

## **Audit and Standards Committee**

Tuesday 26 April 2022 at 10.00 am

Meeting to be held: Committee Room, Civic Centre, Newcastle upon Tyne, NE1 8QH

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## **AGENDA**

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1. <b>Welcome and Apologies</b>	
2. <b>Declarations of Interest</b>	
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. <b>Agreement of the minutes of the meeting held on 18 January 2022</b>	<b>1 - 8</b>
4. <b>Internal Audit Strategic Audit Plan 2022/23</b>	<b>9 - 20</b>
5. <b>Internal Audit Quarterly Update</b>	<b>21 - 26</b>
6. <b>Proposed Audit and Standards Committee Work Programme 2022/23</b>	<b>27 - 32</b>
7. <b>Review of Audit and Standards Committee Arrangements</b>	<b>33 - 36</b>
8. <b>Strategic Risk and Opportunities Register, Quarterly Update</b>	<b>37 - 68</b>
9. <b>2021/22 Draft Annual Governance Statement</b>	<b>69 - 100</b>
10. <b>Follow up letter to the Audit Completion Report 2020/21</b>	<b>101 - 110</b>
11. <b>Preparation of the 2021/22 Annual Statement of Accounts</b>	<b>111 - 114</b>

12.	<b>Accounting policies to be used in compilation of the 2021/22 Statement of Accounts</b>	<b>115 - 136</b>
13.	<b>Standards Update</b>	<b>137 - 138</b>

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## **Audit and Standards Committee**

18 January 2022

(10.00 - 11.00 am)

Meeting held: Banqueting Hall, Civic Centre, Newcastle upon Tyne, NE1 8QH

### **Draft Minutes**

#### **Present:**

Chair: D Ross

Councillors: C Ferguson, C Hardy, A McMullen, C Penny-Evans, JP Stephenson and C Seymour

#### **11 WELCOME AND APOLOGIES**

The Chair welcomed everyone to the meeting.

Apologies for absence were received from Cllrs Chisholm, Cox, Rankin, and Purvis.

#### **12 DECLARATIONS OF INTEREST**

None.

#### **13 MINUTES OF THE PREVIOUS MEETING HELD ON 23 NOVEMBER 2021**

**RESOLVED** – That the minutes of the meeting held on 23 November 2021 be agreed as a correct record and signed by the Chair.

#### **VARIATION TO AGENDA ORDER**

**AGREED** - To vary the order of the agenda to consider item 6 Audit Completion Report as the next item.

#### **14 AUDIT COMPLETION REPORT**

Submitted: Report by Mazars LLP External Auditors (previously circulated and copy attached to Official Minutes)

G Barker, Mazars LLP (Extremal Auditor), presented the North of Tyne Combined Authority Audit Completion Report 2020/21 which, had been circulated on a supplemental agenda. Reviewing the report, the following key points were highlighted:-

- The audit of the Financial Statements was now substantially complete and it was anticipated that an unqualified audit opinion would be issued. The Financial Statements were being presented to Committee for review and would then be referred to Cabinet on 25 January for approval.
- Value for Money (VfM) – This work had not yet been completed because of constraints nationally in the audit sector. The National Audit Office (NAO) had agreed that auditors may complete VFM work within three months of the sign-off of financial statements. A report would be brought to a future meeting although it was not anticipated that any significant issues would be identified.
- Whole of Government Accounts – Preparation was delayed because Treasury had not yet informed the Authority of its requirements for submission. NAO guidance was also awaited by auditors. Once guidance was received it was expected to complete the work and issue the Assurance Statement quite quickly.
- Executive Summary - There had been no requirement to exercise wider powers and no questions or objections had been received from local electors on the Financial Statements.  
Despite the pandemic there had continued to be effective working with officers in the North of Tyne Combined Authority and their co-operation was appreciated. There had also been effective working with the North East Combined Authority. Work had been undertaken to the same quality standard and with appropriate levels of professional scepticism and challenge.
- Status of Audit (page 8) – There was considered to be very low risk that any significant issues would be identified in work still to be completed. Nevertheless, once Cabinet Approval was received and the Authority was in a position to sign-off the Financial Statements, a follow-up letter would be sent to this Committee and to Cabinet, to identify any additional issues, as necessary, and to confirm the final audit position.
- Audit Approach (page 10) – There had been no change to the plan previously agreed in the Audit Strategy.
- Summary of Significant Findings (page 12) – All significant risks were noted to be typical of large organisations and were not specific to the Authority. There were no issues to report.
- Pensions – This was always a key area of focus for audit. In 2020/21 market volatility had affected asset valuations in the final quarter of 2021. As a consequence, in keeping with the approach taken with other similar organisations, the Authority and its subsidiaries had been asked to seek actuarial updates.  
This had resulted in an increase in pension fund asset value for the Authority of £215k (below the trivial threshold for reporting). For Nexus the increase had been £13.55m of which the Authority's share was £6.035m. This was still not material to the group financial statements and management had determined not to adjust for these. Pension valuations reflected a position at a point in time and did not affect outturn position or resources available to subsidiaries.

- Qualitative Aspects (page 15) - The financial statements complied with CIPFA requirements. Draft accounts had been received from the Authority within required timescales and had been supported by comprehensive working papers.
- Reflecting the delay in completion of work relating to Value for Money and Whole of Government Accounts there would be a delay in the issue of the Audit Certificate to formally close the whole audit process. Appendix B to the report reflected that position. When the Audit Report and opinion on the financial statements was issued, the audited Statements could be published but not the formal completion notice which would invite members of the public to inspect the final audited position. Once all work was finalised a further Audit Certificate would be issued to reflect findings on Value for Money and Whole of Government Accounts. It would be helpful to include this on the website.
- Section 5: Internal Control Recommendations – No recommendations had been identified. Two previous recommendations had now been addressed and closed and one was expected to be closed shortly. For the first time, information relating to Nexus had also been included for which two control issues had been identified but neither were significant.
- Section 6: Summary of Mis-statements – This included the unadjusted mis-statement referred to earlier in connection with Nexus pension asset valuation. There was nothing else significant to note in this regard.
- “Other Issues” – This arose from differences in the estimation techniques used by the North of Tyne Combined Authority and North East Combined Authority to arrive at final financial positions. In 2020/21 this amounted to £553k (£796k last year). Whilst recorded, it was not considered appropriate to report it as an unadjusted mis-statement and no action was required.
- Value for Money (VfM) (page 25) – The approach to VfM reporting was noted to be changing to move away from qualified/unqualified conclusion to narrative comment. In future any significant weakness would be reported with recommendations and would be included in the Audit Report. Feedback on this approach had so far been positive.
- Draft Management Representation Letter (Appendix A) – Noted to be standard.
- Draft Audit Report (Appendix B) – This carried an unqualified clean audit opinion on the financial statements and would highlight the delay with work on VfM and Whole of Government Accounts.
- Independence (App C) – Auditor independence was very important and was continually monitored to identify any perceived weakness. It was considered that appropriate ethical standards and due diligence had been applied.

The Chair thanked G Barker for his comprehensive presentation which had provided the Committee with reassurance in key areas, including work still to be completed. He then invited questions from members.

#### Questions/Comments from Committee members

- (i) A member noted that the status of the Audit was reported as “substantially complete” and queried whether it was envisaged this may result in any significant disclosures. G Barker confirmed that all information had now been reviewed and a few final reports were being completed. It was not anticipated

there would be anything further to be reported by way of material adjustments or final disclosures and it was hoped that all matters would be finalised by the end of January.

- (ii) Reflecting on the causes of delay in the past year, a Board member queried whether any further delays were foreseen in future years. G Barker noted that some of the issues encountered had related to staff leaving (a feature across the sector) as well as to the pandemic. There had been significant recruitment across grades so that teams were up to full establishment and there had also been a focus on retaining staff. New staff would take time to settle in and there was also a backlog of work that had built up. Once this was cleared, the opportunity would be taken to assess the position. Additional staff should mean that there was capacity to complete work more quickly and it was helpful that government recognised the pressures and had already extended the deadline for the 2021/22 accounts to the end of November.
- (iii) A Committee member welcomed earlier statements around the importance of audit independence and asked how a professional audit relationship was maintained. G Barker explained that there were a range of mechanisms in place, including an Annual Declaration of Interest process to identify any potentially problematic connections that may exist. Where these were identified they were managed appropriately.

J Gillespie noted that finance officers also had a responsibility to work to ensure independence. Therefore, where professional financial advice was required this was sought from other external companies.

The Chair concluded that the Committee looked forward to the submission of the Financial Statements to Cabinet for approval on 25 January and receipt of the remaining reports.

**RESOLVED** – That the 2021/22 Audit Completion Report be received.

## 15 **2020/21 ANNUAL GOVERNANCE STATEMENT**

Submitted: Report by Risk Advisor to North of Tyne Combined Authority (previously circulated and copy attached to Official Minutes.

P Slater introduced the report which presented the outcome of the annual review of the Authority's governance and internal control arrangements. Audit and Standards Committee had approved the draft 2020/21 Statement at its July 2021 meeting and there had been no significant weaknesses identified since its approval. One minor amendment had been made to take into account the External Audit Opinion which had since been received.

The report was therefore largely unchanged since consideration in July and was submitted for approval.

**RESOLVED** – That the 2020/21 Annual Governance Statement be approved for inclusion in the final accounts, as attached at Appendix A to the report.

16 **NTCA 2020-21 AUDITED STATEMENT OF ACCOUNTS**

Submitted: Report by Chief Finance Officer (previously circulated and copy attached to Official Minutes)

J Gillespie introduced the report. The Audit and Standards Committee was asked to consider and recommend to Cabinet to approve the North of Tyne Combined Authority (NTCA) 2020-21 Audited Statement of Accounts. In presenting the report the following key points were highlighted:-

- It was noted that that Financial Statements were largely unchanged from those previously presented for discussion.
- The statements were now ready for sign off and it was pleasing to see recognition in the Audit report of the significant effort by officers to reach this stage and that advice previously received around Quality Assurance had been acted upon.
- In preparing the statements there had been significant close working with constituent authorities. Work with the North East Combined Authority and NEXUS would continue around planning and timetabling in relation to preparation of the 2021/22 accounts.

The Chair welcomed the report and acknowledged the work that had gone into the preparation of the statements.

**RESOLVED** – That Committee recommends to Cabinet to approve the North of Tyne Combined Authority (NTCA) 2020-21 Audited Statement of Accounts.

17 **INTERNAL AUDIT 2021/22 QUARTERLY UPDATE REPORT AND DEVELOPMENT OF STRATEGIC AUDIT PLAN 2022/23**

Submitted: Report by Acting Chief Internal Auditor (previously circulated and copy attached to Official Minutes)

K McDonald introduced the report which updated on progress against the 2021/22 Strategic Audit Plan agreed by the Committee at its meeting on 20 April 2021, and on other work undertaken during the year. The update also outlined the proposed approach to preparing the Strategic Audit Plan for 2022/23 for consideration and endorsement and sought to ensure that the Committee, as a key stakeholder in Internal Audit's work, was engaged in the assurance planning process.

In presenting the report the following key points were highlighted:-

- Members were referred to section 1.8 which detailed the 2021/22 quarterly progress update and the status of each item of the Plan. As this had only last been reviewed in November there was little to update.
- Work was also now starting to focus on development of the 2022/23 Strategic Audit Pan. The proposed approach was noted at sections 1.1 to 1.7 of the report. A risk based approach would be used to formulate that Plan which would be brought to the Committee in April for approval. Suggestions around that process would be welcomed.

In discussion the following key points were raised:-

- (i) In response to queries from the Chair, K McDonald confirmed that the risk report presented to Committee in November would be used to build up the Strategic Audit Plan for the coming year. He also confirmed that as well as work to check governance elements, a high priority would be given to ensuring that the Authority had suitable arrangements to deliver its objectives.
- (ii) The Chair also sought confirmation that input from members would be welcome throughout the year, drawing on any issues they became aware of, or any relevant work in their own authorities. K McDonald concurred noting that there was a formal invitation for members to come forward with any issues, suggestions or questions throughout the year and these would be taken on board.

**RESOLVED – That**

- (i) The report be received and update noted;
- (ii) The approach to preparation of assurance coverage and the resulting Strategic Audit Plan for 2022/23 be endorsed; and
- (iii) Committee note the invitation to highlight any areas for consideration by the Chief Internal Auditor, for inclusion in the 2022/23 Strategic Audit Plan.

**18 REVIEW OF AUDIT AND STANDARDS COMMITTEE ARRANGEMENTS**

Submitted: Report by K McDonald, Acting Chief Internal Auditor (previously circulated and copy attached to Official Minutes)

K McDonald presented the report which provided an updated assessment of current Audit and Standards Committee arrangements. The initial assessment, based on CIPFA good practice guidance had been reported to Audit and Standards Committee earlier in the year as a first step in undertaking a full review of Committee effectiveness. The update reflected changes during the current year.

In presenting the report the following key points were highlighted:-

- Committee was referred to the updated self-assessment which had been completed with the Chair and was being presented ahead of a wider review of committee arrangements involving members and other stakeholders.
- The full review for 2021/22 had now begun and the results would form the basis of an annual report from the Committee to Cabinet after year end. The decision to prepare an annual report was noted to have been agreed at the meeting in April 2021.

In discussion the following key points were raised:-

- (i) A member noted that initial discussion on the review had begun in April 2021 and the first Annual report to Cabinet would be presented over a year later. He asked whether the delay would cause any issues and for more detail on the review timescales and member involvement.

K McDonald responded noting changes in committee membership during the year had made it difficult to seek feedback. It was now expected that the first Annual Report would be presented in May/June and that the review process would involve members of the committee. There would be further discussion with the Chair on this.

- (ii) The Chair reported that it was envisaged there would be one to one conversations with members as part of the review. The pandemic had limited the ability to meet in person which had inevitably had an impact on the development of working relationships in the new committee. It was hoped that there would now be scope to develop roles and understand the priorities of Committee members.
- (iii) K McDonald noted that initial focus had been on establishing the core requirements of the new Committee. It was now an appropriate to ask members what they felt was required to help them discharge their duties.

At the request of the Chair, K McDonald then outlined items on the self-assessment where it was considered that the Committee were currently not meeting, or only partially meeting, CIPFA guidance.

- **Item 6: Are arrangements to hold the committee to account for its performance operating satisfactorily?** – Considered to be partly achieved and would be developed through the Annual Report process.
- **Item 8: Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?** – Considered to be partially achieved and would be developed through the Annual Report process
- **Item 9: Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?** – Not yet being undertaken in full. Core items were being carried out but not the other wider areas of possible activity. This would be discussed with committee members.
- **Item 19: Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?** – Similar to earlier questions but again would be covered by the feedback sought in the review and covered in the Annual Report as well as using the opportunity to seek feedback from Cabinet
- **Item 20: Are meetings effective with a good level of discussion and engagement from all the members?** – Considered to be being partially met. The level of debate in committee meetings was increasing as the committee became more established. There had been issues with quorum which again would be explored with members.
- **Item 21: Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?** - Currently assessed as being partially met. Key senior officers regularly attended. There was however scope for more thinking around broader officer attendance to respond to specific findings or particular reports and on the development of the committee's workplan.
- **Items 22 – 25:** These carried some repetition with earlier items. The requirements would be addressed through the review and Annual Report to Cabinet and an action plan would be developed.

The Chair noted that a pulse questionnaire was also being circulated to members of Audit and Standards Committee and Overview and Scrutiny Committee which would also help to inform the overall assessment

**RESOLVED – That**

- (i) The report be received and the updated assessment of Audit and Standards Committee arrangements attached as Annex A be endorsed;
- (ii) Committee note the proposal to complete a full review of the effectiveness of the Combined Authority’s Audit and Standards Committee arrangements, based on relevant legal requirements and the Chartered Institute of Public Finance and Accountancy (CIPFA) good practice guidance, and for this to form the basis of the Committee’s first annual report to Cabinet.

**19 DECISION TO OPT INTO NATIONAL SCHEME FOR AUDITOR APPOINTMENTS FROM APRIL 2023**

Submitted: Report by Chief Finance Officer (previously circulated and copy attached to Official Minutes.

J Gillespie introduced the report which informed members of the proposal for the North of Tyne Combined Authority (NTCA) to ‘opt-in’ to the national scheme of appointing local auditors for the five consecutive financial years commencing 1 April 2023, operated by Public Sector Audit Appointments Ltd (“PSAA Ltd”).

The Committee was advised that options existed in the mechanisms by which the Authority appointed external auditors to either opt into the PSAA arrangement or to choose to tender to appoint its own external auditors. The Authority had currently contracted for audit services with the PSAA through the 2021/22 financial year. The recommendation to continue this from 1 April 2023 reflected that the PSAA process had been cost effective and had delivered an independent auditor able to meet service requirements. It also gave the Authority capacity to use the PSAA should there be a requirement to do so for commercial services.

In response to a query J Gillespie confirmed that delays this year with audit sign-off were not felt to be a result of PSAA arrangements and related to issues being experienced nationally in the audit sector at present.

**RESOLVED – That** Audit and Standards Committee recommend to Cabinet to accept the proposal for the North of Tyne Combined Authority to ‘opt-in’ to the national scheme of appointing local auditors for the five consecutive financial years commencing 1 April 2023 operated by Public Sector Appointments Ltd (“PSAA Ltd”).

**20 DATE AND TIME OF NEXT MEETING**

Tuesday 26 April 2022 at 10.00 am.

## Audit and Standards Committee

26 April 2022

**Subject:** Internal Audit Strategic Audit Plan – 2022/23

**Report of:** Kevin McDonald, Acting Chief Internal Auditor

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### Report Summary

The purpose of this report is to outline the proposed Strategic Audit Plan for 2022/23 for consideration and endorsement by the Audit and Standards Committee.

### Recommendations

The Audit and Standards Committee is recommended to consider and endorse the proposed Strategic Audit Plan 2022/23, attached as Appendix A, which is based on an assessment of audit risk and designed to focus on the North of Tyne Combined Authority's key objectives in the 2022/23 year.

#### 1. Background Information, Proposals and Timetable for Implementation

##### Proposed Internal Audit Plan for 2022/23

- 1.1 A copy of the Strategic Audit Plan 2022/23 is attached at Appendix A. The plan sets out detailed assurance coverage, following an assessment of audit risk and following engagement with senior officers. The Strategic Audit Plan helps to ensure that internal auditing can fulfil its prescribed definition as “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes” as established by the Public Sector Internal Audit Standards.
- 1.2 Although less likely than in previous years, issues may emerge from the pandemic situation. As the situation continues to be dynamic Internal Audit will continue to reassess the emerging risk profile of the organisation and its impact on assurance requirements, to ensure that audit resources are utilised in the most efficient way.
- 1.3 Progress against the Strategic Audit Plan will be reported to the Audit & Standards Committee throughout the year, along with any proposed revisions and key outcomes from work. A final outturn report and the Chief Internal Auditor’s annual opinion on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control for 2022/23 will be reported to the Audit & Standards Committee in July 2023.

## **2. Potential Impact on Objectives**

- 2.1 The North of Tyne Combined Authority Corporate Plan sets out the strategic objectives and priorities of the Combined Authority. The work of Internal Audit and Audit and Standards Committee contributes to the overall achievement of the Authority's objectives and priorities.

## **3. Key Risks**

- 3.1 The Internal Audit coverage proposed in this report is based on an assessment of audit risk, both that inherent in organisational service delivery and also those risks and opportunities associated with the North of Tyne Combined Authority's main aims. As such, Internal Audit is a key strand in the governance arrangements of the North of Tyne Combined Authority and an integral tool in managing risk.

## **4. Financial and Other Resources Implications**

- 4.1 There are no direct financial or other resource implications arising from the recommendations set out in this report. Through its review of a range of audit, accounting and governance related items, the Audit and Standards Committee assesses the Authority's use of financial resources and value for money.

## **5. Legal Implications**

- 5.1 The Cities and Local Government Devolution Act 2016 established the requirement for Combined Authorities to appoint an audit committee whose functions include reviewing and assessing the authority's risk management, internal control and corporate governance arrangements.
- 5.2 The Accounts and Audit Regulations 2015 are a statutory instrument and require the Authority to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.
- 5.3 The Public Sector Internal Audit Standards and related Local Government Application Note establish the professional standards Internal Audit must apply when planning the use of its resources.
- 5.4 The Strategic Audit Plan 2022/23 has been prepared in accordance with both the Accounts and Audit Regulations, and the Public Sector Internal Audit Standards.

## **6. Equalities and Implications**

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

## **7. Inclusive Economy Implications**

- 7.1 There are no direct inclusive economy implications arising out of the recommendations in this report. The Audit and Standards Committee is mindful of the NTCA's inclusive economy ambitions.

## **8. Climate Change Implications**

- 8.1 There are no direct climate change implications arising out of the recommendations in this report. The Audit and Standards Committee is aware of NTCA's net zero transition ambitions and that the three constituent Local Authorities have declared a Climate Emergency.

## **9. Consultation and Engagement**

- 9.1 The Managing Director, Chief Finance Officer and Director of Policy and Performance were consulted in preparation of Internal Audit's proposed 2022/23 coverage.

## **10. Appendices**

Appendix A - Strategic Audit Plan 2022/23.

## **11. Background Papers**

- (a) [Development of Strategic Audit Plan 2022-23 Report to Audit and Standards Committee, January 2022](#)
- (b) [Public Sector Internal Audit Standards, Chartered Institute of Public Finance & Accountancy / Institute of Internal Auditors, April 2017](#)
- (c) Local Government Application Note for the UK Public Sector Internal Audit Standards, Chartered Institute of Public Finance & Accountancy / Institute of Internal Auditors, February 2019
- (d) [The Accounts and Audit Regulations 2015, April 2015](#)
- (e) [The Cities and Local Government Devolution Act 2016](#)
- (f) [North of Tyne Combined Authority Constitution, November 2018](#)

## **12. Contact Officers**

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## **13. Glossary**

None

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<p><b>NORTH OF TYNE</b> ~~~~~ <b>COMBINED AUTHORITY</b></p>	<p><b>Internal Audit Report:</b></p> <p><b>Strategic Audit Plan 2022/23</b></p>
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## 1 Introduction

- 1.1 The Public Sector Internal Audit Standards (PSIAS) published by the Chartered Institute of Public Finance and Accountancy/Chartered Institute of Internal Auditors describe Internal Audit as “*an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes*”. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- 1.2 Internal Audit is an independent resource available to assist the organisation to explore areas of potential efficiency, and matters of probity and internal control. We seek to use our business intelligence and knowledge of the Combined Authority to make sensible, informed recommendations for improvement, and thus contribute to the effective running of the organisation.
- 1.3 Internal Audit provides assurance to the organisation that controls established to manage risks to the achievement of the Combined Authority’s objectives are operating effectively. This has a positive impact on the risk environment, informing management whether the action which they are taking to control and manage risks is working as it should.
- 1.4 The Strategic Audit Plan has been prepared in accordance with the current PSIAS. These standards build upon the good practice set out in previous professional regulations, including audit planning requirements, and have the force of law. Preparation has involved establishing a risk-based plan to determine the priorities of internal audit activity, consistent with the organisation’s goals and the aspirations of key stakeholders with regard to assurance activity for the Combined Authority.
- 1.5 The Strategic Audit Plan, which is included in section 9, helps to ensure that Internal Audit is able to meet its objectives as an independent assurance function for the Combined Authority and to provide an independent and objective opinion to the organisation on the adequacy and effectiveness of the framework of governance, risk management, and control. Internal Audit must be independent in its planning and operation. Accordingly, in producing the Strategic Audit Plan, the Chief Internal Auditor is required to determine the priorities of Internal Audit, following consultation with stakeholders and assessment of risk, and to present this Plan to senior management and the Board (Audit and Standards Committee) for review and approval.

## 2 Period Covered by the Strategic Audit Plan

- 2.1 The Strategic Audit Plan sets out the assurance coverage which Internal Audit will deliver within the coming financial year, 2022/23. The Plan needs to be realistic and achievable, and sufficiently flexible to respond to changing priorities as they occur.

- 2.2 On an annual basis, the areas which may benefit from audit review, and the audit risk associated with the Combined Authority's operations are reassessed. Every year, an updated Strategic Audit Plan is presented to the Audit and Standards Committee for approval in line with the PSIAS. The key objectives for the audit reviews identified to take place during 2022/23 are shown in section 9 of this document.

### **3 Risk Assessment and Audit Planning**

- 3.1 It is important that audit resources are targeted at areas in which audit coverage will produce greatest benefit. Risk-based internal auditing requires Internal Audit to understand and analyse management's assessment of risk, and base audit efforts around this assessment of risk to the organisation.
- 3.2 The risks contained within the Strategic Risk Register were reviewed and discussed with risk owners and consultation has been undertaken with the Managing Director, Chief Finance Officer and Director of Policy and Performance. Potential assurance requirements were discussed, and views were sought on any additional areas considered worthy of audit review over the course of the Strategic Audit Plan.
- 3.3 Following this risk assessment and client engagement, a number of areas have been prioritised by Internal Audit in this Plan. Changes in the risk environment along with progress against the Plan will continue to be monitored and assessed throughout the year, and the results of this assessment used to inform in-year and future audit priorities. This includes continuing to monitor any further impact of the Covid-19 pandemic on the Combined Authority's risk profile, and whether changes to Internal Audit's planned assurance coverage is required. This ensures that the Plan remains flexible and reflects the evolving risks facing the Combined Authority.
- 3.4 The Strategic Audit Plan has therefore been based on an assessment of the Combined Authority's objectives and business goals, risks facing the organisation and its achievement of these goals, known strengths and weaknesses in the internal control system, the Accounts and Audit Regulations 2015, and the views of consultees.

### **4 Internal Control: Roles of Management and of Internal Audit**

- 4.1 It is a management responsibility to establish effective internal controls, in order that activities are conducted in an efficient and well-ordered manner. Internal control comprises the whole system of controls and systems, financial and otherwise, established by management to:
- safeguard assets and prevent fraud;
  - ensure the completeness and reliability of records;
  - monitor adherence to laws, regulations, policies and directives;
  - promote operational efficiency and good value for money; and
  - manage risk.
- 4.2 Amongst its responsibilities, Internal Audit examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources. Internal Audit will assist management of the organisation in delivering the objectives of the Combined Authority through assessing exposure to risk and recommending, where appropriate, practical improvements to the control environment. Internal Audit's remit includes:

- assessing if operations are being carried out as planned, and if objectives / goals are being achieved;
- assessing the adequacy of systems established to ensure compliance with policies, plans, procedures, laws and regulations, i.e. rules established by the management of the organisation or externally;
- assessing the completeness, reliability and integrity of information, both financial and operational;
- assessing the extent to which the Combined Authority's assets, data and interests are properly accounted for and safeguarded from losses of all kinds, including fraud, corruption, waste, extravagance, abuse, ineffective management and poor value for money; and
- assessing the economy, efficiency and effectiveness with which resources are deployed.

4.3 It is usual that a project brief is produced and distributed prior to an audit starting so that the objectives of the audit and approach to be adopted are understood by both Internal Audit and the audit client.

### **5 Quality Standards**

5.1 As outlined above, Internal Audit will adopt the good practice set out in the PSIAS in the conduct of its assurance coverage for the North of Tyne Combined Authority.

5.2 The PSIAS incorporate a Code of Ethics for internal auditors, and a number of clear attribute and performance standards with which Internal Audit functions are required to comply.

### **6 Resource Management**

6.1 The Chief Internal Auditor must ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan and an indicative resource allocation has been identified for the 2022/23 audit of the North of Tyne Combined Authority. This will continue to be reviewed in conjunction with the Chief Finance Officer.

### **7 Key Themes in the Strategic Audit Plan, 2022/23**

7.1 Based on Internal Audit's assessment of risk, including knowledge of the Combined Authority's internal controls, areas of strength and weakness and the Combined Authority's priorities, the Strategic Audit Plan is detailed in section 9 below.

7.2 The Strategic Audit Plan recognises Internal Audit's Project Assurance role. This increasing role involves advising on, and challenging, the approach to internal control within new or improved systems and methods of service delivery. By undertaking this role, the Internal Audit Service proactively acts as a partner to the business and adds maximum value to service improvement, in order to assist the organisation to achieve its objectives. This aspect of Internal Audit's role has increased in prominence over recent years.

7.3 As well as offering Advice & Programme Assurance, the Plan highlights key prioritised areas of assurance coverage. Two audits originally planned for 2021/22, Monitoring of Grant Conditions and OPS Project & Grant Management System, have been reprogrammed into 2022/23. The OPS Project & Grant Management audit was deferred at the request of the client, and will now be included as part of a wider review of performance management arrangements. Realignment of audit work is a normal part of

the audit planning and management process, and reflects that work is undertaken on a dynamic basis to ensure optimal timing and effectiveness.

- 7.4 In addition to the above, reviews of key governance arrangements, including monitoring the effectiveness of Business Continuity, Performance Management and Net Zero Transition Arrangements have been identified for review in this year's Plan.
- 7.5 Time has also been allocated for taking part in the Cabinet Office's National Fraud Initiative data matching exercise. This will include coordination and management of data upload, and reviewing of any matches that are returned. Data relating to trade creditors and payroll will be submitted for the exercise.

### **8 Annual Opinion on the adequacy of the framework of governance, risk management and control**

- 8.1 An annual opinion on the 'adequacy and effectiveness of the framework of governance, risk management and control' will be drafted and presented to the Managing Director and Section 73 Officer, and Audit and Standards Committee, outlining the audit work performed during the year and summarising key themes.
- 8.2 The undertaking to present an annual opinion of this nature means that the Chief Internal Auditor must have unrestricted access to all aspects of the Combined Authority's operations.

## Section 9: North of Tyne Combined Authority - Strategic Internal Audit Plan 2022/23

Advice & Programme Assurance

Auditable Area	Audit Objectives
Advice & Guidance  Contingencies & Work Requests  Fraud & Special Investigations	<ul style="list-style-type: none"> <li>• Responding to ad-hoc queries and requests for advice</li> <li>• Responding to requests for one-off audit assignments, where it is considered that audit involvement is necessary</li> <li>• Responding to allegations of fraud, if such allegations are received, and</li> <li>• Assess whether appropriate consideration has been given to internal control &amp; governance issues when new systems are introduced.</li> </ul>
Programme Assurance – New Systems / Methods of Service Delivery	No specific areas were identified during the audit Plan engagement process, but time has been set aside to provide support to the Combined Authority as it establishes new, or changes, systems and processes throughout the financial year.

Corporate and Cross Cutting

Auditable Area	Audit Objectives
Annual Opinion	An annual opinion on the adequacy and effectiveness of the framework of governance, risk management and control will be drafted and presented to the Chief Executive, Section 73 Officer, and Audit and Standards Committee, outlining the audit work performed during the year, summarising key themes and evaluating the control framework.
Follow up of Recommendations	Monitoring the implementation of Internal Audit recommendations, in consultation with the service areas which have received these recommendations. This will take the form of following up and evidence checking recommendations from those internal audits undertaken during 2020/21 and 2021/22.

Governance Reviews

Auditable Area	Audit Objectives
Monitoring of grant conditions (in respect of grant funding both received by NTCA and issued by NTCA)	<p>Whenever grant funding is issued to and accepted by an entity, the funding will be required to deliver specified objectives and outcomes. In order to exercise good governance over such external funding, it is essential that grant conditions and required outcomes are monitored. This applies to NTCA in two key ways:</p> <p>a) NTCA has been the recipient of grant funding and must demonstrate that grant conditions have been met.  b) NTCA has issued funding to other organisations to which grant conditions should apply. It is essential that NTCA assures itself that this grant funding issued is being used for the purposes specified and delivering the outcomes required.</p> <p>This audit will therefore examine and evaluate the arrangements established by NTCA to monitor its own grant conditions as a grant funding recipient and ensure that specified outcomes are delivered; and secondly, to assess arrangements within NTCA as a grant funder to set appropriate grant conditions when issuing funding to other organisations and monitor and evidence compliance with those grant conditions. In this respect the audit will build upon the Investment Fund audit undertaken in 2019/20 when the Combined Authority was at an embryonic stage in establishing its Investment Fund arrangements.</p>
Business Continuity Arrangements	<p>The audit will assess NTCA's business continuity arrangements and evaluate the arrangements established to provide effective support to the organisation in the event of major disruption. The scope of the audit will include assessment of key areas such as:</p> <ul style="list-style-type: none"> <li>• Critical activities and interdependencies are identified</li> <li>• Plans are regularly tested and reviewed to ensure they remain fit for purpose</li> <li>• Plans enable management to command, control and coordinate in the event of incidents, and</li> <li>• Plans are properly communicated, and key officers understand their roles.</li> </ul>
Performance Management	<p>To determine the extent to which NTCA's performance management arrangements are aligned to the organisation's corporate plan objectives, including Inclusive Economy and Innovation in Recovery, and whether performance management arrangements cascaded through the Authority are likely to support delivery of achievement of planned outcomes. The audit will include a review of the OPS Project and Grant Management System.</p>

Auditable Area	Audit Objectives
Operational Capacity and Resources	<p>The audit will examine the arrangements in place within the Authority to ensure that as the organisation continues to develop, it has the necessary operational capacity, skills and expertise available in order to successfully deliver agreed objectives, plans and responsibilities.</p> <p>It is envisaged that this audit will include a review of the workforce planning framework, recruitment and retention and flexibility of resource, in conjunction with planned objectives.</p>
Net Zero Transition	To review the plans in place to deliver the Authority's Net Zero Transition priorities, to assess the extent to which planned actions will support achievement of the organisation's objectives in this area.

### Financial Systems & Probity

Auditable Area	Audit Objectives
National Fraud Initiative (NFI)	The NFI is the Cabinet Office's data matching exercise to prevent and detect fraud. All bodies participating in the NFI receive reports of matches that they should investigate, to detect instances of fraud, over or under-payments, and other errors. Results from the data that will be submitted in October 2022 will be available to review from approximately January 2023. Internal Audit will undertake an analysis of the results and liaise with Combined Authority staff to ensure appropriate follow-up action is undertaken should it be required.

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## Audit and Standards Committee

26 April 2022

**Subject: Internal Audit Quarterly Update Report**

**Report of: Kevin McDonald, Acting Chief Internal Auditor**

### Report Summary

A quarterly update from Internal Audit is included within the Work Programme for the Audit & Standards Committee at each scheduled meeting during the year. This report provides Audit & Standards Committee with an update on progress against the 2021/22 Internal Audit Plan, agreed by the Audit and Standards Committee at its meeting on 20 April 2021, and any other work undertaken during 2021/22.

### Recommendations

The Audit and Standards Committee is recommended to consider and note Internal Audit's report.

#### 1. Background Information, Proposals and Timetable for Implementation

- 1.1 The Internal Audit Plan approved by Audit and Standards Committee on 20 April 2021 set out a number of assignments. A summary of each of these, and any other work undertaken during 2021/22 is provided below.

#### Current Work

Area of Review	Description of Assignment and Current Status
<b>Key Finance Systems</b>	<p>The key financial systems are fundamental to internal financial control and management, as they are the systems by which the Combined Authority's income is received and disbursed. The Combined Authority needs to be assured that high standards of probity are present in these systems. During 2021/22 Internal Audit's review of the key financial systems will focus on the following areas:</p> <ul style="list-style-type: none"> <li>• Creditor Payments</li> <li>• Payroll</li> <li>• Budget Monitoring and Reporting</li> </ul> <p>The work will also provide a degree of assurance for the North East Local Enterprise Partnership where they utilise the Combined Authority's key systems within the scope of the audit.</p> <p>A draft report has been issued to the client for consideration and discussion.</p>

Area of Review	Description of Assignment and Current Status
<b>Certification of Grant Returns</b>	<p>Internal Audit are in the process of finalising a grant certification on behalf of the NELEP, in relation to funding provided by the Department for Business, Energy and Industrial Strategy for Peer Networks (approx. £0.3m).</p> <p>A further three grant certifications are scheduled for completion by the end of May 2022:</p> <ul style="list-style-type: none"> <li>• Brownfield Housing (NTCA)</li> <li>• Growth Hub Funding</li> <li>• Made Smarter</li> </ul>
<b>Governance Arrangements in relation to the North East Local Enterprise Partnership (NELEP)</b>	<p>This audit is underway and will review the financial management, decision-making and reporting arrangements established between the Combined Authority and NELEP to ensure these adequately serve the Combined Authority's role as accountable body for the NELEP.</p>
<b>Governance arrangements and Service Level Agreements</b>	<p>This assignment is underway. A number of SLAs have received coverage through other audit work, such as the Key Finance Systems, and the remaining key SLAs will be covered in this audit as agreed with the Director of Policy and Performance.</p> <p>The overall scope and objective of the work is:</p> <p>The Combined Authority has a number of Service Level Agreements (SLAs) in place with its constituent local authorities for the provision of key support services including HR and Payroll, Legal, Internal Audit, Finance, Risk Management, Data Protection, Democratic Services, IT and Procurement. This audit will examine the arrangements for key governance functions and monitoring the effectiveness of and compliance with the SLAs in place.</p>

#### Work Scheduled / Deferred

Area of Review	Description of Assignment and Current Status
<b>Monitoring of grant conditions (in respect of grant funding both received by NTCA and issued by NTCA)</b>	<p>This audit will examine and evaluate the arrangements established by NTCA to monitor its own grant conditions as a grant funding recipient and ensure that specified outcomes are delivered; and also to assess arrangements within NTCA as a grant funder to set appropriate grant conditions when issuing funding to other organisations and monitor and evidence compliance with those grant conditions. In this respect the audit will build upon the Investment Fund audit undertaken in 2019/20 when the Combined Authority was at an embryonic stage in establishing its Investment Fund arrangements.</p> <p><b>This audit is scheduled to commence in May 2022.</b></p>

Area of Review	Description of Assignment and Current Status
<b>Information Systems and Technology</b>	<p>Review of IT system controls in place within the OPS Project and Grant Management System. We will continue to offer advice and guidance on system controls during the final development and implementation stage should this be requested and look to provide early assurance once the system is operational.</p> <p><b>This audit was scheduled to commence early in 2022 but has been deferred at the request of the Director Policy and Performance. This work will be incorporated into a wider review of Performance Management, included as part of the 2022/23 Internal Audit Plan.</b></p>

### Work Previously Completed and Reported During 2021/22

Area of Review	Description of Assignment and Current Status
<b>Arrangements for ensuring and evidencing delivery of the Devolution Deal</b>	<p>The objective of this audit was to review the arrangements established by the Combined Authority to ensure delivery of key outcomes and outputs, as enshrined in the Devolution Deal, can be clearly evidenced. The audit provided a <b>Significant Assurance</b> audit opinion on those aspects of the Combined Authority's arrangements examined as part of the audit.</p> <p>The review identified a number of areas of good practice, including documentation of performance indicator definitions, and regular reporting of performance.</p> <p>A small number of areas requiring further development were identified, with four medium priority and two low priority recommendations agreed with management. In respect of medium priority recommendations, these related to defining a methodology for calculating Gross Value Added and reporting this figure annually, formalising the reporting of performance against shorter term targets, and developing the reporting capability of the NE OPS performance management system.</p> <p>Overall, the audit concluded that foundations of effective performance management arrangements were in place and appropriate performance information is being collected and reported.</p>
<b>Evidence Checking of Recommendations</b>	<p>In accordance with Internal Audit's established processes, evidence checking is undertaken in relation to the implementation of medium priority recommendations that have passed their agreed implementation date. During the audit of Policy Framework – Governance Arrangements, two medium priority recommendations were agreed with management relating to developing the framework for controlling policy documents (including policy development and review, and approval and implementation), and establishing the required level and frequency of training and ensuring compliance.</p> <p>Internal Audit's follow-up work confirmed that both recommendations have been implemented.</p>

Area of Review	Description of Assignment and Current Status
<b>Annual Opinion 2020/21</b>	This report was presented to the Audit and Standards Committee on 20 July 2021. The opinion of the Chief Internal Auditor was that the framework of governance, risk management and control for 2020/21 was satisfactory overall, at that stage in the Combined Authority's development and given the range of responsibilities it is required to discharge. This was a positive assessment of the control environment of the organisation.
<b>National Fraud Initiative Data Matching Exercise</b>	<p>The objective of this work was to investigate any 'matches' that were identified through the Combined Authority's participation in the Cabinet Office's National Fraud Initiative (NFI) data matching exercise. In summary, the exercise is a national scheme which helps with the prevention and detection of fraud. Data sets, such as trade creditors, are shared with the Cabinet Office by the participants who then analyse the data using analytics tools to identify matches. The matches do not necessarily mean that there is an issue, but highlight this for review locally.</p> <p>The exercise identified a small number of matches in relation to the data submitted by the Combined Authority. The majority of these were matches relating to trade creditors that required review to determine if duplicate invoice payments had been made. All matches were reviewed and no issues in respect of fraud or duplicate payments were identified.</p>
<b>Certification of NELEP Grant Returns</b>	<p>Internal Audit undertook grant certification work totalling £0.831m on behalf of the NELEP in relation to the following 2020/21 grant funding awarded by the Department for Business Energy and Industrial Strategy (BEIS):</p> <ul style="list-style-type: none"> <li>• Core Growth Fund - £0.410m</li> <li>• Supplementary Growth Fund 20/21 - £0.311m</li> <li>• EU Transition Business Readiness Grant - £0.110m</li> </ul>
<b>Brownfield Housing Fund Grant Claim Certification</b>	The Combined Authority was awarded £23.8million by the then Ministry of Housing, Communities and Local Government over a five-year period to unlock between 1,500 and 2,500 new homes. Internal Audit has performed certification of expenditure of £0.585m in respect of year one of the programme.

## 2. Potential Impact on Objectives

- 2.1 The North of Tyne Combined Authority Corporate Plan sets out the strategic objectives and priorities of the Combined Authority. The work of Internal Audit and Audit and Standards Committee contributes to the overall achievement of the Authority's objectives and priorities.

### **3. Key Risks**

- 3.1 Internal Audit coverage is based on an assessment of audit risk, both that inherent in organisational service delivery and also those risks and opportunities associated with the North of Tyne Combined Authority's main aims. As such, Internal Audit is a key strand in the governance arrangements of the North of Tyne Combined Authority and an integral tool in managing risk.

### **4. Financial and Other Resources Implications**

- 4.1 There are no direct financial or other resource implications arising from the recommendations set out in this report. Through its review of a range of audit, accounting and governance related items, the Audit and Standards Committee assesses the Authority's use of financial resources and value for money.

### **5. Legal Implications**

- 5.1 The Cities and Local Government Devolution Act 2016 established that Combined Authorities must arrange for the appointment of an Audit Committee and sets out the functions of the Audit Committee. This includes reviewing and assessing the authority's risk management, internal control and corporate governance arrangements.
- 5.2 The Accounts and Audit Regulations 2015 are a statutory instrument and require the Authority to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.
- 5.3 The Public Sector Internal Audit Standards and related Local Government Application Note establish the professional standards Internal Audit must apply when planning the use of its resources. This report and the Internal Audit Strategic Plan 2021/22 have been prepared in accordance with both the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards.

### **6. Equalities and Implications**

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

### **7. Inclusive Economy Implications**

- 7.1 There are no direct inclusive economy implications arising out of the recommendations in this report. The Audit and Standards Committee is mindful of the NTCA's inclusive economy ambitions.

## 8. Climate Change Implications

- 8.1 There are no direct climate change implications arising out of the recommendations in this report. The Audit and Standards Committee is aware of NTCA's net zero transition ambitions and that the three constituent Local Authorities have declared a Climate Emergency.

## 9. Consultation and Engagement

- 9.1 The Managing Director, Chief Finance Officer and Director of Policy and Performance were consulted in preparation of Internal Audit's 2021/22 audit coverage.

## 10. Appendices

None

## 11. Background Papers

- (a) [Internal Audit Strategic Audit Plan 2021/22](#)
- (b) [Cities and Local Government Devolution Act 2016](#)
- (c) [Accounts and Audit Regulations 2015](#)
- (d) [Public Sector Internal Audit Standards, Chartered Institute of Public Finance & Accountancy / Institute of Internal Auditors, April 2017](#)
- (e) Local Government Application Note for the UK Public Sector Internal Audit Standards, Chartered Institute of Public Finance & Accountancy / Institute of Internal Auditors, February 2019

## 12. Contact Officers

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## 13. Glossary

Abbreviation	Description
NFI	National Fraud Initiative - The Cabinet Office's data matching exercise
NELEP	North East Local Enterprise Partnership

## **Audit and Standards Committee**

26 April 2022

**Subject: Proposed Audit and Standards Committee Work Programme – 2022/23**

**Report of: Kevin McDonald, Acting Chief Internal Auditor  
John Softly, Interim Monitoring Officer**

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### **Report Summary**

This report sets out a proposed programme of core business to be considered by the Audit and Standards Committee during the 2022/23 Municipal Year, in line with its Terms of Reference as set out in the Combined Authority's Constitution.

### **Recommendations**

The Audit and Standards Committee is recommended to:

- (a) Agree the proposed core business work programme set out within this report for the 2022/23 Municipal Year;
- (b) Note that it may be necessary to change or adapt the proposed reports to be considered, to ensure optimum timing of consideration of governance issues and to respond to emerging trends during the year; and
- (c) Note that the Committee will receive additional reports on any ad-hoc items of business arising during the year, as these relate to its responsibilities under its Terms of Reference;

#### **1. Background Information, Proposals and Timetable for Implementation**

- 1.1 Having regard to the Audit and Standards Committee's responsibilities as set out in its Terms of Reference in the Constitution, a proposed core programme of work has been developed. This work programme aims to ensure that the Committee is properly able to discharge its duties effectively and efficiently, strengthening the Combined Authority's overall governance arrangements, and to highlight which reports are planned for presentation to each meeting in the 2022/23 Municipal Year.
- 1.2 The Terms of Reference agreed by the Cabinet in November 2018 and set out in the Combined Authority's Constitution, identify a number of clear roles for the Audit and Standards Committee to discharge throughout the course of the year and ensure compliance with the functions established by the Cities and Local Government Devolution Act 2016. Some aspects of the Committee's business are time-bound in nature (e.g. relating to the Combined Authority's Accounts, or agreeing future plans of work), whilst other items can reasonably be considered at any point during the year allowing some flexibility in planning the work programme of the Committee.

## **Programme of Core Business**

- 1.3 The following programme of core business for the Audit and Standards Committee during the 2022/23 Municipal Year is proposed. This sets out the suggested timing and frequency of reports in the coming year, allowing the responsibilities as set out in the Constitution to be met.

<b>Month</b>	<b>Item of Business</b>
<b>July 2022</b>	<p><u>Internal Audit</u></p> <ul style="list-style-type: none"> <li>• Chief Internal Auditor's Annual Opinion on the Framework of Governance, Risk Management and Control (2021/22)</li> <li>• Quarterly Update Report</li> </ul> <p><u>Risk Management</u></p> <ul style="list-style-type: none"> <li>• Strategic Risk Review</li> </ul> <p><u>Finance</u></p> <ul style="list-style-type: none"> <li>• Draft Statement of Accounts (2021/22)</li> <li>• Draft Annual Governance Statement (2021/22)</li> </ul> <p><u>External Audit</u></p> <ul style="list-style-type: none"> <li>• Audit Progress Report</li> <li>• Audit Strategy Memorandum (2021/22)</li> </ul> <p><u>Standards</u></p> <ul style="list-style-type: none"> <li>• Standards Update (as appropriate)</li> </ul>
<b>November 2022</b>	<p><u>Internal Audit</u></p> <ul style="list-style-type: none"> <li>• Quarterly Update Report</li> </ul> <p><u>Risk Management</u></p> <ul style="list-style-type: none"> <li>• Strategic Risk Review</li> </ul> <p><u>Finance</u></p> <ul style="list-style-type: none"> <li>• Final Statement of Accounts (2021/22)</li> <li>• Final Annual Governance Statement (2021/22)</li> </ul> <p><u>External Audit</u></p> <ul style="list-style-type: none"> <li>• Audit Completion Report (2021/22)</li> </ul> <p><u>Standards</u></p> <ul style="list-style-type: none"> <li>• Standards Update (as appropriate)</li> </ul>
<b>January 2023</b>	<p><u>Internal Audit</u></p> <ul style="list-style-type: none"> <li>• Preparation of Strategic Audit Plan (2023/24)</li> <li>• Quarterly Update Report</li> </ul> <p><u>External Audit</u></p> <ul style="list-style-type: none"> <li>• Audit Progress Report</li> <li>• Auditor's Annual Report (2021/22)</li> </ul> <p><u>Standards</u></p> <ul style="list-style-type: none"> <li>• Standards Update (as appropriate)</li> </ul>

Month	Item of Business
April 2023	<p data-bbox="472 273 651 302"><u>Internal Audit</u></p> <ul data-bbox="520 309 1374 533" style="list-style-type: none"> <li data-bbox="520 309 983 338">• Internal Audit Quarterly Update</li> <li data-bbox="520 344 1150 374">• Internal Audit Strategic Audit Plan (2023/24)</li> <li data-bbox="520 380 1374 454">• Audit and Standards Committee Work Programme – 2023/24 Municipal Year</li> <li data-bbox="520 461 1257 533">• Audit and Standards Committee Self-Assessment of Effectiveness</li> </ul> <p data-bbox="472 562 707 591"><u>Risk Management</u></p> <ul data-bbox="520 598 858 627" style="list-style-type: none"> <li data-bbox="520 598 858 627">• Strategic Risk Review</li> </ul> <p data-bbox="472 667 576 696"><u>Finance</u></p> <ul data-bbox="520 703 1439 853" style="list-style-type: none"> <li data-bbox="520 703 1439 777">• Report on accounting policies to be used in Compilation of Annual Statement of Accounts (2022/23)</li> <li data-bbox="520 784 1439 813">• Report on preparation of Annual Statement of Accounts (2022/23)</li> <li data-bbox="520 819 1185 848">• Draft Annual Governance Statement (2022/23)</li> </ul> <p data-bbox="472 898 655 927"><u>External Audit</u></p> <ul data-bbox="520 934 1082 1005" style="list-style-type: none"> <li data-bbox="520 934 863 963">• Audit Progress Report</li> <li data-bbox="520 969 1082 999">• Audit Strategy Memorandum (2022/23)</li> </ul> <p data-bbox="472 1043 603 1072"><u>Standards</u></p> <ul data-bbox="520 1079 1031 1108" style="list-style-type: none"> <li data-bbox="520 1079 1031 1108">• Standards Update (as appropriate)</li> </ul>

1.4 In addition to these core business items, it may also be necessary to update the Audit and Standards Committee on an ad-hoc basis, as relevant and topical areas arise during the year. Accordingly, the Audit and Standards Committee will receive additional reports on emerging issues and trends as appropriate.

1.5 The proposed work programme should be treated as a helpful guide, and it may be necessary to alter or amend the proposed timing of reports during the year as work progresses. Where this is the case, the relevant report author will be responsible for informing the Chair of the Audit and Standards Committee, and Democratic Services, of any changes to proposed reporting.

**2. Potential Impact on Objectives**

2.1 The North of Tyne Combined Authority Corporate Plan 2021-22 sets out the strategic objectives of the Authority. The work of Internal Audit and Audit and Standards Committee contributes to the overall achievement of the Authority’s plans and priorities.

**3. Key Risks**

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

#### **4. Financial and Other Resources Implications**

- 4.1 There are no direct financial or other resource implications arising from the recommendations set out in this report. Through its review of a range of audit, accounting and governance related items, the Audit and Standards Committee assesses the Authority's use of financial resources and value for money.

#### **5. Legal Implications**

- 5.1 The Cities and Local Government Devolution Act 2016 established the requirement for Combined Authorities to appoint an audit committee whose functions include; reviewing and scrutinising the authority's financial affairs; reviewing and assessing the authority's risk management, internal control and corporate governance arrangements; reviewing and assessing the economy, efficiency and effectiveness with which resources have been used in discharging the authority's functions; and making reports and recommendations to the combined authority in relation to reviews conducted in accordance with these functions.
- 5.2 The Accounts and Audit Regulations 2015 are a statutory instrument and require the Authority to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance; to have a sound system of internal control; to maintain appropriate accounting records and control systems; and to prepare and publish a statement of accounts in accordance with proper practices in relation to accounts.
- 5.3 The proposed work programme reflects the requirements of the Cities and Local Government Devolution Act 2016, the Accounts and Audit Regulations 2015 and the Accounts and Audit (Amendment) Regulations 2021 and will help the North of Tyne Combined Authority to adhere to relevant legal obligations.
- 5.4 With regard to standards, the Combined Authority is required by the Localism Act 2011 to promote high standards of conduct, adopt a Code of Conduct for its members and to have in place arrangements for dealing with alleged breaches of the Code. The Committee will have a key role in ensuring that the Combined Authority complies with these requirements.

#### **6. Equalities and Implications**

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

#### **7. Inclusive Economy Implications**

- 7.1 There are no direct inclusive economy implications arising out of the recommendations in this report. The Audit and Standards Committee is mindful of the NTCA's inclusive economy ambitions.

## **8. Climate Change Implications**

- 8.1 There are no direct climate change implications arising out of the recommendations in this report. The Audit and Standards Committee is aware of NTCA's net zero transition ambitions and that the three constituent Local Authorities have declared a Climate Emergency.

## **9. Consultation and Engagement**

- 9.1 The proposed work programme of core business items has been proposed with reference to the Constitution and Terms of Reference for the Committee and following consultation with the regular contributors in relation to finance, risk management, external audit, and standards.

## **10. Appendices**

None.

## **11. Background Papers**

- (a) [Public Sector Internal Audit Standards, Chartered Institute of Public Finance & Accountancy / Institute of Internal Auditors, April 2017](#)
- (b) Local Government Application Note for the UK Public Sector Internal Audit Standards, Chartered Institute of Public Finance & Accountancy / Institute of Internal Auditors, February 2019
- (c) [The Accounts and Audit Regulations 2015, April 2015](#)
- (d) [The Accounts and Audit \(Amendment\) Regulations 2021, March 2021](#)
- (e) [The Cities and Local Government Devolution Act 2016](#)
- (f) [North of Tyne Combined Authority Constitution, November 2018](#)

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## **13. Glossary**

None

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## Audit and Standards Committee

26 April 2022

**Subject: Review of Audit and Standards Committee Arrangements**

**Report of: Kevin McDonald, Acting Chief Internal Auditor**

### Report Summary

The purpose of this report is to provide an update on key themes from a review of Audit and Standards Committee arrangements led by the Independent Chair of the Committee and Chief Internal Auditor. This review has been conducted through discussions with Committee Members and key officers and builds upon the self-assessment review presented to Audit and Standards Committee in January 2022. It was noted at the Audit and Standards Committee in January 2022 that this full review would form the basis of the Committee's first annual report to Cabinet, to be presented at the annual meeting in June 2022.

### Recommendations

The Audit and Standards Committee is recommended to:

- (a) Note the key themes coming from the review of Audit and Standards Committee arrangements, and that they will supplement the self-assessment review, to form the basis of an annual report from the Committee to Cabinet demonstrating how Audit Committee meets its Terms of Reference and providing a summary of the work of the committee during the year.
- (b) Agree to delegate development of the Audit and Standards Committee annual report to the Chief Internal Auditor to complete in conjunction with independent co-opted Chair, on behalf of the Committee, for presentation to Cabinet.

### 1. Background Information, Proposals and Timetable for Implementation

- 1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) periodically publishes good practice guidance covering the role, functions and operation of Audit Committees in Local Government. The latest such guidance ('Audit Committees – Practical Guidance for Local Authorities and Police') was published in 2018.
- 1.2 It is also important to note the distinction between the North of Tyne Combined Authority, and a local authority. Whilst the guidance from CIPFA is good practice for all Audit Committees, as a Combined Authority, our Audit and Standards Committee is bound by the requirements of the Cities and Local Government Devolution Act 2016 and the subsequent Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) Order 2017.
- 1.3 Internal Audit reported to the April 2021 Audit and Standards Committee that we intended to work with the independent co-opted Chair of the Audit and Standards Committee during 2021/22 to undertake the initial annual review of the effectiveness of the Combined Authority's audit committee arrangements. An initial self-assessment of our Audit and Standards Committee arrangements, against the relevant legal requirements and the good practice recommended by CIPFA, was also presented at this meeting of the Committee.
- 1.4 An updated self-assessment was considered by Audit and Standards Committee in January 2022. The self-assessment demonstrated that our Audit Committee arrangements continue to

reflect the statutory provisions contained within legislation regarding Combined Authorities' Audit Committee arrangements and a number of the good practice areas recommended by CIPFA. Those areas that were identified as requiring some development have subsequently been explored with members of Audit and Standards Committee and key officers, in conjunction with the Chair of Audit and Standards Committee.

1.5 Those areas explored included:

- Considering wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the Committee to undertake them – how Audit and Standards Committee develops its Work Programme as the Authority continues to evolve.
- Consideration of the knowledge and skills framework of the membership of the Committee – in addition to how membership of the Committee can be maintained for the benefit of the Authority.
- Discussing how Audit and Standards Committee engages with a wide range of leaders and managers – how the Committee can develop its relationship with the wider Authority to increase its effectiveness as the Authority continues to develop.

1.6 Themes from the review will supplement the self-assessment previously considered in January 2022, to form the basis of an annual report from the Committee which will be presented to Cabinet. The decision to prepare an annual report was agreed at the Audit and Standards Committee held on 20 April 2021.

## **2. Potential Impact on Objectives**

2.1 The North of Tyne Combined Authority Corporate Plan sets out the strategic objectives and priorities of the Combined Authority. The work of Internal Audit and Audit and Standards Committee contributes to the overall achievement of the Authority's objectives, vision, policies and priorities.

## **3. Key Risks**

3.1 There are no key risks identified from the approach outlined. The report presents findings from an assessment of the effectiveness of the Audit & Standards Committee with the aim of identifying areas of improvement.

## **4. Financial and Other Resources Implications**

4.1 There are no direct financial or other resource implications arising from the recommendations set out in this report.

## **5. Legal Implications**

5.1 The Cities and Local Government Devolution Act 2016, and subsequent Combined Authorities (Overview and Scrutiny Committee, Access to Information and Audit Committee) Order 2017, establishes that Combined Authorities must arrange for the appointment of an Audit Committee and sets out the functions of the Audit Committee. The review of Audit and Standards Committee arrangements will support the Combined Authority in ensuring compliance with statutory requirements and good practice as set out by CIPFA.

## **6. Equalities and Implications**

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

share a relevant protected characteristic and persons who do not share it. The Committee also considers the implications for people from different socio-economic backgrounds/low pay as a protected characteristic.

## **7. Inclusive Economy Implications**

- 7.1 There are no direct inclusive economy implications arising out of the recommendations in this report. The Audit and Standards Committee is mindful of the NTCA's inclusive economy ambitions.

## **8. Climate Change Implications**

- 8.1 There are no direct climate change implications arising out of the recommendations in this report. The Audit and Standards Committee is aware of NTCA's net zero transition ambitions and that the three constituent Local Authorities have declared a Climate Emergency.

## **9. Consultation and Engagement**

- 9.1 The approach to this full review of Audit and Standards Committee arrangements was agreed with the Independent Chair of the Audit and Standards Committee. In undertaking the review all Audit Committee Members were invited to meet with the Independent Chair and Chief Internal Auditor. Meetings were also held with the Managing Director, Director of Policy and Performance and Chief Finance Officer.

## **10. Appendices**

None.

## **11. Background Papers**

- (a) [Report to Audit & Standards Committee, January 2022 – “Review of Audit and Standards Committee Arrangements”](#)
- (b) [Cities and Local Government Devolution Act 2016](#)
- (c) [The Combined Authorities \(Overview and Scrutiny Committees, Access to Information and Audit Committees\) Order 2017](#)
- (d) [Accounts and Audit Regulations 2015](#)
- (e) Audit Committees, Practical Guidance for Local Authorities and Police, CIPFA, 2018 (P)
- (f) [North of Tyne Combined Authority Constitution, November 2018](#)

## **12. Contact Officers**

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## **13. Glossary**

None

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### Report Summary

The aim of the report is to provide assurance to Audit and Standards Committee that the most significant risks and opportunities have been identified, are being monitored and measures are being taken to mitigate them.

Following Cabinet approval of the NTCA 2021/22 Corporate Plan, NTCA's Senior Management Team (SMT) refocused its approach to the identification and management of risk - acknowledging its expansive partnership working whilst recognising this collaboration will, when managed effectively, produce better outcomes for its citizens, and the challenges they face.

The Committee at its meeting on 23 November 2021 welcomed the new approach to re-focus the strategic risk register and the introduction of a new risk register template, which now clearly demonstrates how each risk or opportunity links to the Authority's cross-cutting themes.

The new and updated strategic risk register is attached at Appendix B.

### Recommendations

The Audit and Standards Committee is recommended to:

1. Review, challenge and accept the outcomes of the strategic risk review

#### 1. Background Information, Proposals and Timetable for Implementation

The aim of the report is to provide assurance to Audit and Standards Committee that the most significant risks and opportunities have been identified, are being monitored and measures are being taken to mitigate them

#### 2 Reframing Risk Management

- 2.1 Following Cabinet approval of the NTCA 2021/22 Corporate Plan, which sets out how the Authority will deliver on its priorities over the medium and short term, NTCA's Senior Management Team (SMT) refocused its approach to the identification and management of risk - acknowledging its expansive partnership working whilst recognising this collaboration will, when managed effectively, produce better outcomes for its citizens, and the challenges they face.

The Committee at its meeting on 23 November 2021 welcomed the new approach to re-focus the strategic risk register and the introduction of a new risk register template - which now clearly demonstrates how each risk or opportunity links to the Authority's cross-cutting themes, supporting its aims and ambitions.

#### 3 Strategic Risk and Opportunities Update

- 3.1 **A3 - Innovation in Recovery** - *Failure to achieve the planned outcomes, demonstrate impact or be agile and responsive to dynamic circumstances.*

This risk remains Amber due to the wider external factors, however it is moving in a positive direction of travel and improving.

While there remain significant uncertainties in the external environment that are impacting on the pace and shape of the economic recovery the NTCA's ability to demonstrate meaningful impact on recovery and innovation is steadily maturing. Recent developments in this respect are progress made on the stakeholder surveys and the gateway review process, and the steady increase in reporting of outputs and outcomes from early investments and projects which are now fully implemented.

- 3.2 **B1 – Promote Trust and Confidence** *Continuing to develop trust, cohesion and credibility with our partners, engaging effectively with all our stakeholders provides us with the opportunity to strengthen our relationships to ensure the collective understanding and co-production of our delivery plans and meet the objectives of our social, economic and green agenda.*

This opportunity is also moving in a positive direction and improving. Partners and stakeholders have been key to the development of the Authority's values and the launch of the Customer Relationship Management system will further strengthen relationships with them ensuring the successful delivery of the Authority's aims and objectives.

- 3.3 There has been no change in the risk assessments for the strategic risks since the risk register was reported to the Committee in November 2021. There is however continued confidence in the actions being taken to mitigate those risks and a detailed assessment of each risk and future activity to reduce the overall risk exposure can be found at Appendix B.

An 'at a glance' view of the strategic risk register can be found at Appendix A.

#### 4. **Additional Risk Information**

- 4.1 The NTCA risks are strategic risk areas which will be monitored by this Committee and presented at each meeting. Lower level operational and project risks will continue to be managed at a project level. However, there are communication plans and escalation processes developed to ensure the biggest risks to individual programmes/projects are communicated and/or escalated to the strategic risk register.

- 4.2 The strategic risks identified by the North East LEP are also included at Appendix C for information. This provides NTCA visibility of the North East LEP strategic risk areas to consider if the risks identified by the North East LEP have any impact upon the delivery of NTCA's plans and priorities or the Strategic Risk Register.

Officers from the North East LEP have been contacted to discuss aligning the North East LEP risks to the new NTCA format. The outcome of the discussions will be shared with the Committee at the next appropriate meeting.

- 4.3 The JTC Strategic Risk Register is reported for information only and records the biggest threats to the achievement of the strategic objectives of the North East JTC and its organisational risks. It was updated by NECA's risk management service and presented to the JTC Audit Committee at its meeting on 23 March 2022. A summary of the North East JTC strategic risks as reported in March 2022 is provided at Appendix D for information only. A full copy of the JTC strategic risk register and mitigation plans can be found on the JTC Audit and Standards Committee Agenda [here](#).

#### 5. **Potential Impact on Objectives**

- 5.1 The development of the strategic risk and opportunities register will not impact directly on the objectives of NTCA, however the approach to strategic risk management will support delivery of its aims and ambitions by acknowledging the biggest threats and putting plans in place to manage them.

## **6. Key Risks**

- 6.1 There are no direct risk management implications from this report. The approach to risk management is documented within the NTCA's risk management policy and strategy, which will be updated over the coming months to reflect the activity underway to reframe the Combined Authority's approach to the management of risk. The key risks will continue to be reported regularly to the Audit and Standards Committee.

## **7. Financial and Other Resources Implications**

- 7.1 There are no direct financial implications arising from this report. Risk Management work is supplied to NTCA (and the North East LEP) during 2022/23 through a Service Level Agreement with Newcastle City Council.

## **8. Legal Implications**

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

## **9. Equalities Implications**

- 9.1 There are no equality and diversity implications arising from this report

## **10. Inclusive Economy Implications**

- 10.1 There are no direct inclusive economy implications arising out of the recommendations in this report

## **11. Climate Change Implications**

- 11.1 There are no climate change implications arising from this report.

## **12. Consultation and Engagement**

- 12.1 The Managing Director, Monitoring Officer, Chief Finance Officer and NTCA Senior Management Team have been consulted on the strategic risk register.

## **13. Appendices**

- 13.1 Appendix A – 'Risk at a glance' shows the strategic risks and opportunities, including the risk priorities and direction of travel assessments
- Appendix B – Provides a detailed assessment of the NTCA strategic risks and opportunities and future activity to reduce the overall risk exposure
- Appendix C – Provides an assessment of the North East LEP strategic risks and future activity to reduce the overall risk exposure
- Appendix D – A summary of the strategic risks, risk priorities and direction of travel assessments identified by the North East Joint Transport Committee
- Appendix E – Risk Analysis Toolkit to determine the risk priority

## **14. Background Papers**

- 14.1 The North East Joint Transport Committee (JTC) strategic risks can be found on the NECA website as part of the March 2022 JTC Audit Committee agenda [here](#).

## **15. Contact Officers**

- 15.1 Philip Slater – Chief Internal Auditor – Newcastle City Council. (acting as Risk Advisor to NTCA)  
E-mail: [Philip.slater@newcastle.gov.uk](mailto:Philip.slater@newcastle.gov.uk) Telephone – 0191 2116511

**16. Glossary**

16.1 North East LEP - North East Local Enterprise Partnership

**'Risk at a glance'**

**Appendix A**

	<b>Risk Priority</b>	<b>Direction of Travel</b>
<b>Strategic Risks &amp; Opportunities</b>		
<b>External Risks</b>		
<b>A1 – Net Zero Transition</b> Failure to address climate change and environmental implications through North of Tyne investment in line with Local Authority and national net zero targets. Failure to take advantage of and seize the opportunities for green and inclusive growth.	Amber 8	Static
<b>A2 – Inclusive Economy</b> Failure to achieve the planned outcomes to reduce inequality and remove barriers to ensure 'good work' and jobs are available to traditionally underserved groups. To meet current and future employer demand and grow a more resilient local economy in the North of Tyne.	Amber 9	Static
<b>A3 - Innovation in Recovery</b> Failure to achieve the planned outcomes, demonstrate impact or be agile and responsive to dynamic circumstances.	Amber 8	Improving
<b>External Opportunity</b>		
<b>B1 – Promote Trust and Confidence</b> Continuing to develop trust, cohesion and credibility with our partners, engaging effectively with all our stakeholders provides us with the opportunity to strengthen our relationships to ensure the collective understanding and co-production of our delivery plans and meet the objectives of our social, economic and green agenda.	Green 4	Improving
<b>Organisational Risks</b>		
<b>C1 – Business Continuity</b> Failure to maintain business continuity in the event of a major disruption to the Combined Authority and its business.	Amber 8	Static
<b>C2 - Operational Capacity and Resources</b> NTCA is unable to demonstrate to Government, partners and stakeholders, that it has the necessary operational capacity, skills and expertise to successfully deliver its objectives, plans and responsibilities.	Amber 8	Static

A		External Risks					
<b>1. Net Zero Transition</b>							
<b>Aim</b>	Ensuring our whole programme supports carbon reduction, clean growth and a new generation of jobs.						
<b>Risk</b>	Failure to address climate change and environmental implications through North of Tyne investment in line with Local Authority and national net zero targets. Failure to take advantage of and seize the opportunities for green and inclusive growth.						
<b>Risk Owner</b>	Chief Economist	<b>Risk Priority</b>	Static	<b>Previous RAG</b>	Amber 8	<b>Current RAG</b>	Amber 8
<b>Reason for change/current RAG rating:</b> N/A							
<b>Issues to be aware of &amp; potential impact</b>		<b>Existing Controls &amp; Mitigation Plans</b>		<b>Additional Mitigation Plans</b>		<b>Review date</b>	
a) The UK Climate Change Act sets a legally binding target to achieve net zero greenhouse gas emissions across the UK economy by 2050 and reduce emissions by 78% by 2035 compared to 1990 levels. The constituent LA's have their carbon reduction targets. The scale of the challenge is enormous, and leadership is key to enabling everyone to play their part in the fight against climate change.		<ul style="list-style-type: none"> <li>• Full political commitment and leadership from the Mayor and Cabinet to recognise the climate emergency and NTCA's role in reducing emissions and seizing the opportunities of the green economy.</li> <li>• NTCA's approach learns from and builds on the work already being done in the region. Our work is developed collaboratively with the three constituent Local Authorities and wider regional stakeholders including the North East LEP.</li> <li>• NTCA Corporate Environment Policy and annual report on organisational carbon emissions.</li> <li>• Newcastle City Council, North Tyneside Council and Northumberland County Council all have ambitious carbon reduction targets for their local areas, and all have approved climate emergency plans.</li> <li>• NTCA Energy, Green Growth and Climate Change Blueprint - £28m package of investment up to 2023.</li> <li>• The Low Carbon Working Group (LCWG) is made up of officers from NTCA, the three constituent LAs and the North East LEP and</li> </ul>		<ul style="list-style-type: none"> <li>• Development of proposals for the 2023-2028 investment programme will provide an opportunity to continue to focus on green and inclusive economic growth</li> <li>• Regular reviews of delivery programme to ensure alignment with delivery of targets.</li> <li>• Over £20m of investment by NTCA in low carbon economy, including the recent launch of the Green New Deal Fund</li> </ul>		September 2022	

	meets monthly to discuss climate change and low carbon issues.		
b) The impacts of climate change and the green economy covers a wide range of areas. National policy related to climate change can change and be updated regularly.	<ul style="list-style-type: none"> <li>In addition to drawing on the expertise of the regular members of the Low Carbon Working Group (LCWG), NTCA will reach out to experts from other policy areas and attend regional and national events/conferences/webinars.</li> </ul>	Existing controls sufficient at time of report.	September 2022
c) Climate change is a complex problem and solutions are likely to require significant social as well as technical transformations. This has direct implication for a more inclusive economy. Citizens, businesses and wider stakeholders need to be engaged, supported and at the centre of our response to the climate emergency.	<ul style="list-style-type: none"> <li>The North of Tyne Citizens Assembly on Climate Change provided representative citizen engagement and their findings will help shape the development of the NTCA programme.</li> <li>The NTCA programme also covers a broad range of thematic areas, as described further in the September 2021 report to Cabinet.</li> </ul>	<p>Cabinet has agreed to receive regular reports detailing how NTCA intends to work with the three constituent Local Authorities and wider regional stakeholders including the North East LEP and Transport North East to respond to the recommendations of the Citizens' Assembly.</p> <p>NTCA supporting the development of the Net Zero North East proposal</p>	September 2022
d) The scale of the challenge and the resources required to deliver local and national long-term carbon reduction targets and green growth ambitions is large, not fully known and requires a national as well as local approach. Attracting investment is essential to enable the North of Tyne to realise the potential and be a world leader in green growth.	<ul style="list-style-type: none"> <li>Collaborative working across the North of Tyne, North East, with other Mayoral Combined Authority's and Government to develop knowledge, share best practice and to collaborate on projects/funding bids.</li> <li>Develop pipelines of projects which are investment ready via programmes such as the Offshore Wind Programme and Energy Accelerator.</li> <li>Work with academic institutions, VCSE sector and businesses to promote opportunities and share best practice e.g., Green Economy Summit.</li> <li>NTCA attracted £9m of investment to its Green New Deal Fund</li> </ul>	Existing controls sufficient at time of report.	September 2022

<p>e) New jobs and new green skills are likely to be increasingly required in all sectors. Therefore, NTCA must understand the projected skills requirements and ensure the necessary provision is in place</p>	<ul style="list-style-type: none"> <li>• Regular reviews of National and Local research to assess skills demand in the Green Economy – and input into the annual update of NTCA Strategic Skills Plan</li> <li>• Collaborative working with LA's, North East LEP to share research and insight into green skills requirements</li> </ul>	<p>Green Growth Skills funding opportunity launched in September 2021 – the specification for this fund seeks proposals that will help inform the projected skills requirements of NTCA growth and recovery sectors. This funding aims to ensure provision is in place to contribute to a just and inclusive low carbon transition. Two projects related to this funding were approved at March Cabinet and an additional two are currently completing Business Cases and will be submitted for approval in May 2022.</p> <p>NTCA has secured funding for Skills Bootcamps – this will be procured in April 2022. The specification for this tender includes a Lot for Green Skills.</p>	<p>September 2022</p>
<p>f) Many of the measures required to reduce carbon are not within the Combined Authority's remit.</p>	<ul style="list-style-type: none"> <li>• Work with partners to help make the changes required.</li> <li>• Influence decision makers at all levels.</li> </ul>	<p>Work with business, constituent LAs and North East LEP to develop key messages and policy positions/asks, including through the emerging Net Zero North East proposition</p>	<p>September 2022</p>

A		External Risks					
<b>2. Inclusive Economy</b>							
<b>Aim</b>	Ensuring our work is underpinned by people, communities and inclusive economic growth, as well as ensuring inclusive economy thinking and practice is fully embedded across NTCA and our partnerships.						
<b>Risk</b>	Failure to achieve the planned outcomes to reduce inequality and remove barriers to ensure 'good work' and jobs are available to traditionally underserved groups. To meet current and future employer demand and grow a more resilient local economy in the North of Tyne.						
<b>Risk Owner</b>	Head of Inclusive Growth	<b>Risk Priority</b>	Static	<b>Previous RAG</b>	Amber 9	<b>Current RAG</b>	Amber 9
<b>Reason for change/current RAG rating:</b> N/A							
<b>Issues to be aware of &amp; potential impact</b>		<b>Existing Controls &amp; Mitigation Plans</b>		<b>Additional Mitigation Plans</b>		<b>Review date</b>	
a) External factors, primarily COVID-19 recovery, cost of living crisis and Brexit counteract the impacts of the investment NTCA is able to make to reduce inequality and deliver good jobs.		<p>NTCA's new portfolio structure covers Education, Inclusion and Skills, as well as Social Economy and Communities.</p> <p>Inclusive economy is a cross-cutting theme within the Corporate Plan 2021 and is supported by the advisory NTCA Inclusive Economy Board (IEB).</p> <p>Significant breadth and depth of IE projects and programmes now into delivery mode.</p>		<p>Wider promotion of the concepts of economic inclusion via:</p> <ul style="list-style-type: none"> <li>National networks and influencing e.g., M10 (the 10 directly elected Mayors in England), Comprehensive Spending Review (CSR) Submission</li> <li>Locally good relationships with our provider base to enable agility in reaction to further economic shocks</li> <li>Peer-learning and support e.g., national, Independent Inclusive Growth Network</li> </ul>		March 2023	
b) Reducing inequality is a key commitment made by the NTCA. However, many challenges around poverty and inequality are structural and have national or international drivers. These are beyond the scope of NTCA to influence.		<p>NTCA's Inclusive Economy Policy Statement and Equalities Objectives provide a clear statement of our organisational commitment to a more inclusive economy with an emphasis on reducing poverty and inequality and promoting equity and cohesion.</p>		<p>Extension of the Inclusive Economy Innovation Fund beyond 2023</p>		March 2023	

	Inclusive economy is a cross-cutting theme in the Corporate Plan driven forward by the Inclusive Economy Board.		
c) To support NTCA's corporate plan we require a skills infrastructure that is fully aware of, and responsive to the sectors that have labour and skills shortages. The need to ensure our residents have the right skills to get a good job and progress in work, and employers have access to an adaptable, resilient and skilled local workforce, has never been greater.	<p>NTCA Strategic Skills Plan has been updated in 2021 reflecting the area's skills needs for an inclusive economic recovery.</p> <p>Working with the devolved Adult Education Budget (AEB) provider base, to ensure delivery plans are aligned to labour market demand and skills shortages.</p> <p>Monitoring devolved AEB participation data to ensure provision is accessible to a broader range of under-represented groups.</p> <p>Monitoring the volume of provision and funding utilised by providers to address barriers to employment, including improving attainment in basic English, Maths and Digital.</p> <p>Launching the employer led Skills for Growth funding to enable employers to upskill and reskill their employees for the jobs and roles of the future.</p>	<p>Ongoing dialogue with Government, NTCA adult education providers and employers to ensure delivery continues to meet area skills needs.</p> <p>Utilising in year funding flexibilities to ensure AEB funding is flexible and responsive to labour market changes.</p> <p>An additional £5.2m has been secured for Skills Bootcamps to deliver employment related training in Key Sectors across NTCA – Funding will be procured during April 2022 with delivery expected by June 2022.</p>	September 2022
d) Continuity of funded provision for NTCA residents is at risk if providers and grant-recipients across skills, employability and wider interventions become financially unstable.	<p>Adult Education Budget - The launch of the 2021-2023 Strategic Skills Plan will ensure updates can be implemented quickly to ensure its ongoing relevance during the pandemic and into recovery.</p> <p>Employability and Wider Skills Interventions - Inclusive growth team's strategic framing includes DWP Employment Support Framework,</p>	Continued engagement with NTCA AEB providers, via provider roundtables and quarterly one to one performance monitoring meetings identifying the impacts of Covid-19 and informing the direction, priorities and allocations for the NTCA AEB providers	September 2022

	<p>Inclusive Economy Policy Statement, Inclusive Economy Board (governance) which work together to manage, mitigate, and react to risks.</p>	<p>Informing the plan for the immediate impact of Covid-19 and medium/long term mitigation planning.</p> <p>Continued engagement with recipients of funding and wider stakeholders such as sector representative organisations, central government departments and local authority partners.</p> <p>Key priorities set out in the Strategic Skills Plan include supporting residents of all ages, including those in work to develop their skills to progress into better jobs. We also aim to extend the reach of learning opportunities to a broader range of underrepresented groups.</p> <p>Supporting CRF applications for Skills and Employability interventions to prevent the 'cliff edge' of European Social Fund funding ceasing.</p>	
<p>e) National and local conditions e.g., economic instability limit NTCA's ability to promote and drive good jobs and local economic resilience.</p>	<p>The Investment Fund Business case includes a strengthened inclusive economy case, co-designed by the Programme Management Office and Inclusive Economy Team, to monitor, measure and assess Inclusive Economy impacts.</p> <p>Our Good Work Pledge promotes the value of good work, which is well-paid and secure, and drives positive change across the area's employers at all sizes</p>	<p>NTCA has developed an anchor network proposition to encourage large institutions across all sectors to support local economic resilience. First meeting of key stakeholders held and next steps agreed.</p> <p>Leadership on key priorities is distributed across partners improving resilience and reducing reliance on one lead organisation to deliver.</p>	<p>September 2022</p>

	and scales – 50 organisations accredited as at March 2022 with an expected 150 by March 2023.		
f) NTCA does not sufficiently fulfil its commitment to co-production and co-design by creating projects and programmes which are effective for local communities and residents.	NTCA co-design and co-production strategy includes activities and mechanisms to make sure residents can contribute directly to our work and plans e.g., through our Poverty Truth Commission and forthcoming equalities assembly. This is supported by our VCSE Accord with the voluntary sector, and our Mayoral Ambassador.	Organisation-wide commitment to co-design and co-production with active investment in tools and platforms to get direct input and views from residents and businesses (commonplace; power to change social economy call for evidence)	September 2022

A		External Risks					
<b>3. Innovation in Recovery</b>							
<b>Aim</b>	To ensure that our businesses, people and places can adapt, recover and thrive post coronavirus pandemic and that outcomes of NTCA investment are seen to clearly and directly contribute to this success. Overall, ensuring the NTCA area is attractive to residents, businesses and visitors as a result of a thriving economy, green credentials, exceptional quality of life and improved opportunities for all.						
<b>Risk</b>	Failure to achieve the planned outcomes, demonstrate impact or be agile and responsive to dynamic circumstances.						
<b>Risk Owner</b>	Chief Economist	<b>Risk Priority</b>	Improving	<b>Previous RAG</b>	Amber 8	<b>Current RAG</b>	Amber 8
<b>Reason for change/current RAG rating:</b> While there remain significant uncertainties in the external environment that are impacting on the pace and shape of the economic recovery, the NTCA's ability to demonstrate meaningful impact on recovery and innovation is steadily maturing. Recent developments in this respect are progress made on the stakeholder surveys and gateway review process, and the steady increase in reporting of outputs and outcomes from early investments and projects which are now fully implemented. Overall, our judgement is that despite the organisation's progress in mitigation, on balance this risk remains Amber due to wider external factors.							
<b>Issues to be aware of &amp; potential impact</b>		<b>Existing Controls &amp; Mitigation Plans</b>		<b>Additional Mitigation Plans</b>		<b>Review date</b>	
a) NTCA must respond to major economic shocks – and the pace of change externally.		<p>Regular updates are provided to NTCA Cabinet on the current economic context and implications for the NTCA's activities.</p> <p>Significant stakeholder networks ensure NTCA is tuned in to the external environment and the major economic trends.</p> <p>Clear processes and delegations provide opportunities to bring forward activity at pace – should the context demand it.</p> <p>Good relationships with NTCA grant recipients allow for activity to be refocussed and re-prioritised to meet external demands – if required</p>		NTCA business and assurance framework processes are reviewed regularly to ensure maximum agility and fitness for purpose.		September 2022	
b) NTCA must be able to clearly articulate policy priorities and how they deliver		NTCA policy priorities are drawn from NTCA's Devolution Deal, the Mayor's		The Programme Management Office (PMO) monitor all projects on a		September 2022	

<p>improved Innovation and recovery: this is included as a part of the 5-year Gateway Review.</p>	<p>Manifesto, and the subsequent strategic direction agreed by our Cabinet through subsequent decisions. The evaluation framework provides a systematic way that the investments made by NTCA are assessed in terms of effectiveness and value for money, but also that we can learn, adapt and improve the way that we work in a changing environment.</p> <p>Through the strategic and economic cases within the Green Book process all projects are required to clearly articulate their rationale which includes fit with NTCA objectives, contribution to headline devolution deal targets and the relevant NTCA output indicators that will be used to monitor this through the QMR process.</p>	<p>quarterly basis – following Standard Operating Procedures and NTCAs agreed output indicators.</p> <p>NTCAs investment plan and individual projects are aligned to the delivery of the corporate plan – giving a clear line of sight from priorities, investment decisions and impact.</p> <p>An evaluation framework to capture our achievements and learning has been approved and is supported by the introduction of a programme management system which will improve programme management and monitoring, streamlining the interface with delivery organisations for claims and output reporting. This evaluation framework is being shared with Government, as part of the process leading up to the Investment Fund Gateway Review.</p>	
<p>c) The level of funding required may be beyond NTCA resources, and there is uncertainty associated with bidding for additional resources – which has both internal capacity risks and a need to be able to clearly demonstrate a track record in delivery and impact.</p>	<p>Senior Management Team (SMT) regularly review organisational capacity requirements and upcoming activity through the situation reporting process. NTCA collaborations with key officers within its constituent authorities ensures expertise is available when required. External consultancy budgets can be utilised to provide short term capacity for specific pieces of work.</p>	<p>NTCA is leading early engagement with stakeholders to understand changes in the European Structural Investment Funds (ESIF) funding landscape in advance of UK Shared Prosperity Fund and changes to other key government funding streams as a result of the Comprehensive Spending Review. This will inform the future capacity requirements and ways of working once government direction of travel becomes clear.</p>	<p>September 2022</p>
<p>d) Ability of NTCA to demonstrate clear targets and outcomes at all levels</p>	<p>NTCAs Monitoring and Evaluation Framework demonstrates:</p>	<p>Monthly SitReps (situation reports) provide regular updates to managers</p>	<p>September 2022</p>

<p>(organisational, theme, programme, project) and to have the ability and capacity to monitor them.</p>	<ul style="list-style-type: none"> <li>• How our priorities, mission and values translate into mechanisms for delivery</li> <li>• How these mechanisms create value; and</li> <li>• How we understand, measure and learn from the impact that we are making.</li> </ul> <p>NTCAs Assurance Framework and Green Book Business case process ensures projects are robustly developed and well-articulated and appraised in line with accepted conventions and best practice.</p> <p>Officer and Cabinet member scrutiny through the Technical Officer Group (TOG) and Investment Panel provides robust challenge and assurance.</p> <p>Projects are monitored through standard operating procedures by the PMO with agreed thresholds for escalation of performance issues to Investment Panel.</p>	<p>and directors on all of the NTCAs key workstreams – which are reviewed, and areas of concern are picked up directly with lead officers.</p> <p>Project evaluations are undertaken where there is an identified need. The findings of these feed into overall programme design.</p>	
<p>e) National or international economic downturns or the medium-longer term impact of Covid-19 on businesses and employment could have significant implications for the perceivable impact of NTCA innovation and growth investments, using official data sources.</p>	<p>Investment Fund Programme has been re-orientated to support recovery in the NTCA area, including through the Innovation Recovery Fund and measures to support the Kickstart programme of Youth unemployment – which provides a direct relevance to the specific needs of the economy during lockdown and recovery.</p> <p>Real life case studies are collected across a range of NTCA projects which provide a library of contemporary accounts of how the interventions have added value.</p> <p>Impact can be evidenced through a number of metrics for which NTCA collects</p>	<p>Existing controls sufficient at time of report.</p>	<p>September 2022</p>

	its own data and evidence – e.g., investment made, jobs created, and outputs achieved.		
f) It is important that all communities benefit from economic growth; Inclusive Economy thinking, and practice has an important role in shaping innovation in recovery from pandemic and other economic challenges e.g. cost of living crisis	<p>Inclusive economy is a cross-cutting theme within the Corporate Plan 2021 and is supported by NTCA Inclusive Economy Advisory Board.</p> <p>The PMO is leading work to ensure inclusive economy outcomes and impacts are captured throughout the investment life cycle (business case, delivery, reporting and insight, Investment Fund evaluation)</p>	<p>New portfolio structure brings together Education, Inclusion and Skills. Social Economy and Communities bridges economic growth and inclusive economy work.</p> <p>NTCA equality objectives for 2021-25 shape policy, practice and learning.</p>	March 2023

<b>B</b>		<b>External Opportunity</b>					
<b>1. Promote Trust and Confidence</b>							
<b>Aim</b>	Supporting a system response to complex challenges and collaborating strongly in everything we do with our local, national and cross-sector partners.						
<b>Opportunity</b>	Continuing to develop trust, cohesion and credibility with our partners, engaging effectively with all our stakeholders provides us with the opportunity to strengthen our relationships to ensure the collective understanding and co-production of our delivery plans and meet the objectives of our social, economic and green agenda.						
<b>Opportunity Owner(s)</b>	Managing Director/ Director of Policy and Performance	<b>Opportunity Priority</b>	<b>Improving</b>	<b>Previous RAG</b>	<b>Amber 9</b>	<b>Current RAG</b>	<b>Green 4</b>
<b>Reason for change/current RAG rating:</b> This opportunity is moving in a positive direction of travel. Partners and stakeholders have been key to the development of the Authority's values. The launch of the Customer Relationship Management system will further strengthen relationships with partners and stakeholders - ensuring the successful delivery of the Authority's aims and objectives.							
<b>Benefits</b>							
<ul style="list-style-type: none"> <li>Collective understanding of the Authority's aims and ambitions to encourage the co-production of our delivery plans.</li> <li>Encourage a more participatory approach to risk which is built on trust and transparency which encourages everyone to share their uncertainties and challenges and work together to resolve them</li> </ul>							
<b>Barriers</b>							
<ul style="list-style-type: none"> <li>Failure to maintain trust, cohesion and credibility with and between local NTCA system and partners</li> <li>Failure to develop trust, cohesion and credibility with those organisations who contribute to the achievement of our objectives who we don't currently engage with</li> </ul>							
<b>Strategies to enhance the opportunity</b>				<b>Action Taken</b>			<b>Review date</b>
a) Encourage inclusive dialogue with our partners and stakeholders				We have worked with Cabinet and wider partners and stakeholders to develop a clear set of values by which we work: <ul style="list-style-type: none"> <li>Driven by our mission</li> <li>Collaborative by design</li> <li>Innovative and agile in delivery</li> <li>Inclusive and aware</li> <li>Showing leadership</li> </ul> The evidence for this is in our policies and supported by our team values and behaviours - demonstrating collaboration,			September 2022

	<p>taking ownership, being curious, empathetic, respectful, and in the strong focus on inclusion within our programme.</p> <p>NTCA priorities, projects and performance are regularly communicated externally – including through Cabinet reports and the Corporate Plan.</p>	
b) Identify those organisations who we don't currently engage with to communicate our vision and purpose – offering support	Customer Relationship Management System (CRM) is now being implemented in 3 key areas of the organisation by April 2022 which will streamline our communications and enable better targeting.	September 2022
c) Continued engagement with AEB providers, employers and stakeholders in the North of Tyne area to ensure a collaborative approach to aligning adult skills to deliver the Authority's vision.	Published documents which enable the alignment: NTCA Strategic Skills Plan NTCA Corporate Plan NTCA Inclusive Economy Policy Statement	Complete
d) VCSE Ambassador appointed to engage with the VCS (Voluntary and Community Sector).	<p>VCSE (Voluntary, Community and Social Enterprise) Accord - how the NTCA can add value to the work of our local government partners with the VCSE to build capacity, sustainability and be a catalyst for an inclusive economy.</p> <p>The VCSE Stakeholder Engagement Group Annual Report 2021/22 outlines the achievements and progress over the past twelve months. The Group will use its first meeting in March 2022 to take stock and build on the achievements and effective collaborations of 2021</p>	September 2022
e) Continued engagement with regular meetings and consultation with the business community	<p>Frequent engagement with individual businesses and business representative organisations by officers and the Mayor.</p> <p>NTCA Inclusive Economy Board with member representation from the public, private and voluntary sector, including constituent LA's and North East LEP.</p> <p>The Inclusive Economy Board Annual Report 2021/22 outlines its achievements and progress over the past 12 months. The Board will focus on the implications of the Levelling Up White Paper and what it means for the North of Tyne.</p>	September 2022

	<p>NTCA Housing and Land Board membership. The Housing and Land Board Annual Report 2021/22 outlines its achievements over the past 12 months. Over the next year the Board will focus on delivery; ensuring that priorities identified are progressing toward development and that working relationships continue to add value.</p> <p>NTCA collaborates strongly in everything it does with local, national and cross-sector partners. The evidence for this is in the number of partnerships that have grown and been curated within the region and beyond.</p>	
f) Use of an agreed Assurance Process to ensure that the NTCA only funds high quality projects and through the development of the Investment Fund Evaluation Framework to improve our learning and understanding.	<p>Assurance Process includes internal project analysis, full appraisal (external for largest projects) and technical and political scrutiny.</p> <p>An evaluation framework to capture NTCA's achievements has been approved and is supported by the introduction of a programme management system which will improve programme management and monitoring, streamlining the interface with delivery organisations for claims and output reporting. This evaluation framework is being shared with Government, as part of the process leading up to the Investment Fund Gateway Review.</p>	September 2022
g) Customer Relationship Management (CRM) system	A CRM system is now implements in 3 key areas of the organisation the Good Work Pledge, Kickstart and Mayor's Office. The system will streamline our communications and enable better targeting.	September 2022
h) We continue to utilise existing expertise in our constituent authorities	Extensive engagement and involvement of LA colleagues, at all levels, across the organisation	September 2022

C Organisational Risks							
<b>1. Business Continuity</b>							
<b>Aim</b>	To ensure the corporate core of NTCA provides the necessary policies, procedures and plans to enable the Authority to carry out its work efficiently and effectively in all circumstances.						
<b>Risk</b>	Failure to maintain business continuity in the event of a major disruption to the Combined Authority and its business.						
<b>Risk Owner</b>	Director of Policy and Performance	<b>Risk Priority</b>	Static	<b>Previous RAG</b>	<b>Amber 8</b>	<b>Current RAG</b>	<b>Amber 8</b>
<b>Reason for change/current RAG rating:</b> Retained at Amber as the hybrid working model is still bedding in and information still being gathered.							
<b>Issues to be aware of &amp; potential impact</b>		<b>Existing Controls &amp; Mitigation Plans</b>		<b>Additional Mitigation Plans</b>		<b>Review date</b>	
Page 56	a) Organisational arrangements are insufficient to deter, detect and prevent unauthorised access to ICT systems and to respond effectively as and when breaches do occur.	Compulsory IT and data protection training modules for new starters and regular refreshers for existing staff.  ICT SLA with Newcastle City Council.  Monitoring is undertaken of training completion with escalation to senior management where not completed. Good compliance to date.		SLAs reviewed to understand expectations of business and those of ICT Newcastle.		September 2022	
	b) Organisational arrangements need to be flexible enough to enable NTCA to adjust from usual office working to home working quickly and efficiently without causing delays to decisions and delivery.	A COVID-19 Contingency Plan has been in place since March 2020 and worked well. Delegations and urgent decisions procedures robust and understood. All NTCA staff can work from home for a sustained period of time if necessary		Constituent authorities can provide ad hoc space for individuals if required.		September 2022	
	c) There should be no single point of failure in the organisation in case of unexpected leave or resignation.	Organisational Development Strategy in place to develop existing staff and encourage internal progression. No working files stored only on individuals' computers, all are saved in a folder		Existing controls sufficient at time of report.		Yearly – Next review March 2023	

	<p>accessible to at least the team if not the whole organisation.</p> <p>Induction and leaving processes to reiterate this policy.</p> <p>Regular team meetings (small work teams, service team and full staff meetings) to update each other on work and progress.</p>		
d) In the event of a major incident does NTCA have an agreed senior management protocol and incident command structure?	Business Continuity Plan (BCP) – the formulation of a full BCP to reflect the new office location at the Lumen and hybrid working is underway.	The BCP will be updated to include a major incident command structure and officers will be assigned to the role of Major Incident Designated Officer (MIDO). Security protocols for events which are attended by the Mayor and Officers will also be reflected in BCP.	December 2022
e) Do Service Level Agreements (SLAs) have sufficient controls/reference to BCP to ensure NTCA is kept informed/aware of action to be taken should something happen to a provider.	SLAs (e.g., HR, Democratic Services, Procurement, ICT) reflect expectations of the local authority and NTCA, should a service be unable to deliver.		December 2022

C Organisational Risks							
<b>2. Operational Capacity and Resources</b>							
<b>Aim</b>	Innovative and agile in delivery - proactively looking for new ways of working, delivering, and ensuring we add value, learn and adapt in a constantly changing context.						
<b>Risk</b>	NTCA is unable to demonstrate to Government, partners and stakeholders, that it has the necessary operational capacity, skills and expertise to successfully deliver its objectives, plans and responsibilities.						
<b>Risk Owner(s)</b>	NTCA Senior Management Team	<b>Risk Priority</b>	Static	<b>Previous RAG</b>	<b>Amber 8</b>	<b>Current RAG</b>	<b>Amber 8</b>
<b>Reason for change/current RAG rating:</b> Remaining at Amber as the publication of the Levelling Up White Paper (February 2022) and possible greater devolution and the impact on NTCA's capacity is unknown.							
<b>Issues to be aware of &amp; potential impact</b>		<b>Existing Controls &amp; Mitigation Plans</b>		<b>Additional Mitigation Plans</b>		<b>Review date</b>	
<p>Existing resources do not fully align with NTCA's policy intentions which may impact upon delivery of the Authority's strategic priorities.</p>		<p>The Corporate Plan sets out the work programme to be achieved across the organisation providing visibility and clarity of expectations to all staff.</p> <p>A structured exercise has been undertaken to develop resource plans, gauge capacity and clarity with assigned roles and responsibilities to facilitate the effective operation of the Authority. A work programme has been developed for officer use and is referenced in all appraisals.</p> <p>Weekly SMT meetings and monthly SMT Strategy meetings provide a regular touchpoint for SMT to raise and discuss resource issues</p> <p>The North East LEP operational capacity and resourcing risk is a significant risk to the LEP but will not impact upon the Authority's capacity and resources risk.</p>		<p>A resource planning exercise was undertaken in February 2022, final steps before implementation almost complete.</p> <p>SitReps and work programmes are updated by all teams monthly, approved by Heads of Service and submitted to Managing Director/Director, enabling an assessment of progress and the ability to flag issues/areas of concern.</p>		<p>July 2022</p>	

<p>b) NTCA is a prototyping, learning organisation in which there will be 'failures' but the team will learn from them.</p>	<p>Covid planning is an example of how well the organisation worked during a crisis situation and learning from this will be built into future Business Continuity Planning.</p>	<p>Review of business processes undertaken early 2022 to ensure practices efficient and compliant. Implementation expected for new municipal year.</p>	<p>September 2022</p>
<p>c) CIPFA Financial Management Code – Non-compliance with the Code could lead to ill-informed decision making which could adversely impact on the Authority's financial sustainability.</p>	<p>In preparation for the first full year of compliance with the Code (2021/22) the Authority has undertaken a self-assessment to measure its compliance with the FM Code.</p>	<p>Monitoring of the Authority's compliance with the Code is included in the 2021/22 AGS as an area requiring improvement. Implementation of the actions to ensure full compliance with the Code will be monitored by SMT and regularly by Audit and Standards Committee as part of the AGS review process.</p>	<p>July 2022</p>
<p>d) NTCA is a very lean organisation with staff operating to a very high level. There is a nationwide recruitment shortage and NTCA may be unable to undertake new funding opportunities if unable to recruit officers to undertake the work as employee well-being is important to the Authority.</p>	<p>The Authority has a good retention rate and provides employees with a range of development opportunities.</p> <p>Agile Working Policy in place to support employees maintain a good work/life balance.</p>	<p>Internal promotion of benefits (e.g. salary sacrifice schemes for purchase of bikes, cars and electronic goods, agile working) available to NTCA employees and implementation of exit interviews to identify any issues.</p>	<p>September 2022</p>

## North East Local Enterprise Partnership – Strategic Risks

<p><b><u>Operational capacity and resourcing</u></b></p> <p>Medium term operational budget may not be sufficient to maintain the current capacity within the team to lead the delivery of the Strategic Economic Plan (SEP) and to react to the impact of Brexit, the impact of the Covid-19 pandemic and emerging Government policies due to multiple short term (often annual) funding sources.</p>	<p><b><u>Risk Owner</u></b> Chief Executive</p>
	<p><b><u>Risk Score</u></b></p>
	<p>Red 12</p>
	<p>Likelihood – Medium Impact – Critical</p>
<p><b>Cause:</b> All funding sources relating to staff resourcing, the core operational budget and project delivery are time limited and are not sufficient to allow the Local Enterprise Partnership (LEP) to effectively plan a medium-term budget and operational model.</p>	
<p><b>Impact/Consequence:</b> The LEP will need to adjust to operate with a reduced level of staffing resource, limiting and prioritising the scope of work that can be delivered, if future funding is not made available and/or secured.</p>	
<p><b>Existing Controls:</b></p> <ul style="list-style-type: none"> <li>• The 2021/22 LEP operational budget position was agreed by the LEP Board in January 2022, along with an indicative position for 2022/2023. An update on the 2022/2023 position will be reported to the LEP Board in May 2022 along with a three-year estimate.</li> <li>• Some financial reserves are held by the LEP from previous financial years</li> <li>• Potential to call on financial resources relating to Enterprise Zone income if required</li> <li>• Ongoing monitoring of external funding landscape and actions to secure alternative sources</li> <li>• A company limited by guarantee is in place alongside the LEP structure which enables a wider source of funding applications to be made and the LEP to seek funding from other sources</li> </ul>	
<p><b>Next Steps</b></p>	<p><b>Lead Officer(s)</b></p>
<p>Budget management and forecasting on-going for 22/23 and later in this year planning for future years</p>	<p>Helen Golightly (Chief Executive)</p>
<p>Lobbying of Government to secure additional and longer-term resources for LEPs on-going</p>	<p>Helen Golightly (Chief Executive)</p>
<p>On-going horizon scanning for funding opportunities to support the team and delivery.</p>	<p>Helen Golightly (Chief Executive)</p>

<p><b><u>Changes in the role and scope of LEPs by government without the resource to support delivery alongside current contractual commitments</u></b></p> <p>Government fails to allocate sufficient operational budgets following the 2021 LEP Review to support the recommendations</p>	<p><b><u>Risk Owner</u></b> Chief Executive</p>	
	<p><b><u>Risk Score</u></b></p>	
	<p>Red 12</p>	
	<p>Likelihood – Medium Impact – Critical</p>	
<p><b>Cause:</b> Government have been reviewing the role of LEPs for a considerable period of time. On the 31 March 2022, the Department for Business Energy and Industrial Strategy has written to LEP Chairs and Combined Authorities outlining the plans and next steps for integrating Local Enterprise Partnerships into local democratic institutions. This also provided clarity on core/transition funding for the financial year of 2022/2023, reflecting the revised role and functions.</p>		
<p><b>Impact/Consequence:</b> There is reduced capacity in the LEP operational budget for 2022-2023 to meet the changes outlined in the letter noted above. This can impact on deliverability as well as through current workplans which would lead to current staff resources being spread too thinly, reducing impact and effectiveness in facilitating the delivery of the Strategic Economic Plan.</p>		
<p><b>Existing Controls:</b></p> <ul style="list-style-type: none"> <li>• The LEP continues to work closely with government and Combined Authorities to align with the integration pathways and timescales surrounding the integration</li> <li>• of the LEP Review</li> <li>• The LEP Network (national body) plays a key lobbying role with government</li> </ul>		
<b>Next Steps</b>		<b>Lead Officer(s)</b>
Continue to lobby and influence Government		Helen Golightly (Chief Executive)
Consider and respond to any future policy and funding programmes changes as they continue to emerge		Helen Golightly (Chief Executive)

<p><b><u>Government Capital and Revenue Funding</u></b></p> <p>Government capital and revenue funding to replace Local Growth Funding (LGF) (2015-2021) and European (ESIF) Funding (2014 – 2023) is insufficient to support the delivery of strategic regional capital and revenue projects within the SEP.</p>	<p><b><u>Risk Owner</u></b> Chief Executive</p>
	<p><b><u>Risk Score</u></b></p>
	<p>Red 12</p>
	<p>Likelihood – Medium Impact – Critical</p>
<p><b>Cause:</b> The October 2021, Autumn Budget and Spending Review provided some narrative regarding the UK Shared Prosperity Fund (UKSPF) and levelling Up Funding, however, there is no further detail about accessing the remainder of these funds at present.</p> <p>The Local Growth Fund (LGF) is now concluded however, some legacy LGF funds remains in place.</p> <p>There remains a significant risk that funding for strategic capital and revenue pipeline projects will not be available in the medium term and will not be at the level of previous years to equal the former LGF and ESIF funding programmes.</p>	
<p><b>Impact/Consequence:</b> Without a clear understanding of the future funding landscape, the development and delivery of strategic regional projects to boost economic growth as outlined by the SEP are at risk of not being funded.</p>	
<p><b>Existing Controls:</b></p> <ul style="list-style-type: none"> <li>• The LEP is working with key government stakeholders and other partners to influence policy and funding thinking</li> <li>• The LEP is working with regional partners to develop a pipeline of strategic projects</li> <li>• The LEP has allocated an investment fund to accelerate the development of strategic projects to ensure they are 'oven ready' to access Government funding when / if it becomes available.</li> </ul>	
<b>Next Steps</b>	<b>Lead Officer(s)</b>
Continue to develop a pipeline of projects (where appropriate) to be ready to 'win' funding as it becomes available.	Helen Golightly (Chief Executive)
Continue to work with government and influence emerging policy thinking.	Helen Golightly (Chief Executive)

<p><b><u>North East Regional Governance</u></b></p> <p>The LEP area covers seven local authorities and two combined authorities, one of which is mayoral. The LEP area is unique in England to have more than one combined authority</p>	<p><b><u>Risk Owner</u></b> Chief Executive</p>
	<p><b><u>Risk Score</u></b></p>
	<p>Red 12</p>
	<p>Likelihood – Medium Impact – Critical</p>
<p><b>Cause:</b> The North East Combined Authority’s (NECA) decision to proceed with the North of Tyne Mayoral Combined Authority led to the regional governance structures changing as two combined authorities were created in November 2018, both of which have agreed to support and operate effectively with the North East LEP. The LEP economic remit therefore spans both combined authority areas. One of the combined authorities should also act as the accountable body for the LEP. It was agreed that NTCA would be the North East LEP accountable body from 1 April 2020.</p>	
<p><b>Impact/Consequence:</b> The governance, roles and responsibilities need to be clear at a local level and understood by national government to ensure effective strategy development, delivery of economic development activity, investment and partnership working.</p> <p>It is also vital that the change in accountable body must not be detrimental to the current effective operations or financial position of the LEP.</p>	
<p><b>Existing Controls:</b></p> <ul style="list-style-type: none"> <li>• All seven local authorities are committed to supporting the North East LEP and the delivery of the SEP as set out in their signed Deed of Cooperation which was reviewed and re-signed at the end of March 2020.</li> <li>• The Accountable Body Agreement was signed at the end of March 2020 and Service Level Agreements (SLA) are in place to support the delivery of LEP operations.</li> <li>• In both the new Accountable Body Agreement and Deed of Cooperation, changes made to support arrangements and financial model are to ensure no detrimental to the North East LEP.</li> </ul>	
<b>Next Steps</b>	<b>Lead Officer(s)</b>
Continue to work effectively with all seven local authorities and both combined authorities on shared agendas, strategy development and delivery.	Helen Golightly (Chief Executive)
Work with NTCA and SLA providers to ensure the North East LEP carries out its functions in an effective and compliant way.	Helen Golightly (Chief Executive)

<p><b><u>Covid-19 or any other epidemic / pandemic</u></b></p> <p>The lockdowns imposed as a result of the Covid-19 2020/21 in the UK had a significant impact on the regional economy and demonstrated that epidemics/pandemics pose a high risk to regional, national and global economies.</p>	<p><b><u>Risk Owner</u></b> Chief Executive</p>
	<p><b><u>Risk Score</u></b></p>
	<p>Red 12</p>
	<p>Likelihood – High Impact – Critical</p>
<p><b>Cause:</b></p> <p>Epidemics and pandemics are rare but can have catastrophic effect. They stem from a range of factors and have various levels of infection and mortality rates. The global dimension of our society and economy means that highly infectious diseases and viruses such as Covid-19 can spread quickly, and containment and other mitigation efforts are complex and require joined up efforts across the world or a group of countries.</p> <p>The lockdown measures essential to control the virus has forced businesses to close or operate in different ways and often to reduced capacity during the lock down period, having a dramatic negative impact on the economy.</p>	
<p><b>Impact/Consequence:</b></p> <p>Covid-19 has had a severe impact on the economy forcing a large number of businesses to stop trading or slow down their activities and leading to a significant volume of the workforce to be furloughed and/or made redundant. The UK and regions potentially face an economic downturn. In practical terms for the North East LEP, initially this meant a change of focus for the LEP as it responded to the immediate impact of the pandemic working with regional partners and Government. Now responding to the current economic position is the LEP's core business.</p>	
<p><b>Existing Controls:</b></p> <ul style="list-style-type: none"> <li>• A North East Economic Response Group remains in place. This is now focusing on the next steps following the progress that has been made as we emerge from the pandemic. It is a regional partnership comprising of the North East LEP, North of Tyne and North East Combined Authorities, CBI representing businesses, VONNE, the TUC, the universities and transport colleagues.</li> <li>• The Group meets on a regular basis and is focussing on how we continue to emerge from the pandemic, with a focus on our economy and our regional priorities</li> <li>• Ongoing liaison with the LEP Network and NP11 partners</li> <li>• A full evidence and data exercise is now concluding which will inform the delivery plan for the next year</li> </ul>	
<b>Next Steps</b>	<b>Lead Officer(s)</b>
Continue to support and facilitate the Economic Response Group	Helen Golightly (Chief Executive)
Ensure continued alignment and co-ordination of key messaging and interventions	Helen Golightly (Chief Executive)
Complete the evidence and data review and translate the findings into the next phase of the SEP	Helen Golightly (Chief Executive)
Actively lobby government including through the LEP Network and NP11	Helen Golightly (Chief Executive)

### North East Joint Transport Committee Strategic Risks (for information only)

*The North East JTC Strategic Risk Register has been prepared by NECA's risk management service  
The register is presented regularly to the North East JTC Audit Committee.*

JTC Risks to Achievement of Strategic Objectives	Risk Priority	Direction of Travel
<p><b>Carbon Neutral Transport</b> Failure to achieve the aspiration of carbon neutral transport network within the JTC area by 2035.</p>	<b>Red 12</b>	<b>Static</b> <i>Due to possible negative impact of Covid-19 on future funding and need for behavioural change</i>
<p><b>Inequality and Growth of the Economy</b> Failure to achieve the planned outcomes to overcome inequality and support the growth of the economy in the JTC area.</p>	<b>Red 12</b>	<b>Static</b> <i>Due to possible negative impact of Covid-19 on future funding and cost and service availability users of public transport</i>
<p><b>Health</b> Failure of the transport system to achieve the planned outcomes to contribute the improvements in health of the population in the JTC area.</p>	<b>Amber 8</b>	<b>Static</b> <i>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</i>
<p><b>Appealing Sustainable Transport</b> The transport network within the JTC area fails to achieve the planned outcomes regarding the offer of appealing sustainable transport choices to people living or working in the area or visiting or travelling through the area.</p>	<b>Red 12</b>	<b>Static</b> <i>Due to possible negative impact of Covid-19 on future funding and cost and service availability to users of public transport</i>
<p><b>Safety and Security</b> The transport system within the JTC area fails to achieve the planned outcomes regarding its safety and security.</p>	<b>Amber 8</b>	<b>Static</b> <i>Arrangements in place but possible negative impact of Covid-19 on future funding</i>
<b>JTC Organisation Risks</b>		
<p><b>Future Availability of Funding</b> Sources and levels of funding available to the JTC to develop the North East regions transport infrastructure within the region may reduce.</p>	<b>Red 12</b>	<b>Deteriorating</b> <i>Reduced opportunities for Non-mayoral Authorities</i>
<p><b>Funding Opportunities</b></p>	<b>Amber 8</b>	<b>Static</b>

Failure of the JTC to secure the maximum amount of transport funding available to progress transport infrastructure in the North East region.		
<b>Use of Funding and Resources</b> 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.	<b>Amber 8</b>	<b>Static</b>
<b>Governance Arrangements</b> The governance arrangements of the JTC are not appropriate to allow effective and timely decision making and the achievement of its objectives.	<b>Green 4</b>	<b>Static</b>
<b>Operational Capacity and Resourcing</b> The JTC does not have the necessary operational capacity, skills and budget, to successfully deliver the JTC's objectives and plans.	<b>Amber 8</b>	<b>Static</b>
<b>Delivery of Transport Improvement Projects/Programmes</b> 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.	<b>Amber 8</b>	<b>Static</b>
<b>Transport Infrastructure Assets</b> Transport assets, which are the responsibility of the JTC, are inadequately managed and maintained.	<b>Green 6</b>	<b>Static</b>
<b>Service Delivery</b> 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.	<b>Green 6</b>	<b>Static</b>
<b>'Catastrophic Event'</b> 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)	<b>Amber 8</b>	<b>Static</b>

Risk Management Toolkit – Criteria to assess the likelihood of a risk occurring and its impact i.e. High (4) x Critical (4) = Red (16) **Appendix E**

Determine the risk priority					
Impact					
Likelihood		Insignificant	Minor	Significant	Critical
	High (4)	4	8	12	16
	Medium (3)	3	6	9	12
	Low (2)	2	4	6	8
	Negligible (1)	1	2	3	4

Assess the likelihood of the risk occurring	
High (4)	Risk will almost certainly occur or is occurring at present
Medium (3)	Risk is likely to occur in most circumstances
Low (2)	Risk may occur
Negligible (1)	Risk is unlikely to occur

**Assess the impact should the risk occur**

	Objective	Service Delivery	Financial	Reputational
Critical/Showstopper	<ul style="list-style-type: none"> <li>Over half the objectives/programmes affected</li> <li>More than one critical objective affected</li> <li>Partners do not commit to the Shared vision</li> </ul>	<ul style="list-style-type: none"> <li>Significant change in partner services</li> <li>Relationship breakdown between major partners and stakeholders</li> <li>Serious impact on delivery of objectives</li> <li>Unplanned major re-prioritisation of resources and/or services in partner organisations</li> <li>Failure of a delivery programme/major project</li> </ul>	<ul style="list-style-type: none"> <li>Inability to secure or loss of significant funding opportunity (£5m)</li> <li>Significant financial loss in one or more partners (£2m)</li> <li>Significant adverse impact on budgets (£3m – Transport; £0.2m Central Budget)</li> </ul>	<ul style="list-style-type: none"> <li>Adverse national media attention</li> <li>External criticism (press)</li> <li>Significant change in confidence or satisfaction of stakeholders</li> <li>Significant loss of community confidence</li> </ul>
Significant	<ul style="list-style-type: none"> <li>One or more objectives/programmes affected</li> <li>One or more partners do not commit to shared vision</li> <li>Significant environmental impact</li> </ul>	<ul style="list-style-type: none"> <li>Partner unable to commit to joint arrangements</li> <li>Recoverable impact on delivery of objectives</li> <li>Major project failure</li> </ul>	<ul style="list-style-type: none"> <li>Prosecution</li> <li>Change in notable funding or loss of major funding opportunity (£2m)</li> <li>Notable change in a Partners contribution</li> <li>Notable adverse impact on budget (£0.5m-£1.5m Transport budgets)</li> </ul>	<ul style="list-style-type: none"> <li>Notable external criticism</li> <li>Notable change in confidence or satisfaction</li> <li>Internal dispute between partners</li> <li>Adverse national/regional media attention</li> <li>Lack of partner consultation</li> <li>Significant change in community confidence</li> </ul>
Minor	<ul style="list-style-type: none"> <li>Less than 2 priority outcomes adversely affected</li> <li>Isolated serious injury/ill health</li> <li>Minor environmental impact</li> </ul>	<ul style="list-style-type: none"> <li>Threatened loss of partner's commitment</li> </ul>	<ul style="list-style-type: none"> <li>Minor financial loss in more than one partner</li> <li>Some/loss of funding or funding opportunity threatened</li> </ul>	<ul style="list-style-type: none"> <li>Failure to reach agreement with individual partner</li> <li>Change in confidence or satisfaction</li> <li>Minor change in community confidence</li> </ul>
Insignificant	<ul style="list-style-type: none"> <li>Minor effect on priorities/service objectives</li> <li>Isolated minor injury/ill health</li> <li>No environmental impact</li> </ul>		<ul style="list-style-type: none"> <li>Isolated/minor financial impact in a partner organisation</li> </ul> <p>(Financial limits are under review)</p>	





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

**Report of: Risk Advisor to North of Tyne Combined Authority (NTCA)**

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### Report Summary

This report presents the NTCA draft 2021/22 Annual Governance Statement (AGS).

The AGS highlights the provisional outcome of the annual review of the authority's governance and internal control arrangements operating during 2021/22.

The Authority's 2020/21 AGS included an area of governance and internal control which required improvement. This was in response to the introduction of the Chartered Institute of Public Finance and Accountancy (CIPFAs) Financial Management Code.

The Financial Management Code action plan is included in Section 13 of the 2021/22 AGS and has been updated to show progress made during the year and additional actions required, which once implemented will ensure the Authority fully complies with the Code, which will further strengthen the Authority's governance and internal control environment. Delivery of the action plan will be monitored as part of the AGS process throughout 2022/23.

The improvement area will be disclosed within the AGS in respect of the 2021/22 financial year.

The Audit and Standards Committee will receive a further draft of the 2021/22 AGS together with the draft Statement of Accounts at its July meeting.

A copy of the draft 2021/22 Annual Governance Statement is provided at Appendix A.

### Recommendations

The Audit and Standards Committee is recommended to:

1. Consider the first draft of the NTCA 2021/22 AGS (Appendix A) and comment on its content, acknowledging the actions being undertaken to ensure compliance with the CIPFA Financial Management Code.
2. Acknowledge that the 2021/22 AGS will be kept under review and amended as necessary should any weaknesses come to light before the Committee receive a further draft at its July meeting and up to the date of the final approval of the NTCA financial statements

## **1. Background Information, Proposals and Timetable for Implementation**

1.1 The Combined Authority has a statutory duty under the Accounts and Audit Regulations 2015 to do the following on an annual basis:

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

1.2 The Chartered Institute of Public Finance and Accountancy (CIPFAs) publication “Delivering Good Governance in Local Government” (2016 Edition), sets a framework, and the standard, for local authority governance in the UK. The Framework sets out a set of principles which we test our governance arrangements against:

- Ensuring openness and comprehensive stakeholder engagement
- Developing the entity’s capacity, including the capability of its leadership and the individuals within it
- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Managing risks and performance through robust internal control and strong public financial management
- Defining outcomes in terms of sustainable economic social and environmental benefits
- Implementing good practices to transparency, reporting and audit to deliver effective accountability

## **2. Annual Governance Statement Assurance Framework– 2021/22**

2.1 The approach to produce the 2021/22 AGS is based on a framework of assurance and in preparing it, it has been necessary to review evidence from the following sources. This approach complies with the CIPFA recommended practice:

- Governance Arrangements e.g. the Authority’s Constitution
- Assurance from the Statutory Officers, including the Monitoring Officer, Chief Finance Officer and Senior Information Risk Owner, through written statements
- Members - Views of Audit and Standards Committee
- Internal Audit Activity – including the Chief Internal Auditor’s annual opinion
- Risk Management – Strategic risk reviews
- Performance Management – outcomes reported during 2021/22
- Views of the external auditor and other external inspectorates
- Key partnerships, including the voluntary, community and social enterprise organisations (VCSE)
- Nexus, through an assurance statement signed by Nexus’ Director of Finance and Resources
- North East Local Enterprise Partnership, through a partnership assurance statement, signed by the Chief Executive

## **3. Outcomes of the Review of Assurances**

3.1 The NTCA 2021/22 AGS fully complies with the CIPFA Framework and provides detailed evidence against each of the above principles highlighted in paragraph 1.2, to show how the Authority has adhered to its governance commitments as set out in the Constitution.

The Statement includes hyperlinks to sources of further information detailed on the North of Tyne website, (for example the Authority's Corporate Plan, Freedom of Information Scheme and Annual Report), demonstrating how the Authority has implemented its commitments and complies with the governance standards and principles.

#### **4. Governance and Internal Control Improvements – 2021/22**

4.1 The Combined Authority must comply with the CIPFA Financial Management Code by 2022. The Code is based on a series of principles supported by specific standards which are considered necessary to provide a strong foundation to manage the short, medium and long-term finances of a public authority.

During 2020/21, in preparation for the first full year of compliance with the Code, the Authority undertook a self-assessment which resulted in 4 areas identified as requiring improvement. The areas for improvement are disclosed within an action plan which is included at Section 13 of the AGS (Governance and internal control improvements) and has been updated since it was disclosed in last year's AGS. The action plan will continue to be monitored as part of the AGS review process during 2022/23.

4.2 Audit and Standards Committee fulfil an ongoing review, challenge and assurance role in relation to governance and internal control issues and will therefore receive a report during 2022/23 to allow the Committee to monitor the implementation of the actions to ensure the Authority is fully compliant with the CIPFA Financial Management Code.

#### **5. Next Steps**

5.1 The AGS will be updated to reflect comments from Audit and Standards Committee members today and will be kept under review and amended as necessary should any weaknesses come to light, before it is presented to the Committee at its July 2022 meeting.

#### **6. Potential Impact on Objectives**

6.1 No direct impact on objectives.

#### **7. Key Risks**

7.1 There are no specific risk implications directly arising from this report. The management of risks has been considered as part of the production of the Annual Governance Statement.

#### **8. Financial and Other Resources Implications**

8.1 This work to develop the Annual Governance Statement has been carried out by Newcastle City Council's Internal Audit Service under the Service Level Agreement.

#### **9. Legal Implications**

9.1 There are no direct legal implications arising from this report.

#### **10. Equalities Implications**

10.1 There are no direct equalities implications arising from this report.

#### **11. Inclusive Economy Implications**

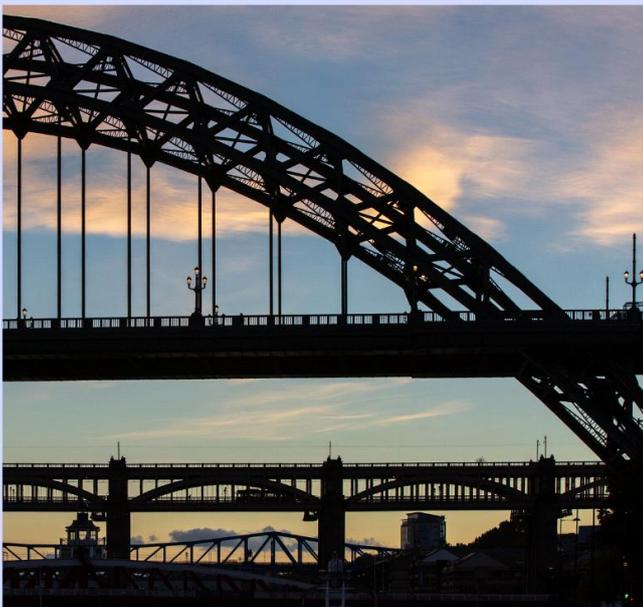
11.1 There are no direct inclusive economy implications arising from this report.

#### **12. Climate Change Implications**

- 12.1 There are no direct climate change implications arising from this report.
- 13. Consultation and Engagement**
- 13.1 The Managing Director, Monitoring Officer, Chief Finance Officer and NTCA Senior Management Team have been consulted on the draft 2021/22 AGS.
- 14. Appendices**
- 14.1 Appendix A – Draft 2021/22 Annual Governance Statement
- 15. Background Papers**
- 15.1 None
- 16. Contact Officers**
- 16.1 Philip Slater, Chief Internal Auditor Newcastle City Council (acting as Risk Advisor to NTCA)  
E mail: [philip.slater@newcastle.gov.uk](mailto:philip.slater@newcastle.gov.uk)  
Tel: 0191 2116511
- 17. Glossary**
- 17.1 None



# ANNUAL GOVERNANCE STATEMENT 2021/22



**NORTH  
OF TYNE**  
~~~~~  
**COMBINED  
AUTHORITY**

## Section 1: Introduction

This Annual Governance Statement provides an overview of how the North of Tyne Mayoral Combined Authority's governance and internal control arrangements operated during 2021/22, including how they are reviewed annually to ensure they remain effective.

## Section 2: Scope Of Responsibility

The North of Tyne Combined Authority (NTCA) is a cross-party, cross-region collaboration led by a Mayor and Cabinet to create a dynamic and more inclusive economy, one that brings together people and opportunities to create vibrant communities and a high quality of life, narrowing inequalities and ensuring that all residents have a stake in our region's future.

It was established on 2 November 2018 to deliver the devolution deal agreed between Newcastle, North Tyneside and Northumberland Councils, the North East Local Enterprise Partnership (North East LEP) and Central Government. Devolution has given us the chance to make our own decisions about our own future - with a shift of power, funding and responsibility from central government to the region. It does not replace the three constituent councils, nor take away any of their statutory powers.

We work in partnership and create connections between our programmes and projects for the region. We target investment where we know we need it most and make connections between economic growth and providing the skills, education and confidence local people need to benefit. We work collaboratively with:

- The North East LEP to support delivery of the objectives of the regions Strategic Economic Plan. We are the accountable body of the North East LEP with all its funding decisions being held to account through NTCA.
- The North East Combined Authority to support the region, including transport. To oversee strategic transport functions a Joint Transport Committee has been established with members from both Combined Authorities.
- All seven Local Authorities, and other regional bodies on issues that relate to the wider region.

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

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

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

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

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

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

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

### Section 3: Purpose Of The Governance Framework

Corporate governance is a phrase used to describe how organisations direct and control what they do. The Chartered Institute of Public Finance and Accountancy (CIPFAs) publication "Delivering Good Governance in Local Government" (2016 Edition), sets a framework, and the standard, for local authority governance in the UK. The Framework sets out a set of principles which we test our governance arrangements against to consider the extent to which the Authority complies with the principles of good governance as set out in the Framework. This is reported through the Annual Governance Statement. It also enables us to monitor the achievement of the Authority's priorities and to consider whether those priorities have led to the delivery of appropriate services which represent value for money.

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

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

### Section 4: The Governance Framework

The core principles and outcomes of our Governance Framework are set out overleaf. This includes examples of how the Authority has adhered to its governance commitments set out in the Constitution and includes hyperlinks to sources of further information which include more detail about how NTCA has implemented its commitments.

#### Principles of Good Governance

- |                                                                                                                      |                                                                                                                      |
|----------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|
| <b>A.</b> Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law | <b>E.</b> Developing the entity's capacity, including the capability of its leadership and the individuals within it |
| <b>B.</b> Ensuring openness and comprehensive stakeholder engagement                                                 | <b>F.</b> Managing risks and performance through robust internal control and strong public financial management      |
| <b>C.</b> Defining outcomes in terms of sustainable economic, social, and environmental benefits                     | <b>G.</b> Implementing good practices in transparency, reporting, and audit to deliver effective accountability      |
| <b>D.</b> Determining the interventions necessary to optimise the achievement of the intended outcomes               |                                                                                                                      |

## The Governance Framework

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

| <i>The Authority's Commitment of Good Governance</i>            | <i>How the Authority meets these principles</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <i>Where you can see Governance in action</i>                                                                                      |
|-----------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Behaving with Integrity</b></p>                           | <p>The 2022 budget and our medium-term financial plan for the period 2023-24/2025-26 has been developed within the context of the Authority's strategic priorities and policy decisions made by the Mayor and Cabinet. This ensures that the Combined Authority's strategic plans are delivered within the financial resources available.</p> <p>A Deed of Cooperation was made on the 4 July 2018 between the seven Constituent Authorities in the area which outlines a framework for collaborative working across the region.</p> <p>A register of Members' interests (including gifts and hospitality) is also maintained. The register is reviewed on an annual basis.</p> <p>The Monitoring Officer advises on compliance with our Constitution, ensuring that decision making is lawful, fair and ethical.</p> <p>Our financial management arrangements conform to the CIPFA Statement on the Role of the Chief Finance Officer and are the responsibility of the NTCA Chief Finance Officer.</p> | <p><a href="#">2022-2026 Budget Proposals</a> (Agenda item 11a – page 323)</p> <p><a href="#">Gifts and Hospitality Policy</a></p> |
| <p><b>Demonstrating Strong Commitment to Ethical Values</b></p> | <p>Our Constitution defines our standing orders, standing financial instructions, and scheme of delegation. These clearly define how decisions are taken and the processes and</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <p>The <a href="#">Constitution</a> is available on the NTCA website.</p>                                                          |

controls required to manage risks. We will ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.

The Monitoring Officer advises on compliance with our Constitution, ensuring that decision making is lawful, fair and ethical.

Codes of conduct are set out in the Constitution, defining standards of behaviour for Members and Officers working on behalf of the Authority. Audit and Standards Committee deal with issues of conduct and generally promote high standards among officers and members.

Our Freedom of Information Scheme is published on our website

We ensure that there are effective arrangements for “Whistle-blowing” and for receiving and investigating complaints from the public. Administration of the Authority’s policies on anti-fraud and corruption is undertaken by Internal Audit. Whistleblowing policy and procedure is at Part 5.5 of our Constitution

The Authority appoints Statutory Officers who have the skills, resources and support necessary to ensure statutory and regulatory requirements are complied with.

Data Protection and Confidentiality; Environmental; Equalities and Diversity; Modern Slavery; and Social Value policies are in place and available on our Transparency page of our website.

We work with Cabinet and wider partners and stakeholders to develop a clear set of values by which we work which are outlined in our Corporate Plan.

Cabinet Rules of Procedure (“Standing Orders”) can be found at part 3.1 of the Constitution

Codes of Conduct can be found at Part 5.2 of the Constitution

[Freedom of Information Scheme](#)

[Whistleblowing Policy](#)

[Transparency Policies](#)

[Corporate Plan 2021/22 – How We Work \(page 7\)](#)

(Add link to new Corporate Plan – June 2022)

Respecting the Rule of Law

NTCA has measures to address breaches of its legal and regulatory powers. The Authority's Monitoring Officer has statutory reporting duties in respect of lawful decision and maladministration.

We review and update our standing orders, standing financial instructions, scheme of delegation and support procedure notes/manuals – these clearly define how decisions are taken and the processes and controls required to manage risks.

Scheme of Delegations - The proposed scheme identifies a number of officers as "designated officers" who can exercise the delegated functions allocated to them in the scheme. These designated officers are the Head of Paid Service, Chief Finance Officer, and Monitoring Officer, Managing Director and Director of Policy and Performance, as well as the Chief Executive of the North East LEP (whose delegation relates to North East LEP matters only).

Head of Paid Service designation to Managing Director (formerly Director of Economic Growth) was approved by Cabinet in June 2021.

Our financial management arrangements conform to the CIPFA Statement on the Role of the Chief Finance Officer.

The Monitoring Officer is advised on compliance with our policy framework, ensuring that decision making is lawful and fair and ethical.

[Constitution](#) 2.9 – Scheme of Delegations

[Cabinet Agenda 8 June 2021- Agenda item 14](#)

## B. Ensuring openness and comprehensive stakeholder engagement

| <i>The Authority's Commitment to Good Governance</i>                                                                                                                      | <i>How the Authority meets these principles</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <i>Where you can see Governance in action</i>                                                                                                                                                                                                                                                                                                                                                                            |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Ensuring Openness</b><br/>Engaging Comprehensively with Institutional Stakeholders</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 79</p> | <p>We are clear on delivering the objectives of the Combined Authority and intended outcomes of our vision. Our Corporate Plan outlines the things we are doing and will do in future – using the powers and resources from our Devolution Deal, and the rapid progress we have made since – to drive jobs, inclusion, new homes and positive economic change in our region</p> <p>Our Annual Report ‘Getting Stuff Done in 2021’ sets out the Authority’s achievements and the work of the Mayor and Cabinet over the last year.</p> <p>The Elected Mayor chairs the Cabinet and Cabinet decisions will be subject to scrutiny by the Overview and Scrutiny Committee. The Elected Mayor has a number of specific powers and financial resources which Cabinet can make representations on and which can also be subject to scrutiny by the Overview and Scrutiny Committee.</p> <p>Transport is of strategic importance to the North East and together with the North East Combined Authority a North East Joint Transport Committee has been established bringing together members from across the seven local authorities, allowing effective decision making across the region to ensure that the local needs and transport priorities are delivered.</p> <p>The NTCA updated Adult Education Strategic Skills Plan sets out our ambitious programme for skills development. It</p> | <p><a href="#">Corporate Plan 2021/22</a><br/>Add link to updated Corporate Plan June 2022</p> <p><a href="#">Getting stuff done in 2021- Annual Report</a></p> <p><a href="#">Overview and Scrutiny Committee – Annual Report and Review</a> – Agenda item 8</p> <p><a href="#">North East Joint Transport Committee</a></p> <p><a href="#">Opportunity for All – North of Tyne Strategic Skills Plan 2021-2023</a></p> |

|                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                   |
|-------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                           | <p>highlights strengths, opportunities and challenges across our region and sets out the NTCA key priorities to ensure our residents have the skills to get a good job, progress in work and that employers have people with the right skills.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                   |
| <p>Engaging stakeholders effectively, including individual citizens and service users</p> | <p>Meetings, agendas and minutes are accessible via the website. All meetings are held in public (other than where consideration of confidential or exempt information) - during the pandemic, Cabinet meetings and all other Committees were held virtually, in accordance with their usual timescales, and live streamed for the public to view. Cabinet meetings continue to be livestreamed.</p> <p>We publish a register of key decisions to notify the public of the most significant decisions the Combined Authority is due to take. Details of each decision are included on the Forward Plan 28 days before the report is considered and any decision is taken. This allows an opportunity for people to find out about major decisions that NTCA is planning to take.</p> <p>In 2021 the Overview and Scrutiny Committee conducted a study group on co-production with three recommendations all accepted by Cabinet in July.</p> <p>Our Freedom of Information Scheme is published on our website.</p> <p>The appointment of a Mayoral Ambassador for the Voluntary, Community and Social Enterprise Sector (VCSE) and supporting Accord, which sets out a framework for a new relationship between NTCA and the VCSE to deliver our shared vision of an inclusive economy.</p> | <p>NTCA <a href="#">website</a></p> <p><a href="#">Forward Plan</a></p> <p><a href="#">Co-production at NTCA Scrutiny Report</a> – Agenda item 6</p> <p><a href="#">Freedom of Information Scheme</a></p> <p>VCSE <a href="#">Accord Agenda item 4</a><br/> <a href="#">VCSE Stakeholder Engagement Group Annual Report 2021/22</a> – page 19</p> |

|  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                             |
|--|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | <p>We set up a dedicated Coronavirus webpage which provides support for our businesses and communities, providing the latest government advice and available support. The website also signposts businesses to specialist sources of Brexit preparedness advice and support.</p> <p>We continue to use Facebook and Twitter as primary social media platforms to provide information on news and events for residents, businesses and visitors.</p> <p>Our website includes a transparency page where you will find the non-financial information the North of Tyne Combined Authority is required to publish under the Local Government Transparency Code 2015.</p> <p>We continue to work closely with our adult education providers providing stability and flexibility to ensure delivery is maintained throughout and beyond the Covid-19 pandemic. The hyperlink to the mid-year update provides an update on provision for the period 1 August 2021 to 4 February 2022.</p> | <p><a href="#">Coronavirus webpage</a></p> <p><a href="#">Brexit Support webpage</a></p> <p><a href="#">Transparency Information</a></p> <p><a href="#">Devolved Adult Education Budget – mid year update</a> (Agenda item 6 – page 21)</p> |
|--|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

### C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

| <b><i>The Authority's Commitment to Good Governance</i></b> | <b><i>How the Authority meets these principles</i></b>                                                                                                                                                                                                           | <b><i>Where you can see Governance in action</i></b>                                           |
|-------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|
| Defining Outcomes                                           | Our Corporate Plan outlines the things we are doing and will do in future – using the powers and resources from our Devolution Deal, and the rapid progress we have made since – to drive jobs, inclusion, new homes and positive economic change in our region. | <p><a href="#">Corporate Plan 2021/22</a><br/>Add link to updated Corporate Plan June 2022</p> |

|                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                         |
|--------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                | <p>The North East LEP works with its partners, which includes NTCA and NECA, to deliver the regions Strategic Economic Plan (SEP). The Plan reflects on recent changes to the global and national economy as well as the UK's departure from the European Union. It also looks at how the North East can maximise opportunities around the UK's Industrial Strategy.</p> <p>We incorporate good governance arrangements in our partnerships and reflect these in our overall governance arrangements.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <p><a href="#">Strategic Economic Plan</a></p> <p><a href="#">UK's Industrial Strategy.</a></p> <p><a href="#">Significant Partnership Register</a></p> |
| <p>Sustainable, Economic, Social and Environmental Benefits</p> <p>Page 82</p> | <p>To build on the engagement that is already happening across the North of Tyne region regarding climate change, Cabinet has approved the creation of a Citizens' Assembly to look at a specific set of issues relating to climate change.</p> <p>NTCA have embedded our 'zero-carbon – zero poverty' approach; the Energy, Green Growth and Climate Change programme, improving the north bank of the Tyne, green crowdfunding and our Green New Deal which will create jobs, reduce emissions, and save money – it's the kind of innovation that's needed for local areas to become net-zero. Creating jobs need not cost the Earth.</p> <p>As part of the business planning process the Authority sets out how it will work towards its agreed equality objectives, with Equality Impact Assessments undertaken to ensure we consider the likely impact of our policies and plans on different groups of people to ensure they do not inadvertently disadvantage anyone.</p> | <p><a href="#">North of Tyne Citizens' Assembly on Climate Change</a></p>                                                                               |

Equality implications are considered in all our decision-making reports - with reporting templates prompting report authors to record the equality implications arising from their reports.

Our Social Value Policy sets out how the Authority will deliver social value through their commissioning and procurement activities and to set the Authority's priorities in relation to social value.

NTCA has developed a programme to understand what 'Good Work' should look like in the North of Tyne and how NTCA can promote and reward employers that are offering the elements of 'Good Work'. This has included the development of a Good Work Pledge, which enables employers to understand the key elements of 'Good Work', what they can do to achieve this for their employees and what support is available to help them get there.

The pledge covers over 35,500 employees who now have secure employment, a decent wage and proper representation and a ladder to boost skills to turn a job into a career.

The Adult Education Budget provision supports key elements of the North East Strategic Economic Plan, and the emerging Local Industrial Strategy and plays a key role in NTCA's economic growth and reform agenda.

To support businesses during the Coronavirus pandemic we have made funding of £5m available with additional grant funding of around £1.5m to support businesses during the Coronavirus crisis.

[Social Value Policy](#)

[Newcastle college](#) receives good work pledge award

[Devolved Adult Education Budget mid-year update](#) – Agenda item 6

[Covid-19 Capacity Fund](#)

We have established a digital equipment loan scheme to support residents across the region giving them access to digital services and opportunities. Encouraging digital inclusion for everyone will help our residents' access new opportunities and in turn support our inclusive economy.

Inclusive Economy Board was launched in March 2020 and advises the NTCA Cabinet on inclusive economy interventions across the North of Tyne area, championing the NTCA vision and supporting the area to become a national exemplar in inclusive growth

The Housing and Land Board provides robust governance around an integrated strategic approach to improving the quality and quantity of homes in the North of Tyne area.

A North of Tyne Poverty Truth Commission will bring together community, civic and business representatives with people with experience of living in poverty. It will aim to better understand the specific effects of the Covid -19 pandemic for people living in Newcastle, North Tyneside, and Northumberland and come up with practical solutions.

Crowdfund North of Tyne will fund projects to help communities - its aim is to bring people together, create or improve green spaces, improve mental health, inspire creativity and opportunity for all, or support social enterprise and co-operative development.

[Digital Inclusion Scheme](#)

[Inclusive Economy Board Annual Report 2021/22](#) – page 13

[Housing and Land Board Annual Report 2021/22](#) – page 15

[Children North East to lead on Poverty Truth Commission](#)

[Child Poverty Prevention Programme](#) – Agenda item 9

[Crowdfund North of Tyne](#)

#### D. Determining the interventions necessary to optimise the achievement of the intended outcomes

***The Authority's  
Commitment to Good  
Governance***

***How the Authority meets these principles***

***Where you can see Governance in action***

|                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                              |
|----------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Determining Interventions</p>                   | <p>Cabinet approved its draft budget for 2022/23, and the medium-term financial plan for the period 2023/24 to 2025/26 at its January 2022 meeting.</p> <p>Our scrutiny arrangements enhance accountability and transparency of decision making. The Overview and Scrutiny Committee acts in accordance with the principles of decision making as set out in our Constitution and will call-in decisions where there is evidence which suggests that the decision was not taken in accordance with the principles.</p> <p>A Cabinet Scrutiny Protocol has been agreed which defines the relationship between Cabinet and Overview and Scrutiny Committee, providing a framework for disagreement and debate and a way to manage it when it happens.</p> <p>A Scrutiny Annual Report was presented to Cabinet at its Annual Meeting</p> | <p><a href="#">Cabinet Report (Agenda item 11a)</a></p> <p><a href="#">Constitution (Part 1.2)</a></p> <p><a href="#">Cabinet Scrutiny Protocol (Agenda item 6)</a></p> <p>Add Annual Report – June 2022</p> |
| <p>Optimising Achievement of Intended Outcomes</p> | <p>The strategic, crosscutting nature of much of the Authority's work means that delivery is often achieved through collaboration with NTCA partners and North of Tyne Council's. An example of this collaboration is in our Recover, redesign, reimagine plan which has been put forward to Government demonstrating our commitment to post-covid recovery and renewal.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <p><a href="#">Recover, Redesign, Reimagine</a></p>                                                                                                                                                          |

| <p><b>E. Developing the entity's capacity, including the capability of its leadership and the individuals within it</b></p> |                                                               |                                                             |
|-----------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------|-------------------------------------------------------------|
| <p><b><i>The Authority's Commitment to Good Governance</i></b></p>                                                          | <p><b><i>How the Authority meets these principles</i></b></p> | <p><b><i>Where you can see Governance in action</i></b></p> |

|                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |  |
|-----------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| <p>Developing the Organisation's Capacity</p>                                           | <p>We have defined and documented in our Constitution the roles and responsibilities of Cabinet, Scrutiny and 'proper' officer functions (Head of Paid Service, Monitoring Officer, Chief Finance Officer), with clear delegation arrangements and protocols for effective communication. The collective and individual roles and responsibilities of the Cabinet, Members and Officers have been agreed by the Combined Authority.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |  |
| <p>Developing the Capability of the Organisation's Leadership and Other Individuals</p> | <p>We identify and aim to address the development needs of members and senior officers through the annual appraisal process, in relation to their strategic roles, and support these with appropriate training.</p> <p>Values and behavior's workshops have been delivered to all staff, with staff appraisals undertaken with agreed targets and objectives linked to NTCA's work programme.</p> <p>During the Coronavirus pandemic national updates and latest Government guidance was regularly communicated to all our staff working remotely.</p> <p>Staff are also reminded of our information governance/data security requirements whilst working remotely, to ensure they continue to work safely and securely. Additional health and safety modules have been made available on our Learning Management System alongside advice from the Health &amp; Safety Executive to ensure all our staff work safely at home.</p> |  |

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

| <b><i>The Authority's Commitment to Good Governance</i></b> | <b><i>How the Authority meets these principles</i></b>                                                                                                                                                                                                                                                                                                                                                                                                                                                | <b><i>Where you can see Governance in action</i></b> |
|-------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|
| Managing Risk                                               | <p>Our Risk and Opportunity Management Policy and Strategy outlines our arrangements for managing risk. Risk management is an integral part of our decision-making processes. To inform decision making all committee reports include a section which highlights the key risks to the decisions or proposed recommendations and how they are being addressed.</p>                                                                                                                                     |                                                      |
| <p>Managing Performance</p> <p>Page 87</p>                  | <p>Cabinet and Overview and Scrutiny Committees receive quarterly finance reports, monitoring the Authority's financial position and treasury management activity.</p> <p>Cabinet and Overview and Scrutiny Committees receive six monthly reports monitoring the financial position of the North East LEP and Invest North East England.</p>                                                                                                                                                         |                                                      |
| Effective Overview and Scrutiny                             | <p>Our scrutiny arrangements enhance accountability and transparency of decision making. The Overview and Scrutiny Committee acts in accordance with the principles of decision making as set out in our Constitution (Part 1.2) and will call-in decisions where there is evidence which suggests that the decision was not taken in accordance with the principles.</p> <p>A Cabinet Scrutiny Protocol has been agreed which defines the relationship between Cabinet and Overview and Scrutiny</p> | Add link to Scrutiny Annual Report June 2022         |

|                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                |
|-----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|
|                                               | <p>Committee, providing a framework for disagreement and debate and a way to manage it when it happens.</p> <p>A Scrutiny Annual Report was presented to Cabinet at its Annual Meeting</p> <p>There are regular meetings between the Mayor and the Chair and Vice Chair of Overview and Scrutiny Committee.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                |
| <p>Robust Internal Control</p> <p>Page 88</p> | <p>An Officer holds the position of Data Protection Officer and is responsible for overseeing the Authority's Data Protection and Confidentiality Strategy and its implementation to ensure compliance with the General Data Protection Regulations.</p> <p>The Authority regularly reviews policies relating to records management, data quality, data protection and information security.</p> <p>The Audit and Standards Committee acts as principle advisory committee to NTCA, providing independent assurance on the adequacy of the risk management framework and internal control environment.</p> <p>An assessment of the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the Authority's internal auditors. The Chief Internal Auditor will provide an annual opinion for 2021/22 to support this Annual Governance Statement.</p> <p>A 2022/23 Strategic Audit Plan which was approved by Audit and Standards Committee April 2022, has been prepared to ensure Internal Audit resources are deployed in areas that will provide optimum benefit and value to the Authority.</p> | <p><a href="#">Data Protection and Confidentiality Strategy</a></p> <p><a href="#">Internal Audit report January 2022 – Agenda item 7)</a></p> |

|                                    |                                                                                                                                                                                                                                                                                                                                                                                     |                                               |
|------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|
|                                    | Progress against the 2021/22 Audit Plan was reported to Audit and Standards Committee at its January 2022 meeting.                                                                                                                                                                                                                                                                  |                                               |
| Managing Data                      | <p>All staff must undertake data protection e-learning training annually. The programme of training and awareness for all staff and members continues during 2022/23.</p> <p>The Authority makes information available to the public via the information access regimes provided for by the Freedom of Information Act 2000 and the Environmental Information Regulations 2004.</p> | <a href="#">Freedom of Information Scheme</a> |
| Strong Public Financial Management | The control and financial management arrangements are reviewed by internal and external audit throughout the year. The outcomes for 2021/22 are noted in Section 5 of this Annual Governance Statement – Annual Review of Effectiveness of Governance Framework.                                                                                                                    |                                               |

| <b>G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability</b> |                                                                                                                                                                                                                                                                                                                                      |                                                                                           |
|-----------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|
| <b><i>The Authority's Commitment to Good Governance</i></b>                                                     | <b><i>How the Authority meets these principles</i></b>                                                                                                                                                                                                                                                                               | <b><i>Where you can see Governance in action</i></b>                                      |
| Implementing Good Practice in Transparency                                                                      | <p>Mayor's Question Time – Mayor Driscoll hosts regular themed online Mayor's question time, welcoming questions and comments on key issues.</p> <p>The Mayor updates the region weekly via his video blog and Facebook page, providing an insight into the working week of the NTCA Mayor and the Authority's key achievements.</p> | <p>Mayor's Facebook Page - Mayor's question time</p> <p>YouTube - My week in a minute</p> |

|                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                     |
|------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
|                                          | We publish details of delegated decisions on our website.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <a href="#">delegated decisions on our website.</a>                                                 |
| Implementing Good Practices in Reporting | <p>We ensure that our Audit and Standards Committee undertakes the core functions identified in CIPFA’s Audit Committees – Practical Guidance for Local Authorities and Police 2018.</p> <p>Internal Audit compliance with Public Sector Internal Audit Standards</p> <p>Production of the Authority’s Annual Report and Accounts</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <a href="#">Review of Audit and Standards Committee Arrangements</a> – January 2022 – Agenda item 8 |
| Assurance and Effective Accountability   | <p>The Assurance Framework explains the arrangements for NTCA to:</p> <ul style="list-style-type: none"> <li>• Demonstrate that arrangements are in place to ensure accountable and transparent decision-making</li> <li>• Appraise projects and allocate funding; and</li> <li>• Monitor and evaluate projects to ensure that they achieve value for money and projected outcomes</li> </ul> <p>The Assurance Framework has been designed to meet the National Guidance for Single Pot Assurance Frameworks, issued by MHCLG for localities in receipt of a Single Pot as part of their Devolution Deals.</p> <p>Section 5 of this Annual Governance Statement provides the views of our internal and external auditors. Auditors report regularly to Audit and Standards Committee and provide their annual opinion on the adequacy of the effectiveness of our governance, risk and control framework.</p> <p>The Authority monitors the implementation of internal and external audit recommendations. Audit and Standards</p> |                                                                                                     |

|  |                                                                                                                                                                                                                                                                                                |  |
|--|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
|  | <p>Committee receive regular reports summarising performance regarding implementation of recommendations.</p> <p>Information on expenditure, performance and decision making is sited together on the Transparency page of the Authority's website and can be accessed quickly and easily.</p> |  |
|--|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|

## Section 5: Annual Review Of Effectiveness Of Governance Framework

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

- (a) An assessment of the Authority's Constitution, including its committee structure.
- (b) The views of Internal Audit.
- (c) Assurance from Statutory Officers, including the Monitoring Officer, Chief Finance Officer and Senior Information Risk Owner, through written signed statements.
- (d) The views of External Auditors..
- (e) The results of the Authority's self-assessment of compliance with the new CIPFA Financial Management Code
- (f) Activity of the Audit and Standards Committee, including ethical governance
- (g) Partnerships, including the North East Joint Transport Committee
- (h) The Risk Management process, particularly the Strategic Risk Register
- (i) Performance information which is reported to Cabinet and other meetings on a regular basis.

## Section 6: North East Joint Transport Committee and North East Combined Authority

Regional transport is operated and governed by the North East Joint Transport Committee, bringing together the two Combined Authorities, which allows effective decision-making across the region to ensure that the local needs and transport priorities are delivered. The Committee receive regular updates on North East and Regional Transport Plans. The Committee also receive regular updates from the Managing Director, Transport North East, in respect of transport partnerships, including East Coast Mainline, HS2 and Northern Powerhouse Rail.

The Joint Transport Committee, Audit Committee is also a key component of the corporate governance arrangements and is an important source of assurance about the Joint Transport Committee's arrangements for managing risk, maintaining an effective control environment; and reporting on financial and performance matters.

The Joint Transport Committee also has an Overview and Scrutiny Committee to enable local councillors, on behalf of their communities, to scrutinise and challenge the Joint Transport Committee, its committees and Nexus, and to investigate matters of strategic importance to residents with a view to influencing and adding value to the decisions.

## Section 7: Investment Fund Programme & Brownfield Housing

### Investment Fund Programme

Delivery of the initial 5-year Investment Programme is in a strong position as we approach the first Gateway Review with Government. To date £82.9m is committed (exc. £10m top slice) against a wide range of projects and programmes supporting businesses, skills and capital infrastructure. Project delivery is well underway and we are seeing an increase in the reporting of actual outputs, including 819 new jobs and 1773 safeguarded.

Forecast cumulative expenditure for 2022/23 currently stands at c£50m (taking account of attrition). In addition, a healthy pipeline of high-quality projects is in place with further significant investments planned in the coming months. This includes establishing a £10m Equity Fund to support business growth, as well as further investments around green growth, digital, culture and creative, enabling innovation in businesses, as well as broader programmes of support to our residents and communities. The Covid-19 pandemic has had an impact on North of Tyne residents and our economy, in addition to the implications of Brexit and war in Ukraine. The Combined Authority continues to work closely with project sponsors to provide additional support and enable the development of alternative delivery methods where appropriate to realise outcomes. The impacts continue to be monitored.

An evaluation framework to capture our achievements and learning has been approved by the Mayor and the portfolio holder for Investment and Resources. The Combined Authority also commissioned SQW to undertake an external evaluation against national indicators, to support the upcoming gateway review in early 2023. The joint baseline and one-year-out report was received positively by Cabinet in February, evident throughout was the increasing strength of partnership working and capacity building across the area since NTCAs inception. Performance is reported monthly, outcomes are slightly ahead of forecasts in terms of the creation of new jobs and attracting private sector leverage. A bespoke programme management system, shared with the North East LEP, was launched in April 2021 across all NTCA programmes. The system was developed through an agile methodology with further functionality built over 2021/22. As a cloud-based system, this will improve the efficiency of managing and monitoring programmes across the Combined Authority and will streamline the interface with delivery organisations for claims and output reporting.

### Brownfield Housing

In July 2020, the Combined Authority secured £23.850m from Government's £400m national Brownfield Housing Fund. This was increased by a further £7.9m announced within the Levelling Up White Paper in February 22. The funding will be delivered over five years up to 31 March 2025, to support the development of at least 2000 new homes, by remediating and revitalising brownfield sites across the North of Tyne area. The Brownfield fund is part of a broader housing programme and pipeline of sites, shaping a strategic delivery approach to supporting housing and economic recovery.

The Combined Authority has operationalised the programme at pace, working closely with Local Authorities to establish a pipeline of projects totalling £23.3m and legally committing £12.5m against 6 investments by March 2022. A further £21.1m of proposed projects is currently going through the assurance framework which will increase the pipeline to £44m.

### Levelling up

Government produced the Levelling up White Paper in February as a *"blueprint for spreading opportunity more equally across the country"*, with a focus on productivity, quality of life, place improvements and stronger leadership.

The White Paper itself was not accompanied by major funding announcements, although the NTCA will receive nearly £8m of additional Brownfield Housing Funding and a devolved Shared Prosperity Fund allocation – with the amount not yet known.

Instead, the main focus of the White Paper is to provide the strategic backdrop for, and influence, future Government funding and decision making - in areas ranging from skills and regeneration to digital infrastructure. It also advocates that more funding should be devolved in future. Government departments will be asked to set spatial objectives and numerical targets, while a new Levelling Up Advisory Council will be created to oversee progress.

## **Section 8: Adult Education Budget**

Devolution of Adult Education Budget (AEB) has provided an opportunity to make commissioning decisions on an area focused and forward-looking basis. NTCA's ambition is to improve the impact of AEB in the NTCA region and we will continue our approach to strategic relationship building and partnership working to develop localised, flexible, high-quality provision that responds to the needs of our residents and employers.

In August 2020 the NTCA took control of £23,144,967 devolved AEB for academic year (AY) 2020-21. An additional allocation of £959,064 for one year only was devolved in September 2020 to invest in High Value Courses (HVC) and Sector-based Work Academy Programmes (SWAP). £409,894 was also delegated to NTCA in April 2021 to deliver the Lifetime Skills Guarantee – Level 3 Adult Offer. Bringing the total AEB for AY 2020-21 to £24,513,925.

With Cabinet approval, 100% of the NTCA AEB funding was allocated during AY 2020-21. 67% was allocated through Grant Funding Agreements, 27% was allocated through procurement exercises which were open to all adult education training providers and 3% was invested in the costs associated with managing the budget.

For AY 2021-22 NTCA have received a devolved AEB of £23,551,493 plus an additional £1,641,588 for the delegated Level 3 Adult Offer. Bringing the total AEB for AY 2021-22 to £25,193,081. NTCA Grant fund 10 Provider's. 26 Contracts for Service are held with 22 Provider's. And there are 13 Provider's delivering the delegated Level 3 Adult Offer.

Through the Scheme of Delegation 93% of the AY 2021-22 budget has been allocated through extensions to Grant Funding Agreements and procured Contract for Services. The remaining funding is being allocated through mini-competitions and contract growth as new opportunities are identified throughout the year. All NTCA Providers have developed an AEB Delivery Plan which is monitored at quarterly performance management meetings throughout the year.

The AEB is a cornerstone of investment in the skills system and has a significant role in supporting our region's economic recovery from the COVID-19 pandemic. Led by the priorities outlined in the published NTCA Strategic Skills Plan, NTCA officers work closely with education providers, employers and stakeholders to ensure that a high-quality adult skills offer is available which focuses on achieving outcomes directly linked to local labour market needs, helping residents to improve their quality of life and ensuring that North of Tyne employers can access residents with the skills their businesses need to grow and thrive.

The devolution of the AEB has provided NTCA with the opportunity to implement additional flexibilities on the funding for the benefit of our residents and employers. NTCA implemented a number of new funding flexibilities during AY 2020-21 and AY 2021-22 in response to consultation with the AEB provider base and in response to the ongoing impact of the crisis on adult learning. All of the flexibilities have been co-designed to specifically address disadvantage and remove barriers to learning.

NTCA AEB providers have delivered a range of provision targeting employed and unemployed residents including statutory entitlements in maths, English, English for Speakers of Other Languages (ESOL) and digital skills plus full Level 2 and Level 3 vocational programmes required to access the labour market and/or progress in work.

Despite the ongoing restrictions and interruptions to learning caused by COVID-19, in AY 2020-21 the AEB funded over 25,000 enrolment opportunities and by the mid-year point in this current AY 2021-22, the AEB has already funded over 17,400 enrolment opportunities.

Key priorities set out in the NTCA Strategic Skills Plan include supporting residents of all ages, including those in work, to develop their skills to progress into better jobs and increase their earnings. We also aim to extend the reach of learning opportunities to a broader range of underrepresented groups. Analysis of NTCAs devolved AEB investment reveals that

- 72% of residents accessing devolved AEB reside in the top 20% deprived wards in our region (45% of in the top 10% deprived wards)
- 71% of AEB opportunities are being undertaken by unemployed residents
- 16% of AEB opportunities are being undertaken by young people (19-24)
- 58% of AEB enrolment opportunities are being undertaken by women
- 47% of enrolment opportunities are being undertaken by residents from our BAME community
- 72% of AEB enrolment opportunities are undertaken by residents with low or no qualifications
- 18% participating in provision self-declared a learning difficulty/disabilities

### **Section 9: Significant Weaknesses In Governance and Internal Control**

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

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

### **Section 10: Governance and Internal Control Improvements**

The review also identifies activities that may need improvement, but which do not constitute “significant weaknesses” in our governance and internal control arrangements. These are set out in Appendix A and will be monitored as part of the next review.

### **Section 11: Conclusion**

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

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

**Mayor of the North of Tyne Combined Authority**

**Full Name: Jamie Driscoll**

**Signature:**

**Date:**

**Chair of Audit and Standards Committee**

**Full Name: Doug Ross**

**Signature:**

**Date:**

**Managing Director**

**Full Name: Henry Kippin**

**Signature:**

**Date:**

**Chief Finance Officer**

**Full Name: Janice Gillespie**

**Signature:**

**Date:**

**CIPFA Financial Management Code**

**Background Risk**

The Financial Management Code (FM Code) was an additional requirement in 2020/21 and is mandatory from 2021/22. The Code is based on a series of principles supported by specific standards which are considered necessary to provide a strong foundation to manage the short, medium and long-term finances of a public authority.

In preparation for the first full year of compliance with the Code the Combined Authority undertook a self-assessment to ensure that it complied with the FM code in line with guidance issued by CIPFA and in a way that is appropriate and proportional to its own circumstances reflecting the structure, function and size of the Combined Authority.

The overall conclusion of each Financial Management Principle has been assigned a red, amber, or green rating in line with the scale of the improvements required for full compliance. A red rating indicates that significant improvements are required, an amber rating indicates that moderate improvements are required, and a green rating indicates that no improvements or minor improvements may be required. The RAG assessment ratings against each Principle are noted below:

- Leadership – Green
- Accountability – Green
- Transparency – Green
- Standards – Green
- Assurance – Green
- Sustainability – Green

The overall results from the self- assessment were green, however, the code requires any areas for improvement to be disclosed within an action plan. The self-assessment identified 4 areas for improvement, which once implemented will ensure the Combined Authority fully complies with the Financial Management Code.

**Accountable Officer: Chief Finance Officer**

**Action(s) required to enhance effectiveness**

**Implementation date**

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
| <p><b>Assurance Principle</b> – Standard (F) The authority has carried out a credible and transparent financial resilience assessment.</p> <p><i>This requirement relates to whether the Combined Authority has undertaken an independent, credible, and transparent financial resilience assessment. Unlike Local Government the Combined Authority has full control over the grant and funding programmes it has with more certainty around the financial envelope to plan with, and no risk associated with Demand Led Services as our constituent authorities have. The factors which should be considered as part of the financial resilience assessment, will include getting routine financial management right, planning and managing revenue and capital resources well and using performance information effectively. As no assessment has been carried out to date externally, this has been consequently assessed as Amber.</i></p> <p><b>Progress update:</b><br/>A planning session is scheduled 1 June 2022 with Chief Finance Officer, Head of Paid Service and members of the Senior Management Team to take this action forward with a view to setting clear terms of reference to result in a clear report.</p> | March 2023     |
| <p><b>Standards Principle</b> – Standard (H) The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.</p> <p><i>Borrowing powers need to be secured to enhance the Combined Authority’s ability to achieve its ambitions. These powers may be secured during Q4 of 2021/22 (January – March 2022). At which time an appropriate Capital Investment Strategy will be laid before the Mayor and Cabinet for their consideration.</i></p> <p><b>Progress update:</b><br/>Confirmation received 28 March 2022 that the Minister had signed the Combined Authority (Borrowing Powers) Regulations 2022 on 22 March 2022. Chief Finance Officer will work on an appropriate Capital Investment Strategy to be laid before the Mayor and Cabinet for their consideration.</p>                                                                                                                                                                                                                                                                                                                                                                                                                      | September 2022 |
| <p><b>Sustainability Principle</b> - Standard (E) The Financial Management Style of the authority supports financial sustainability – Has the authority sought an external view on its financial style, for example through a process of peer review?</p> <p><i>The Authority has evolved as a new entity in its entirety. The nature of the funding sources and delivery mechanisms the Authority has to achieve the Ambition and the requirements of the devolved funding mean that the level of risk associated with Financial Sustainability traditionally associated with Local Government Tiers is not the same. A peer review is not a requirement for compliance with the FM Code, the benefit of doing so will enable:</i></p> <ul style="list-style-type: none"> <li>• <i>The creation of an action plan for any areas of improvement.</i></li> <li>• <i>Review adequacy of financial management support.</i></li> </ul>                                                                                                                                                                                                                                                                                                 | March 2023     |

**Progress update:**

A planning session is scheduled 1 June 2022 with Chief Finance Officer, Head of Paid Service and members of the Senior Management Team to take this action forward with consideration of engaging on a peer review with a fellow Mayoral Combined Authority.

**Transparency Principle - Standard (M)** Does the authority have a documented option appraisal methodology that is consistent with the guidance set out in the International Federation of Accountants/Professional Accountants in Business Publication – Project and Investment Appraisal for Sustainable Value Creation: Principles in Project and Investment Appraisal?

*The Combined Authority have an Assurance Framework for appraising all projects, in line with the HM Treasury Green Book recommendations - a review is currently ongoing to further strengthen the requirements for options appraisals and relate this to the Business Case Guidance.*

**Progress update:**

A review of the Assurance Framework and Business Processes supporting the Assurance Framework is still ongoing with regular updates presented to NTCA Senior Management Team. Initiation phase almost complete.

September 2022

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**Subject:** Follow up letter to the Audit Completion Report 2020/21

**Report of:** Interim Chief Finance Officer

**Portfolio:** All

## Report Summary

The purpose of this report is for the External Auditors, Mazars, to provide to Audit and Standards Committee an update on matters that were marked as outstanding within the Audit Completion Report (ACR), relating to NTCA Statement of Accounts 2020/21, presented to Audit and Standards Committee on the 18 January 2022 and subsequently to Cabinet on the 25 January 2022 and to draw attention to an additional issue that has since arisen.

## Recommendations

The Audit and Standards Committee is recommended to note the follow up letter to the Audit Completion Report 2020/21 attached as Appendix A.

### 1. Background Information, Proposals and Timetable for Implementation

- 1.1 As required by International Standards on Auditing (UK), External Audit are required to provide an update on those matters that were marked as outstanding within an Audit Completion Report (ACR).
- 1.2 The 2020/21 ACR was presented to Audit and Standards Committee on 18 January 2022 and subsequently to Cabinet on 25 January 2022. The expectation was that any outstanding work at that time would be completed, and an unqualified opinion would be issued on the financial statements.
- 1.3 The attached follow up letter to the Audit Completion Report outlines the additional issue that has arisen in relation to Infrastructure Assets; and how the other matters reported as outstanding in the Audit Completion Report have been concluded.

### 2. Potential Impact on Objectives

- 2.1 The production and publication of an Audited Statement of Accounts is the statutory responsibility of the Combined Authority as per the Accounts and Audit Regulations 2015 and as revised Account and Audit Regulations 2020/21.

### 3. Key Risks

- 3.1 The NTCA Statement of Accounts include a share of the assets and liabilities of the Joint Transport Committee. The issue outlined by the External Auditors in relation to infrastructure assets whilst not relevant to NTCA, as an entity, due to the incorporation of JTC in our accounts, NTCA accounts are impacted.

#### **4. Financial and Other Resources Implications**

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

#### **5. Legal Implications**

- 5.1 The Accounts and Audit Regulations 2020/21, which take effect from 31 March 2021, extend the requirement for the audited accounts to be published from 31 July to 30 September, with the exercise of public rights, common inspection date being removed and the draft accounts published no later than 1 August. This revised regulation will apply also to the 2021/22 accounts as it currently stands. A public notice was published on the NTCA website to explain the delay in publishing the Audited Statement of Accounts.

#### **6. Equalities Implications**

- 6.1 There are no equality and diversity implications arising from the recommendations in this report

#### **7. Inclusive Economy Implications**

- 7.1 There are no inclusive economy implications arising from the recommendations in this report.

#### **8. Climate Change Implications**

- 8.1 There are no climate change implications arising from the recommendations in this report.

#### **9. Consultation and Engagement**

- 9.1 Consultation will take place with the key personnel and interested parties involved in the Statement of Accounts.

#### **10. Appendices**

- 10.1 Appendix 1 External Auditors Follow up Letter to the 2020/21 Audit Completion Report.

#### **11. Background Papers**

- 11.1 2020/21 Audit Completion Report

#### **12. Contact Officers**

- 12.1 Janice Gillespie, Chief Finance Officer [Janice.gillespie@northtyneside.gov.uk](mailto:Janice.gillespie@northtyneside.gov.uk)  
Tel: 0191 6435701

Members of the Cabinet  
And Members of the Audit and Standards Committee  
North of Tyne Combined Authority (NTCA)  
North Tyneside Council  
Quadrant West  
The Silverlink North  
Cobalt Business Park  
North Tyneside  
NE27 0BY

Direct +44 (0)191 383 6300  
Dial  
Email [gavin.barker@mazars.co.uk](mailto:gavin.barker@mazars.co.uk)

11 April 2022

Dear Members

**North of Tyne Combined Authority  
Follow Up Letter to the Audit Completion Report, 2020/21 Audit**

As required by International Standards on Auditing (UK), I am writing to communicate an update on those matters that were marked as outstanding within our Audit Completion Report dated 14 January 2022, and to draw your attention to an additional issue that has arisen since we presented our report to the Audit and Standards Committee on 18 January 2022 and to the Cabinet on 25 January 2022.

The expectation when presenting our report was that the outstanding work at that time would be completed and we then anticipated being able to issue an unqualified opinion on the financial statements.

Unfortunately, an additional issue has arisen that has prevented the audit opinion being issued.

The paragraphs below:

- Outline the additional issue that has arisen; and
- How the other matters reported as outstanding in the Audit Completion Report have been concluded.

**Additional issue that has prevented the audit opinion being issued at this stage**

In early February a technical issue began to be discussed among the audit firms and sector lead bodies including the National Audit Office.

The issue impacts on authorities that have material infrastructure assets. NTCA’s single-entity financial statements include Infrastructure at a net book value of £151.021m at 31 March 2021, and NECA’s Group financial statements include Infrastructure at a net book value of £362.265m at 31 March 2021. Clearly, Infrastructure assets are material to both the Authority’s and the Group’s financial statements.

As a result of this issue arising, our firm has instructed its auditors, in common we understand with the other audit firms in the sector, to pause the issue of audit opinions where financial statements include material infrastructure assets.

The issue is a technical accounting issue and relates to the arrangements in place to remove the original costs and associated depreciation from the Balance Sheet when Infrastructure is updated and the extent to which records are sufficient to enable such adjustments to be made accurately and in accordance with the current CIPFA Code on Practice on Local Authority Accounting.

This is a national issue and not an issue specific to the North of Tyne Combined Authority.

An important message for Members is that this issue does not impact on the underlying financial position, the outturn for the year or the usable reserves available to the Authority and the Group.

In terms of the resolution of this issue, we anticipate that steps are likely to be taken by CIPFA in the near future to determine and implement a national solution.

We will be unable to issue our audit opinion on the financial statements of the Authority and Group until this issue is resolved, and unfortunately this means a further delay in what has already been an extended process.

**Resolution of outstanding issues in the Audit Completion Report**

The outstanding matters and the conclusions we reached are detailed below:

| Matter                                                                                                                                                                                                                                                                          | Update/conclusion reached                                                                                                                                                                                                                                                                      | Status                   |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| <p><b>Work still outstanding at the point of drafting the Audit Completion Report</b></p> <p>We are finalising our testing in a number of areas, and continuing to write up our documentation of the audit file. We continue to discuss some matters arising with officers.</p> | <p>The remaining work was completed.</p> <p>There were no significant issues arising.</p> <p>Based on further discussion with officers, there was a change to the adjustments included in the Audit Completion Report.</p> <p>A full updated set of adjustments is included in Appendix A.</p> | <p>Cleared</p>           |
| <p><b>WGA</b></p> <p>Our audit work will be completed once the Group Instructions have been received from the National Audit Office.</p>                                                                                                                                        | <p>Group Instructions are still not available to set out the work we are required to undertake. The timescale for this now appears to have moved towards the summer of 2022.</p>                                                                                                               | <p>Still outstanding</p> |

| Matter                                                                                                                                                                                                                                                                                                                                                                                                                           | Update/conclusion reached                                                                                                                                                                                                                                                                                         | Status                                                                                                                  |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|
| <p><b>Audit quality control and completion procedures</b></p> <p>Our audit work is subject to ongoing review and quality control procedures. In addition, there are residual procedures to complete, including agreeing the expected amendments to the final Statement of Accounts, updating post balance sheet event considerations to the point of issuing the opinion and reviewing management’s going concern assertion.</p> | <p>Our review and closure procedures are now largely completed. However, we will still need to consider post balance sheet events and going concern at the point we are able to issue the audit opinion. We will also need to obtain a letter of representation at this point from the Chief Finance Officer.</p> | <p>Consideration of post balance sheet events and going concern at the point we are able to issue the audit opinion</p> |

### Current status of our audit work

At the time of preparing this update letter, the following matters remain outstanding, which as we have explained will be reported at a later date:

| Audit area                                                                                      | Status | Description of outstanding matters                                                                                                                                                                                                                                                                                                                  |
|-------------------------------------------------------------------------------------------------|--------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Infrastructure assets</p> <ul style="list-style-type: none"> <li>- National issue</li> </ul> | ●      | <p>As summarised earlier in our letter, this is a national issue awaiting a national solution. We are unable to issue our audit opinion until this has been resolved.</p>                                                                                                                                                                           |
| <p>Value for money commentary</p>                                                               | ●      | <p>We are yet to complete our work in respect of the Authority’s arrangements for the year ended 31 March 2021.</p> <p>At the time of preparing this letter, we have not identified any significant weaknesses in arrangements that require us to make a recommendation, however we continue to undertake work on the Authority’s arrangements.</p> |
| <p>WGA</p>                                                                                      | ●      | <p>We have not yet received group instructions from the National Audit Office. The timescale for this now appears to have moved towards the summer of 2022.</p>                                                                                                                                                                                     |

#### Status

- Likely to result in material adjustment or significant change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Not considered likely to result in material adjustment or change to disclosures within the financial statements

In our Audit Completion Report, we reported follow up on 2019/20 internal control recommendations, but at the time of reporting we had not completed our work on related party disclosures, so were unable to report our conclusion in relation to last year's issue. In 2020/21, we were able to obtain the assurance we needed into related party disclosures, but we had similar issues in terms of returns not being dated and we were unable to follow some of the links on the Authority's website.

We will keep management informed of progress in resolving the national issue preventing the audit opinion being issued. When we are in a position to sign our audit opinion, we will provide a further update for Members.

If you wish to discuss these or any other points then please do not hesitate to contact me.

Yours faithfully

*Gavin Barker*

**Gavin Barker**  
Director

## APPENDIX A – SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified for adjustment during the course of the audit, above the level of trivial threshold of £225,000 (NTCA) and £375,000 (Group).

### Unadjusted misstatements

There were no unadjusted misstatements in the NTCA single entity financial statements.

### Group financial statements

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|                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Comprehensive Income and Expenditure Statement / Movement in Reserves Statement |            | Balance Sheet |            |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------|------------|---------------|------------|
|                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Dr (£'000)                                                                      | Cr (£'000) | Dr (£'000)    | Cr (£'000) |
| 1 Dr: Pension Liability                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                 |            |               | 6,035      |
| Cr. Pension Asset                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                 |            | 6,035         |            |
| Dr. Adjustment through the Movement in Reserves Statement                                                                                                                                                                                                                                                                                                                                                                                         | 6,035                                                                           |            |               |            |
| Cr: Re-measurement Gains on Assets                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                 | 6,035      |               |            |
| <p>Being an increase of £6.035m in re-measurement gain on assets as measured by the Actuary in a revised valuation report for Nexus (The £6.035m is NTCA's share based on the devolution population calculation of the total re-measurement gain of £13.550m). This did not impact on the usable reserves position. As this adjustment is not material to the Group statements, management has decided not to amend the financial statements.</p> |                                                                                 |            |               |            |

Comprehensive Income and Expenditure  
Statement / Movement in Reserves  
Statement

Balance Sheet

|   | Dr (£'000)                                                                                                                                                                                                                                                   | Cr (£'000) | Dr (£'000) | Cr (£'000) |
|---|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|------------|
| 2 | Dr: Provisions                                                                                                                                                                                                                                               |            | 1,148      |            |
|   | Cr: Debtors – Provision for Bad Debts                                                                                                                                                                                                                        |            |            | 1,148      |
|   | Being the correction of a long-term provision. This is a provision for bad debts, which should have been netted off debtors.                                                                                                                                 |            |            |            |
|   | Dr: Gross Income                                                                                                                                                                                                                                             | 462        |            |            |
|   | Cr: Gross Expenditure                                                                                                                                                                                                                                        |            | 472        |            |
|   | Dr: Net impact of the above differences                                                                                                                                                                                                                      |            | 10         |            |
|   | Being the correction of differences in gross income and gross expenditure for Nexus between the figures in the Group accounts and the figures included in Nexus's audited financial statements. The net difference of £10k is below our reporting threshold. |            |            |            |
| 4 | Dr: General Fund (Reserves)                                                                                                                                                                                                                                  |            | 384        |            |
|   | Cr: Earmarked reserves                                                                                                                                                                                                                                       |            |            | 634        |
|   | Dr: Net impact of the above differences                                                                                                                                                                                                                      |            | 250        |            |
|   | Being the correction of differences in General Fund (Reserves) and Earmarked Reserves between the figures in the Group accounts and the individual accounts of each entity. The net difference of £250k is below our reporting threshold.                    |            |            |            |

Management does not propose to amend the Group financial statements, as the adjustments are not material.

### Adjusted misstatements

There were no adjusted misstatements in either NTCA single-entity or Group financial statements.

### Disclosure amendments

There are no significant disclosure amendments that need to be brought to the attention of Members.

For completeness, we reproduce a full list of amendments below:

#### NORTH EAST COMBINED AUTHORITY SINGLE-ENTITY FINANCIAL STATEMENTS

| Item of account / disclosure note         | Description of the disclosure error                                                    | Has the error been amended? |
|-------------------------------------------|----------------------------------------------------------------------------------------|-----------------------------|
| Note 11 - Officer Remuneration            | Minor amendment made to ensure pension contributions were reflected in the disclosure. | Yes                         |
| Note 13 - Related Party Transactions      | Minor amendment to ensure the correct disclosures.                                     | Yes                         |
| Note 14 - Property, Plant and Equipment   | Minor amendment to a line description.                                                 | Yes                         |
| Note 15 - Financial Instruments           | Amendment to include a reconciliation of soft loans.                                   | Yes                         |
| Note 22 - Defined Benefits Pension Scheme | Minor amendment to the disclosures.                                                    | Yes                         |

GROUP FINANCIAL STATEMENTS:

| Item of account / disclosure note               | Description of the disclosure error            | Has the error been amended? |
|-------------------------------------------------|------------------------------------------------|-----------------------------|
| G7 - Property, Plant and Equipment              | Minor amendment to disclosures.                | Yes                         |
| G9 - Financial Instruments                      | A number of corrections to the disclosures.    | Yes                         |
| G13 - Defined Benefits Pension Scheme           | A number of corrections to the disclosures.    | Yes                         |
| G21 - Capital Expenditure and Capital Financing | This note was missing from the draft accounts. | Yes                         |

**Other issues**

The financial statements for NTCA include a share of the Joint Transport Committee assets and liabilities. We have reported in previous years an unadjusted misstatement in relation to cash balances between NTCA and NECA (the North East Combined Authority). In 2019/20 the figure was £796k. We reported this as follows: “On recalculation of Cash split for the devolution a variance has arisen as cash is a balancing figure due to the number of estimations used during the process.”

On reflection, our view is that we do not need to report this as an unadjusted misstatement, but we do note that there is a difference, and this year the value of the difference is £553k. The reason for not disclosing this as an error is that it is the result of a reasonable estimation process, but there is a relatively small and non-material variation when we carry out a comparison of this against the devolution percentages. No further action is required in relation to this issue.



**Subject:** Preparation of the 2021/22 Statement of Accounts

**Report of:** Interim Chief Finance Officer

**Portfolio:** All

## Report Summary

The purpose of this report is to provide Audit and Standards Committee with details of the plan that will be used to produce the Annual Statement of Accounts (the Accounts).

## Recommendations

The Audit and Standards Committee is recommended to note the work outlined in respect of the closure of the 2021/22 Accounts.

### 1. Background Information, Proposals and Timetable for Implementation

- 1.1 This is the fourth year of the production of the Statement of Accounts for the North of Tyne Combined Authority (NTCA). The Accounts and Audit Regulations 2020/21, which took effect from 31 March 2021, revised the date for the requirement of the draft accounts to be published from 31 May to the 31 July. With the date for the audited accounts to be published from 31 July to 30 September. The revised regulation also applied to the 2021/22 accounts, however, the Department for Levelling up Communities and Housing (DLUCH) have since revised the date for publication of audited accounts to 30 November 2022 in response to the local audit delays.
- 1.2 The Accounts of the North of Tyne Combined Authority (NTCA) incorporate the assets and liabilities of the Joint Transport Committee and include the accounts of Nexus as part of their Group Accounts, therefore the NTCA are dependant on the North East Combined Authority (NECA) and Nexus to complete their Accounts before their draft Accounts can be completed. Early planning meetings have already taken place with the Finance Manager of North East Combined Authority, Nexus, and the External Auditors Mazars, to agree the timetable to achieve the statutory deadlines.
- 1.4 The Accounts for the financial year 2021/22 are the second year of inclusion of the Northeast Local Enterprise Partnership (Northeast LEP) and Invest North East England (INEE) figures within the NTCA Accounts since the NTCA became the Accountable Body on 1 April 2020.
- 1.5 Work has been undertaken to identify all key areas and tasks that are required to be completed and by whom with focus on additional quality assurance checks. Additional capacity on the Finance Team has also been secured to assist in the production of the Accounts. Detailed guidance notes have been distributed across NTCA, North East LEP and Invest North England outlining key tasks and actions required to be taken in relation to the closure of accounts ensuring all staff are aware of the deadlines for the closure of the accounts.

- 1.6 Regular update meetings will be held with the Chief Finance Officer where any issues identified will be raised.
- 1.7 Liaison with the External Auditors will be ongoing throughout the production of the accounts to raise any points of clarification. Elsewhere on the agenda the External Auditor, Mazars, are presenting their Audit Strategy Memorandum which sets out the timing and scope of the audit of the Accounts.
- 1.8 Work is progressing towards meeting the deadlines that are required in order for the Combined Authority to be able to publish the Statement of Accounts no later than the date of 31 July 2022. Currently we are not foreseeing any issues that will prevent the Authority achieving this date, however there is always a risk of unforeseen events that may impact on our ability to do so.

## **2. Potential Impact on Objectives**

- 2.1 The production of an Audited Statement of Accounts is the statutory responsibility of the Combined Authority as per the Accounts and Audit Regulations 2015 and as revised Account and Audit Regulations 2020/21.

## **3. Key Risks**

- 3.1 The production of the NTCA accounts is reliant on the production of Nexus and NECA accounts and whilst we work together those elements are “out of our control”. A risk log has been set up which identifies the key risks and issues associated with the closedown process. The management of these risks is part of the overall process.

## **4. Financial and Other Resources Implications**

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

## **5. Legal Implications**

- 5.1 The Accounts and Audit Regulations 2020/21, which take effect from 31 March 2021, extend the requirement for the audited accounts to be published from 31 July to 30 September, with the exercise of public rights, common inspection date being removed and the draft accounts published no later than 1 August. This revised regulation will apply also to the 2021/22 accounts as it currently stands.

## **6. Equalities Implications**

- 6.1 There are no equality and diversity implications arising from the recommendations in this report

## **7. Inclusive Economy Implications**

- 7.1 There are no inclusive economy implications arising from the recommendations in this report.

## **8. Climate Change Implications**

- 8.1 There are no climate change implications arising from the recommendations in this report.

## **9. Consultation and Engagement**

9.1 Consultation will take place with the key personnel and interested parties involved in the closedown process.

**10. Appendices**

10.1 None

**11. Background Papers**

11.1 None

**12. Contact Officers**

12.1 Janice Gillespie, Chief Finance Officer [Janice.gillespie@northtyneside.gov.uk](mailto:Janice.gillespie@northtyneside.gov.uk)  
Tel: 0191 6435701

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**Subject: Accounting Policies to be used in the compilation of the 2021/22 Statement of Accounts**

**Report of: Interim Chief Finance Officer**  
**Portfolio: All**

## Report Summary

The purpose of this report is to provide the Audit and Standards Committee with details of the proposed accounting policies to be applied in the preparation of the 2021/22 Statement of Accounts of the North of Tyne Combined Authority (NTCA).

The preparation of the accounts should be in accordance with the accounting concepts and policies as per the 'Code of Practice on Local Authority Accounting in the UK 2021/22' (The Code). The accounting policies applied in the preparation of the 2021/22 Statement of Accounts remain appropriate for the preparation of the 2021/22 Statement of Accounts. The CIPFA Code changes for 2021/22 are minor, and there are no accounting policies which require amendment.

Under the terms of reference of the Audit and Standards Committee, the Committee has the responsibility to review the Accounting Policies that will be used to compile the Annual Statement of Accounts.

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) Note the Accounting Policies to be adopted by the Combined Authority and used to compile the Accounts for the financial year ended 31 March 2022.
- ii) Authorise the Chief Finance Officer to review the accounting policies as necessary, and report changes to the Audit and Standards Committee.

## 1. Background Information, Proposals and Timetable for Implementation

- 1.1 The purpose of the Accounting Policies is to explain the basis for the recognition, measurement and disclosure of transactions and other events in the accounts of the Combined Authority.
- 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.*

1.4 As at 1 April 2020 NTCA became the accountable body for the North East Local Enterprise Partnership (North East LEP) and Invest North East England (INEE), therefore the 2020/21 NTCA Accounts will include the accounting transactions for the afore mentioned bodies.

1.5 The proposed accounting policies for 2021/22 are attached as Appendix A These have been prepared in consultation with the Finance Manager for the North East Combined Authority (NECA) to ensure that the inclusion of the Joint Transport Committee (JTC) figures and those of the North East LEP and INEE are properly accounted for within the NTCA Accounts.

## **2. Potential Impact on Objectives**

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

## **3. Key Risks**

3.1 There are no risk management implications arising from this report.

## **4. Financial and Other Resources Implications**

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

## **5. Legal Implications**

5.1 The Combined Authority has a duty to ensure it produces an Annual Statement of Accounts by 1 August 2022 in accordance with the Accounts and Audit (Amendment) Regulations 2021. Part of the approval process is the endorsement of the Accounting Policies by Audit and Standards Committee.

## **6. Equalities Implications**

6.1 There are no equality and diversity implications arising from this report

## **7. Inclusive Economy Implications**

7.1 There are no inclusive economy implications arising from this report.

## **8. Climate Change Implications**

8.1 There are no climate change implications arising from this report.

## **9. Consultation and Engagement**

9.1 Internal consultation has taken place with the Chief Finance Officer, relevant Finance staff and the External Auditor.

## **10. Appendices**

10.1 Appendix 1 – Accounting Policies 2021/22

## **11. Background Papers**

- 11.1 Code of Practice on Local Authority Accounting in the UK 2021/22

## **12. Contact Officers**

- 12.1 Janice Gillespie, Chief Finance Officer  
[Janice.gillespie@northtyneside.gov.uk](mailto:Janice.gillespie@northtyneside.gov.uk) Tel: 0191 6435701

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**Accounting Policies****1. General Principles**

The Statement of Accounts summarises the Authority's transactions for 2021/22 financial year and its position at the year-end of 31 March 2022. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, supported by International Financial Reporting Standards (IFRS).

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

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

**2. Accruals of Income and Expenditure**

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

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

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

### **3. Cash and Cash Equivalents**

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

### **4. Exceptional Items**

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

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

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

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

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

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

### **6. Charges to Revenue for Non-Current Assets**

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

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

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

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

## **7. Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant, or equipment from the lessor to the lessee. All other leases are classified as operating leases.

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

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

### The Authority as Lessee

#### **Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the service benefitting from use of the leased property, plant, or equipment. Charges are made on a straight-line basis over the life of the lease; even if this does not match the pattern of payments (e.g., there is a rent-free period at the commencement of the lease).

## **8. 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 2021/22.

## **9. Post-Employment Benefits**

NTCA and 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](http://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 NTCA and 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 NTCA and 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.

## **10. 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.

## **11. 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.

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

### **Amortised Cost**

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

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

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

### **Expected Credit Loss Model**

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

### **Fair Value Through Other Comprehensive Income (FVOCI)**

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

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

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

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

### **Fair Value through Profit and Loss (FVPL)**

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

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

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

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

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

### **13. 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.

#### **14. 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 accrual's 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 category's 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 2022, divided by remaining life expectancy. Depreciation is charged in the year of acquisition, but not the year of disposal. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation that would have been chargeable based on their historic cost being transferred each year from the Revaluation Reserve to the Capital 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.

## **15. Public Private Partnership (PPP) Contracts**

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

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

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

- The public sector entity ('grantor') controls or regulates the services that the operator must provide with the infrastructure, to whom it must provide them, and at what price; and

- The grantor controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the service arrangement.

For any service concession within the scope of the Application, the grantor will recognise the cost of the property, plant and equipment underlying the service concession as a non-current asset. The New Tyne Crossing is considered to meet both of the IFRIC 12 criteria and 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.

## **16. Provisions**

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits

or service potential and a reliable estimate can be made of the amount of the obligation. For example, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than 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.

## **17. Contingent Liabilities**

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

Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts. There are no contingent liabilities disclosed in 2021/22.

## **18. Reserves**

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

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

## **19. Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

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

## **20. Value Added Tax (VAT)**

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

## **21. Overheads and Support Services**

The costs of overheads and support services e.g., Finance and Legal Services are shown within the Corporate Costs line on the Comprehensive Income and Expenditure Statement on the basis of Service Level Agreements in accordance with the Combined Authority's arrangements for accountability and financial performance and in accordance with guidance given by the Chartered Institute of Public Finance and Accountancy (CIPFA), this is also the case for NECA. 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.

## **22. Tyne Tunnels Income**

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

## **23. Group Accounts**

NECA and NTCA is required by the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 to produce Group Accounts to include services provided to council taxpayers by organisations other than the Authority itself in which the Authority has an interest.

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

For the 2021/22 accounts, NTCA and NECA have fully complied with the requirements of the Code providing Group figures for 2021/22 and comparators for 2020/21. From 2010/11, Passenger Transport Executives have been required to produce their accounts under International Financial Reporting Standards, and as if the proper practices in relation to accounts applicable to a local authority were, so far as appropriate, applicable to an

Executive. The group financial statements are prepared in accordance with the policies set out in the Statement of Accounting Policies above.

#### **24. 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.

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## Audit and Standards Committee

26 April 2022

**Subject: Standards Update**

**Report of: John Softly, Monitoring Officer**

### Report Summary

This report updates Committee on (a) complaints which have been made under the Members' Code of Conduct; and (b) the grant of dispensations.

### Recommendation

The Committee is recommended to note the content of this report and agree that the dispensations to Cabinet members (and substitute members) continue to apply so as to allow them to participate in decisions of NTCA where they have an interest by virtue of being a member of a constituent authority.

## 1. Complaints

- 1.1 NTCA's code of conduct sets out a process for dealing with complaints that members have allegedly breached the code. That process requires that any such complaints are made to the Monitoring Officer in the first instance.
- 1.2 To date, two separate complaints (ie relating to two different members) have been made to the Monitoring Officer under that process. Both complaints related to the alleged failure by members to record properly their interests on NTCA's register of interests in accordance with the code of conduct. In each case, there was no suggestion that the member in question had participated in NTCA decisions where he or she should not have done so because of their interests. Furthermore, the members concerned updated their entries on the register of interests when the relevant complaint was raised with them. It was decided, following consultation with NTCA's Independent Person, that no further action should be taken in relation to either complaint. However, the Monitoring Officer has recently written to all NTCA members to remind them of the need to ensure that their entries on the register of interests are kept up to date.

## 2. Dispensations

- 2.1 As Members are aware, this Committee has the power to grant dispensations to members to allow them to take part in a decision where they would otherwise be precluded from doing so because of an interest they have.
- 2.2 This Committee has previously agreed that dispensations should be granted to Cabinet members (and substitute Cabinet members) to allow them to take part in decisions which relate to the constituent authority which appointed them. This was in

light of the provision in the statutory order which created NTCA which requires that a Cabinet member appointed by each constituent authority must be present so that the Cabinet is quorate for the purposes of decision-making. Clearly, in the absence of such a dispensation, the Cabinet may have been inquorate for any decision which involved a constituent authority. It is recommended that Committee confirm that these dispensations shall continue to apply for all Cabinet members (including substitute members) from the date on which they are appointed.

### **3. Potential Impact on Objectives**

3.1 The proposals in this report are intended to facilitate effective decision-making by the Authority.

### **4. Key Risks**

4.1 There are no key risks arising from this report.

### **5. Financial and Other Resources Implications**

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

### **6. Legal Implications**

6.1 The legal implications are set out in the body of the report.

### **7. Equalities Implications**

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

### **8. Inclusive economy implications**

8.1 There are no inclusive economy implications arising from this report.

### **9. Climate change implications**

9.1 There are no climate change implications arising from this report.

### **10. Consultation and engagement**

10.1 There are no consultation/engagement implications arising from this report.

### **11. Appendices**

11.1 None

### **12. Background Papers**

12.1 None

### **13. Contact Officer**

13.1 John Softly, Monitoring Officer, [john.softly@northoftyne-ca.gov.uk](mailto:john.softly@northoftyne-ca.gov.uk)