in NECA's financial statements that required special audit consideration. We reported significant risks identified at the planning stage to NECA within our Audit Strategy Memorandum and provided details of how we responded to those risks in our Audit Completion Report. The table below outlines the identified significant risks, the work we carried out on those risks and our conclusions.

Identified significant risk	Our response	Our findings and conclusions
Management override of controls (single entity and group accounts) In all entities, 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. Because of the unpredictable way in which such override could occur, we considered there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.	We addressed this risk through performing audit work over: • Accounting estimates impacting on amounts included in the financial statements; • Consideration of identified significant transactions outside the normal course of business; and • Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.	Our audit work provided the assurance we sought and did not identify any material issues to bring to the attention of NECA.
Revenue recognition -in relation to Tyne Tunnel tolls and grant income (relevant to single entity and group accounts) This was due to: • cut off considerations for Tyne Tunnel toll income given the cash nature of the receipts; and • grant income being recognised when all conditions attached to the grant were met so there was significant management judgement in determining if there were any conditions and if they had been met.	We addressed this risk by performing audit work over: • the design and implementation of controls management had in place to ensure income was recognised in the correct period; • cash receipts around the year end to ensure they had been recognised in the right year; • the judgements made by management in determining when grant income was recognised; • for Tyne Tunnel toll income, perform a substantive analytical review; and • for major grant income, obtaining counterparty confirmation.	Our audit work did not identify any material issues to bring to the attention of NECA.

Our response to areas of management judgement

Identified area of management judgement	Our response	Our findings and conclusions
Defined benefit liability valuation (relevant to group accounts only) The financial statements contain material pension entries in respect of the retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.	We addressed the defined benefit liability valuation risk through performing audit work over: • evaluating the management controls you have in place to assess the reasonableness of the figures provided by the Actuary; • considered the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally which was commissioned annually by the National Audit Office; and • we discussed with key contacts any significant changes to the pension estimates prior to the preparation of the financial statements.	We received and considered the assurance from the Pension Fund auditor. NECA and Group included in its revised financial statements, a disclosure in respect of material uncertainty due to Covid 19 for the pension fund property investments. We therefore updated our auditor's report wording to draw attention to this in an Emphasis of Matter paragraph.

Internal control recommendations

As part of our audit we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls.

Description of deficiency

Related party declarations should be updated and obtained annually from senior officers and members.

We first identified this deficiency in 2017/18 which was rectified in prior years however our work has identified that in 19/20 this has not been implemented and therefore the deficiency in internal control has been raised again.

Potential effects

Related parties may not be identified which potentially may lead to fraud and error.

Recommendation

Ensure that related party declarations are completed and received annually.

Management response

Responsibility for this has been clarified and this has been addressed as part of the final accounts closedown arrangements for 2020/21. Actions have / will be included in the process to ensure that senior officer and member declarations are sought and updated to provide the necessary assurance. The NECA Monitoring Officer will ensure that completion of these declarations from all senior officers and members of the NECA and JTC is tracked and the necessary declarations received as quickly as possible following the Annual Meeting of the NECA Leadership Board.

3. VALUE FOR MONEY CONCLUSION

Value for money conclusion	Unqualified

Our audit approach

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

The overall criterion is that, 'in all significant respects, NECA had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- informed decision making;
- sustainable resource deployment; and
- working with partners and other third parties.

Our auditor's report, stated that that, is all significant respects, NECA put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31st March 2020.

Sub-criteria	Commentary	Arrangements in place?
Informed decision making	The North East Leadership Board is made up of the Leaders of the four constituent bodies and is supplemented by elected members who serve on a number of committees along with non-executives. There is an up to date Constitution in place which is available on the website. The NECA Leadership Board receive appropriate and regular reports on the financial position of NECA. Martin Swales, the Head of Paid Service and Chief Executive leads a very experienced senior officer team at NECA. Risk management arrangements along with an up to date risk register is in place. A risk update is reported regularly to the Audit and Standards Committee, who provide challenge in this area. An annual governance statement is prepared, reviewed and approved before being included in the financial statements. No indicators of inappropriate governance arrangements. NECA have completed an in-depth review of the Pedestrian Tunnel Project, highlighting significant changes to be made in the procurement and planning process for projects to stop the issues identified recurring in the future.	Yes

3. VALUE FOR MONEY CONCLUSION

Sub-criteria	Commentary	Arrangements in place?
Sustainable resource deployment	The 2019/20 revenue budget and capital programme were approved by the NELB in February 2019. In February 2020, NELB approved NECA's 20/21 budget alongside the Medium-Term Financial Strategy covering periods to 22/23. NECA has a history of achieving financial targets as evidenced by financial and performance reports. Arrangements are in place for the Financial Plan to be updated as appropriate. The 2019/20 Outturn position, which was approved by the NELB on 28 July 2020 identifies an underspend of £0.273 million at the year end. Relevant HR policies and procedures are in place.	Yes
Working with partners and other third parties	A service concession exists in relation to the Tyne Tunnel. This is subject to a detailed 30 year agreement with the operator TT2 which was introduced in 2008. NECA work very closely with the North East Local Enterprise Partnership (NELEP). This is a business-led, strategic partnership responsible for promoting and developing economic growth in the area. NECA supports the work of the enterprise partnership and they work together to ensure co-ordination across their range of activities. The NELEP board includes representatives from across the private and public sectors. Each of the leaders and the elected Mayor representing the seven North East councils are members of the NELEP and the Chair of the NELEP is a non-voting member of the NELB. The Combined Authority provides the formal accountability arrangements for the enterprise partnership.	Yes

Significant audit risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to our conclusion exists. Risk, in the context of our work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at NECA being inadequate. In our Audit Strategy Memorandum, we reported that we had not identified any significant audit risks.

4. OTHER REPORTING RESPONSIBILITIES

Exercise of statutory reporting powers	**No matters to report**
Other information published alongside the audited financial statements	**Consistent**
Completion of group audit reporting requirements	**Below testing threshold**

The NAO's Code of Audit Practice and the 2014 Act place wider reporting responsibilities on us, as NECA's external auditor. We set out below, the context of these reporting responsibilities and our findings for each.

Matters on which we report by exception

The 2014 Act provides us with specific powers where matters come to our attention that, in our judgement, require reporting action to be taken. We have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We did not exercise any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

Other information published alongside the financial statements

The Code of Audit Practice requires us to consider whether information published alongside the financial statements is consistent with those statements and our knowledge and understanding of NECA. In our opinion, the other information in the Statement of Accounts is consistent with the audited financial statements.

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

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We submitted this information to the NAO on 3 December 2020.

5. OUR FEES

Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work in the Audit Strategy Memorandum, presented to Audit Committee in July 2020.

Having completed our work for the 2019/20 financial year, we can confirm that our final fees are as follows:

Area of work	2019/20 proposed fee	2019/20 final fee
Delivery of audit work under the NAO Code of Audit Practice	£18,709	£ 26,711 (Note 1)

Note 1 – The additional fee has been agreed with management however it is subject to Public Sector Auditor Appointments Ltd's (PSAA) approval

Fees for other work

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

6. FORWARD LOOK

Financial outlook and Operational challenges

As outlined in our Value for Money Conclusion section, NECA has a history of achieving financial targets. Whilst the financial climate remains challenging, NECA are well placed to deal with this.

The COVID-19 pandemic and the consequences of lockdowns will have a significant impact on the UK economy for years to come. The pandemic has created significant uncertainties and pressures for NECA and the knock on effect on both the annual revenue budget and the medium term financial plan. It is critical that the medium term plan is reviewed and refreshed on a regular basis so that any potential funding shortfalls can be identified as early as possible and mitigations identified to minimise the impact on performance.

Clarity over the impact will only be obtained once the virus has been brought under control and the impact on the economy becomes clearer. Public spending in general is likely to be tightly controlled as the Government begins to manage the levels of borrowing incurred.

There is also uncertainty in regards the UK and European Union trade deal. Whilst this impact on NECA is currently unknown, any impact on the overall economy may create indirect pressures.

NECA must ensure the smooth transfer of staff from the North East LEP (NELEP) from NECA to the North of Tyne Combined Authority.

6. FORWARD LOOK

How we will work with NECA

We will focus our work on the risks that your challenges present to your financial statements and your ability to maintain proper arrangements for securing value for money.

In the coming year we will continue to support NECA by:

- continued liaison with NECA's Internal Auditors to minimise duplication of work;
- attending Audit and Standards Committee meetings and presenting an Audit Progress Report including updates on regional and national developments; and
- hosting events for staff, such as our Local Government Accounts workshop.

We will meet with the officers to identify any learning from the 2019/20 audit. Given the impact of COVID-19 on the 2019/20 reporting timetable there is some uncertainty regarding the 2020/21 timetable. We will continue to work with the finance team to ensure any future timetable is adhered to.

In terms of the technical challenges that officers face around the production of the statement of accounts, we will continue to work with them to share our knowledge of new accounting developments and we will be on hand to discuss any issues as and when they arise. We will continue to share our insights from across local government and relevant knowledge from the wider public and private sector.

NECA has taken a positive and constructive approach to our audit and we wish to thank members and officers for their support and co-operation during our audit.

6. FORWARD LOOK

Changes to the Code of Audit Practice

The Code of Audit Practice (the Audit Code), issued by the Comptroller and Auditor General, prescribes the way we carry out our responsibilities as your auditors. On 1st April 2020 a new Code came in to force and will apply to our work from 2020/21 onwards.

The new Audit Code continues to apply the requirements of International Standards on Auditing (ISAs) to our audit of the financial statements. While there are changes to the ISAs that are effective from 2020/21 the Audit Code has not introduced any changes to the scope of our audit of the financial statements. We will continue to give our opinion on the financial statements in our independent auditor's report.

There are however significant changes to the work on value for money arrangements, and the way we report the outcomes of our work to you.

The auditor's work on value for money arrangements

From 2020/21 we are still required to satisfy ourselves that you have made proper arrangements for securing the economy, efficiency and effectiveness in your use of resources, however unlike under the 2015 Audit Code, we will no longer report in the form of a conclusion on arrangements. Instead, where our work identifies significant weaknesses in arrangements, we are required to report those weaknesses to you, along with the actions that need to be taken to address those weaknesses.

Our work on value for money arrangements will focus on three criteria, specified in the revised Audit Code:

- Financial sustainability: how the body plans and managers its resources to ensure it can continue to deliver its services;
- Governance: how the body ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

Under the new Audit Code we will be expected to report and make recommendations as soon as we identify a significant weakness in arrangements, as opposed to reporting our conclusion on arrangements at the end of the audit cycle as has previously been the case.

Reporting the results of the auditor's work

We currently issue you with an Annual Audit Letter which provides a summary of our work across all aspects of our audit. From 2020/21 the Annual Audit Letter will be replaced by the Auditor's Annual Report. This will continue to provide a summary of our work over the year of audit but will also include a detailed commentary on your arrangements in place to achieve economy, efficiency and effectiveness. This commentary replaces the conclusion on arrangements that was previously provided and will include details of any significant weakness identified and reported to you, follow up of any previous recommendations made, and the our view as to whether recommendations have been implemented satisfactorily.

The guidance supporting the new Audit Code is being developed by the National Audit Office and we will provide you with any further updates to our approach arising from this guidance when it is released.

6. FORWARD LOOK

Redmond Review

In September 2020, Sir Tony Redmond published the findings of his independent review into the oversight of local audit and the transparency of local authority financial reporting. The report makes several recommendations that, if implemented, could affect both the financial statements that local authorities are required to prepare and the work that we as auditors are required to do.

The report and recommendations are wide-ranging, and includes:

- the creation of the Office of Local Audit and Regulation (OLAR), be created to manage, oversee and regulate local audit;
- reviewing reporting deadlines;
- reviewing governance arrangements in local authorities, including the membership of the Audit Committee; and
- increasing transparency and reducing the complexity of local authority financial statements.

The recommendations and findings will now be considered by the Ministry of Housing, Communities and Local Government and we look forward to working with all stakeholders to implement changes to ensure the development and sustainability of local audit.

The full report is available here: https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review

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North East Combined Authority

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Audit and Standards Committee

Agenda Item 5

Date:	**9 March 2020**
Subject:	**Closure of Accounts 2020/21 – Timetable and Progress Update**
Report of:	**Chief Finance Officer**

Executive Summary

This report provides the Audit and Standards Committee with an update on progress in planning for the 2020/21 Closure of Accounts process and a summary of key accounting changes in the latest edition of the Code of Practice for Local Authority Accounting in the UK (the Code). These changes apply to the 2020/21 accounts.

Initial meetings have been held with key stakeholders in the process, including officers from the North of Tyne Combined Authority (NTCA), Nexus and Mazars, and a high-level timetable agreed. A summary of the closedown timetable is attached at Appendix 2 which includes details of how and when reports will be presented to this Committee.

In preparing the annual Statement of Accounts we closely follow CIPFA's Code of Practice for Local Authority Accounting in the UK, which is based upon approved accounting standards.

The 2020/21 Statement of Accounts will be prepared in accordance with the CIPFA Code of Practice for Local Authority Accounting in the UK 2020/21. The main changes to the Code from 2019/20 to 2020/21 are outlined in Appendix 1.

Recommendations

Audit and Standards Committee is recommended to receive the report for information.

1. Background Information

1.1 The report is presented in accordance with paragraph 12 of the Committee's terms of reference which requires that the Audit and Standards Committee will review key information relating to NECA's Statement of Accounts.

1.2 The Code is based on International Financial Reporting Standards (IFRS) and has been developed by the joint CIPFA/Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code Board overseen by the Financial Reporting Advisory Board. It is based on approved accounting standards issues by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements.

1.3 The Code also draws on approved accounting standards issued by the International Public Sector Accounting Standards Board and the UK Financial Reporting Council where these provide additional guidance. The latest edition of the Code applies for accounting periods commencing on or after 1 April 2020. It supersedes the 2019/20 Code.

1.4 In England and Wales, the Code constitutes a 'proper accounting practice' under the terms of section 21(2) of the Local Government Act 2003.

1.5 The CIPFA/LASAAC Code Board, overseen by the Financial Reporting Advisory Board, is in a position to issue mid-year updates to the Code. This will only be done in exceptional circumstances.

2 Proposals

Key changes in the preparation of the 2020/21 Statement of Accounts

2.1 Appendix 1 provides a summary of the main Code changes and their relevance to NECA.

2.3 In addition to the Code, the following key changes are relevant to the preparation of the 2020/21 accounts:

a) The findings of the Independent Review of Local Authority Financial Reporting and Audit (the Redmond Review) were reported to the Audit Committee on 27 October 2020. Whilst some recommendations are still under consideration, Government have accepted the recommendation to extend the audit deadline from 31 July to 30 September for 2020/21 and 2021/22 initially. This is subject to legislation.
b) Adoption of IFRS 16 Leases, originally due in 2020/21, has been further deferred to the 2022/23 Code.

2.3 The changes are minor and have not necessitated any changes to Accounting Policies (the subject of a report elsewhere on this agenda).

Timetable

2.4 A detailed closedown timetable for NECA has been prepared and key dates and dependencies are being discussed and agreed with officers from Mazars, Nexus and NTCA. A high-level summary is attached at Appendix 2. Not all dates are confirmed at the time of writing this report, and an update on any changes will be provided to the Committee at the meeting.

2.5 Dates for communication with members of this committee are included in the summary timetable at Appendix 2. The main communications will be as follows:

- 9 March 2021 – reports on Accounting Policies and Closedown Update to NECA Audit and Standards Committee;
- 31 May 2021 – link to the published Draft NECA Statement of Accounts and Narrative Report will be circulated to all Audit and Standards Committee members;
- 22 June 2021 (date subject to confirmation) – Draft Statement of Accounts will be presented to Audit and Standards Committee;
- 7 September 2021 (date subject to confirmation) – Final Audited Statement of Accounts and report of the external auditor will be presented to the Audit and Standards Committee with a focus on any changes to the draft accounts that had been considered at the meeting in June.
- 14 September 2021 (date subject to confirmation) – Final Audited Statement of Accounts and report of the external auditor presented to the Leadership Board for sign off. This is the currently proposed date of meeting based on the regular meeting cycle, should this not be achievable a special meeting may be requested.

2.6 Should circumstances change significantly or any key deadlines be missed which threaten the overall timetable, this will be escalated to the NECA Chief Finance Officer and communicated to the Audit and Standards Committee to keep members fully informed of any issues at an early stage.

2.7 Ministry of Housing, Communities and Local Government (MHCLG) are consulting on proposed changes to the Accounts and Audit Regulations to reflect the Government's commitment in its December response to the Redmond Review to extend the deadline for publishing local authority accounts to 30 September from 31 July.

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 will not prevent them from being signed off earlier. These proposals are still subject to consultation, and NECA is preparing to complete draft accounts by 31 May.

Information Sharing

2.8 In order to assist with the completion of the audit, the Chief Finance Officers of NECA, NTCA, Nexus and NEMOL have agreed that information and findings relating to the audits of the respective organisations may be shared between them in order to assist with the completion of audits for each authority and remove potential duplication of effort in, for example, preparation of reports to committees.

3. Reasons for the Proposals

3.1 The report is presented in accordance with paragraph 12 of the Committee's terms of reference which requires that 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 presented for information.

5. Next Steps and Timetable for Implementation

5.1 The high-level timetable for the closure of accounts 2020/21 is attached at Appendix 2.

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 resource implications arising from this report.

8. Legal Implications

8.1 There are no legal implications arising from this report. It is a requirement of the Local Government Act 2003 and the Accounts and Audit (England) Regulations 2015 for the Statement of Accounts to be produced in accordance with proper accounting practices.

9. Key Risks

9.1 There are risks around deadlines for the preparation of the final accounts, particularly where NECA is dependent upon information from third parties and the audit of the accounts, which is also subject to the external auditors' resources. These risks and dependencies are being mitigated as far as possible through joint meetings and timetables and early discussion around expectations. Regular meetings will be held throughout the accounts preparation and audit process so that any issues arising can be tackled as early as possible.

Resourcing has been raised by the external auditors as an issue in previous years. In 2020/21, individuals involved in the preparation of the accounts have more experience and a wider network of support is available from the Durham County Council finance team. However, the accounts deadlines will remain challenging for a small team such as NECA.

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 Code of Practice on Local Authority Accounting 2020/21 was subject to a period of consultation. Initial discussions and consultation on the proposed timetable have taken place with key stakeholders in the closedown process including officers from Nexus, North of Tyne Combined Authority and Mazars.

13. Other Impact of the Proposals

13.1 There are no other impacts arising from these proposals.

14. Appendices

14.1 Appendix 1 – Changes to the Code of Practice for Local Authority Accounting in the UK for 2020/21

Appendix 2 – NECA Closedown 2020/21 – Summary Timetable

15. Background Papers

15.1 None

16. Contact Officers

16.1 Eleanor Goodman, NECA Finance Manager, eleanor.goodman@northeastca.gov.uk, 07546 653402

17. Sign off

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

Appendix 1: Changes to the Code of Practice for Local Authority Accounting in the UK for 2020/21

The table below provides a summary of the changes in the 2020/21 CIPFA Code and their applicability to North East Combined Authority

	Change	**Relevant to NECA**
1	Amendments to implement and emphasise the application of Amendments to IAS 1 and IAS 8: Definition of Material, for example the importance of ensuring that material information is not obscured for users.	Yes
2	Reference to arrangements for the application of accounting standards arising as a consequence of the UK withdrawal from the remit of the EU-endorsement framework, that is that the Code will be based on standards adopted for UK application.	Yes
3	Legislative amendments relating to investments in specified pooled investment funds that are measured at fair value through profit or loss (FVPL), and back payments following unequal pay	Yes
4	Clarification of the treatment relating to some financial instruments entries	Yes
5	Fees and charges for services under statutory requirements are now specified to include Housing Revenue Account tenancy rental income	No
6	References to RICS valuation guidance publications updated – they are now based on a global framework	Yes
7	The signage used at the foot of the Comprehensive Income and Expenditure Statement should be clearly identified, to enable the reader to distinguish between a surplus or a deficit	Yes
8	Recognition that the presentation of a disclosure of movements in property, plant and equipment for the year in the accounts may differ from Whole of Government Accounts practices.	Yes

Appendix 2: NECA Closedown 2020/21 - Summary Timetable (key dates only)

Task Description	Responsible Officer	Deadline (Date)	Notes
Audit visits – systems testing and IT controls		w/c 18/01/2021; w/c 01/02/2021	
Reports to Democratic Services for Audit & Standards Committee April meeting	Eleanor Goodman	25/02/2021	
Audit & Standards Committee – reports on Accounting Policies and Closedown Timetable/Progress Update	Eleanor Goodman	09/03/2021	
Audit visits – planning and early testing		TBC	Specific dates to be agreed with Mazars if required
NECA single entity statements first draft complete	Eleanor Goodman/Patsy O'Reagan	10/05/2021	
NECA single entity notes first draft complete	Eleanor Goodman/Patsy O'Reagan	10/05/2021	
Provide draft JTC single entity info to NTCA	Eleanor Goodman/Patsy O'Reagan	11/05/2021	
QA/Review NECA single entity accounts complete	Eleanor Goodman/Patsy O'Reagan	18/05/2021	
NECA Narrative Report first draft complete	Eleanor Goodman/Patsy O'Reagan	18/05/2021	
Nexus to provide draft Nexus accounts to NECA	Helen Giloney	*19/05/2021*	Date TBC
NECA Group statements first draft complete	Eleanor Goodman/Patsy O'Reagan	21/05/2021	
NECA Group notes first draft complete	Eleanor Goodman/Patsy O'Reagan	21/05/2021	
First meeting with CFO/Dep CFO to review draft NECA Statement of Accounts and Narrative Report	Eleanor Goodman/Paul Darby	21/05/2021	to be scheduled – EG/PD
Provide draft JTC group info to NTCA	Eleanor Goodman/Patsy O'Reagan	24/05/2021	
QA/Review NECA Group accounts	Eleanor Goodman/Patsy O'Reagan	27/05/2021	
Review/amend/finalise draft accounts and Narrative Report	Eleanor Goodman/Patsy O'Reagan	27/05/2021	
CFO to sign off draft NECA Statement of Accounts	Paul Darby	28/05/2021	to be scheduled – EG/PD
Draft NECA Statement of Accounts and Narrative Report to be published on NECA website	Eleanor Goodman	28/05/2021	
Link to published Draft NECA Statement of Accounts and Narrative Report to be circulated to NECA Audit & Standards Committee members	Eleanor Goodman	31/05/2021	
Public inspection period commences	For info	01/06/2021	
Provide draft NECA Statement of Accounts and all WPs to Mazars	Eleanor Goodman	04/06/2021	
NECA Main audit visit	Jim Dafter	Jun-Aug 2021	Specific dates to be agreed with Mazars
Reports to Democratic Services for Audit & Standards Committee special meeting – Draft Accounts	Eleanor Goodman	10/06/2021	
Audit and Standards Committee - special meeting to consider draft Accounts	Eleanor Goodman/Paul Darby	22/06/2021	
Whole of Government Accounts cycle 1 return	Eleanor Goodman/Patsy O'Reagan	30/06/2021	Date tbc by HMT
Public inspection period ends	For info	12/07/2021	
Major work on Nexus audit completed	Mazars/Nexus	TBC	
Audited Nexus accounts to be provided to NECA	Helen Giloney	TBC	
Major work on NECA audit completed	Jim Dafter	TBC	
Provide audited JTC single entity info to NTCA	Eleanor Goodman/Patsy O'Reagan	TBC	
Provide audited JTC Group info to NTCA	Eleanor Goodman/Patsy O'Reagan	TBC	
Nexus Audit Committee to consider final Nexus accounts and auditors report	John Fenwick/Helen Giloney	TBC	Date tbc

Nexus Board to approve final Nexus accounts and auditors report	John Fenwick/Helen Giloney	TBC	Date tbc
Reports to Democratic Services for Audit & Standards Committee	Eleanor Goodman/Patsy O'Reagan	*26/08/2021*	Date tbc
Reports to Democratic Services for Leadership Board	Eleanor Goodman/Patsy O'Reagan	*02/09/2021*	Date tbc
Audit & Standards Committee meeting to consider final accounts and auditors report	Eleanor Goodman/Paul Darby	*07/09/2021*	Date tbc
Leadership Board meeting to approve final accounts and auditors report	Eleanor Goodman/Paul Darby	*14/09/2021*	Date tbc
CFO to sign off final NECA Statement of Accounts	Paul Darby	30/09/2021	to be scheduled – EG/PD
Final audited Statement of Accounts, Narrative Report and AGS published on NECA website	Eleanor Goodman	30/09/2021	
Whole of Government Accounts cycle 2 return	Eleanor Goodman/Patsy O'Reagan	31/10/2021	Date tbc by HMT
Annual Audit letter reported to Audit & Standards Committee	Jim Dafter	*October 2021*	Date tbc

Key

	North East Combined Authority
	Mazars
	Nexus
	North of Tyne Combined Authority
	Committee Meetings and report deadlines

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Audit and Standards Committee

Agenda Item 6

Date: **9 March 2020**

Subject: **Agreement of Accounting Policies for 2020/21 Statement of Accounts**

Report of: **Chief Finance Officer**

Executive Summary

The purpose of this report is to update the Audit and Standards Committee on NECA's accounting policies to be applied in the preparation of the 2020/21 Statement of Accounts and to seek confirmation from the Audit Committee that appropriate policies are being applied.

The accounting policies applied in the preparation of the 2019/20 Statement of Accounts remain appropriate for the preparation of the 2020/21 Statement of Accounts. The CIPFA Code changes for 2020/21 are minor, and there are no accounting policies which require amendment.

The full list of accounting policies the authority proposes to disclose in its Statement of Accounts notes are detailed in Appendix 1.

Recommendations

The Audit and Standards Committee is recommended to:

i) Review the accounting policies;
ii) Approve their use in the preparation of the 2020/21 financial statements;
iii) Authorise the Chief Finance Officer to review the accounting policies as necessary, and report changes to the Audit and Standards Committee.

1. Background Information

1.1 It is a requirement of the Local Government Act 2003 and the Accounts and Audit (England) Regulations 2015 for the Statement of Accounts to be produced in accordance with proper accounting practices.

1.2 Accounting policies are defined in the CIPFA Code as “the specific principles, bases, conventions, rules and practices applied by an authority in preparing and presenting financial statements”.

1.3 Accounting policies need not be applied if the effect of applying them would be immaterial. Materiality is defined in the Code as it applies to omissions and misstatements:

Omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the item, or a combination of both, could be the determining factor.

2 Proposals

2.1 The proposed accounting policies are in line with those used in the preparation of the 2019/20 accounts.

2.2 The CIPFA Code changes for 2020/21 are minor, and there are no accounting policies which require amendment.

2.3 The full list of accounting policies NECA proposes to disclose in its Statement of Accounts notes are detailed in Appendix 1.

3. Reasons for the Proposals

3.1 The Annual Audit Letter is presented to Audit and Standards committee as required under the Committee’s terms of reference.

4. Alternative Options Available

4.1 The report is presented for information, with no decision required.

5. Next Steps and Timetable for Implementation

5.1 NECA finance officers are engaging with the external auditors in relation to planning for the 2020/21 accounts closedown.

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 resource implications arising from this report.

8. Legal Implications

8.1 There are no legal implications arising from this report. It is a requirement of the Local Government Act 2003 and the Accounts and Audit (England) Regulations 2015 for the Statement of Accounts to be produced in accordance with proper accounting practices.

9. Key Risks

9.1 There are no risk management 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 Code of Practice on Local Authority Accounting 2020/21 was subject to a period of consultation. There are no consultation or engagement implications arising from this report.

13. Other Impact of the Proposals

13.1 There are no other impacts arising from these proposals.

14. Appendices

14.1 Appendix 1 – Accounting Policies 2020/21

15. Background Papers

15.1 None

16. Contact Officers

16.1 Eleanor Goodman, NECA Finance Manager, eleanor.goodman@northeastca.gov.uk, 07546 653402

17. Sign off

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

Appendix 1 – Accounting Policies 2020/21

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

Accounting Policy		New policy	Amended policy	No change	In line with Code
20.	Overheads and Support Services			✓	✓
21.	Tyne Tunnels Income			✓	✓
22.	Group Accounts			✓	✓
23.	Joint Transport Committee			✓	✓

Accounting Policies

1. General Principles

The Statement of Accounts summarises the Authority's transactions for 2020/21 financial year and its position at the year-end of 31 March 2021. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The Code requires that a Local Authority's Statement of Accounts is prepared on a 'going concern' basis, that is, the accounts are based on the assumption that the Authority will continue in operational existence for the foreseeable future.

2. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that the economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliability the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payments on borrowings is accounted for respectively as income and expenditure eon the basis of the effective interest rate for the relevant financial instrument, rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded on the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. The

Authority has a policy of not accruing for manual sundry creditor or sundry debtor provisions for less than £1,000, other than in exceptional circumstances.

3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in less than 90 days from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

4. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

5. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of trnascations, other events and conditions on the Authority's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

6. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses on assets used by the services where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise the levy to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance.

Depreciation, revaluation and impairment losses are therefore replaced by a contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

7. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. Due to the small number of employees the Authority has, the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year is immaterial and therefore an accrual will not be made. This approach will be reviewed each year to ensure it is still an appropriate treatment.

Termination Benefits

Termination benefits are amounts which would be payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non-Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

No such amounts are payable in 2020/21.

8. Post-Employment Benefits

NECA is a member of the Local Government Pension Scheme, which provides members with defined benefits relating to pay and service. Its pension obligations relate primarily to former employees.

The relevant fund is the Tyne and Wear Pension Fund, administered by South Tyneside

Metropolitan Borough Council, from whom a copy of the annual report may be obtained. The Fund website may be visited at www.twpf.info.

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e.an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate determined annually, based on the indicative rate of return on high quality corporate bonds.
- The assets of the pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
    - Quoted securities at current bid price
    - Unquoted securities based on professional estimate
    - Unitised securities at current bid price
    - Property at market value.

The change in the net pensions liability is analysed into the following components:

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the NECA Corporate line.
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of the NECA Corporate line.
- Net interest on the net defined liability (asset), i.e. net interest expense for the Authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Corporate Costs.
- Remeasurements comprising:

- The return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Further details are provided in Note 19 to the accounts.

9. Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

10. Fair Value Measurement

The Authority measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) In the principal market for the asset or liability; or

b) In the absence of a principal market, in the most advantageous market for the asset or liability.

The Authority measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Authority's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority can access at the measurement date;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 – unobservable inputs for the asset or liability.

11. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively

deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.
Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charged required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of the financial instrument and are classified into three types using an approach that is based on the business model for holding the financial assets and their cashflow characteristics:

- Amortised Cost – assets held within a business model with the sole objective of collecting contractual cash flows on specified dates that are solely payments of principal and interest.
- Fair value through other comprehensive income (FVOCI) – assets held within a business model with the objective to either sell the asset or collect contractual cash flows on specified dates that are solely payments of principal and interest.
- Fair value through profit and loss (FVPL) – objectives are achieved by any other means than collecting contractual cash flows.

The Authority can, at initial recognition of the asset, override the above classifications in the following circumstances and the decision is irrevocable:

- An equity instrument can be elected into FVOCI rather than FVPL if it is not held for trading.
- Any financial asset can be designated as measured as FVPL if this removes any deemed inconsistency in measurement by treating assets based upon the above classification.

Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

However, the authority can make loans to organisations at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost that the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to net gain required against the General Fund Balance is managed by a transfer to or form the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Expected Credit Loss Model

The Authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Fair Value Through Other Comprehensive Income (FVOCI)

Changes in fair value are recorded against Other Comprehensive Income and Expenditure gain/loss by an entry in the Financial Instrument Revaluation Reserve through the Movement in Reserves Statement.

However, interest is charged to the Surplus/Deficit on the Provision of Services as though the asset had been measured at amortised cost.

Where assets are identified as impaired, because of a likelihood arising from a future event that cashflows due under the contract will not be made, a charge for the value of the impairment is made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement with a corresponding entry being recognised in Other Comprehensive Income through the Financial Instruments Revaluation Reserve on the Balance Sheet.

When the asset is de-recognised the cumulative gain or loss previously recognised in Other Comprehensive Income is reclassified from the Financial Instrument Revaluation Reserve to the Surplus/Deficit on the Provision of Services as a reclassification adjustment.

Fair Value through Profit and Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services. The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

12. Government Grants & Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments.
- The grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions and capital grants used to fund Revenue Expenditure Funded from Capital Under Statute) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

13. Property, Plant & Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- The purchase price.
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement:

- Infrastructure assets – depreciated historical cost.
- Assets Under Construction – cost.
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

The following useful economic lives are used for NECA's PPE assets: Tyne Tunnels 120 years, Tunnels Vehicles, Plant and Equipment 30 years.

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. All valuations will be undertaken by or under the supervision of a fully qualified Chartered Surveyor (MRICS – Member of the Royal Institution of Chartered Surveyors). These revaluations are detailed within the Notes to the Core Financial Statements. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

De Minimis Levels

The use of a de minimis level for capital expenditure means that in the above categories assets below the de minimis level are charged to the revenue account and are not classified as capital expenditure, i.e. the asset is not included in the balance sheet unless they are part of an overall project costing more than the established de minimis level. For all capital expenditure the de minimis level is £10,000.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss and adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land) and assets that are not yet available for use (i.e. assets under construction).

Depreciation on all Property, Plant and Equipment assets (except vehicles) is calculated by taking the asset value of 31 March 2020, divided by remaining life expectancy. Depreciation is charged in the year of acquisition, but not the year of disposal. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation that would have been chargeable based on their historic cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Where an item of Property, Plant and Equipment assets has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. In the most recent valuations of the Tyne Tunnels it was assessed that, although Mechanical and Electrical Services and the Toll Plazas have an economic life of 20 years, these formed less than 20% of the overall valuation and have not therefore been classed as significant components.

Disposals

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale and their recoverable amount at the date of the decision not to sell. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. Receipts are required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against the General Fund, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

14. Public Private Partnership (PPP) Contracts

Public Private Partnerships are agreements to receive services and provide capital jointly with the private sector. The New Tyne Crossing Partnership is judged to be such an arrangement.

The Code requires these arrangements to be assessed under an application of the principles within International Financial Reporting Interpretation Committee 12 (IFRIC 12) 'Service Concessions'.

Arrangements fall in scope of the Application where both of the following 'IFRIC 12' criteria are met:

- The public sector entity ('grantor') controls or regulates the services that the operator must provide with the infrastructure, to whom it must provide them, and at what price; and
- The grantor controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the service arrangement.

For any service concession within the scope of the Application, the grantor will recognise the cost of the property, plant and equipment underlying the service concession as a non-current asset. The New Tyne Crossing is considered to meet both of the IFRIC 12 criteria and NECA therefore recognises the costs of the new tunnel on its Balance Sheet.

In most arrangements within the scope of the Application, the grantor will account for the arrangement's financing by recording and measuring a long-term liability in accordance with IAS 17. This treatment reflects an obligation to pay the operator for the full value of the asset along with the operator's cost of finance. However, in the New Tyne Crossing project, TT2 Ltd. (the Operator) receives a defined proportion of the total toll revenue and uses this to meet its cost of constructing and operating both vehicle tunnels. NECA may therefore have no long-term obligation to transfer economic resources to TT2, and hence should not recognise a liability.

The provisions within the Payment Mechanism for payment of toll revenue to the operator are as follows:

- In each month, NECA pays a Shadow Toll to the Operator, this being a fixed amount per vehicle, adjusted for changes in RPI;
- Throughout the Term, Formula Tolls for each vehicle type are defined to equal the corresponding vehicle Shadow Tolls;
- The Formula Tolls are the initially-defined sequence of tolls to be charged to users and collected by NECA. If NECA varies a Real Toll from its corresponding Formula Toll beyond a certain level, the Operator is compensated for the effect of this adjustment on demand.

NECA therefore has no exposure to any risk and reward associated with the Operator revenue, but only an executor contract to transfer the Operator's share of total revenues to the operator as it is collected.

It therefore follows from this conclusion that NECA has no long-term obligation to transfer economic resources to the Operator, since the Operator revenue is in substance transferred directly to it. NECA therefore should not recognise a long term liability to finance the project assets.

In relation to such an arrangement, the Code and the accompanying notes do not provide clear guidance. However, the guidance notes accompanying the code suggest that the credit that matches the asset should be a deferred income balance. NECA has therefore recognised a deferred credit balance, added to as each of Phase 1 and Phase 2 of the project were completed, and equal to the fair value of the asset addition under each Phase. This balance is then released to the Comprehensive Income and Expenditure Statement over the life of the contract.

15. Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation. For example, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probably that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

16. Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.
Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts. There are no contingent liabilities disclosed in 2020/21.

17. Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against the levy for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority.

18. Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure incurred during the year tha may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the levy.

19. Value Added Tax (VAT)

VAT is payable and is included as an expense only to the extent that it is not recoverable from HM Revenue & Customs. VAT receivable is excluded from income.

20. Overheads and Support Services

The costs of central support service e.g. Finance and Legal Services have been allocated ot NECA on the basis of Service Level Agreements in accordance with guidance given by the Chartered Institute of Public Finance and Accountancy (CIPFA). A percentage is allocated to the different areas of NECA activity (e.g. Corporate, Transport Strategy, Tyne Tunnels) in accordance with estimated work done on each area.

21. Tyne Tunnels Income

The majority of the income from tolls is received on a cash basis. Accruals are made to apportion income credited to the bank account to the correct financial year. Prepayments on permit accounts are also received, and the balance on these accounts are accrued as income received in advance at the year end.

22. Group Accounts

NECA is required by the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 to produce Group Accounts to include services provided to council tax payers by organisations other than the Authority itself in which the Authority has an interest.

Although there has been no definitive ruling by CIPFA or central government in relation to Combined Authorities and Passenger Transport Executives, it is recognised that the accounts of Nexus fall within the definition of a subsidiary. As such, group accounts have been prepared on the basis of a full consolidation of the financial transactions and balances of NECA and Nexus. Nexus has been incorporated as a subsidiary, whereby the accounts of the two organisations are combined and any intra-group transactions are cancelled out.

For the 2020/21 accounts, NECA has fully complied with the requirements of the Code providing Group figures for 2020/21 and comparators for 2019/20. From 2010/11, Passenger Transport Executives have been required to produce their accounts under International Financial Reporting Standards, and as if the proper practices in relation to accounts applicable to a local authority were, so far as appropriate, applicable to an Executive. The group financial statements are prepared in accordance with the policies set out in the Statement of Accounting Policies above.

23. Joint Transport Committee

On 2 November 2018, the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority (Establishment and Functions) Order 2018 (the Order) changed the boundaries of NECA and established the new mayoral combined authority.

The reconfiguration of NECA has been classed as a transfer by absorption meaning:

- NECA has accounted for its control up to the date of the reconfiguration albeit with clear disaggregation of the financial results relating to the functions being transferred; and
- Assets and liabilities transferred at book value.

The Order establishing the North of Tyne Combined Authority (NTCA) also required the seven local authorities to establish the Joint Transport Committee (JTC). Under the CIPFA Code, the JTC meets the definition of a ‘joint operation’, which determines its accounting treatment. Where a Joint Committee is accounted for as a Joint Arrangement each Joint Operator (in this case NECA and NTCA) must account for their own share of the assets, liabilities, revenues and expenses held or incurred jointly in their own single entity financial statements.

In order to comply with the CIPFA Code, NECA must:

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

- The revenues which relate to Tyne and Wear must then be divided into that which relates wholly to Newcastle and/or North Tyneside (allocated to NTCA), that which relates wholly to Gateshead, South Tyneside and/or Sunderland (allocated to NECA) and that which relates to activities not wholly attributable under the preceding two points which requires apportionment.

The Order gives no clear instruction on the basis of division of revenues, but the Deed of Cooperation made on 4 July 2018 between the seven local authorities in the area provides that "those costs and liabilities which are attributable to the exercise of functions exclusively in the area of the Tyne and Wear Authorities…shall be shared between the Tyne and Wear Authorities on a per capita basis relating to their resident populations at that time."

By similar rationale and argument, the divisions of assets, liabilities and expenditure incurred will also be divided on this basis.

North East Combined Authority

DURHAM • GATESHEAD • SOUTH TYNESIDE • SUNDERLAND

Audit and Standards Committee

Agenda Item 7

Date: **9 March 2021**

Subject: **NECA Internal Audit Plan 2021/22**

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

Executive Summary

This report provides members with the proposed Internal Audit Plan and performance measures for 2021/22.

It is intended as part of the Audit Plan for 2021/22 to carry out two audits, as follows:

- Business Continuity Arrangements.
- Coordination of the Audit Certificate for the Local Transport Grant Claim.

Recommendations

The Audit and Standards Committee is invited to consider and, if appropriate, make comment on the proposed Internal Audit Plan for 2021/22 which includes the key performance measures for the provision of the service.

1 Background Information

1.1 The Terms of Reference of the Audit and Standards Committee included within the Constitution of the North East Combined Authority (NECA) state that the Audit and Standards Committee should receive on an annual basis, '*Internal Audit's Strategic Audit Plan, including Internal Audit's terms of reference, strategy and resources. The Audit and Standards Committee will approve, but not direct, the NECA Strategic Audit Plan*'. The submission of this report seeks to allow the Audit and Standards Committee to fulfil this requirement.

1.2 The internal audit service is provided to NECA by the internal auditors of Sunderland City Council.

2. Proposals

2.1 The Internal Audit Strategy was agreed by the Committee in 2019/20 and as no changes have been made to it this report sets out only the proposed Internal Audit plan and performance measures for 2021/22.

2.2 The draft Internal Audit Plan for 2021/22 is set out in Appendix 1. The Audit Plan covers Internal Audit's key performance measures and outlines the proposed internal audit work for NECA.

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 Delivery of the audit plan will be monitored to ensure it is delivered together with any actions arising from audit work. Update reports will be provided to the Audit and Standards Committee.

5. Potential Impact on Objectives

5.1 The development of the audit plan 2021/22 will not impact directly on NECA's objectives, however the delivery of the audit plan will support NECA by providing assurance that the internal control arrangements in place to manage risks are effective or where assurance cannot be given highlighting opportunities for improvement.

6. Finance and Other Resources Implications

6.1 There are no financial implications arising from this report other than the agreed fee for the service to be delivered.

7. Legal Implications

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

8. Key Risks

8.1 There are no risk management implications from this report.

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 directly arising from this report.

11. Consultation /Engagement

11.1 The Head of Paid Service, Monitoring Officer, and Chief Finance Officer have been consulted on the draft Internal Audit Plan 2021/22.

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 – Internal Audit Plan 2021/22 provides a description of the audit work to be carried out during the year.

14. Background Documents

14.1 NECA Standing Orders.

15. Contact Officers

Tracy Davis – Senior Manager – Assurance, Sunderland City Council.
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16. Sign off

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

North East Combined Authority
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Audit and Standards Committee Item 7 - Appendix 1

Internal Audit Plan 2021/22

1. Introduction

This document presents the Internal Audit Plan for 2021/22 including the key performance measures for Internal Audit.

2. Division of Responsibilities

2.1 It is management's responsibility to manage the systems of NECA to ensure that risks are managed, an appropriate system of internal control is maintained, and its assets adequately protected. This includes ensuring that controls are in place to guard against error, potential fraud and corruption, and that there is efficiency and effectiveness in how the systems are operated.

2.2 Internal Audit independently reviews how effectively management discharges this aspect of its responsibilities by evaluating the effectiveness of systems and controls and providing objective analyses and suggesting areas for improvement. Management retains full ownership and responsibility for the implementation of any agreed actions within the agreed timescales.

3. Development of the Plan

3.1. The plan was developed based on consultation with the NECA's statutory officers and consideration of the key activities and risks relevant to NECA.

3.2. As specific areas of concern or irregularity may require investigation as and when they arise, a small contingency is made for this work. Should a significant piece of work be required there may be a need to replace a planned audit, in consultation with the NECA.

3.3 Where individual audits cannot be undertaken as originally planned (e.g. service no longer provided), attempts will be made to replace the audit with a suitable replacement in consultation with the NECA's Chief Finance Officer. Where these changes are agreed this shall be considered a variation to this Plan for the purposes of performance reporting.

3.1 Time has also been allocated for the provision of advice and guidance on internal control matters.

4 Planned Audit Work for 2021/22

4.1 The audits undertaken so far are shown in Annex 2 against each of the organisational risk areas. The following audits are planned for 2021/22.

Business Continuity Arrangements

4.2 A review of the arrangements in place to allow the Authority to continue its business critical functions in the event of an incident or situation that could impact on key officers.

4.3 The scope of the audit includes the following:

- Roles and Responsibilities, including key contacts;
- Awareness and implementation of procedures/good practice;
- Identification and agreement of business-critical functions;
- Training; and
- Review and testing of Business Continuity Plans.

Coordination of the Audit Certificate for the Local Transport Grant Claim

4.4 Each local authority which is part of NECA must undertake audit work to confirm that the Local Transport Grant has been spent in accordance with the grant conditions for the year. Internal Audit receive the audit certificates from each local authority and submit a consolidated certificate on behalf of NECA.

5 Reporting Protocols

5.1 At the conclusion of each individual audit a draft report and, if necessary, a proposed action plan will be forwarded to the appropriate manager. Once agreement has been reached, a final report (including any agreed action plan) will be forwarded to the relevant senior officer and the Head of Paid Service. Where audits highlight issues which need to be brought to the attention of the Chief Finance Officer they will be raised as and when necessary.

5.2 Senior Management and the Audit and Standards Committee will be updated on progress against the audit plan mid-way through the year.

5.3 An Annual Report will be prepared for the Audit and Standards Committee, in order to give assurance, or otherwise, regarding the NECA's internal control environment

6 Performance Management

6.1 All work undertaken will be in accordance with the internal audit service's policies and procedures, which are based upon the Public Sector Internal Audit Standards.

6.2 The Key Performance Indicators which will be used to measure the performance of the service throughout the year are shown in Annexe 1.

Annexe 1

Internal Audit - Overall Objectives, Key Performance Indicators (KPI's) and Targets for 2021/22		
Efficiency and Effectiveness		
Objectives 1) To ensure the service provided is effective and efficient.	**KPIs** 1) Complete sufficient audit work to provide an opinion on the corporate risk areas 2) Percentage of draft reports issued within 15 days of the end of fieldwork 3) Percentage of audits completed by the target date	**Targets** 1) All organisational risk areas covered over a 3 year period 2) 90% 3) 85%
Quality		
Objectives 1) To maintain an effective system of Quality Assurance **2)** To ensure recommendations made by the service are agreed and implemented	**KPIs** 1) Opinion of External Auditor 2) Percentage of agreed high, significant and medium risk internal audit recommendations which are implemented	**Targets** 1) Satisfactory opinion 2) 100% for high and significant. 90% for medium risk
Client Satisfaction		
Objectives 1) To ensure that clients are satisfied with the service and consider it to be good quality	**KPIs** 1) Results of Post Audit Questionnaire 2) Results of Audit Questionnaire 3) Number of complaints and compliments	Targets 1) Overall average score of better than 1.5 (where 1=Good and 4=Poor) 2) Results classed as 'good' 3) No target – actual numbers will be reported

Annex 2

Summary of Internal Audit Work

Organisational Risk Areas	Audits 2019/20	Opinion	Audits 2020/21	Opinion	Audits 2021/22	Opinion	Overall Opinion
Future Availability of Funding							
Funding Opportunities							

Organisational Risk Areas	Audits 2019/20	Opinion	Audits 2020/21	Opinion	Audits 2021/22	Opinion	Overall Opinion
Use of Funding and Resources	Local Transport Grant Claim	S	Local Transport Grant Claim	S	Local Transport Grant Claim		S
Governance Arrangements	Governance Arrangements	S	Information Governance/GDPR	ongoing			S
Operational Capacity and Resourcing	Financial Arrangements Assurance	M	Finance Service Relocation	ongoing	Business Continuity Arrangements		M
Delivery of Projects/Programmes							
Infrastructure Assets							

Assurance Level (Opinion) Key:
F – Full S – Substantial M – Moderate L – Limited N – None

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Audit and Standards Committee

Agenda Item 8

Date: **9 March 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 December 2020. 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 blue 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 December 2020. This includes the risk level of 'high' regarding the level of funding available to NECA.

While the UK government has the ambition to raise the level of economic performance in all parts of the country towards those of London, i.e. to 'level up' the economy, the government's ability and willingness to invest in infrastructure may be reduced due to the financial consequences of the Covid-19 pandemic. There also continues uncertainty over future UK development funding and in particular the Shared Prosperity Fund and the Levelling up Fund, where announcements are still awaited.

The North East Joint Transport Committee (JTC) Strategic Risk Register was updated and last considered by the JTC Audit Committee in December 2020 and is attached to this report. A further update is scheduled for consideration by the JTC Audit Committee on 14 April 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 the six new 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 need.

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 blue in Appendix 1 and 2 attached to this report. It should be noted:

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

b) 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.

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 last meeting of 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.

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 December 2020 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 2020/21 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

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

NECA Strategic Risks - Summary			
Risk Title & Description	**Risk Level (RAG Rating)**	**Direction of Travel**	**Notes**
Risks to Achievement of NECA Strategic Objectives			
6 Shaping the Great North East Failure to achieve the planned outcomes to ensure the NECA region is attractive to residents, businesses, visitors and new settlers by having a thriving economy, and being a green and prosperous place that offers an exceptional quality of life and improved opportunities for all.	**Red 12**	**Static**	**Due to possible negative impact of Covid-19 on funding and economic activity**
NECA Organisation Risks			
1 Future Availability of Funding Sources and levels of funding available to NECA may not be aligned to the Strategic Economic objectives of NECA.	**Red 12**	**Static**	**Uncertainty over future UK development funding due to EU Exit and the possible negative impact of Covid-19**
2 Funding Opportunities Failure of NECA to secure the maximum amount of funding available to progress projects which support the delivery of the Strategic Economic objectives of NECA.	**Amber 8**	**Static**	N/a
3 Use of Funding and Resources Funding secured for initiatives within the North-East region by NECA and its partners may not be able to be used on a timely basis, not be sufficient to complete intended projects or may be used inappropriately.	**Amber 8**	**Static**	N/a
4 Governance Arrangements The governance arrangements of NECA are not appropriate to allow effective and timely decision making and the achievement of its objectives	**Amber 8**	**Static**	N/a
5 Operational Capacity and Resourcing NECA does not have the necessary operational capacity, skills and budget, to successfully deliver its, objectives, plans and responsibilities.	**Amber 8**	**Static**	N/a

NECA Strategic Risks - Summary			
Risk Title & Description	**Risk Level (RAG Rating)**	**Direction of Travel**	**Notes**
Risks to Achievement of NECA Strategic Objectives			
6 Delivery of Projects/Programmes Projects which are funded through NECA are delayed, are significantly overspent or do not deliver the intended product to meet the identified transport need.	**Green 6**	**Static**	N/a
7 Infrastructure Assets Infrastructure assets which are owned by NECA are inadequately managed and maintained.	**Green 6**	**Static**	N/a

Strategic Risks - Details

Risks to the Achievement of NECA Strategic Risks	
1 <u>Decarbonise the growing economy in NECA area</u> Failure to achieve the planned outcomes to realise the decarbonisation of economic activity, infrastructure and housing within the NECA area.	**<u>Risk Owner</u>** Head of Paid Service **<u>Risk Score</u>** Red 12 Likelihood – Medium 3 Impact – Critical 4

Possible Cause(s):

1 Lack of effective carbon offset schemes.
2 Lack of prioritisation of carbon neutral agenda by policy decision makers e.g. UK government resulting in the:
   a) lack of ambitious targets being set for renewable/clean energy use and energy efficiency goals e.g. timescales not ambitious.
   b) decisions relating to carbon reduction being made for short term expediency e.g. elections rather than for long term benefits.
   c) 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
   d) lack of procurement which favours low/no carbon emission products so supporting new emerging clean industries and leading by example.
   e) 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 for 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.
   f) 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.
   g) the 'propping up' of industries which are being displaced by the move to cleaner energy.
   h) lack of incentives to encourage business investment in new cleaner technologies.
   i) 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.
   j) 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.
3 Lack of committed well targeted long-term funding at local, regional or national government level for the activity to transition to a decarbonised economy.
4 Council/other public and private sector delivery partners' policies and priorities are not aligned to NECA aims/plans re carbon neutrality for the economy
5 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.
6 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.
7 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.
8 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.

9 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

10 Lack of availability of transformative clean energy technologies to enable all users, both business and domestic, to move to clean energy
   a) for use in all activity where fossil fuels are currently used e.g. fuel for aeroplanes, other industrial applications, and
   b) which is lower priced, as convenient, as reliable and as safe as fossil fuels.

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
   a) invest in research and innovation to develop new clean energy sources or new processes, infrastructure or equipment to distribute new clean energy, or
   b) adapt to and embrace the use and application of new clean energy technologies in all aspects of production, movement and supply, or
   c) make processes, using energy sourced from fossil fuels, more energy efficient, or
   d) manufacture, market and install new renewable or alternative energy technologies.

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.

13 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.

14 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.

15 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.

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.

19 Lack of planning to achieve decarbonisation goals in the north east area.

(* '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:

a) contributing to climate change with potential for extreme weather events.
b) 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.
c) contributing to lower productivity in the region due to work absence for health reasons
d) 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 (including controls already in place)

Outside NECA control

- 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
- 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:
  a) Committing funds into research re low carbon technologies across all sectors.
  b) 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.
  c) 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
  d) intention to ban sale of new petrol and diesel cars by 2030.
  e) investment in technological innovation re road vehicles e.g. batteries.
  f) 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.
  g) 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.
  h) 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.
  i) 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.
- The Covid -19 pandemic has caused:
  a) 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
  b) 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.
  c) Air quality improved during the lockdown due in part to less transport activity.
  d) Increased rates in recycling of waste.
  e) 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.
- Promotion of smart meter scheme for domestic and business users.
- Introduction of schemes to reduce one-off use of plastics e.g. plastic bags
- 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
- The costs of many low carbon technologies: renewable power sources like solar and wind are becoming more comparable in cost to coal and gas.

Within Control of NECA, its members and its partners e.g. NELEP

- NECA and all four Local Authorities in the region have declared a 'climate emergency' undertaking to
  a) make each Council almost/totally carbon neutral by 2030
  b) 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
  c) make environmental considerations as part of decision making and working to reduce carbon emissions.
- 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 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.
- 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:
  a) 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.
  b) provide the necessary powers, resources and funding to achieve NECA's decarbonisation agenda.

Further Mitigating Actions	
NECA and other local partners e.g. NELEP continue to work with and lobby Government and influence emerging policy thinking.	Chair – NECA Leadership Board

2 **Further development of international trade and investment in the NECA area** Failure to achieve the planned outcomes to realise the diversification of the region's industrial base, and to maintain its high levels of exporting and direct inward investment.	**Risk Owner** Head of Paid Service **Risk Score** Red 12 Likelihood – Medium 3 Impact – Critical 4

Possible Causes

Maintaining Level of Exports

1 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.
2 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.
3 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.
4 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.
5 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.
6 Lack of knowledge, expertise and capacity within businesses (particularly SMEs) regarding exporting e.g. processes, regulations etc.
7 Lack of awareness of businesses regarding export opportunities in foreign countries.
8 Lack of advice support (e.g. from government) for businesses who wish to begin exporting and expand exporting activity.
9 Lack of finance by business to meet the costs of setting up to export.
10 Adverse exchange rates make the price of exported goods and services more expensive and less competitive.
11 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.
12 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.
13 Global economic slowdown resulting in lower demand for exported goods and services in foreign markets.
14 A severe economic slowdown in the UK may result in the failure of businesses regularly exporting.

Attracting Direct Inward Investment

1 Lack of entrepreneurial culture in the region.
2 Lack of appropriately skilled and committed labour force.
3 Lack of infrastructure to meet needs of potential investor e.g. accommodation for operations, transport, digital infrastructure/communication, support services, supply chains.
4 Lack of attractiveness of financial incentive package to expand into the area.
5 The level of bureaucracy and the potential for delays when moving to the area.
6 Lack of quality of life for new personnel moving to the area e.g. housing, environment.
7 The future economic prospects for the region are not promising.
8 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.

9 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.

10 The 'offer' provided by other UK regions/countries may be more attractive to a potential investor than the NECA area.

11 Government policy makes its 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 a) attracting new direct investment into the region or b) developing and growing businesses within the NECA area.

Direct Inward Investment

1 Re direct inward investment, see possible causes above.

Growth of Local Businesses

2 Lack of aspiration and ambition from businesses and potential entrepreneurs.
3 For persons considering starting their own business, a lack of confidence, finance and knowledge.
4 Lack of support, advice, funding, facilities and mentoring for new business start-ups and those SME seeking to expand.
5 Lack of clear pathway for SMEs and person starting a new business to find support.
6 Policy makers make it difficult for diversifying the industrial base in the region
7 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
8 Lack of ability of businesses to access funding to grow given the hit to cash reserves and stockpiles from the CV19 pandemic

Potential Impact/Consequence

Without the maintenance of inward investment and export levels and the diversification of the industrial base in the NECA region:
a) the NECA economy will be more susceptible than other regions to economic downturn resulting in greater loss of employment
b) the NECA economy will not be able to full advantage of upswings in the economy
c) the region will not be able to increase the number of persons in employment and consequently the wealth of the region
d) 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 (including controls already in place)

Exporting

Outside NECA control

- 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.
- 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.

Within Control of NECA, its members and its partners e.g. NELEP

- 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)

Direct Inward Investment

Outside NECA control

- 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.

Within Control of NECA, its members and its partners e.g. NELEP

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

Outside NECA control

- 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 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,

Within Control of NECA, its members and its partners e.g. NELEP

- Several agencies within the NECA region provide advice, support, training, mentoring and signposting funding to 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) 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.
b) 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:
c) 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

Outside NECA control

- 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.

Within Control of NECA, its members and its partners e.g. NELEP

- 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:
  a) 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
  b) provide the necessary powers, resources and funding to achieve NECA's objectives.

Further Mitigating Actions	
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

3 **Better Skills and More Quality Jobs** Failure to achieve the planned outcomes to allow the labour market to work much more effectively to meet future employer demand, to grow the economy and secure good jobs by developing major investment sites and to extend the range of opportunities for individuals	**Risk Owner** Head of Paid Service **Risk Score** Red 12 Likelihood – Medium 3 Impact – Critical 4

Possible Causes

Better Skilled Labour Market to meet Future Employer Demand

1. Poor communication leading to a lack of understanding within education of skills needed for, and future job/career opportunities provided by, business
2. Education and skills provision provided by education institutions do not meet the future needs of business
3. 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
4. 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.
5. Lack of ambition/motivation by young people or adults to attain academically and/or gain skills/qualifications needed for the future employment market
6. Lack of resources by some young people/adults to access equipment to aid development of employment skills e.g. IT to develop digital skills.
7. 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
8. 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.
9. Lack of will/funding by employers to invest in their employees to gain the skills/qualifications needed to move their businesses forward.
10. Lack of awareness by individuals of the available pathways to gain further employment skills and qualifications relevant to the workplace
11. 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.
12. 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.
13. Lack of opportunity for people to gain practical experience in the workplace and gain further work skills.

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’

Other

1 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 (including controls already in place)

Better Skilled Labour Market to meet Future Employer Demand

Outside NECA control

- 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

- The UK government are in the process of introducing '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. 3 FE colleges in the NECA area will be among the first in the UK to provide 'T' Levels during 20/21.
- The UK government are to launch a review of the Further Education sector to ensure training reflects more the needs of employers.
- The UK government has announced that, from April 2021, certain education/training courses will be available free to those adults without an A Level or equivalent qualification. This will be funded in part by a new government funded £2.5 million National Skills Fund programme.
- 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. There is currently little detail from the UK government as to the funding which will replace it e.g. UK Shared Prosperity Fund although one of priority areas for the UKSPF is investment in people and skills tailored to local needs.

Within Control of NECA, its members and its partners e.g. NELEP

- The North East Local Enterprise Partnership promotes skills and education through its:
  a) '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.
  b) '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.
  c) 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.
  d) 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.
  e) 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

Outside NECA control

- 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.

Within Control of NECA, its members and its partners e.g. NELEP

- 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'

Other

Outside NECA control

- 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.
- 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. Details are yet to be published.

Within Control of NECA, its members and its partners e.g. NELEP

- NELEP's Strategic Economic Plan for the North East region is aligned to NECA's objective re skills, business growth and greater opportunity. NELEP works with partners e.g. NECA, councils, education, business and voluntary sectors to develop a more competitive and growing economy for the North East.
- NECA, 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	
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

4 Draw many more NECA residents into the economic mainstream Failure to achieve the planned outcomes to ensure that people of all ages can access timely and personalised support to overcome their educational, situational and motivational barriers to work and to equip them with the capabilities the economy needs so that they can find employment.	**Risk Owner** Head of Paid Service **Risk Score** Amber - 9 Likelihood – Medium 3 Impact – Significant 3

Possible Cause(s):

1. 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.
2. Individuals with barriers to employment lack confidence to enter the labour market or gain skills.
3. A lack of availability of appropriate support and training.
4. Individual with barriers to work are unaware of the employment, support and training opportunities available.
5. Individuals with barriers to work lack financial resources to access employment or support/training.
6. 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.
7. Individuals have a dependency on benefits or fear losing income by being employed.
8. Lack of understanding as to the need of a specific individual who has barriers to overcome to enter the workplace.
9. The support and training provided is of poor quality.
10. Individuals are unaware of the employment opportunities available.
11. A lack of coordination between health and employability services in supporting individuals back to work.
12. An economic downturn causing unemployment causes increased competition from others when an individual who has barriers to overcome applies for a job.

Potential Impact/Consequence

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:

a) Improved and more secure incomes for those individual's households will not be achieved.
b) Increased levels of spending/disposable income in the North East will not be realised.
c) A reduction in benefit dependency will not be achieved.
d) Levels of economic inactivity and long-term unemployment will not be reduced, and the levels will continue to be higher than the national average.
e) The opportunity for everyone to fulfil their potential and participate fully in society will be lost.
f) Businesses will be denied access to a larger and better workforce.

Likelihood (including controls already in place)

Outside NECA control

- 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).
- 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:
  a) Employment and Support Allowance which is aimed in part to support people back to work if they are able.
  b) 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.
  c) All employment benefit related claimants are supported by 'work coaches' to give support and identify pathways into employment.
  d) Flexible Support Fund which allows local support to claimants by removing barriers to employment e.g. interview travel costs.
  e) 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.
  f) £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.
  g) Disability Confident Scheme is a voluntary scheme aimed at employers to help them make the most of the opportunities provided by employing disabled people.
  h) 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) 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.
  b) £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.
- 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.
- The exit of the UK from the EU means a significant funding source is lost to support NECA's objectives. There is currently uncertainty over the long-term capital and revenue UK funding streams which will replace the EU funding sources e.g. UK Shared Prosperity Fund.
- 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.

Within Control of NECA, its members and its partners e.g. NELEP

- 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: a) 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. b) Provision of specialist intensive support for those most distant from the labour market because of disadvantage, poverty and poor physical and mental health. c) Development of packages of support for people facing barrier to employment due to health problems building on Mental Health Trailblazer and Working Lives project. d) 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. • 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	
NECA and other local partners e.g. NELEP continue to work with and lobby Government and influence emerging policy thinking.	Chair – NECA Leadership Board

5 **Become a sustainable well-connected region** 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.	**Risk Owner** Head of Paid Service **Risk Score** Red 12 Likelihood – Medium 3 Impact – Critical 4

Possible Cause(s):

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

1. Lack of understanding of the importance and value of digital connectivity by policy makers, business and education so it is not considered a priority.
2. Lack of funding, both from public and private sector, for investment in digital infrastructure, IT equipment and skills.
3. Lack of economic viability may mean the private sector may not be willing to invest in new digital infrastructure.
4. The digital infrastructure does not meet individual or business needs e.g. accessibility, reliability, data transfer speeds.
5. 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.
6. Lack of available teaching resources re digital skills or the teaching capacity available is insufficient to meet demand.
7. Lack of awareness by individuals/businesses of digital skills teaching resources available.
8. 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.
9. 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.

Potential Impact/Consequence

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:

1. 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.
2. 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.
3. 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.
4. Levels of transport inequality and/or social exclusion may not be reduced.
5. Improved resilience to the effects of the Covid pandemic may not be achieved.
6. The enhancement of productivity levels in the NECA area and the quality of public and private services may not be achieved.
7. An opportunity to contribute towards the decarbonisation of the NECA area may be lost.

Likelihood (including controls already in place)

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

Outside NECA control

- In the North East region, overall 97.8% of properties have access to ‘superfast’ (>=30mbps) 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 (>100mbps) only 7% of properties have access to ‘gigabit’ (>1000mbps) 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.
- In the North East nearly one in six people (approximately 15%) do not are not achieving all expected digital foundation skill levels.
- Internet usage in the North East is comparatively low, the region currently ranking eighth out of nine English regions.
- Only 57% of UK premises that have access to superfast broadband are signed up to superfast packages.
- The UK government in 2017 adopted a UK Digital Strategy which among other things includes:
  a) 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.
  b) 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.
  c) the complete roll out of 4G technology by 2020.
  d) £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.
  e) the roll out of free wifi on trains and more public spaces.
  f) 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.
  g) 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.
  h) the introduction of coding in the National Curriculum from Key Stage One onwards.
  i) 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.

j) 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.

k) 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.

l) making it mandatory to have full fibre connections for new homes.

m) 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:
  a) 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.
  b) 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 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.

Within Control of NECA, its members and its partners e.g. NELEP

- 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.
- 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:
  a) 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.
  b) 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.
  c) 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
  d) 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.

Other

Outside NECA control

- 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 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.

Within Control of NECA, its members and its partners e.g. NELEP

- 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	
NECA and other local partners e.g. NELEP continue to work with and lobby Government and influence emerging policy thinking.	Chair – NECA Leadership Board

6 Shaping the Great North East 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.	**Risk Owner** Head of Paid Service **Risk Score** Red 12 Likelihood – Medium 3 Impact – Critical 4

Possible Cause(s):

1. 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
2. There is a poor understanding of the current NECA area 'offer' and where improvements are needed.
3. 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)
4. Lack of funding, either private or public, to deliver the changes necessary to improve the 'offer'
5. The priorities of central government and other partners e.g. local authorities within NECA are not aligned with those of NECA.

Potential Impact/Consequence

Without a thriving economy, and a green and prosperous place that offers an exceptional quality of life and improved opportunities for all:

1. 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
2. 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.
3. businesses may find the region relatively unattractive for its business and employees and invest in other regions instead of the NECA area.
4. The area may be less attractive to tourists, with the area missing out on the associated income generation

Likelihood (including controls already in place)

Outside NECA control

- 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 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.
- 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.

- 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
- There is under provision in the housing stock to meet demand including affordable homes and to respond to demographic change.
- NECA area faces other place shaping challenges, including
  a) the restructuring of entire sectors such as retail and contact centres – both undergoing rapid change as a result of digital technologies.
  b) 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.
- 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:
  a) £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.
  b) £1billion for Future High Street Fund to support the transformation of the high street including £55 million to regenerate heritage high streets.
  c) a cut in business rates by up to a third for a wide range of retail properties for two years.
  d) a consultation on planning reform to make it simpler to create more homes, jobs and choice in our town centres.
  e) 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.
- As part of the Government's policy to increase new home building it
  a) 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.
  b) through Homes England, provides funding for building of new homes for social housing is available.
  c) 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.
- UK national planning guidelines require that planning policies and decisions should contribute to and enhance the natural and local environment.
- The North East Culture Partnership has developed and deliver 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.
- 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) 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.
  b) 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
- In November 2020 the government announced:
  a) a £4billion 'Levelling Up' Fund programme to be delivered by 2025 with £600million 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.
  b) the introduction of the UKSPF from 2022. Although little detail currently 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.
- 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

Within Control of NECA, its members and its partners e.g. NELEP

- 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 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.
- 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.
- 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.
- Each of the councils in the NECA area:
  a) operate programmes to support the reduction of empty homes
  b) 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.
- 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	
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):

1 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.

2 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 UK Shared Prosperity Fund (UKSPF) is likely to replace the ESIF Programmes beyond 2022, however the consultation document expected from Government is delayed and therefore the future funding opportunities beyond ESIF, both capital and revenue, are uncertain at this time. The longer the delay the greater the chance of a gap between the end of EU funding (2020) and the introduction of the UKSPF (current earliest start date April 2022) and the greater uncertainty.

3 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).

4 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.

5 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.

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 (including controls already in place)

Outside NECA control

- 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.
- 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.
- 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 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.

Within Control of NECA, its members and its partners e.g. NELEP

- 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.
- The SEP has been updated and relaunched in 2019 to acknowledge the significant changes in the global and national economy.
- 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:
  a) 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;
  b) persuade government to make economic development and transport funding a priority;
  c) 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.
- 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.
- ‘One off’ funding has become available during 2020 to NECA or its partners to support the objectives of NECA. This has included:
  a) £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.
  b) 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.

Further Mitigating Actions	Lead Officer(s)
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

2 Funding Opportunities Failure of NECA to secure the maximum amount of funding available to progress projects which support the delivery of the Strategic Economic Plan for the North-East regions.	**Risk Owner** Head of Paid Service **Risk Score** Amber 8 Likelihood – Low 2 Impact – Critical 4

Possible Cause(s):

1. Funding opportunities are missed due to lack of awareness or missing relevant deadlines or lack of development of appropriate projects.
2. Poor quality of funding applications made by NECA and/or North East Joint Transport Committee (JTC).
3. 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.
4. Failure by NECA to build and develop relationships with key partners to maximise funding opportunities.

Potential Impact/Consequence:

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.

Controls (already in place)

- NECA and JTC officers 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 in to project calls. These projects focus on addressing local needs.

Further Mitigating Actions	Lead Officer(s)
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

3 **Use of Funding and Resources** Funding secured for initiatives within the North-East region by NECA and its partners may not be able to be used on a timely basis, not be sufficient to complete intended projects or may be used inappropriately.	**Risk Owner** Head of Paid Service **Risk Score** Amber 8 Likelihood – Low 2 Impact – Critical 4

Possible Cause(s):

1 Poor project management.
2 Inaccurate assessment of projects costs when submitting funding bids.
3 Delays and costs for a project due to unforeseen events.
4 Lack of understanding of funding conditions including timescales.
5 Insufficient capacity and skills to manage projects/programmes.
6 Fraud and corruption.
7 Failure by NECA to secure agreement on the priority of projects within the region it serves.

Potential Impact/Consequence:

1 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.

2 If the funding is not used by a deadline then funding may be lost.

3 Financial resources earmarked for other future purposes may need to be used to complete current projects causing postponement or delays in other NECA plans.

Controls (already in place)

- 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)**
Delivery plans and programmes are to be kept under review in light of any issues which may affect funding secured to be used on a timely basis or may mean secured funding may not be sufficient to deliver the intended programmes. Appropriate prompt action is taken to address issues which may arise.	Head of Paid Service Chief Finance Officer

4 **Governance Arrangements** The governance arrangements of NECA are not appropriate to allow effective and timely decision making and the achievement of its objectives	**Risk Owner** Deputy Monitoring Officer **Risk Score** Amber 8 Likelihood – Low 2 Impact – Critical 4

Possible Cause(s):

- 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 or organisation or resource to support the set-up of governance arrangements or changes to it.

Potential Impact/Consequence:

- 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 it 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.

Controls (already in place)

- 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)**
NECA Leadership Board will develop and communicate a clear statement of the role, differentiating facts and working arrangements with NoTCA.	Head of Paid Service

5. **Operational Capacity and Resourcing** NECA does not have the necessary operational capacity, skills and budget, to successfully deliver the objectives and plans.	**Risk Owner** Head of Paid Service **Risk Score** **Amber 8** Likelihood – Low 2 Impact – Critical 4

Possible Cause(s):

- Lack of full appreciation of resources needed for NECA to:

  a) 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.

  b) 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.

Potential Impact/Consequence:

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.

Controls (already in place)

- All statutory officers in NECA have been appointed and are in post with the exception of the Head of Paid Service. Deputy statutory officers are also in place for NECA
- 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 2019/20 and 2020/21 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 – 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
A review of resource requirements for the new combined authority is underway.	Chief Finance Officer

6 Delivery of Projects/Programmes	Risk Owner Head of Paid Service
Projects which are funded through NECA are delayed, are significantly overspent or do not deliver the intended product to meet the identified transport need.	**Risk Score** Green 6 Likelihood – Low 2 Impact – Significant 3

Possible Causes(s):

1 Poor project management.
2 Inaccurate assessment of projects costs when submitting funding bids.
3 Delays and costs for a project due to unforeseen events.
4 Insufficient capacity and skills to manage projects.
5 Fraud and corruption.

Potential Impact/Consequence:

1 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.

2 If the funding is not used by a deadline then funding may be lost.

3 Financial resources earmarked for other future purposes may need to be used to complete current projects causing postponement or delays in other NECA plans.

Controls (already in place)

- 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.

Further Mitigating Actions	Lead Officer(s)
Monitoring of the delivery of the overall programme of projects should be carried out on a regular basis.	Head of Paid Service

7 Infrastructure Assets Infrastructure assets which are owned by NECA are inadequately managed and maintained.	**Risk Owner** Head of Paid Service **Risk Score** Green 6 Likelihood – Low 2 Impact – Significant 3

Possible Cause(s):

1. Lack of awareness of the existence of the asset.
2. Lack of clarity as who has responsibility for the management and maintenance of the assets.
3. Lack of clarity as to maintenance standards required.
4. Lack of resources to maintain the assets.

Potential Impact/Consequence:

1. Greater financial resources may be needed to rectify faults arising from poor maintenance.

2. 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

3. Financial resources earmarked for other future purposes may need to be used to complete current projects causing postponement or delays in other JTC plans.

Controls (already in place)

1. The Orders relating to NECA and its Constitution makes it clear who has overall responsibility and oversight for infrastructure assets it owns.

2. NECA holds a record of assets it is responsible for.

3. 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.

Further Mitigating Actions	Lead Officer(s)
Asset management arrangement continue to provide assurance over the maintenance of NECA's assets.	Head of Paid Service

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Risk Analysis Toolkit

Determine the risk priority

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

Assess the likelihood of the risk event occurring

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

Assess the impact should the risk occur

	Objective	Service Delivery	Financial	Reputational
Critical/Showstopper	• Over half the objectives/programmes affected • More than one critical objective affected • Partners do not commit to the Shared vision	• Significant change in partner services • Relationship breakdown between major partners and stakeholders • Serious impact on delivery of key transport related investment plans • Unplanned major re-prioritisation of resources and/or services in partner organisations • Failure of a delivery programme/major project • Serious impact on services provided to users	• Inability to secure or loss of significant funding opportunity(£5m) • Significant financial loss in one or more partners (£2m) • Significant adverse impact on budgets (£3m))	• Adverse national media attention • External criticism (press) • Significant change in confidence or satisfaction of stakeholders • Significant loss of community confidence
Significant	• One or more objectives/programmes affected • One or more partners do not committee to shared vision • Significant environmental impact	• Partner unable to commit to joint arrangements • Recoverable impact on delivery of key transport related investment plans • Major project failure • Impact on services provided to users	• Prosecution • Change in notable funding or loss of major funding opportunity (£2m) • Notable change in a Partners contribution • Notable adverse impact on budget (£0.5m-£1.5m)	• Notable external criticism • Notable change in confidence or satisfaction • Internal dispute between partners • Adverse national/regional media attention • Lack of partner consultation • Significant change in community confidence
Minor	• Less than 2 priority outcomes adversely affected • Isolated serious injury/ill health • Minor environmental impact	• Threatened loss of partner's commitment • Minor impact on services provided to users	• Minor financial loss in more than one partner • Some/loss of funding or funding opportunity threatened	• Failure to reach agreement with individual partner • Change in confidence or satisfaction • Minor change in community confidence
Insignif.	• Minor effect on priorities/service objectives • Isolated minor injury/ill health • No environmental impact		• Isolated/minor financial impact in a partner organisation	

North East Combined Authority
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Glossary of Terms

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

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

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

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

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

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

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

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

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

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

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

North East Combined Authority

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Audit and Standards Committee

Item 8 - Appendix 4

Date: **9 December 2020**

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 amendments to the risks included in the JTC Strategic Risk Register which was reported to the JTC Audit Committee during October 2020. Consequently, the Strategic Risk Register still contains 14 risks.

The level of risk associated with the 14 JTC strategic risks previously reported relating to the JTC organisation has remained stable with no changes since the previous Committee in October 2020. Four strategic risks are still assessed as having a 'high' risk level due to a combination of 1 or more of the following matters:

a) while the UK government has the ambition to raise the level of economic performance in all parts of the country towards that of London i.e. to 'level up' the economy, the government's ability to invest in transport infrastructure may be reduced due to a financial recession caused by the ongoing Covid-19 pandemic;
b) the current drop in usage of public transport due to the impact of the ongoing Covid-19 pandemic; and
c) the need to change behaviour in society to achieve some of the transport objectives.

Recommendations

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

North East Combined Authority
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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 it strategic risks as those matters which, if they were to occur, could have a material adverse impact upon the achievement of the JTC's vision to provide integrated, affordable, attractive, reliable, safe, healthy transport choices in the North East (LA7) area which meets the needs of businesses, residents and visitors, supports economic activity whilst enhancing the environment.

1.4 In order to aid the JTC to achieve its overall vision as described in paragraph 1.3 above, the JTC is currently developing its North East Transport Plan. As part of the planning process the JTC Committee has agreed five objectives that the plan will seek to achieve. 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 October 2020, 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 NECA and JTC officers.

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.

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:

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

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

c) 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.

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

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

f) 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.

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

h) 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.

i) 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 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.

2.5 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

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

6. Finance and Other Resources Implications

6.1 There are no financial implications arising from this report.

7. Legal Implications

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

8. Key Risks

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

9. Equalities and Diversity

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

10. Crime and Disorder

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

11. Consultation /Engagement

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

12. Other Impact of the Proposals

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

13. Appendices

Appendix A – 'Risks Summary' shows the JTC's strategic risks and the level of risk associated with each.

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

Appendix C – Risk Analysis Toolkit determines the level of risk attached to each Risk.

14. Background Documents

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

15. Contact Officers

Tracy Davis – Senior Manager – Assurance, Sunderland City Council.
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16. Sign off

- Head of Paid Service ✓
- Monitoring Officer ✓
- Chief Finance Officer ✓
- Proper Officer for Transport✓

North East Combined Authority
Audit and Standards Committee

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

North East Combined Authority
Audit and Standards Committee

Strategic Risks - Summary			
Risk Title & Description	**Risk Level (RAG Rating)**	**Direction of Travel**	**Notes**
7 Transport Infrastructure Assets Transport assets, which are the responsibility of the JTC, are inadequately managed and maintained.	**Green 6**	**Static**	**N/a**
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.	**Green 6**	**Static**	**N/a**
9 'Catastrophic Event' Inadequate arrangements are in place should a 'catastrophic' event occur which seriously impacts the transport system in the North East. e.g. public health emergency, security incident, infrastructure collapse (e.g. power, fuel).	**Amber 8**	**Static**	**N/a**

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Appendix 2

Strategic Risks - Details

<table>
<tr><td colspan="2">Risks to Achievement of JTC Strategic Objectives</td></tr>
<tr><td rowspan="4">1 <u>Carbon Neutral Transport</u>

Failure to achieve the aspiration of a fully carbon neutral transport network within the JTC area by 2035.</td><td><u>Risk Owner</u>
Head of Paid Service (for Transport)</td></tr>
<tr><td><u>Risk Score</u></td></tr>
<tr><td>Red 12</td></tr>
<tr><td>Likelihood – Medium 3
Impact – Critical 4</td></tr>
<tr><td colspan="2">Possible Cause(s):

1 Growing demand for car travel and freight as economy grows.
2 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.
3 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.
4 'Range anxiety' and lack of awareness resulting in consumers opting to purchase diesel/petrol vehicles instead of Electric Vehicles (EVs).
5 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.
6 High cost of Electric Vehicles when compared to diesel/petrol cars/vans.
7 Lack of incentives (e.g. financial) for road users to adopt zero/low emission vehicles.
8 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.
9 Public reluctance to use public transport following government's advice during Covid-19 lockdown to only use public 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.
10 Increased road traffic volumes and/or poor road infrastructure/traffic flow management causing congestion.</td></tr>
</table>

11 Lack of effective carbon offset schemes.
12 Poor infrastructures for cycling, walking and lack of segregated cycleways.
13 Reluctance to cycle instead of using the car over perceptions that cycling is unsafe,
14 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.
15 Withdrawal of some bus routes or service frequencies resulting in some communities not being served by public transport.
16 Lack of committed long term funding at local, regional or national government level.
17 Lack of regular funding for EV infrastructure.
18 Lack of prioritisation of carbon neutral agenda by transport policy decision makers.
19 Safety and security concerns about using public transport, cycling or walking at particular times of day.
20 Council/transport delivery partners policies and priorities are not aligned to JTC aims/plans re carbon neutrality for transport.
21 The potential effect of the activities planned by JTC and its delivery partners to achieve carbon neutrality are over-stated.
22 Road building/widening schemes in North East e.g. A19 will attract greater road usage.
23 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.
24 Lack of confidence by residents in the use of public transport e.g. fear for safety, harassment.

Potential Impact/Consequence:

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

a) contributing to climate change with potential for extreme weather events.
b) 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.
c) contributing to lower productivity in the region due to work absence for health reasons.
d) 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 (including controls already in place)

1 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.
2 UK government has adopted measure to improve air quality. These include:
  a) Intention to ban sale of new petrol and diesel cars by 2030.
  b) Investment in technological innovation re road vehicles e.g. batteries.
  c) 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.
3 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.

4 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.

5 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.

6 The region received £3m (from ERDF and Office for Low Emission Vehicles) to deliver the Go Ultra Low Programme is JTC's Transport Strategy Unit (TSU) are completing a project to deliver ULEV charging stations and points.

7. 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 the region.
NELEP have provided £100,000 to conduct an EV infrastructure enabling study which will identify the EV infrastructure needs in the JTC area for up to 2025 to meet future demand. On completion of this enabling study, a budget of £500,000 is expected to be made available to install EV infrastructure at the most strategic sites.

8. 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.

9. 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.

10 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.

11 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.

12 Councils can use licensing powers to introduce emission requirements on taxi/private hire vehicles.

13 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.

14 Nexus are in the process of upgrading the Metro' infrastructure and rolling stock to provide improved services and reliability.

15 The Covid -19 pandemic has caused:

a) 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.

b) 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.

c) Air quality improved during the lockdown due in part to less transport activity.

16 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:

d) ensure policy makers and decision makers are aware of the transport vision, plan and policies and needs for the North East are known, and
e) persuade government to make transport funding a priority.

17 Electric charging infrastructure for taxis is currently being installed at appropriate sites across the region.
18 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 it transport carbon neutral objective.
19.The Tyne Pass Scheme, a free flow scheme at the Tyne Tunnel, allowing barrier free movement is being developed.
20 A forum has been set up to allow the JTC and north east bus operators to discuss bus service provision matters.
21 Consultation is ongoing on the Draft Transport Pan that sets out an ambition for £6bn of Transport Infrastructure investment in the North East and will form the basis of the ask to central Govt.

Further Mitigating Actions	**Lead Officer(s)**
A North East Transport Plan is planned to be adopted by the JTC in 2021. One of the plan's objectives is to achieve transport carbon neutrality with associated targets attached. The document will provide the planned activity necessary to achieve this goal.	Managing Director, Transport North East
Capital projects funded by TCF Phase 2 to delivered in line with timescales	Managing Director, Transport North East
Go Ultra Low taxi project to be delivered, improving access to electric vehicle charging infrastructure for the taxi trade	Managing Director, Transport North East
Scheme promoters to deliver schemes funded through Emergency Active Travel Fund. Schemes will deliver improvements for cycling and walking.	Managing Director, Transport North East
The Go Ultra Low North East programme is to be delivered by January 2021. 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

2 Inequality and Growth of the Economy Failure of the transport system to achieve the planned outcomes to overcome inequality* and support the growth of the economy in the JTC area.	**Risk Owner** Head of Paid Service (for Transport) **Risk Score** Red 12 Likelihood – Medium 3 Impact – Critical 4

Possible Cause(s):

Transport Inequality*

1 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:
   a) Poor planning where transport infrastructure to support new housing or business development is not adequately considered.
   b) Inadequate understanding of transport needs of residents and businesses
   c) The geographic spread of communities in rural areas means it may not be cost effective to provide public transport.
   d) 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.
   e) Lack of resources to maintain transport infrastructure and fleets to service users

2 Costs to users of public transport provision is prohibitive due to:
   a) High fares e.g. as a result of inflation.
   b) 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.

3 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.

4 Lack of integrated and partnership working between organisation responsible for transport policy and service delivery and other stakeholders e.g. those responsible for employment, education, skills, housing and economic development policy; alternative public transport service providers e.g. community transport etc.

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

6 Residents are not aware of all the public transport services available and do not know where to go to access public transport information.

7 Lack of innovative transport solutions to address transport inequality.

8 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.

Growth of the Economy

1 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) 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
b) Poor design of transport solutions e.g. wrong place or wrong mode of transport
c) 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.
d) 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
e) Lack of agreement as to the prioritisation of transport improvement projects.

2 Transport routes available are not sufficiently efficient for business needs e.g. long journey times, lack of safety of goods, unreliable. Causes could be:

a) Poor management of transport networks causing congestion on roads, poor timetabling of services e.g. rail
b) Lack of prioritisation for adequate maintenance e.g. roads, rail, rolling stock
c) Lack of adequate funding to deliver improvements to the transport network.

3 The 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.

Other

1 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:

1 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.

2 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.

3 Without appropriate transport infrastructure business may choose to locate 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.

Likelihood (including controls already in place)

1. 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.
2 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.
3 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.
4 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.
5 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.
6 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.
7 Nexus are currently completing a programme of Metro infrastructure improvements and are starting a programme of replacing its rolling stock.
8 The area served by the JTC has approximately a third of its population living in rural communities.
9 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:
   a) ensure policy makers and decision makers are aware of the transport vision, plan and policies and needs for the North East are known, and
   b) persuade government to make transport funding a priority.
10 East-west connectivity from the region is slow via road and rail
11 The Metro is currently accessible to 40% of the population with bus use per household the highest in England outside London.
12 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

13 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.
14 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.
15 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.
16 A final business case has been submitted to for the development of the Northumberland Line, a new train line between Ashington and Newcastle. A funding decision is awaited.
17 A forum has been set up to allow the JTC and north east bus operators to discuss bus service provision matters.
18Consultation is ongoing on the Draft Transport Pan that sets out an ambition for £6bn of Transport Infrastructure investment in the North East and will form the basis of the ask to central Govt.

Further Mitigating Actions	**Lead Officer(s)**
Continue to make the case to government for urgent investment in the East Coast Main Line north of York	Managing Director, Transport North East
A North East Transport Plan is currently being produced. One of the Plan's objectives is to 'overcome inequality and grow our economy'. The Transport Plan will be accompanied by an Intervention Plan which will set out how objectives will be achieved.	Managing Director, Transport North East
Capital projects funded by TCF Phase 2 to be delivered in line with timescales.	Managing Director, Transport North East
Scheme promoters to deliver schemes funded through Emergency Active Travel Fund. Schemes will deliver improvements for cycling and walking	Managing Director, Transport North East

3 Health Failure of the transport system to achieve the planned outcomes to contribute to the improvements in health of the population in the JTC area.	**Risk Owner** Head of Paid Service (for Transport) **Risk Score** Amber 8 Likelihood – Low 2 Impact – Significant 4

Possible Cause(s):

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:

Active Travel

1 Fear for personal safety, perceived or real.
2 Lack of time to make journeys using active travel.
3 Convenience and comfort of using the car (e.g. carrying heavy/bulky items, avoiding bad weather).
4 Unwillingness to take part in active travel.
5. Lack of facilities to support active travel e.g. changing/showering/locker facilities, secure cycle parking.
6 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.
7 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.
8 Plans and policies, e.g. council Local Plans, do not take into account the active travel agenda.
9 Lack of support/confidence to change travel behaviour to active modes and lack of confidence in ability to cycle, particularly on roads.
10 Insufficient promotion and knowledge of existing walk/cycle routes.

Air Quality

Refer to possible causes re Strategic Risk 1, Carbon Neutral Transport.

Other

1 Lack of available funding to develop or maintain infrastructure
2 Policies of JTC and other stakeholders e.g. councils are not aligned.
3 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.
4 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

5 Lack of committed long term funding at local, regional or national government level

*'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:

1 Continued overcrowding of public transport e.g. trains and buses exacerbated by social distancing due to the Covid-19 pandemic will continue
2 Levels of congestion on roads will not be reduced, therefore air quality will not improve.
3 Road casualties will not be reduced.
4 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
5 Levels of absenteeism from work due to ill health will be not reduced so productivity declines.
6 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 (including controls already in place)

Active Travel

1 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.

2 Government has also provided funding to:
   a) Improve cycling facilities at railway stations
   b) Provide programmes to support walking to school
   c) Cycling UK to provide bike maintenance and cycling classes.

3 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.

4 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.

5 Post Covid-19 pandemic the Government has announced a £250 million emergency active travel fund which is to be used to:
   a) 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.
   b) 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.

6 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.

7 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.

8 The JTC area contains many cycling routes, some of which are part of the national cycling network.

9 Consultation is ongoing on the Draft Transport Pan.

Air Pollution

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

Other

1 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:
   a) ensure policy makers and decision makers are aware of the transport vision, plan and policies and needs for the North East are known and
   b) persuade government to make transport funding a priority

2 Lack of a coordinated realistic regional plan to achieve a carbon neutral transport network in the North East region which contributes to improvements in health outcomes, and/or lack of will or resources to deliver plan by all or any stakeholder in transport.

Further Mitigating Actions	**Lead Officer(s)**
A North East Transport Plan is currently being produced. One of the Plan's objectives is to 'contribute to health improvements of the population'. The Transport Plan will be accompanied by an Intervention Plan which will set out how objectives will be achieved.	Managing Director, Transport North East
Capital projects funded by TCF Phase 2 to be delivered in line with timescales	Managing Director, Transport North East
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

4 Appealing Sustainable Transport The transport network within the JTC area fails to achieve the planned outcomes regarding the offer of appealing sustainable transport* choices to people living or working in the area or visiting or travelling through the area.	**Risk Owner** Head of Paid Service (for Transport) **Risk Score** Red 12 Likelihood – Medium 3 Impact – Critical 4

Possible Cause(s):

1 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.

2 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.

3 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:

a) Poor planning where sustainable transport infrastructure to support citizen/visitor needs, and appeal to, is not adequately considered.
b) Inadequate understanding of transport needs of residents and visitors
c) 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.
d) 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.
e) Lack of resources to maintain sustainable transport infrastructure and fleets to potential users

4 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:
a) Level of fares and
b) 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.

5 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.

6 Policies and priorities of council/transport delivery partners are not aligned to JTC aims/plans re offer of appealing sustainable transport choices.

7 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' a citizen, visitor.

8 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.

9 Inability to plan journeys and purchase tickets seamlessly across all modes of transport and operators.

10 Residents are not aware of all the public transport services available and do not know where to go to access public transport information.

* 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:

1 Levels of congestion on roads and road casualties will not be reduced.
2 Health of population does not improve so maintaining the pressure on NHS services and costs.
3 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.
4 Levels of absenteeism from work due to ill health will be not reduced so reducing productivity.
5 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
6 The number of tourists may be reduced.
7 Investment in region may be reduced.

Likelihood (including controls already in place)

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

2 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.

3 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.

4. 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

5 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.

6 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

7 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.

8 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.

9 Nexus are in the process of upgrading the Metro’ infrastructure and rolling stock to provide improved services and reliability.

10 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 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

11 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.

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

13 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.

14 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:

a) ensure policy makers and decision makers are aware of the transport vision, plan and policies and needs for the North East are known and
b) persuade government to make transport funding a priority.

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

16 The Metro is currently accessible to 40% of the Tyne and Wear population with bus use per household the highest in England outside London.

17 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

18 The Transport Strategy Unit at the JTC carry out research to get a better understanding of needs of users and potential users.

19 Most transport operators are now very good at communicating with customers, particular via social media.

20 Transport operators are improving arrangements to allow users to purchase tickets seamlessly across all modes of transport and operators.

21 A forum has been set up to allow the JTC and north east bus operators to discuss bus service provision matters.

22 Consultation is ongoing on the Draft Transport Pan that sets out an ambition for £6bn of Transport Infrastructure investment in the North East and will form the basis of the ask to central Govt.

Further Mitigating Actions	Lead Officer(s)
Continue to make the case to government for urgent investment in the East Coast Main Line	Managing Director, Transport North East
A review is to be carried out to produce and publish an updated transport vision and transport plan which is evidence based and sets out how transport needs will be addressed taking into account relevant government policies.	Managing Director, Transport North East

Capital projects funded by TCF Phase 2 to be delivered in line with timescales	Managing Director, Transport North East

5 Safety and Security	Risk Owner
The transport system within the JTC area fails to achieve the planned outcomes regarding its safety and security	Head of Paid Service (for Transport)
	Risk Score
	Amber 8
	Likelihood – Low 2 Impact – Critical 4

Possible Cause(s):

1 Lack of understanding, when developing the transport network, of what users and potential users consider to be important when considering safety and security aspects.

2 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.

3 Competing priorities may compromise safety and security e.g. quicker journey times for vehicles and protection of pedestrians, cyclists.

4 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

5 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

6 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.

7 The public perceive public transport to less safe and secure than it actually is. This perception is partially informed by all forms of media, in particular social media e.g. only tend to hear in the news about safety incidents that occur on public transport rather than hear about all of the journeys that are made safely on public transport each day without any incidents.

Potential Impact/Consequence:

1 Current rate of death and injuries will not be reduced

2 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.

3 Improvements in health will not be achieved e.g. Potential ‘active travel’ users will not transfer due to fears re safety and security.

Likelihood (including controls already in place):

1 UK government law and guidance puts an onus on both transport providers, transport user, councils and other transport stakeholders regarding safety and security.

2 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

3 The UK government has also provided funding to provide bike maintenance and cycling classes.

4 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.

5 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.

6 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.

7 Council issued in May 2020 with statutory guidance requiring Councils to reallocate road space to allow the increase in the number of cyclists and pedestrians.

8 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:

a) ensure policy makers and decision makers are aware of the transport vision, plan and policies and needs for the North East are known and
b) persuade government to make transport funding a priority

9 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.

10 Nexus are currently completing a programme of Metro infrastructure improvements and are starting a programme of replacing its rolling stock.

11 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.

12 In 2019 the UK government started a 2-year initiative to reduce road deaths and injuries.

13 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.

14 Consultation is ongoing on the Draft Transport Pan that sets out an ambition for £6bn of Transport Infrastructure investment in the North East and will form the basis of the ask to central Govt. Objectives and Policies focus on this risk.

Further Mitigating Actions	**Lead Officer(s)**
A North East Transport Plan is currently being produced. One of the Plan's objectives is to achieve the planned outcomes regarding the safety and security of the transport network. The Transport Plan will be accompanied by an Intervention Plan which will set out how objectives will be achieved	Managing Director, Transport North East
Capital projects funded by TCF Phase 2 to be delivered in line with timescales	Managing Director, Transport North East
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

North East Combined Authority
Audit and Standards Committee

JTC Organisation Risks	
1 Future Availability of Funding Sources and levels of funding available to the JTC to develop the North-East regions transport infrastructure within the region may reduce.	**Risk Owner** Head of Paid Service (for Transport) **Risk Score** Red 12 Likelihood – Medium 3 Impact – Critical 4

Possible Cause(s):

1 A downturn in the UK economy may cause the UK government to reduce funds available for the development of transport infrastructure as part of expenditure cutting exercises nationally e.g. the Covid-19 pandemic has caused a financial recession, which may reduce the government's ability and willingness to invest in transport infrastructure

2 Uncertainty around the nature and level of future capital funding streams from Government. Some current government funding regimes are due to cease in the next 18 months e.g. Local Growth Fund. There is currently uncertainty as the nature and timing of any replacement funding initiatives e.g. UK Shared Prosperity Fund.

3 A change in UK government transport policy, may mean:

a) 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

b) 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.

4 The exit of the UK from the EU may have a negative impact on the availability of funding previously provided from EU sources. Funding programmes from the EU will cease from 2020. Currently funds from the EU funding programmes allocated to the UK up to end of 2020 which have not yet been committed to specific projects are available for use. The UK Shared Prosperity Fund (UKSPF) is likely to replace these lost EU funding streams beyond 2021, 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 EU funding (2020) and the introduction of the UKSPF (current earliest start date April 2021) and the greater uncertainty.

Potential Impact/Consequence:	
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.	

Likelihood (including controls already in place):

1 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:

a) ensure policy makers and decision makers are aware of the transport vision, plan and policies and needs for the North East are known and
b) persuade government to make transport funding a priority.

2 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.

3 Consultation is ongoing on the Draft Transport Pan that sets out an ambition for £6bn of Transport Infrastructure investment in the North East and will form the basis of the ask to central Govt.

Further Mitigating Actions	Lead Officer(s)
A review is to be carried out to produce and publish an updated transport vision and transport plan which is evidence based and sets out how transport needs will be addressed taking into account relevant government policies.	Managing Director, Transport North East

2 Funding Opportunities Failure of the JTC to secure the maximum amount of transport funding available to progress transport infrastructure in the North East region.	**Risk Owner** Head of Paid Service (for Transport) **Risk Score** Amber 8 Likelihood – Low 2 Impact – Critical 4

Possible Cause(s):

1 Funding opportunities are missed due to lack of awareness or missing relevant deadlines.
2 Poor quality of funding applications made by JTC
3 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.

Potential Impact/Consequence:

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.

Likelihood (including controls already in place):

1 JTC officers' horizon scan to identify upcoming funding opportunities.
2 JTC are in regular contact with the UK government and other funding bodies to identify funding opportunities early.
3 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.
4 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.
5 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.
6 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.
7 During any application process the TSU liaises with the provider to understand clearly what it is looking for.
8 A significant proportion of funding available for transport projects is through a competitive process.
9 Consultation is ongoing on the Draft Transport Pan that sets out an ambition for £6bn of Transport Infrastructure investment in the North East and will form the basis of the ask to central Govt.

Further Mitigating Actions	Lead Officer(s)
A review is to be carried out to produce and publish an updated transport vision and transport plan which is evidence based and sets out how projects will be delivered to meet transport needs with a strong business case. A project 'pipeline' is also being developed.	Managing Director, Transport North East

3 <u>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 may not be sufficient to complete intended projects or maintain adequate levels of service delivery.	**<u>Risk Owner</u>** Head of Paid Service (for Transport) **<u>Risk Score</u>** Amber 8 Likelihood – Low 2 Impact – Critical 4

Possible Cause(s):

1 Poor project management.
2 Inaccurate assessment of projects costs when submitting funding bids.
3 Delays and costs for a project due to unforeseen events.
4 Lack of understanding of funding conditions including timescales.
5 Insufficient capacity and skills to manage projects.
6 Fraud and corruption.

Potential Impact/Consequence:

1 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.

2 If the funding is not used by a deadline then funding may be lost.

3 Financial resources earmarked for other future purposes may need to be used to complete current projects causing postponement or delays in other JTC plans.

Likelihood (including controls already in place):

1 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.
2 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.
3 Projects delivered by the JTC directly are managed using recognised project management principles. The TSU has the experience and skills to manage projects.
4 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.
5 Where transport projects are to be delivered by an external supplier then any work let is subject to a competitive procurement process.
6 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. 7 Funding providers provide clear conditions as to the use of funds which is published to all relevant stakeholders. 8 JTC officer are subject to relevant codes of conduct. 9 Consultation is ongoing on the Draft Transport Pan that sets out an ambition for £6bn of Transport Infrastructure investment in the North East and will form the basis of the ask to central Govt.

Further Mitigating Actions	**Lead Officer(s)**
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

4 **Governance Arrangements** The governance arrangements of the JTC are not appropriate to allow effective and timely decision making and the achievement of its objectives	**Risk Owner** Head of Paid Service (for Transport)
	Risk Score
	Green 4
	Likelihood – Negligible 1 Impact – Critical 4

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:

- 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.

Potential Impact/Consequence:

1 Poor decisions may be made which are not in the interest of the North-East region.
2 Decisions may be delayed, not taken at the appropriate level or not based on the correct information.
3 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.

Likelihood (including controls already in place):

1 All 7 LAs continue to support the JTC and its activities.
2 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.
3 The statutory role of 'Proper Officer for Transport' was established by the Statutory Order.
4 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.
5 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.

6	A Statutory Officer Oversight Group is in place to oversee procurement, legal, financial and other management issues relating to JTC operations.
7	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

North East Combined Authority
Audit and Standards Committee

5. Operational Capacity and Resourcing The JTC does not have the necessary operational capacity, skills and budget, to successfully deliver the Committee's objectives and plans.	**Risk Owner** Head of Paid Service (for Transport) **Risk Score** **Amber 8** Likelihood – Low 2 Impact – Critical 4

Possible Cause(s):

1 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.

2 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

3 Increased demand for, and changes in the nature and scope of, work re transport policy, funding bid submission and programme delivery

Potential Impact/Consequence:

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.

Likelihood (including controls already in place):

1 All statutory officers in NECA, accountable body for the JTC are in place. Deputy statutory officers are also in place for NECA.
2 The 'Proper Office for Transport' to the JTC is in place.
3 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.
4 The JTC have adopted a budget for 2020/21 to deliver JTC activities.
5 The Transport Strategy Unit, with officers now employed by NECA and located centrally, is in place to support the delivery of the JTC objectives.
6 Partners continue to provide input to the work of the JTC via, for example, Council transport leads.
7 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.

8 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.

9 A Tyne Tunnels Manager has been employed by NECA with responsibility to the JTC.

10 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.

11 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.

12 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

6 Delivery of Transport Improvement Projects/Programmes Projects which are funded through the JTC are delayed, are significantly overspent or do not deliver the intended product to meet the identified transport need.	**Risk Owner** Head of Paid Service (for Transport) **Risk Score** Amber 8 Likelihood – Low 2 Impact – Critical 4

Possible Cause(s):

1 Poor programme/project management.
2 Inaccurate assessment of projects costs when submitting funding bids.
3 Delays and costs for a project due to unforeseen events.
4 Insufficient capacity and skills to manage projects.
5 Fraud and corruption.

Potential Impact/Consequence:

1 Transport 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 the JTC.

2 If the funding is not used by a deadline then funding may be lost.

3 Financial resources earmarked for other future purposes may need to be used to complete current projects causing postponement or delays in other JTC plans.

Likelihood (including controls already in place):

1. 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.
2. 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.
3. Projects delivered by the JTC directly are managed using recognised project management principles. The TSU has the experience and skills to manage projects.
4. 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.
5. Where transport projects are to be delivered by an external supplier then any work let is subject to a competitive procurement process.
6. 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.
7. Funding providers provide clear conditions as to the use of funds which is published to all

relevant stakeholders. 8. JTC officers are subject to relevant codes of conduct. 9. 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

7 Transport Infrastructure Assets Transport assets, which are the responsibility of the JTC, are inadequately managed and maintained	**Risk Owner** Head of Paid Service (for Transport) **Risk Score** Green 6 Likelihood – Low 2 Impact – Significant 3

Possible Cause(s):

1 Lack of awareness of the existence of the asset.
2 Lack of clarity as who has responsibility for the management and maintenance of the assets.
3 Lack of clarity as to standards required.
4 Lack of resources to maintain the assets.

Potential Impact/Consequence:

1 Greater financial resources may be needed to rectify faults arising from poor maintenance.

2 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.

3 Financial resources earmarked for other future purposes may need to be used to complete current projects causing postponement or delays in other JTC plans.

Likelihood (including controls already in place):

1 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.

2 The JTC holds a record of assets it is responsible for.

3 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.

4 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.

Further Mitigating Actions	Lead Officer(s)
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 capacity and skills within the JTC to carry out its contract management responsibilities.	Managing Director Transport North East

<table>
<tr><td rowspan="4">8 <u>Service Delivery</u>
Inadequate arrangements are in place to ensure that adequate levels of public transport services, for which the JTC has oversight, are maintained by the JTC's transport delivery partners.</td><td><u>Risk Owner</u>
Head of Paid Service (for Transport)</td></tr>
<tr><td><u>Risk Score</u></td></tr>
<tr><td>Green 6</td></tr>
<tr><td>Likelihood – Low 2
Impact – Significant 3</td></tr>
<tr><td colspan="2">Possible Cause(s):

1 Lack of clarity as to the responsibilities and duties regarding the oversight of public transport services within the region.
2 Failure to appreciate the impact of maintaining adequate levels of transport services on the economic well-being and reputation of the region.
3 Lack of resources and/or expertise to put in place effective arrangements to ensure adequate levels of transport services are provided.</td></tr>
<tr><td colspan="2">Potential Impact/Consequence:

1 Loss of confidence by stakeholders, e.g. government in the JTC's ability to meet its responsibilities.

2 Loss of confidence by users of services.

3 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.</td></tr>
<tr><td colspan="2">Likelihood (including controls already in place):

1 JTC's constitution makes it clear it has overall responsibility and oversight for certain statutory public transport services.

2 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.

3 The Managing Director, Transport North East appointed by the JTC is also Statutory Director General of Nexus, a key delivery partner to the JTC.

4 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.

5 Both NECA and NoTCA have representation both on Transport for the North's (TfN) Rail North committee which has oversight of Northern Rail and TPE's services, and on the TfN Board which governs TfN's investment programmes and its interfaces with national delivery partners (Network Rail and Highways England)</td></tr>
</table>

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

9 'Catastrophic Event' 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)	**Risk Owner** Head of Paid Service (for Transport) **Risk Score** Amber 8 Likelihood – Possible 2 Impact – Critical 4

Possible Cause(s):

1 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'.
2 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.
3 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.

Potential Impact/Consequence:

1 Excessive death or people suffering injury
2 Economic activity excessively reduced due to inability of employees to carry out employment duties/activity
3 Loss of reputation to the region.

Likelihood (including controls already in place):

1 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.

2 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 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.

3 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

4 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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Appendix 3

Risk Analysis Toolkit

Determine the risk priority

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

Assess the likelihood of the risk event occurring

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

Assess the impact should the risk occur

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

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

Glossary of Terms

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

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

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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.