North East Combined Authority

DURHAM • GATESHEAD • SOUTH TYNESIDE • SUNDERLAND

Leadership Board

Tuesday 1 March 2022 at 2.00pm

Meeting to be held at: Reception Room, South Shields Town Hall, NE33 2RL

www.northeastca.gov.uk

AGENDA

Page No

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

2. **Declarations of Interest**

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

3. **Minutes of the Previous Meeting held on 1 March 2022** **1-6**

   For approval as a correct record.

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

5. **Chair's Update (Verbal Item)**

6. **Finance, Skills and Employability Thematic Portfolio Update** **7-24**

7. **Decision to Opt-in to the National Scheme for Auditor Appointments managed by Public Sector Audit Appointments (PSAA)** **25-36**

Contact Assistant: Toby Ord Tel: 0191 424 7541
Email: toby.ord@northeastca.gov.uk

North East Combined Authority

DURHAM • GATESHEAD • SOUTH TYNESIDE • SUNDERLAND

Item 3

Leadership Board

DRAFT MINUTES TO BE APPROVED

1 February 2022

(2.00pm – 2.45pm)

Meeting held at: Mayors Parlour, Sunderland City Hall, SR1 3DP

Present:

Councillors	Miller (Chair), Dixon, Gannon, Bell
Officers	Sheena Ramsey (Chief Executive, Gateshead Council), Patrick Melia (Chief Executive, Sunderland City Council), Jonathan Tew (Chief Executive, South Tyneside Council), Nicola Robason (Monitoring Officer) Paul Darby (Chief Finance Officer, NECA), Gavin Barker (Audit Manager, Mazars), Gavin Armstrong (Policy and Scrutiny Officer, NECA) and Toby Ord (Strategy and Democratic Services Assistant, NECA)

1 **APOLOGIES FOR ABSENCE (MEMBERS)**

Apologies for absence were received from Cllr Hopgood, Gillian Hall, John Hewitt, and Lucy Winskell.

2 **DECLARATIONS OF INTEREST**

None.

3 **MINUTES OF THE PREVIOUS MEETING HELD ON 14 DECEMBER 2021**

The minutes of the previous meeting held on 14 December 2021 were approved as a correct record.

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

On behalf of the Chair the Chief Executive of Sunderland City Council informed the Board that the White Paper on devolution is to be expected 2 February 2022.

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

5 **CHAIR'S UPDATE**

The Chair delivered his verbal update, asking members to not only reflect on the year of 21/22 but to also look forward to the year of 22/23.

The Chair addressed the deeply challenging circumstances which NECA has faced over the past year yet insisted that it is now time to continue with our ambitious plans for recovery. It was said that the North East region has world leading progress within the digital, offshore and manufacturing sectors, and subsequently these sectors have earned our support.

Referring to the White Paper on devolution, the Chair stated tat we must be prepared to secure any opportunities arising from the devolution paper; securing proper, meaningful investment for NECA and its authorities.

6 **ECONOMIC DEVELOPMENT AND DIGITAL THEMATIC PORTFOLIO UPDATE**

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

The Thematic Lead for Economic Development and Digital delivered the report which provided an overview of the economic situation in the NECA region.

It was noted that the most recent spike in COVID cases due to Omicron has unsettled the tentative trend of economic recovery within the region. Alongside the introduction of 'Plan B' restrictions, these factors have contributed to businesses losing out on the busyness of the Christmas period, despite this however, COVID cases have started to fall once again, and with this comes the removal of all 'Plan B' restrictions.

Members were informed that Town Centres have began to bounce back, and claimant figures are falling across the NECA areas. However, other pressures are ever present, rising inflation, cost of living, supply chain pressures and staff shortages. Ill health and early retirement were said to be putting pressure on the labour market.

Unemployment was said to have been rising within the last quarter; London previously held the title for highest unemployment rates in the UK, the North East has now surpassed this. It was noted that unemployment in more affluent areas has fell quicker than those less advantaged, with the highest rates of unemployment being seen in NEETs and Over 50s. It was also noted that there seems to be difficulty in recruiting the right people despite high amounts of unemployed.

Members were informed that the Authority will remain overseeing grants to businesses who require them and monitoring guidance, however we remain constrained with regards to funding, however it was said that we remain well situated and well-practiced to help businesses and residents alike.

RESOLVED that: -

i. the report be noted.

7 **TRANSPORT THEMATIC UPDATE**

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

The Thematic Lead delivered the report providing an insight into the LA7 areas transport situation and the implications this has for NECA.

The recent National Rail Review was noted as somewhat of a disappointment for not only the North East, but rather the North of England as a whole. It was also noted that the JTC is determined to go ahead with the expansion of the Metro system, beginning with the Leamside Line.

Members were informed that funding has been sourced through the JTC, and the LEP have assisted with feasibility study for expanding lines into locations such as Follingsby and the International Advanced Manufacturing Park, as well as linking the South Tyneside line to loop with the South Hylton line. A possibility of upgrading the dual tracks to a total of four was also noted.

Great confidence was expressed in this expansion; it was asserted that there is a robust business case ready to put forward for funding; all parties can come together to support such a case; the case positively affects all areas of the LA7 and is of crucial economic importance. Further detail is to be discussed at Wednesday 2 February's Extraordinary Meeting of the JTC.

RESOLVED that: -

i. the report be noted.

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

8 **AUDIT COMPLETION REPORT**

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

The Audit Manager at Mazars delivered the report which provided a brief overview of the Audit Completion Report.

Members were made aware that the Audit of Financial Statements has been substantially completed, however still requires a final sign-off, yet despite this the opinion on financial statements is ready for delivery. The Audit Manager informed members that there are still small details regarding the Audit which need to be completed before the certificate of formal completion can be issued.

It was noted that the value for money cannot currently be commented on; the National Audit Office has given all Auditors an extension on this task; the Treasury distributes guidance to Authorities and the National Audit Office, therefore Auditors and Authorities alike cannot act without word from the Treasury.

Apologies were given to the Board for the extent of the delay in this years Audit; conceding that a delay was expect, the Audit Manager noted that such an extent was not anticipated. Despite this, Members were assured that the quality in the Audit was still held to the high standards which should be expected from Mazars. There was nothing significant in the report to draw attention to as the Audit and Standards Committee have already had thorough consultation regarding the Audit Completion Report.

RESOLVED that: -

i. the report be noted.

9 **CAPITAL PROGRAMME AND TREASURY MANAGEMENT POLICY AND STRATEGY**

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

The Chief Finance Officer delivered the report, providing an insight on changes and significant motions regarding the Capital Programme.

Members were made aware that the meeting of the JTC on 18 January had considered the appendaged report, setting out the programme for the municipal year of 2022/23 and an update on the current year. Members were made aware that we’re currently £4m below the revised budget. The programme set out is fully funded with no borrowing built in. The report seeks approval for the recommendations set out within

RESOLVED that: -

i. the report be noted.
ii. agree to administer the capital programme approved by the JTC as set out in section 2.2.
iii. Agree the Treasury Management Strategy and the Treasury Prudential Indicators contained within Appendix 2, including the Authorised Limit.
iv. Agree the Cash Investment Strategy 2022/23 contained in the Treasury Management Strategy within Appendix 2.

10 **BUDGET 2022/23 AND MEDIUM-TERM FINANCIAL STRATEGY**

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

The Chief Finance Officer delivered the report which provided an update on the current year and revenue budgets of 2022/23-2024/25.

It was noted that there stands an in-year deficit of £2000, and that the JTC constituent Authorities continue to contribute £10000 yearly. It was also noted that we’re forecasted a £3000 deficit from reserves, and that the use of reserves to balance the budget is not a sustainable practice.

Members were made aware that the withdrawal of grant support from Government has hsd an impact on the budget, and a funding gap exists within the Nexus budget for next year. A range of measures aiming to balance the budget are said to be discussed in a report tabled at the JTC meeting of Wednesday 2 February. A possibility of an extension in grant support from the Government would provide new avenues for a revised budget setting, however there is no indication that such an extension should be provided.

RESOLVED that: -

i. the report be noted.
ii. Unanimously agree a budget for 2022/23 for the corporate costs of NECA of £0.123m, with an equal contribution of £25,000 from each of the constituent authorities in NECA to help meet these costs, as set out in section 2.7.
iii. Unanimously agree a budget for 2022/23 in respect of the accountable body role for the JTC in 2022/23 of £0.090m, with

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

equal contributions of £10,000 from the seven local authorities in the JTC area to help meet these costs, as set out in section 2.7.

iv. Issue the levies as determined by the JTC on its meeting on 2 February 2022.

v. Make arrangements to administer payment of a transport revenue grant to Durham County Council for the delivery of transport services in the Durham area and to Nexus for the delivery of transport services in Tyne and Wear as determined by the JTC on its meeting on 2 February 2022.

vi. Note that the North of Tyne Combined Authority will issue the Transport levies to Newcastle City Council, North Tyneside Council and Northumberland County Council that have been agreed to the JTC and will pass the levy income from Newcastle City Council and North Tyneside Council to NECA in order to meet costs relating to the Tyne and Wear area.

vii. Note that the North of Tyne Combined Authority will issue the transport revenue grant to Northumberland County Council agreed by the JTC and make a £10,000 contribution to NECA in respect of Northumberland County Council's contribution to the costs of the JTC.

viii. Authorise the Chief Finance Officer and the Monitoring Officer to take such other steps as are necessary to give effect to the proposals in this report.

11 STATEMENT OF ACCOUNTS

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

The Chief Finance Officer provided a brief overview of the Statement of Accounts.

Members were made aware that NECA remains in line with draft statement which was tabled at the Audit and Standards Committee on 25 January. Officers were extended thanks for preparing the relevant statements. Due to delays, the Audit didn't begin until November however members were informed that the process was a smooth one, and is expected to run smooth in the future.

RESOLVED that: -

i. the report be noted

ii. Authorise the Chief Finance Officer to sign the Letter of Representation on behalf of the Authority (Appendix 1).

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

Item 6

Leadership Board

Date: **February 2022**

Subject: **Finance, Skills & Employability - Thematic Update**

Executive Summary

This report seeks to provide an update on current Finance, Skills and Employability portfolio activity and the baseline position for a future ‘Skills & Employment’ ask for the North East Combined Authority.

Skills and Employment considerations builds on the wide-ranging activity already underway and provides an opportunity for the Combined Authority to take a lead of Employment & Skills services in the coming years.

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

Recommendations

The Leadership Board is recommended to receive this report for information.

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

Leadership Board

1. Background Information

1.1 Further to the agreed portfolio leads and the update provided to the Leadership Board in December, activity continues to progress all aspects of the Finance, Skills and Employment needs and opportunities across NECA. Identification of the main issues and progress being made under each element is as follows:

2. Finance Theme

2.1 It is vital that the functions that NECA oversees as accountable body are properly resourced. The spending review announcements in October 2021 and the Finance Settlement that followed in December 2021 set out the resources that are available for local government for 2022/23.

2.2 As part of the Comprehensive Spending Review announcements in October 2021, it was announced that there would be a real-terms increase in local government funding. The actual core spending power increases are dependent on councils increasing council tax by 2.99% per annum over the next three years – a 1.99% referendum limit increase and a further 1% Adult Social Care Precept – with actual spending power influenced by the tax base position and council tax raising capacity of individual authorities.

2.3 The first tranche of Levelling Up funding was announced, providing £1.7 billion of funding, much of which is for infrastructure. To date, £20m has been allocated for plans to better connect rural communities and restore and develop heritage sites and railways in County Durham; and £20m committed in Sunderland to support the development of a Housing Innovation and Construction Skills Academy and creation of new sustainable housing.

2.4 The Levelling Up White Paper was published on Wednesday 2 February and set out the Department for Levelling Up, Housing and Communities' ambition to spread opportunity more equally across the UK. The White Paper committed to extending devolution in England, including taking forwarded negotiations for an expanded Mayoral Combined Authority deal for the North East and reiterated the message of the Spending Review that the North East is eligible for a City Region Sustainable Transport Settlement (which could be valued between £600-£650m) subject to the appropriate governance arrangements to agree and deliver funding. County Durham was named as one of nine areas selected to take forward proposals for devolved powers through a County Deal.

2.5 Proposals for the NECA Corporate budget for 2022/23 and indicative estimates for 2023/24-2024/25 were approved by the Leadership Board at its meeting on 1 February.

2.6 There are significant budgetary pressures in relation to the North East JTC budgets, particularly the Transport levy in Tyne and Wear, where Nexus is forecasting a deficit of £21.2m, largely as a result of reductions in passenger numbers on the Tyne and Wear Metro, which are not expected to recover to pre-pandemic levels over the next few years. Final proposals for the 2022/23 JTC Budget were approved by the Committee at its last meeting on 2 February. The budget strategy agreed by the JTC includes a reduction of £7.5m in the budget used to fund Concessionary bus travel reimbursement in Tyne and Wear; efficiency savings and additional stretched income targets for Nexus of £4.0m; use of £5.6m of Nexus' reserves and an increase in the Tyne and Wear levy 6.75%, or £4.1m.

3. Skills Theme

3.1 <u>Skills for Jobs: Lifelong Learning for Opportunity and Growth</u>

3.1.1 This White Paper (Jan 2021) sets out how further education will be reformed so it supports people to get the skills the economy needs throughout their lives, wherever they live in the country. This paper provides some underpinning principles to changes identified through the Levelling up white paper.

Focusing post-16 skills on this core mission will increase productivity, support growth industries and give individuals opportunities to progress in their careers. This jobs and growth focus will be delivered by:

- Putting employers at the heart of the system so that education and training leads to jobs that can improve productivity and fill skills gaps.
- Investing in higher-level technical qualifications that provide a valuable alternative to a university degree.
- Making sure people can access training and learning flexibly throughout their lives and are well-informed about what is on offer through great careers support.
- Reforming funding and accountability for providers to simplify how funds are allocated, give providers more autonomy, and ensure an effective accountability regime which delivers value for money.

• Supporting excellent teaching in further education.

3.1.2 Lifetime Skills Guarantee

The Lifetime Skills Guarantee will allows individuals to access the skills that they need to be successful. Everyone will have access to education and training that will help them to get a great job, from 12-16-week bootcamps to funding free qualifications for any adult without an existing full level 3 (A Level equivalent) qualification. Through the Lifetime Skills Guarantee invested will be provided in top-quality provision, funding upgrades to further education colleges across the country and improving the already successful apprenticeships.

3.1.3 The case for change

There are currently significant skills gaps at higher technical levels; e.g. technicians, engineers or health and social care professionals to meet the many vital challenges, from building the green economy to meeting the health and care needs of the ageing population. Across a range of sectors, there is growing employer demand for the skills that higher technical education provides. Investing in these skills at both a local and a national level is critical to improving the productivity and international competitiveness. The skills system has been very efficient at producing graduates but has been less able to help people get the quality technical skills that employers want. Only 4% of young people achieve a qualification at higher technical level by the age of 25 compared to the 33% who get a degree or above. Moreover, only 66% of working age graduates are in high-skilled employment. In contrast, recent analysis shows that technical courses can lead to better career outcomes for those who follow them, with men with a higher technical (level 4) qualification earning on average £5,100 more at age 30, and women with a higher technical (level 5) qualification earning £2,700 more at age 30, than those with a degree (level 6).

3.2 <u>National Apprenticeship Week 2022 (7-13 February) – The 15th annual week-long celebration</u>

3.2.1 Theme – Build the Future; reflecting on how apprenticeships can help individuals to develop the skills and knowledge required for a rewarding career, and businesses to develop a talented workforce that is equipped with future-ready skills.

Leadership Board

3.2.2 Ministerial visit to County Durham - Showing his support for National Apprenticeship Week, Minister for Skills Alex Burghart praised the work of staff and students undergoing technical training at South West Durham Training in Newton Aycliffe,

3.2.3 Acceptance - The apprenticeship brand seems to be on a more level playing field with traditional academic routes. We are still some way behind countries such as Germany, Australia and Switzerland in how they utilise their programmes and how they are viewed by employers and individuals but apprenticeships now appeal to a larger cross section of the UK demographic.

3.2.4 Apprentices are leading the charge in building back stronger from the pandemic with over 40% more people starting apprenticeships in the first quarter of 2021/22 than in the same period 2020/21, which is up again from pre-pandemic levels in 2019.

3.3 __**National Careers Week 7th – 12th March 2022**__

3.3.1 National Careers Week (NCW) is a celebration of careers guidance and free resources across education in the UK. The annual event is a focus for guidance activity at a key stage, helping to support young people leaving education.

3.3.2 The North East LEP is co-hosting the launch of this year's hybrid event. For the first time, this event is to be held in the North of England and is recognition of the outstanding work of partners across the region and the hard work in raising the standards of careers guidance and education for children and young people. Access to the hybrid launch event will include be either virtual or an in-person ticket.

3.3.3 The theme at the event this year will focus on 'you' and sessions at the morning launch event will look at how careers leaders, business leaders, educators and parents — can support young people to make informed choices about their future. The afternoon will include a regional careers event and then across the rest of National Careers week, the focus will be on four additional themes to celebrate achievements in the North East: labour market, employer engagement, opportunity awareness and developing skills.

3.3.4 **The National Careers Week 2022 launch event takes place on Monday 7 March from 9.30am until 12.45pm. Attendees can join via Zoom or in-**

person at the Crowne Plaza in Newcastle upon Tyne city centre. More information can be found at: https://nationalcareersweek.com

4. Employment Theme

4.1 **UK Shared Prosperity Fund**

4.1.1 The Pre-Launch Guidance for the UK Shared Prosperity Fund, published alongside the Levelling Up White Paper, sets out a bold new approach to improve livelihoods and opportunity in all parts of the UK.

4.1.2 The Fund is a central pillar of the UK Government's ambitious levelling up agenda and a significant component of its support for places across the UK. It provides £2.6 billion of new funding for local investment by March 2025, with all areas of the UK receiving an allocation from the Fund via a funding formula rather than a competition. This recognises that even the most affluent parts of the UK contain pockets of deprivation and need support.

4.1.3 It seizes the opportunities of leaving the European Union, by investing in domestic priorities and targeting funding where it is needed most: building pride in place, supporting high quality skills training and supporting pay, employment and productivity growth. It will dramatically reduce the levels of bureaucracy associated with EU funds, enable truly local decision making and better target the priorities of places within the UK. It will lead to visible, tangible improvements to the places where people work and live, giving communities up and down the UK more reasons to be proud of their area.

4.1.4 Places will be empowered to identify and build on their own strengths and needs at a local level, focused on pride in place. Local places will be able to use the Fund in conjunction with other funding such as the Levelling Up Fund to maximise impact and simplify delivery.

4.1.5 The Fund's interventions will be planned and delivered by local authorities across England, Scotland and Wales, working closely with local partners.

4.1.6 **Next steps for government**

During February and March, the UK Government will:

- Run a series of webinars and engagement activities with local authorities and other stakeholders across the UK starting week commencing 7 February 2022.

The Department for Education will set out further details for local partners on plans to deliver Multiply, the £559m adult numeracy programme, to assist with local preparations in due course.

Later in the spring, the UK Government will publish further information on the Fund. This will include the Fund's outcomes and an interventions toolkit – guidance for how local areas should select local outcomes and a list of interventions from which places can choose. Specific rules and guidance will be published for operating the Fund. At the same time, each place will be commissioned to develop a local investment plan for UK Government sign off.

4.1.7 **Next steps for local places**

Local authorities in England, Scotland and Wales with responsibility for the Fund, set out in the Delivery Geographies, can use this document to start preparing for the launch of the UK Shared Prosperity Fund by:

- Starting early conversations about how the Fund can best support the people and businesses in their community to thrive and grow. This should take account of the Fund's objectives and investment priorities and focus on the specific outcomes they want to achieve for their area.
- Identifying local partners and stakeholders who can provide advice and insight on local needs.

4.1.8 **Vision and objectives of the Fund**

The UK Shared Prosperity Fund will support the UK Government's wider commitment to level up all parts of the UK by delivering on each of the four parts of Levelling Up:

- Boost productivity, pay, jobs and living standards, especially in those places where they are lagging.
- Spread opportunities and improve public services, especially in those places where they are weakest.
- Restore a sense of community, local pride and belonging, especially in those places where they have been lost.
- Empower local leaders and communities, especially in those places lacking local agency

The primary goal of the UK Shared Prosperity Fund is to build pride in place and increase life chances across the UK. Alongside economic pull and push factors, people's lives are shaped by the social and physical fabric of their communities. The local mix of social and physical capital is what gives local areas their unique character and shapes where people choose to live, work and invest. Recognising the acute challenges town centres and communities have faced during the Covid pandemic, this Fund will enable improvements to the places people live, as well as support individuals and businesses. It will drive noticeable improvements that matter to local communities and foster local pride in place.

The UK Shared Prosperity Fund forms part of a suite of complementary Levelling Up funding. It builds on the competitive Levelling Up Fund and Community Ownership Fund through long term, stable funding, allocated to all places. Its mix of revenue and capital funding can be used to support a wide range of interventions to build pride in place and improve life chances. These can complement larger-scale Levelling Up Fund or Community Ownership Fund capital projects.

4.1.9 **The investment plan approach**

All places across the UK will receive a conditional allocation from the UK Shared Prosperity Fund. To access their allocation, each place will be asked to set out measurable outcomes they are looking to deliver, and what interventions they are choosing to prioritise in an investment plan. These will be submitted this summer for UK Government approval.

These plans will need to take account of the wider funding landscape, and in particular, complementary interventions such as the Levelling Up Fund which will launch its second round this spring, or other national or local schemes, including employment and skills schemes. In the plans, places will sign up to indicators so they, and we, can monitor improvement.

Within the context of the Fund’s objectives, each place will have flexibility to invest across a range of activities that represent the right solutions to improve local pride in place, help spread and create opportunity, and a sense of community and belonging. This flexible approach represents a key shift from the previous EU system. Places will be able to choose from investment in three investment priorities of communities and pace, local business and people and skills.

4.1.10 **Reflecting the distinct circumstances of each nation and place**

Each place has a range of economic and societal relationships with other places across the UK, including their neighbours and places with common needs and opportunities. Working with other places in the delivery of the Fund interventions will be welcomed where this meets the needs of their place and achieves value for money or better outcomes for local people or businesses.

In England, the Fund will focus on communities and place and local business interventions to boost pride in place in 2022-23 and 2023-24, alongside support for people through the Multiply adult numeracy programme. In addition, flexibility will be maintained to fund voluntary sector organisations delivering locally important people and skills provision, where this is at risk due to the tail off of EU funds. Further investment to support people and skills will follow from 2024-25, when the funding pot reaches its full extent.

4.1.11 **Investment priorities**

Communities and place

The overall objectives of this investment priority are:

- Strengthening our social fabric and fostering a sense of local pride and belonging, through investment in activities that enhance physical, cultural and social ties and amenities, such as community infrastructure and local green space, and community-led projects.
- To build resilient and safe neighbourhoods, through investment in quality places that people want to live, work, play and learn in, through targeted improvements to the built environment and innovative approaches to crime prevention.

Example interventions may include, but are not limited to, visual improvements to town centres and high streets, cultural/visitor economy interventions, litter, waste and graffiti reduction, projects to fight antisocial behaviour, and capital funding to improve neighbourhoods or community projects and initiatives.

Local businesses

The overall objectives of this investment priority are to:

- ***Creating jobs and boosting community cohesion, through investments that build on existing industries and institutions, and range from support for starting businesses to visible improvements to local retail, hospitality and leisure sector facilities***.
- Promote networking and collaboration, through interventions that bring together businesses and partners within and across sectors to share

knowledge, expertise and resources, and stimulate innovation and growth.

- Increase private sector investment in growth-enhancing activities, through targeted support for small and medium-sized businesses to undertake new-to-firm innovation, adopt productivity-enhancing, energy efficient and low carbon technologies and techniques, and start or grow their exports.

Example interventions may include, but are not limited to, support to increase town centre footfall, outdoor markets, the development of cultural, visitor and heritage assets, targeted business growth and innovation support.

People and skills

The overall objectives of this investment priority are to:

- ***Boost core skills and support adults to progress in work, by targeting adults with no or low-level qualifications and skills in maths, and upskill the working population, yielding personal and societal economic impact, and by encouraging innovative approaches to reducing adult learning barriers.***
- ***Support disadvantaged people to access the skills they need to progress in life and into work, for example the long-term unemployed and those with protected characteristics through funding life, and basic skills where this is not delivered through national or local employment and skills provision.***
- ***Support local areas to fund local skills needs and supplement local adult skills provision e.g. by providing additional volumes; delivering provision through wider range of routes or enabling more intensive/innovative provision, both qualification based and non-qualification based.***
- ***Reduce levels of economic inactivity and move those furthest from the labour market closer to employment, through investment in bespoke employment support tailored to local need. Investment should facilitate the join-up of mainstream provision and local services within an area for participants, through the use of one-to-one keyworker support, improving employment outcomes for specific cohorts who face labour market barriers.***

Example interventions may include technical and vocational qualifications in areas where there are skills shortages locally; and intensive, wraparound one-to-one support to address barriers to employment, supplemented by additional services. Additional services may include life skills, basic skills and specialist support including achieving basic qualifications in alternative settings, work experience, supported employment, enrichment activities, counselling and advice, and community referrals. These interventions should be additional and complementary to existing employment and skills provision in each area.

Multiply

To meet the UK Government's priority of enhancing adult numeracy, each area will be required to invest a ring-fenced amount of the Fund in local Multiply interventions. This will be managed by the Department for Education and further information on how this element of the Fund will be delivered will be set out in due course.

The Department for Education will also deliver a national digital numeracy platform, giving people the ability to learn at their own place (including at work, or at home), and pace. It will undertake randomised control trials and evaluation activity to test innovative approaches to reducing adult learning barriers, and build the evidence base on what works. This will complement local Multiply interventions.

Meeting other national policies and priorities

Interventions supported by the UK Shared Prosperity Fund will need to take account of other local and national policies and priorities – including the government's commitment to reach Net Zero by 2050 and clean growth, and complement other UK, national or local provision. This will make sure that funding is effectively targeted. Further details on these requirements will be provided in the prospectus later in the spring.

4.1.12 **Empowering local leaders: How we will deliver the Fund**

The UK Shared Prosperity Fund will establish new relationships between the UK Government, local government and local partners across the UK.

Working to a UK-wide framework published by the UK Government, local partners will influence the Fund through development and delivery of an investment plan for each place. This represents a fundamental shift in responsibility compared with the European structural funds that the Fund succeeds.

The Department for Levelling Up, Housing and Communities will oversee the Fund at UK level, working with other departments. For example, the Department for Education will lead delivery of the Multiply element of the Fund and will play a key role in relation to wider skills interventions, working with local partners. The Department for Work and Pensions will play a key role in the planning and delivery of employment interventions supported by the Fund.

4.1.13 **Who will deliver the Fund**

In England, Scotland and Wales, local government will be given responsibility for developing an investment plan for approval by the UK Government, and for delivery of the Fund thereafter. They will receive an area's allocation to manage, including assessing and approving project applications, processing payments and day-to-day monitoring. This recognises that pride in place can be best achieved by delivery close to local people and businesses; by authorities that understand each place's unique local context, and with established governance.

Lead local authorities for each area will have flexibility over how they deliver the Fund, for example they may wish to use a mix of procurement, local competitions or deliver some activity through in-house teams.

Working with other places will be welcomed in the delivery of Fund interventions where it meets the needs of their place and achieves value for money or better outcomes for local people or businesses. In particular, it is encouraged that lead local authorities work with other district, county or unitary authorities to agree and commission skills and employment activity.

4.1.14 **England**

In England, the Fund will primarily operate over the strategic geographies of the Mayoral Combined Authorities and the Greater London Authority, and lower tier or unitary authorities elsewhere. The geographies and authorities we will work with are set out in the Delivery Geographies.

The Levelling Up White Paper sets out a devolution mission for England: By 2030, every part of England that wants one will have a devolution deal with powers at or approaching the highest level of devolution and a simplified, long-term funding settlement.

The development of the single Northern Ireland investment plan will include a specific role for local authorities and other partners for each City and Growth Deal geography. This means we can maximise local intelligence, insight and knowledge, in recognition of opportunities and challenges unique to Northern Ireland, and the distinct and different role that local authorities play there.

4.1.15 **Supporting local places to deliver**

It is recognised that local government will require support to administer the Fund and each lead authority in England, Scotland and Wales will be able to use a proportion of their allocation to undertake necessary Fund administration, such as project assessment, contracting and monitoring.

This approach, and broader technical guidance for Fund delivery will be developed further over the spring with further information made available to places as they are developing local investment plans.

Alongside existing capacity funding for complementary funds such as the Levelling Up Fund, we are also exploring the need for additional capability support for local government and other partners to maximise the opportunities that the Fund affords.

4.1.16 **UK-wide governance**

Overall implementation of the Fund will be led by the Department for Levelling Up, Housing and Communities, working in partnership with a range of UK Government departments. It will be managed through a UK-wide ministerial forum, with the responsibility to oversee the delivery of the Fund. It will monitor investment and overall performance and ensure coherence with wider UK Government and devolved administration provision.

4.1.17 **Local partnerships**

Throughout the UK, access to local insight and expertise is essential for each place to identify and address need and opportunity and respond with the right solutions for each place. Comprehensive and balanced local partnerships will be a core component of how the Fund will be administered locally. Local leaders will be tasked to work with a diverse range of local stakeholders, civic society organisations, employer bodies responsible for identifying local skills plans, and businesses to achieve Fund outcomes in their areas.

Local partners will support the authority leading the Fund in each place to develop an investment plan, which we will commission from each place later in the spring. Once the Fund has launched, partners will provide advice to the authority leading the Fund in each place on strategic fit and deliverability. This will ensure that Fund investments complement other activities in the area and meet goals.

Lead authorities should involve MPs in every stage of UKSPF planning and delivery and requirements will be detailed in the full Prospectus later this spring.

4.1.18 **Next steps**

Drawing on the information set out in this Pre-Launch Guidance, each lead local authority is encouraged to start identifying a diverse range of local stakeholders, appropriate groups and organisations to represent cross-sector voices.

In circumstances where a local authority already has a group that could be used, it can designate the group for UK Shared Prosperity Fund purposes, taking care to ensure that it is fully representative and that its terms of reference meet the Fund's needs.

The UK Government and devolved administrations should have a standing invite to any partnership meetings to provide advice and information about their interrelated investments and policy priorities. Broader governance, statutory and regulatory requirements will be detailed in the full Prospectus, which we expect to publish later in the spring.

4.1.19 **Engaging with other partners**

In preparation for investment planning, lead authorities may wish to consider whether collaboration with other places may be appropriate in the delivery of the Fund and meet the needs of their place. For example, in achieving value for money or better outcomes for the people or businesses the Fund will benefit.

In addition, where the Fund is operating over a strategic geography, lead authorities are encouraged to start engagement with their constituent authorities and other local partners to ensure that the needs of places within the strategic geography can be effectively addressed.

4.2 Kickstart Scheme

4.2.1 Over 100,000 young people across the country have now started jobs through the government's landmark Kickstart Scheme.

4.2.2 Launched as part of the government's Plan for Jobs, Kickstart has helped young people in all corners of the country to develop new skills, build confidence, and get a crucial first foot on the career ladder.

4.2.3 Employers can spread the job start dates up until 31 March 2022. Funding will be provided for 6 months once the young person has started their job. Further funding is available for training and support so that young people on the scheme can get a job in the future.

4.2.4 Those employers who have successfully applied for a Kickstart Scheme grant before midday on 17th December 2021 and should have received a grant agreement which must be signed and returned by 7th January 2022. All vacancies should have been submitted to DWP by 31st January 2022. The successful young person must start their job on or before 31st March 2022 and employers must notify DWP as soon as possible but no later than 30th April 2022.

4.3 <u>'Way to Work' campaign</u>

4.3.1 On 27th January 2022, DWP launched their 'Way to Work' campaign which aims to get 500,000 job seekers into work by the end of June 2022. The aim is to support people into work and filling vacancies more quickly.

4.3.2 The demand for workers is high with the latest figures from ONS showing over 1.2 million vacancies are available to fill. Those who are capable of work will be expected to search more widely for available work in a shorter period of time.

4.3.3 These regulations will reduce the maximum period for which limitations on work-related requirements for claimants are allowed, known as permitted period, from three months to four weeks. This means claimants are expected to broaden their job search activity to any sector they're capable of doing. Claimants will be allocated more time with a work coach in a bid to find work. If claimants are found not to be making reasonable efforts to gain employment, their benefits could be affected.

5. Next Steps and Timetable for Implementation

5.1 Employment & Skills issues and opportunities for development remain under development through meetings of the Skills and Employment Working Group.

6. Potential Impact on Objectives

6.1 This report is for information only.

7. Financial and Other Resources Implications

7.1 There are no additional financial implications as this report is for information only.

8. Legal Implications

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

9. Key Risks

9.1 This report is for information.

10. Equality and Diversity

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

11. Crime and Disorder

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

12. Consultation/Engagement

12.1 Economic Directors have been fully consulted on the contents of this paper

13. Other Impact of the Proposals

13.1 There are no other impacts arising from this report

14. Appendices

14.1 None

15. Background Papers.

15.1 Thematic Portfolio Update January 2021

16. Contact Officers

16.1 Amy Harhoff, Corporate Director Regeneration Economy & Growth,

Amy.Harhoff@durham.gov.uk Tel: 03000 267330

17. Sign off

17.1

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

18. Glossary

18.1

CJRS	Coronavirus Job Retention Scheme
DWP	Department for work and Pensions
ESFA	Education and Skills Funding Agency
JETS	Job Entry Targeted Support
JSA	Job Seekers Allowance
UKSPF	UK Shared Prosperity Fund

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

Item 7

Date: **1 March 2022**

Subject: **Decision to Opt-in to the National Scheme for Auditor Appointments managed by Public Sector Audit Appointments (PSAA)**

Report of: **Chief Finance Officer**

Executive Summary

The purpose of this report is to seek Members' approval to accept the invitation from Public Sector Audit Appointments (PSAA) to opt-in to the national sector-led arrangements for the appointment of external auditors with effect from 1 April 2023.

The current auditor appointment arrangements covers the period up to and including the audit of the 2022/23 accounts, after which they expire.

On 7 March 2017, the Leadership Board agreed to opt-in to the 'appointing person' national audit appointment arrangements, established by PSAA for the period covering the accounts for 2018/19 to 2022/23.

PSAA is currently undertaking a procurement for the next appointing period, covering audits for five financial years from 2023/24 to 2027/28.

The Authority must now make a decision about its external audit arrangements from 2023/24 onwards.

Options for the Authority include arranging to carry out its own procurement process to appoint its external auditor, or do so in conjunction with other bodies, or join, and take advantage of, the national collective scheme administered by PSAA.

This report recommends that the sector-wide procurement conducted by PSAA will produce better outcomes and will be less burdensome for the Authority than a procurement undertaken locally for the following reasons:

a) Collective procurement should reduce costs for the sectors and for individual authorities compared to a multiplicity of smaller local procurements;
b) If it does not use the national appointment arrangements, the Authority will need to establish its own auditor panel with an independent chair and independent members to oversee a local auditor procurement and ongoing management of an audit contract;
c) It is the best opportunity to secure the appointment of a qualified, registered auditor – there are only nine accredited local audit firms, and a local procurement would be drawing from the same limited supply of auditor resources as PSAA's national procurement; and
d) Supporting the sector-led body offers the best way of ensuring there is a continuing and sustainable public audit market into the medium and long term.

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

Should the Authority wish to take advantage of the national auditor appointment arrangements, under the local audit regulations, a decision is required to be agreed by the Leadership Board. The opt-in period started on 22 September 2021 and closes on 11 March 2022. To opt-in to the national scheme from 2023/24, the Authority needs to return completed opt-in documents to PSAA by 11 March 2022, backed by a resolution of the Leadership Board to support these arrangements.

Members of the NECA Audit and Standards Committee were consulted and were supportive of the proposal to accept the invitation to opt-in to the national scheme of appointing local auditors

Recommendations

The Leadership Board is recommended to:

i. Agree to accept the PSAA invitation to opt into the sector-led option for the appointment of external auditors for five financial years commencing 1 April 2023.

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

1. Background Information

1.1 Under the Local Government Audit and Accountability Act 2014 ("the Act"), the authority is required to appoint an auditor to audit its accounts for each financial year. The authority has three options:

a) To appoint its own auditor, which requires it to follow the procedure set out in the Act;
b) To act jointly with other authorities to procure an auditor following the procedures in the Act; or
c) To opt in to the national auditor appointment scheme administered by a body designated by the Secretary of State as the 'appointing person'. The body currently designated for this role is PSAA.

1.2 To opt-in to the national scheme, the authority must make a decision at a meeting of the Leadership Board.

2. Proposals

The Appointed Auditor

2.1 The auditor appointed at the end of the procurement process will undertake the statutory audit of the authority's Statement of Accounts and Best Value assessment of the authority in each financial year, in accordance with all relevant codes of practice and guidance. The appointed auditor is also responsible for investigating questions raised by electors and has powers and responsibilities in relation to Public Interest Reports and statutory recommendations.

2.2 The auditor must act independently of the authority and the main purpose of the procurement legislation is to ensure that the appointed auditor is sufficiently qualified and independent.

2.3 The auditor must be registered to undertake local audits by the Financial Reporting Council (FRC) who employ authorised Key Audit Partners to oversee the work. There is currently a shortage of registered firms and Key Audit Partners.

2.4 Auditors are regulated by the FRC, which will be replaced by a new body with wider powers, the Audit, Reporting and Governance Authority (AGRA) during the course of the next audit contract.

2.5 Local authorities therefore have very limited influence over the nature of the audit services they are procuring, the nature and quality of which are determined or overseen by third parties.

Options for NECA to appoint itself or via a joint arrangement

2.6 Should a local authority wish to appoint its own external auditor under the Act, it would need to:

a) Establish an independent auditor panel to make a stand-alone appointment. The auditor panel would need to be set up by the authority itself, and the members of the panel would have to be wholly, or a majority, of independent members as defined by the Act. Independent members for this purpose are independent appointees, excluding current and former elected members (or officers) and their close families and friends. This means that elected members would not have a majority input to assessing bids and choosing to which audit firm to award a contract for the authority's external audit.
b) Manage the contract for its duration, overseen by the auditor panel.

2.7 Alternatively, the Act enables the authority to join with other local authorities to establish a joint auditor panel. Again, this will need to be constituted of wholly or a majority of independent appointees. Further legal advice would be required on the exact constitution of such a panel having regard to the obligations of each authority under the Act and the authority would need to liaise with other local authorities to assess the appetite for such an arrangement.

2.8 These two options would be more resource-intensive and without the bulk buying power of the sector-led procurement services, would likely result in a more costly process for the authority to implement. It would also be more difficult to manage quality and independence requirements through a local appointment process. The authority would not be able to influence the scope of the audit and the regulatory regime would inhibit the authority's ability to affect quality.

2.9 The authority and its auditor panel would need to maintain ongoing oversight of the contract. Local contract management cannot, however, influence the scope or delivery of an audit.

The national auditor appointment scheme

2.10 PSAA is specified as the 'appointing person' for principal local government under the provisions of the Act and the Local Audit (Appointing Person) Regulations 2015. PSAA let five year audit services contracts in 2017 for the first appointing period, covering audits of the accounts from 2018/19 to 2022/23. It is now undertaking the work needed to invite eligible bodies to opt-in for the next appointing period, from the 2023/24 audit onwards, and to complete a procurement for audit services.

2.11 PSAA is a not-for-profit organisation whose costs are around 4% of the scheme. Any surplus generated is distributed back to scheme members.

2.12 The benefits of opting-in to the national scheme are as follows:

a) The appointment of a suitably qualified audit firm to conduct audits for five financial years commencing 1 April 2023;

b) Appointing the same auditor to other opted-in bodies that are involved in formal collaboration or joint working initiatives to the extent this is possible with other constraints;
c) Managing the procurement process to ensure both quality and price criteria are satisfied. PSAA has sought views from the sector to help inform its detailed procurement strategy;
d) Ensuring suitable independence of the auditors from the bodies they audit and managing any potential conflicts as they arise during the appointment period;
e) Minimising the scheme management costs and returning any surpluses to scheme members;
f) Consulting with authorities on auditor appointments, giving the authority the opportunity to influence which auditor is appointed;
g) Consulting with authorities on the scale of audit fees and ensuring these reflect scale, complexity and audit risk; and
h) Ongoing contract and performance management of the contracts once these have been let.

2.13 The national offer provides the appointment of an independent auditor with limited administrative cost to the authority. By joining the scheme, the authority would be acting with other local authorities to optimise the opportunity to influence the market that a national procurement provides.

Pressures in the current local audit market and delays in issuing opinions

2.14 Much has changed in the local audit market since audit contracts were last awarded in 2017. At that time the audit market was relatively stable, there had been few changes in audit requirements and local audit fees had been reducing over a long period. 98% of bodies who were eligible, opted in to the national scheme and attracted very competitive bids from audit firms. The resulting audit contracts took effect from 1 April 2018.

2.15 During 2018, a series of financial crises and failures in the private sector led to questioning about the role of auditors and the focus and value of their work. Four independent reviews were commissioned by Government:

a) Sir John Kingman's review of the Financial Reporting Council (FRC), the audit regulator;
b) The Competition and Markets Authority review of the audit market;
c) Sir Donald Brydon's review of the quality and effectiveness of audit; and
d) Sir Tony Redmond's review of local authority financial reporting and external audit.

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

2.16 The recommendations are now under consideration by Government with the clear implication that significant reforms will follow. A new audit regulator (AGRA) is to be established, and arrangements for system leadership in local audit are to be introduced. Further change will follow as other recommendations are implemented.

2.17 The Kingman review has led to an urgent drive for the FRC to deliver rapid, measurable improvements in audit quality. This has created a major pressure for audit firms to ensure full compliance with regulatory requirements and expectations in every audit they undertake. By the time firms were conducting 2018/19 local audits during 2019, the measures they were putting in place to respond to a more focused regulator were clearly visible.

2.18 To deliver the necessary improvements in audit quality, firms were requiring their audit teams to undertake additional work to gain deeper levels of assurance. However, additional work required more time, posing a threat to the firms' ability to complete all their audits by the target date for publication of audited accounts. Delayed opinions are not the only consequence of the FRC's drive to improve audit quality. Additional audit work must also be paid for. As a result, many more fee variation claims have been needed than in previous years.

2.19 This situation has been accentuated by growing auditor recruitment and retention challenges, the complexity of local government financial statements and increasing levels of technical challenges as bodies explore innovative ways of developing new or enhanced income streams to help fund services for local people. These challenges have increased in subsequent audit years, with COVID-19 creating further significant pressure for finance and audit teams.

2.20 None of these problems is unique to local government audit. Similar challenges have played out in other sectors, where increased fees and disappointing responses to tender invitations have been experienced during the last two years.

The invitation

2.21 PSAA is now inviting the authority to opt in for the second appointing period, for 2023/24 to 2027/28, along with all other eligible authorities. Based on the level of opt-ins, it will enter into contracts with appropriately qualified audit firms and appoint a suitable firm to be the authority's auditor. A copy of the PSAA invitation to the authority is provided in Appendix 1 to this report.

The next audit procurement

2.22 The prices submitted by bidders through the procurement exercise will be the key determinant of the value of audit fees paid by opted-in bodies. PSAA will:

a) Seek to encourage realistic fee levels and benefit from the economies of scale associated with procuring on behalf of a significant number of bodies;

b) Continue to pool scheme costs and charge fees to opted-in bodies in accordance with the published fee scale as amended following consultations with scheme members and other interested parties. Pooling means that everyone within the scheme will benefit from the prices secured via a competitive procurement process – a key tenet of the national collective scheme;

c) Continue to minimise its own costs, around 4% of scheme costs, and as a not-for-profit company will return any surplus funds to scheme members. (In 2019 it returned a total £3.5 million to relevant bodies and returned a further £5.6 million in 2021.)

2.23 PSAA will seek to encourage market sustainability in its procurement. Firms will be able to bid for a variety of different sized contracts so that they can match their available resources and risk appetite to the contract for which they bid. They will be required to meet appropriate quality standards and reflect realistic market prices in their tenders, informed by the scale fees and the supporting information provided about each audit. Where regulatory changes are in train, which affect the amount of audit work suppliers must undertake, firms will be informed as to which developments should be priced into their bids.

2.24 The scope of a local audit is fixed. It is determined by the Code of Audit Practice (currently published by the National Audit Office), the format of the financial statements (specified by CIPFA / LASAAC) and the application of auditing standards regulated by the FRC. These factors apply to all local audits irrespective of whether an eligible body decides to opt into PSAA's national scheme or chooses to make its own separate arrangements. The requirements are mandatory; they shape the work auditors undertake and have a bearing on the actual fees required.

2.25 There are currently nine audit providers eligible to audit local authorities and other relevant bodies under local audit legislation. This means that a local procurement exercise would seek tenders from the same firms as the national procurement exercise, subject to the need to manage any local independence issues. Local firms cannot be invited to bid. Local procurements must deliver the same audit scope and requirements as a national procurement, reflecting the auditor's statutory responsibilities.

3. Reasons for the Proposals

3.1 To opt-in to the national scheme from 2023/24, the Authority needs to return completed opt-in documents to PSAA by 11 March 2022, backed by a resolution of the Leadership Board to support these arrangements.

4. Alternative Options Available

4.1 Option 1 – the Authority may agree to accept the invitation to opt-in to the national scheme for appointment of local auditors.

Option 2 – the Authority may decide to constitute its own audit panel, either alone or with other local authorities, and run a separate procurement exercise for appointment of an external auditor to NECA.

Option 1 is the recommended option.

5. Next Steps and Timetable for Implementation

5.1 The closing date to provide formal acceptance of the invitation to PSAA is 11 March 2022.

5.2 PSAA will commence the formal procurement process in early February 2022. It expects to award contracts in August 2022, then consult with authorities on the appointment of auditors in order to make appointments by the statutory deadline of 31 December 2022.

6. Potential Impact on Objectives

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

7. Financial and Other Resources Implications

7.1 There is a risk that current external audit fee levels could increase when the current contract ends. The scope of audit has increased, requiring more audit work. There are also concerns about capacity and sustainability in the local audit market.

7.2 Opting into a national scheme provides maximum opportunity to ensure fees are as realistic as possible, while ensuring the quality of audit is maintained, by entering into a large scale collective procurement arrangement.

7.3 If the national scheme is not used some additional resource may be needed to establish an auditor panel and conduct a local procurement. Until a procurement exercise is completed it is not possible to state what, if any, additional resource may be required for audit fees from 2023/24.

8. Legal Implications

8.1 Section 7 of the Local Audit and Accountability Act 2014 requires a relevant council to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year.

8.2 Section 8 governs the procedure for appointing including that the authority must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor. Section 8 provides that where a relevant authority is a local authority, operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibilities of an executive of the authority under those arrangements.

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

8.3 Section 12 makes provision for the failure to appoint a local auditor. The authority must immediately inform the Secretary of State, who may direct the authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the authority.

8.4 Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a sector-led body to become the appointing person. In July 2016 the Secretary of State specified PSAA as the appointing person.

9. Key Risks

9.1 Becoming an opted-in body would manage the risks associated with independence and contract management in relation to the procurement of an external auditor.

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 Members of the NECA Audit and Standards Committee were consulted and were supportive of the proposal to accept the invitation to opt-in to the national scheme of appointing local auditors.

12.2 Partner bodies including Nexus and the North of Tyne Combined Authority are also planning to accept the invitation to opt-in to the national scheme.

13. Other Impact of the Proposals

13.1 There are no other impacts arising from these proposals.

14. Appendices

14.1 Appendix 1 – PSAA Invitation

15. Background Papers

15.1 Public Sector Audit Appointments – information regarding Appointing Period 2023/24-2027/28: Appointing period 2023/24 – 2027/28 – PSAA

16. Contact Officers

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

17. Sign Off

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

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

Appendix 1

Appendix 1: Opt-in invitation issued by PSAA

Appointing Period 2023/24 to 2027/28

Form of notice of acceptance of the invitation to opt in

(Please use the details and text below to submit to PSAA your body's formal notice of acceptance of the invitation to opt into the appointing person arrangements from 2023)

Email to: ap2@psaa.co.uk

Subject: **North East Combined Authority**

Notice of acceptance of the invitation to become an opted-in authority

This email is notice of the acceptance of your invitation dated 22 September 2021 to become an opted-in authority for the audit years 2023/2024 to 2027/2028 for the purposes of the appointment of our auditor under the provisions of the Local Audit and Accountability Act 2014 and the requirements of the Local Audit (Appointing Person) Regulations 2015.

I confirm that **North East Combined Authority** has made the decision to accept your invitation to become an opted-in authority in accordance with the decision-making requirements of the Regulations, and that I am authorised to sign this notice of acceptance on behalf of the authority.

Name: **[insert name of signatory]**

Title: **[insert role of signatory]** (authorised officer)

For and on behalf of: **North East Combined Authority**

Date: **[insert date completed]**

Item 8

Leadership Board

Date: 1 March 2022

Subject: Digital Exclusion in the North East

Report of: Michelle Rainbow – Skills Director, North East Local Enterprise Partnership

Executive Summary

This report provides a background to a recent report on Digital Exclusion in the North East published by the North East Local Enterprise Partnership. The executive summary to the report is attached as appendix 1 and the presentation at the Board will outline the key findings, and actions taken to date.

Key recommendations of the report include – intervention across many groups and communities, and a co-ordinated response from education, business, voluntary and public sector to help address a large and complex issue.

Nevertheless, the recent momentum achieved towards digital inclusion during the pandemic offers a real opportunity to roll out success approaches more widely through the region to have meaningful impact on reducing the digital divide.

The research highlighted priority actions for tackling the economic and skills impacts of digital inclusion, some directly actionable regionally and others which will require lobbying and influencing with government and other stakeholders

- Higher profile education and awareness activities
- Address the challenge of access to digital devices
- Address the two key connectivity challenges – affordability and rural access
- Develop a common framework for essential basic digital skills
- Advocate for short, practical courses delivered largely in accessible community-based settings
- Prioritise early invention and investment to develop functions digital skills from a young age
- Embed digital skills into the FE and HE curricula
- Map provision to employer needs and incentivise investment in the workforce.

Leadership Board

The North LEP and other key stakeholders from the public, private, education and VCSE sectors have agreed a set of priorities to address these actions. Funding has been sourced to create a regional vision and action plan for digital inclusion and then to consider the mostly likely routes for opportunities to resource the activities (including private, public and voluntary sector funding).

Recommendations

The Board is recommended to note the contents of the presentation.

Leadership Board

1. Background Information

1.1 This presentation on Digital Exclusion outlines the increasing importance of digital skills, the impact of digital exclusion and how a strategic regional approach to tackling digital exclusion is required to reverse the increasing digital divide.

2. Proposals

2.1 There are no proposals being put forward as the presentation is for information and discussion.

3. Reasons for the Proposals

3.1 Not applicable.

4. Alternative Options Available

4.1 Not applicable

5. Next Steps and Timetable for Implementation

5.1 Not applicable.

6. Potential Impact on Objectives

6.1 None.

7. Financial and Other Resources Implications

7.1 None

8. Legal Implications

8.1 None

9. Key Risks

9.1 None

10. Equality and Diversity

10.1 None

11. Crime and Disorder

Leadership Board

11.1 None

12. Consultation/Engagement

12.1 None

13. Other Impact of the Proposals

13.1 None

14. Appendices

14.1 Digital Exclusion in the North East LEP Area: Executive Summary

15. Background Papers

15.1 None

16. Contact Officers

16.1 Michelle Rainbow, Skills Director, North East Local Enterprise Partnership
michelle.rainbow@nelep.co.uk

17. Sign off

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

18. Glossary

18.1 None

Digital Exclusion in the North East LEP Area: Executive Summary

September 2021

North East
Local Enterprise Partnership

Introduction

In today's world digital skills are becoming increasingly important. They can connect people to education and training, better jobs, social interaction, and public services, as well as providing access to cheaper products and services online.

Digital exclusion, where people lack digital skills, connectivity and accessibility, has been recognised as a problem for several years. However, the problem has been exacerbated by Covid-19, where access to the internet and digital devices has been vital for accessing goods and services and maintaining social contact.

With increasing aspects of life taking place online, a strategic regional approach to tackling digital exclusion is required to reverse the increasing digital divide.

About the research

In March 2021 the North East LEP and its Skills Advisory Panel (SAP) commissioned New Skills Consulting (NSC) to undertake research into the nature and extent of digital exclusion in the North East, focusing primarily on the economic and skills-related impacts of digital exclusion.

The following key research tasks have been undertaken to inform the report:

- **Comprehensive review of current data, reports and policy documents**
- **Mapping and gapping of current solutions and interventions**
- **Consultations with 45 colleagues from education, training and employment support**
- **Online survey with 30 schools and colleges from the North East LEP area**

Defining digital exclusion

There is no single, agreed definition of digital exclusion and, rather than being an absolute term, it is a spectrum on which people experience different facets of exclusion to a greater or lesser extent. There is, however, broad recognition that the main ways in which people experience digital exclusion are:

Devices
Lack of access to adequate or appropriate digital devices.

Connectivity
Lack of internet access due to poverty or unreliable service.

Skills
Lack of appropriate digital skills to enable engagement in learning or employment.

Confidence
Lack of confidence in using digital devices and engaging with online services.

Resistance
Some people don't want to develop digital skills or don't understand the benefits of digital engagement.

Who is digitally excluded?

Different aspects of digital exclusion can affect a broad range of people. However, research[1] shows that people from disadvantaged and socially excluded groups are more likely to experience digital exclusion than others, including:

- **Older people**
- **Without a job**
- **Lower income groups**
- **Living in social housing**
- **People with disabilities**
- **Low educational qualifications**
- **Living in rural areas**
- **Homeless**
- **First language is not English**

1 https://digital.nhs.uk/about-nhs-digital/our-work/digital-inclusion/what-digital-inclusion-is

Digital exclusion in the North East

It is difficult to quantify the extent of digital exclusion in the North East because there is limited data available at a regional and sub-regional level. Nevertheless, available data[2] indicates that the region is one of the worst affected in the UK.

Indicator	North East	England Av.
Proportion of people offline	8%	5%
Proportion with low levels of digital engagement	32%	28%
Confidence in using the internet	83%	86%
Digital skills improvement during Covid	23%	29%
Passive and uncommitted internet users	32%	20%

Office of National Statistics data for 2020 indicates that in the North East there are approximately 61,000 lapsed users (those who last used the internet more than three months ago) and 176,000 adults who have never used the internet.

Feedback gathered during the research also indicates that digital exclusion impacts learners across the North East, particularly in settings with a higher proportion of learners from disadvantaged backgrounds. The key barriers they face are lack of access to devices, broadband connectivity and parental support.

2 Source: UK Consumer Digital Index 2021, Lloyds Bank; and Consumer Data Research Centre (CDRC) Internet User Classification (IUC; Alexiou & Singleton 2018)

Attitudes towards digital exclusion

Research undertaken prior to the Covid-19 pandemic[3] showed that, generally speaking, adults who don't use the internet don't feel that they are missing out by not being online. Of those who are non-users of the internet 75% did not feel that they are missing out and 79% believed they were unlikely to use the internet in the future.

Reasons for not using the internet are multifaceted, and include:

76%	**Concerns about internet safety, security or privacy**
70%	**Not knowing how to use the internet, or not having the skills to do so**
54%	**Concerns about accidentally accessing harmful or illegal content**
48%	**Cost/value for money**
46%	**It being too late to learn**

Source: ComRes, Digital Exclusion Research, 2019

Impact of digital exclusion during Covid

- Lack of access to devices and connectivity has been exacerbated by the closure of libraries and IT suites.
- The loss of learning during the pandemic has increased the gap between disadvantaged and non-disadvantaged learners.
- While most employment support clients have a smart phone, many had no access to an appropriate device for online training, job search and interviews.
- For those who were engaging reluctantly in education or employment support, remote provision has made it easier to withdraw altogether.
- Conversion rates from employment support into work have fallen and lack of digital skills means clients are increasingly excluded from the labour market.
- The pandemic has exposed discrepancies between education settings in the quality of digital infrastructure and the digital skills and knowledge of staff.

3 ComRes, Digital Exclusion Research, 2019 (Survey of 1,000 recent users and non-users of the internet)

Positive opportunities from Covid

- It has focused attention on digital exclusion, creating greater awareness and momentum to tackle the problem.
- It has created impetus to accelerate digital adoption, which has improved the quality, efficiency and flexibility of services.
- It has accelerated the improvement of staff digital skills and the upgrade of IT equipment and infrastructure.
- It has led to the creation of valuable online resources that can be accessed multiple times at any time.
- Digital provision has made it easier for some people to access services, opening them up to new audiences.
- Many learners and employment support clients have improved their digital skills and increased their confidence in using digital technology.
- Across education, training and employment support settings it has raised awareness of the importance of digital skills for work.

Wider impacts of digital exclusion

Digital exclusion is having an impact on educational attainment and employment outcomes that is far wider than the more immediate impacts of the pandemic.

- It is creating challenges and widening the achievement gap in education, particularly for learners from more disadvantaged backgrounds.
- As well as impacting on academic performance and results, it impacts on progression into employment and access to good quality jobs.
- It increases the gap for those who are already furthest from the job market.
- Many employment support clients lack the devices, skills and confidence to search and apply for jobs online and complete online interviews.
- Lack of digital skills presents a major barrier to clients being able to secure work, even in low skilled and entry level jobs.
- The move up the career ladder from low-skill to high-skill jobs comes with increased demand for specific digital skills

92%	**Businesses who say digital skills are important for their employees**
82%	**Current online vacancies that require digital skills**
28%	**North East employers with skills gaps who say basic digital skills need improving**
23%	**Businesses who say their employees lack basic digital skills**

Source: WorldSkills UK, Learning and Work Institute and Enginuity; DCMS, No Longer Optional: Employer Demand for Digital Skills; and DfE, Employer Skills Survey

Digital skills gaps

According to the 2019 Employer Skills Survey[4], 20% of North East employers with a skills shortage vacancy said they found computer literacy or basic IT skills difficult to obtain from applicants. 26% said they found advanced or specialist IT skills difficult to obtain.

Top 4 IT skills that need to be improved (North East employers with an IT skills gap)

33%	Basic Microsoft Office skills
18%	Specialist software or hardware / internal systems
18%	Foundation digital skills
17%	Advanced Microsoft Office skills

Source: Department for Education, Employer skills survey 2019

Despite the importance of digital skills in the workplace, research indicates that employer investment in training in the UK is low compared to other advanced economies and has declined in recent years. Data from Make it Click (2020) shows:

- Fewer than 40% of UK business leaders think employers bear most responsibility for keeping employees' digital skills up to date.
- 38% say employees are responsible and 5% say Government is responsible.
- 20% say they do not have funds to train employees on the job.

Research shows that many individuals recognise the need to improve their IT and digital skills in order to improve their employability and job prospects.

88%	Young people who say digital skills will be essential for their future career
62%	Young people confident they have the basic digital skills employers require
18%	Young people confident they have the advanced digital skills employers require
59%	UK employers who say improving digital skills is important to employability post-pandemic
57%	Furloughed workers who want to improve their digital and IT skills

Source: WorldSkills UK, Learning and Work Institute and Enginuity; Microsoft research; Make it Click

4 Department for Education, "Employer skills survey 2019: England results", October 2020, https://www.gov.uk/government/publications/employer-skills-survey-2019-england-results

Current solutions and interventions

There are numerous initiatives aimed at developing digital skills and providing access to digital equipment and infrastructure. However, the current approach to tackling digital exclusion is fragmented, with initiatives at national, regional and local level, targeting different groups or challenges. It includes UK Government interventions as well as those delivered by the private sector, the education sector and VCSE organisations. Key characteristics of the current support landscape are:

- It is complex and there is little co-ordination, with some initiatives overlapping and some gaps in provision.
- There is a lack of evidence or data to inform and shape the range of initiatives.
- There is a broad range of fully-funded digital skills provision ranging from short basic courses to full-time accredited courses.
- Much of the current provision is not fit for purpose as it is quickly out of date and people want short, practical courses delivered in an informal setting.
- Research suggests a lack of awareness about the provision available and a lack of understanding about individual digital skills needs.
- Some initiatives are short-term in response to the pandemic, but there is a longer-term need for a more co-ordinated and systematic approach.

Summary of key research themes

- People from disadvantaged backgrounds are disproportionately affected by the digital divide.
- There is a lack of co-ordinated activity and no structured approach at a regional or national level and tackling the problem requires ownership.
- There has been a loss of learning for students during the pandemic, particularly for disadvantaged and less able pupils, which has further widened the disadvantage gap.
- More widely, digital exclusion has negative impacts on engagement with learning, access to resources, quality of work, educational outcomes and progress into employment.
- Early intervention and consistent approaches to digital skills development are needed to close the digital divide.
- Digital skills are increasingly essential for most jobs, even at entry level. However, there is a lack of clarity about basic digital skills and no common framework to assess and develop these skills.
- There is a need for more short, focused interventions to develop practical digital skills for work or life, delivered in informal community settings.

Recommendations

Digital exclusion is a large and complex issue that requires interventions across many groups and communities, and a co-ordinated response from education, business, VCSE and the public sector. Nevertheless, the recent momentum achieved towards improving digital inclusion during the pandemic offers a real opportunity to roll out successful approaches more widely across the region in a way that would have a meaningful impact on reducing the digital divide.

The research highlighted priority actions for tackling the economic and skills impacts of digital inclusion, some directly actionable regionally, and others which will require lobbying and influencing with Government and other stakeholders.

- **High profile education and awareness raising activities**
- **Address the problem of access to digital devices**
- **Address the two key connectivity challenges – affordability and rural access**
- **Develop a common framework for essential basic digital skills**
- **Short, practical courses and advice delivered in informal, community- based settings**
- **Prioritise early intervention to develop functional digital skills from a young age**
- **Embed digital skills into the FE and HE curriculum**
- **Map provision to employer needs and incentivise investment in the workforce**