

**NORTH
OF TYNE**

**COMBINED
AUTHORITY**

**Narrative Report
year ended 31 March 2020**

Narrative Statement

Introduction

The Narrative Report provides information about the North of Tyne Combined Authority (NTCA) and includes the key issues affecting the Combined Authority and its accounts. This report provides an explanatory narrative to key elements of the statements and sections in the accounts and also provides a summary of the Authority's financial performance for 2019/20 and its future financial prospects.

The report provides the reader with:

- A guide to the different financial statements within the Statement of Accounts.
- An overview of the activities and significant matters which have occurred during the year.
- A summary of the Combined Authority's financial performance during the year ending 31 March 2020.
- A look ahead to 2020/21 and beyond.
- Confidence in the Combined Authority's stewardship of public money and that it has been accounted for in an appropriate manner.

The Statement of Accounts contains all the financial statements and disclosure notes required by statute. Prepared in accordance with the proper practices as set out in the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Code requires that the accounts give a true and fair view of the financial position of the Combined Authority. In line with the Code, suitable accounting policies have been applied and where necessary prudent judgements and estimates have been made.

The accounts feature four main financial statements:

- Movement in Reserves Statement
- Comprehensive Income and Expenditure Statement
- Balance Sheet
- Cashflow Statement

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

The purpose of this Annual Financial Report is to collectively provide a comprehensive view of the Combined Authority's financial position during the period to which they relate, together with details of the non-financial performance of the Authority during 2019/20. The format of the accounts reflect the impact of the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority (Establishment and Functions) Order 2018 (the Order) which changed the boundaries of the former North East Combined Authority (NECA) on the 2 November 2018 and established the North of Tyne Combined Authority (NTCA) as well as the North East Joint Transport Committee.

The report enables readers to focus on the key elements of the Statement of Accounts and contains the following sections:

- Annual Governance Statement;
- About North of Tyne Combined Authority;
- Key Facts about Governance Arrangements;
- Financial Performance of the Combined Authority 2019/20;
- Non-Financial Performance of the Combined Authority 2019/20;
- Significant Issues for 2020/21 and beyond;
- Explanation of Accounting Statements included within the Statement of Accounts;
- Implementation of the Devolution Order;
- Joint Transport Committee;
- Strategic Risks.

Annual Governance Statement

The Combined Authority has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Delivering Good Governance in Local Government Framework. Further information is available in the Annual Governance Statement which was presented to the Audit and Standards Committee on 28 July 2020. The Statement explains how the Authority has complied with the Code and meets the requirements of the Accounts and Audit Regulations 2015. The Statement can be found on the Authority's website: [Audit-and-Standards-Committee-Papers-2020](#)

About North of Tyne Combined Authority

The North of Tyne Combined Authority (NTCA) was established on the 2 November 2018 as a new legal body led by an Elected Mayor. The new North of Tyne Combined Authority will manage a range of powers on housing, transport, infrastructure, skills and employment. Decisions will be made locally to benefit our local economy and the people who live, work, study and visit here.

NTCA's functions primarily relate to economic development, skills, housing and regeneration. NTCA will be responsible for inclusive economic growth and regeneration in an area stretching from the River Tyne to the Scottish borders, bounded by the Pennines and the North Sea.

NTCA was established to give effect to a 'minded to' devolution deal which was agreed between the three councils, the North East Local Enterprise Partnership (North East LEP) and central government. At the same time the North of Tyne Combined Authority was established, the North East Joint Transport Committee (JTC) was created, which continues to exercise the Transport functions. The JTC brings together members from both NTCA and NECA, to allow effective decision making across the region and to ensure that the local needs and transport priorities are delivered. NECA has retained the Accountable Body role for Transport on behalf of the North East Joint Transport Committee. NTCA became the Accountable Body for the North East LEP as of 1 April 2020.

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

The devolution deal represents a significant shift of powers, funding and responsibility from central government to the local level. The deal enables the three councils to pursue, through NTCA, a shared ambition for an inclusive economy. NTCA does not replace the three constituent councils, nor does it take away any of their statutory powers.

Key facts about NTCA include:

- North of Tyne describes the area covered by North Tyneside, Newcastle and Northumberland.
- It begins with the southernmost parts of Northumberland which border Gateshead and then County Durham along the River Derwent. Heading along the Tyne Valley, the border with Cumbria forms the western boundary up to the Scottish Border. The Scottish Border forms the northern boundary with Berwick-upon-Tweed on the east coast being the most northerly town. The North Sea along the Northumberland and North Tyneside coastline forms the eastern boundary. Newcastle upon Tyne is the only city within the boundaries
- The area has a population of 833,200, a local economy of £18.863million, over 370,000 jobs and it is home to 24,660 businesses.
- The North of Tyne is filled with stunning natural landscapes, great people and has a strong track record of creating jobs and supporting world-leading businesses.
- The bulk of expenditure is funded through devolved funding secured through the devolution deal, in conjunction with contributions from the three constituent authorities.

The Potential of North of Tyne

The Combined Authority has the potential to deliver many benefits to the region, namely:

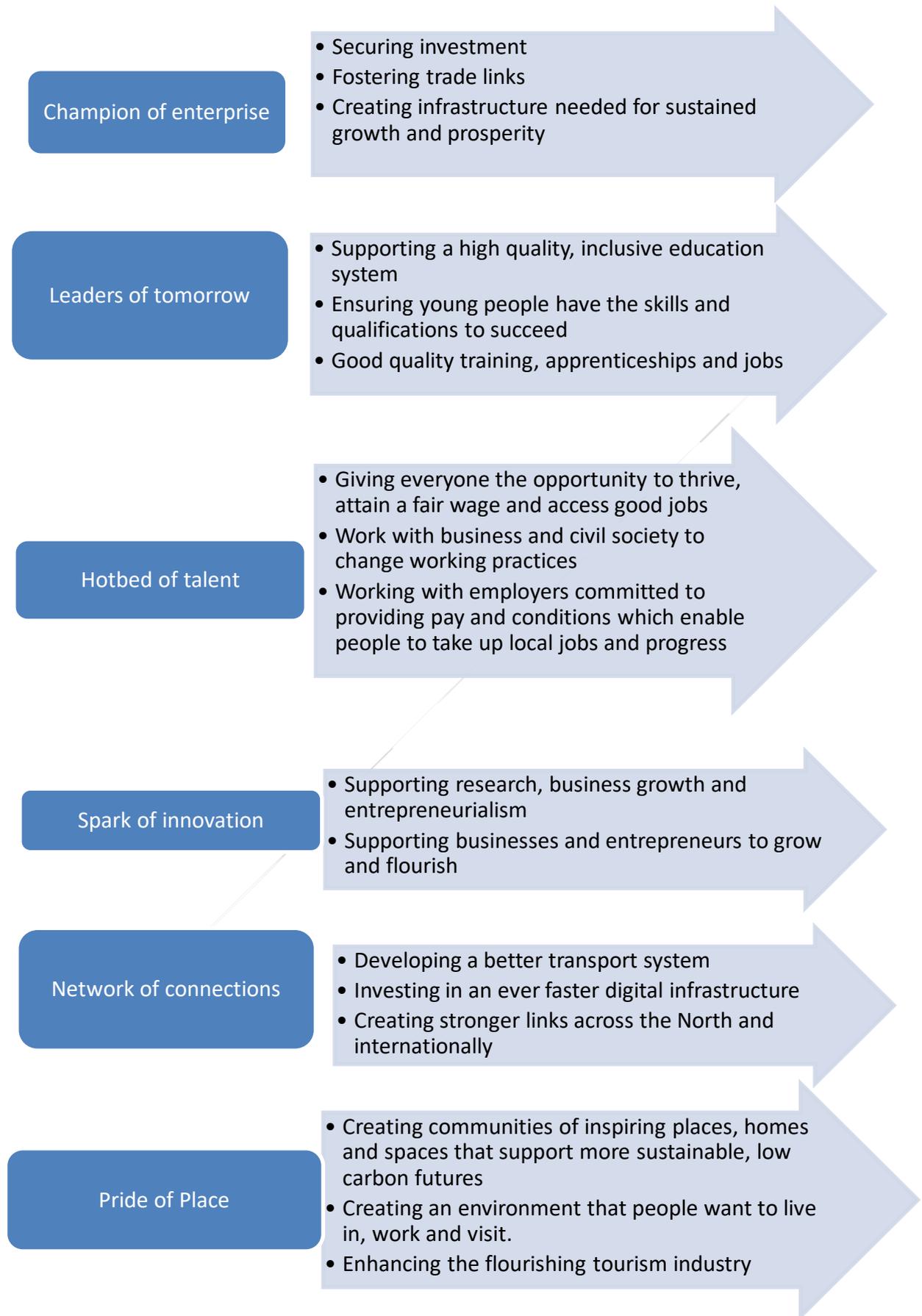


North of Tyne's Vision

The future focus is on positive change. The aim is to quickly and decisively make a real and positive impact on people's lives, businesses and communities.

The vision is of 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 the region's future.

The North of Tyne's Economic Vision is made up of six key pillars which represent the most important groups, issues and goals that are needed to be invested in and nurtured in order to achieve a more prosperous and inclusive future. Success for the Authority will mean:



Key Facts about Governance Arrangements

NTCA is a mayoral combined authority. It has a range of functions some of which are identified as being Mayoral Functions. Decisions on these functions must be made by the Mayor. Decisions on all other functions must be taken by the Mayor and representatives of the constituent councils acting together as the Cabinet. All details of Governance arrangements pertaining to NTCA can be found within our Constitution which is available on our website:

[NTCA Order and Constitution](#)

The first mayoral election was held on 2 May 2019. Jamie Driscoll was elected as the Mayor for the North of Tyne Combined Authority. The Elected Mayor chairs the Cabinet and has a number of specific powers and financial resources. Decisions by the Elected Mayor and/or Cabinet will be subject to scrutiny by the Overview and Scrutiny Committee.

Management Structure

Chief Officers of NTCA consist of, the Head of Paid Service, the Chief Finance Officer and the Monitoring Officer. These officers are employees from the three local authorities within the North of Tyne. Two other designated posts, Director of Policy & Performance and Director of Economic Growth were appointed to during 2019/20.

The Combined Authority has grown to 34 employees during 2019/20 with support services being provided under Service Level Agreements with the three constituent North of Tyne authorities.

Financial Performance of the Combined Authority 2019/20

The financial position of the NTCA as at 31 March 2020 is shown in the table 1 below.

Table 1: 2019/20 Budget Outturn

Summary Outturn 2019/20	2019/20 Budget	2019/20 Outturn	Variance
	£	£	£
Investment Fund Budget	(15,625,000)	(16,803,585)	(1,178,585)
Corporate Budget	(0)	(285,000)	(285,000)
Total	(15,625,000)	(17,088,585)	(1,463,585)

Corporate Budget Outturn

A more detailed outturn for 2019/20 Corporate Budget is set out below in Table 2.

Table 2: Corporate Budget Outturn

Corporate Budget 2019/20	2019/20 Budget	2019/20 Outturn	Variance
Expenditure	£	£	£
Staffing / Secondments	1,772,345	1,646,939	(125,406)
Miscellaneous Expenditure (including Election costs)	1,399,000	1,445,772	46,772
Advisors External	305,000	341,574	36,574
SLA with Constituent Authorities	197,270	287,015	89,745
JTC Levy	33,167,870	33,167,870	0
Total Expenditure	36,841,485	36,889,170	47,685
Income			
Contributions from the Constituent Authorities	(120,000)	(111,000)	9,000
Mayoral Capacity Fund	(750,000)	(1,000,000)	0
Investment Fund	(2,400,000)	(2,400,000)	0
IF Workstream Development Support	0	(61,234)	(61,234)
AEB Implementation Funding	(153,615)	(381,891)	(228,276)
JTC Levy	(33,167,870)	(33,167,870)	0
EU Exit Grant	0	(181,818)	(181,818)
Business Rates Pilot 2019/20	0	(4,909,292)	(4,909,292)
ERDF Grant Income	0	(23,375)	(23,375)
Interest Receivable	0	(225,800)	(225,800)
Miscellaneous Income	0	(3,000)	(3,000)
Total Income	(36,841,485)	(42,465,280)	(5,623,795)
Net Income/Expenditure	0	(5,576,110)	(5,576,110)
Preparing to Exit EU Reserve		181,818	181,818
Business Rates Pilot 2019-20		4,909,292	4,909,292
Commitment to future sector commissioning work		200,000	200,000
2019/20 Outturn/Transfer to General Reserve	0	(285,000)	(285,000)

Investment Fund Outturn

Table 3 below sets out the detailed outturn against the budget for the Investment Fund.

Table 3 2019/20 Investment Fund Budget Outturn

Investment Fund 2019/20	2019/20 Budget	2019/20 Outturn	Variance
Expenditure	£	£	£
Supporting Business Case Development	750,000	61,234	(688,766)
Workstreams	975,000	719,447	(255,553)
Technical Support	250,000	15,735	(234,265)
Contribution to Corporate Costs	2,400,000	2,400,000	0
Total Expenditure	4,375,000	3,196,416	(1,178,584)
Income			
Investment Fund	(20,000,000)	(20,000,000)	0
Net (Income) Expenditure	(15,625,000)	(16,803,584)	(1,178,584)

In totality the Investment Fund has committed £27.840m against 34 projects, these projects will attract £99.510m of private sector leverage of which £57.000m is forecast to come from the Inward Investment Fund, with a forecast to deliver 2,571 jobs.

Table 4 Commitment against Investment Fund Thematic Area

	Committed	Allocation	% Allocated
	£m	£m	
Business	12.06	38.00	32%
People	7.23	16.30	44%
Place	2.22	13.70	16%
Major Strategic Economic Opportunities	5.19	17.50	30%
Business Case Development Fund	1.14	4.50	25%
	27.84	90.00	31%

Delivery against the Investment Fund Programme has been delayed in part due to the impact of the Covid-19 Pandemic impacting at the end of the financial year. This remains the highest programme risk, with pressure on resources as activity both on developing pipeline and contract management increases.

Reserves Statement

Reserves held at 31 March 2020 are set out in Table 5 overleaf:

Table 5 2019/20 Outturn Reserves Statement

Reserves Statement	2019/20
	£
Homeless Veteran Grant Reserve	90,909
Preparing to Exit Europe Grant	271,909
Business Rates Pilot 2019/20	4,909,292
Strategic Reserve	200,000
Investment Fund Reserves	36,839,162
Total General (Useable) Reserves	42,311,272
Pension Reserve	285,000

Reserves have increased by £22.379m during the year 2019/20, being the uncommitted portion of the 2019/20 Devolution Grant monies (£17.289m) including the in-year outturn surplus (£0.285m), additional Preparing to Exit Grant monies received in year of (£0.181m). A new earmarked reserve has been set up of (£4.909m) in relation to the Business Rates Pilot undertaken in 2019-20, this includes Business Rates Pool monies from the three constituent authorities, figures in relation to this will be finalised post audit in July 2020 and proposals will be brought forward to Cabinet in due course.

In relation to the Homeless Veteran Grant received in 2018/19, all reporting requirements have been suspended by MHCLG. The project has not had any movement since the start of the year owing to Covid-19 work on homelessness by the three constituent authorities. The EU exit grant will be drawn down during 2020/21 in match with the North East Combined Authority's EU exit grant to fund Brexit work across the Region.

The budget for 2019/20 was agreed at the Cabinet meeting of March 12, 2019. Details of which can be found on the Authority's website link below or visit [northoftyne-ca.gov.uk/Transparency/Cabinet/Cabinet Committee Papers](http://northoftyne-ca.gov.uk/Transparency/Cabinet/Cabinet%20Committee%20Papers):

[Cabinet Report March 12, 2019 - 2019-2022 Financial Plan and Budget](#)

Borrowing Facilities

Section 3 of the Local Government Act 2003 requires the Combined Authority to determine its own affordable borrowing requirement necessary to fund capital expenditure. The key objectives of the Prudential Code are to ensure that capital investment plans are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice.

Main points from Financial Statements

Comprehensive Income & Expenditure Statement

The Continuing Cost of Services line in the Comprehensive Income & Expenditure Statement represents the net expenditure incurred by the North of Tyne Combined Authority, and also includes the share of the costs contained within the North East Combined Authority (as relating to the Joint Transport Committee), in the direct provision of Services (Page 5 within the Statement of Accounts). The figure for 2019/20 shows a deficit of £17.851m. However, overall, the Comprehensive Income & Expenditure Statement is showing a surplus of (£28.563m) for the year ended 31 March 2020.

Balance Sheet

The Balance Sheet is set out on page 6 within the Statement of Accounts. The net assets of the Combined Authority are £108.487m for the year ended 31 March 2020 and are financed by Useable Reserves of £67.417m and Unusable Reserves of £41.070m. More details of the reserves contained on the Balance Sheet are shown in Notes 20 and 22. The Balance Sheet also includes the Authority's share of assets and liabilities contained within the North East Combined Authority in relation to the Joint Transport Committee

Group Results

The Group Accounts included as part of the Statement of Accounts fully incorporate the results from Nexus (The Tyne and Wear Passenger Transport Executive). More details can be found in Group Note 1 on page 70.

During the year Nexus invested £53.9m of capital expenditure in public transport in Tyne and Wear which was funded primarily by central government grants.

The liquidity of Nexus remained strong with net current assets of £69.2m, adequate to cover both short-term fluctuations and future commitments from useable reserves.

The Nexus accounts are divided between NTCA and NECA accounts (after elimination of intra-group transactions), with the balance sheet information at 31 March 2020 allocated between the two Combined Authorities in proportion to their relative share of Tyne and Wear Population – 55.723% in the NECA accounts and 44.277% in the NTCA accounts.

Non-Financial Performance of the Authority

The Investment Fund Programme continues to grow significantly as projects progress through the pipeline. With exciting funding proposals coming forward for consideration,

around innovation and supporting our key sectors. Work continues at pace to operationalise the headline sector strategies agreed by Cabinet. In addition, we are seeing an increasing number of NTCA projects, including those with a focus on early jobs creation, supporting people into work, raising aspiration/STEM and tackling the digital divide. Strong sectoral narratives have been developed and the first of these projects are now being brought through - with a key focus on longer-term growth, productivity and improving resilience.

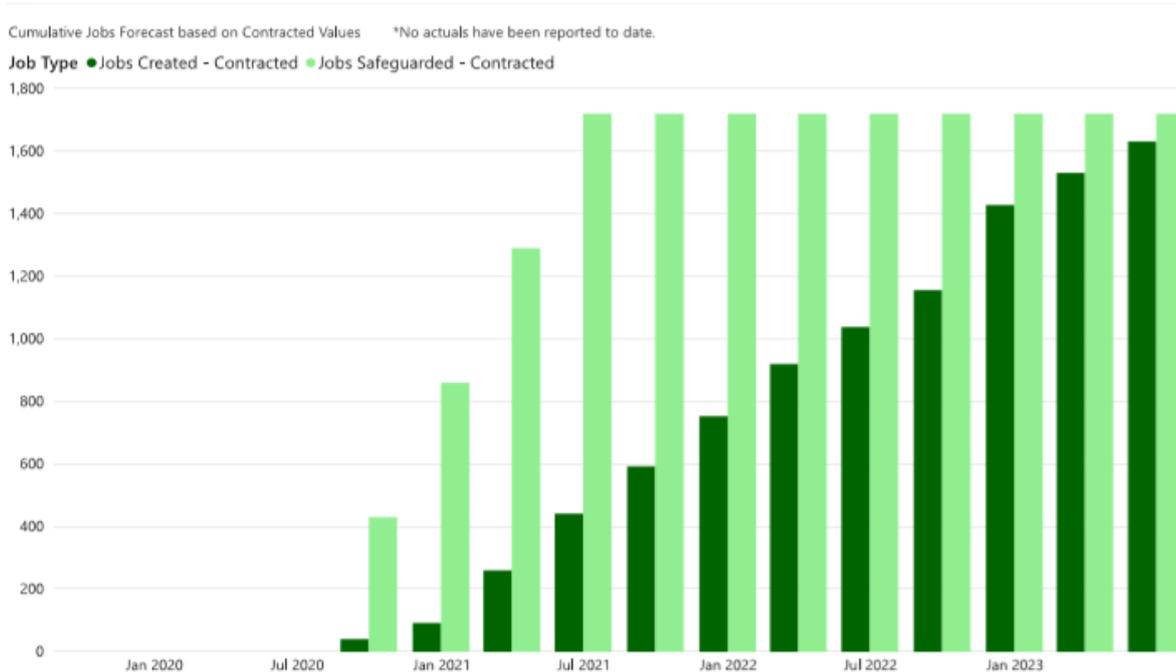
The three constituent Authorities have launched their NTCA-funded Covid-19 response support to individuals, businesses and third sector and in addition NTCA are working up a further wave of national Covid-19 response, including: Jobs bonus, Kickstart employment scheme, wage subsidies for apprenticeships, 'shovel-ready' stimulus for the construction sector, vouchers for retrofit, and crisis funding for Cultural, Arts and Heritage Organisations.

To date the Combined Authority has achieved:

A commitment of £27.820m against 34 projects and programmes

- Defrayal of £0.796m expenditure
- These projects will attract £99.510m of private sector leverage and are forecast to deliver 2571 jobs and 1,720 jobs safeguarded

The below bar chart shows the cumulative jobs forecast based on contracted values.



Early investment priorities included:

- Inspiring the development of STEM and digital skills in young people;
- Help residents into work – Returnship Project;
- Attracting new business to the North of Tyne; and,
- Enhancing rural business growth

In addition, Cabinet identified projects for early business case development funding, which include:

- Local fibre network;
- North Shields town centre redevelopment/Fish Quay;
- Energy central learning hub Blyth;
- Targeted employment support for areas of Newcastle with the highest unemployment levels; and
- The Northumberland, Newcastle and North of Tyne rail line

These proposed projects are now in development and progressing at pace.

Significant issues relating to 2020/21 and beyond

As the Combined Authority was only established in November 2018, the budget for the financial year 2019/20 reflects a set up phase in which the organisation is both stabilising capacity to undertake its new responsibilities and beginning to deliver its priorities.

The Mayor and Cabinet continue to work with officers to maximise the opportunities of the three constituent authorities in order that they work together efficiently and effectively with the North of Tyne Combined Authority. Some of this is already in place through the development of the Service Level Agreements for support services. Other opportunities exist around the consideration of how best the Procurement Strategies across the constituent authorities can support the ambition and delivery of the Vision for North of Tyne.

In order to deliver the Authority's priorities and vision the social factors such as a consistently higher unemployment rate than the national average, a lower productivity than the national wage and social inequality with pockets of deprivation affecting the area will need to be considered.

The financial environment for local government is likely to remain challenging for the foreseeable future. The impact of Covid-19, uncertainties arising from Brexit and the delay in the publication of both the Comprehensive Spending Review and the

outcomes of the Fair Funding Review mean the outlook continues to be extremely uncertain.

The North East LEP has been leading a 'Covid-19 Economic Response Group' made up of NTCA, NECA, local authorities, the Confederation of British Industry (CBI) on behalf of business, North East JTC and regional universities. NTCA will work with the LEP and other partners on the Covid-19 recovery. Data and intelligence about the economic impact of the pandemic is being gathered, which will be used to help shape the recovery plan that is being developed. The plan will need considerable financial support from Government and active support from public and private sector partners across the region, including the two combined authorities and the local authorities across the North East Region. Further rounds of LGF/Future prosperity/Economic Recovery funding will be required to support the capital investment and revenue support that is needed to help the region's economy to recover and grow. A summary report published in June 2020 references the completion of the regional Transport Plan and that setting down our transport infrastructure priorities of the future is an essential part of the regional recovery.

During 2020/21 the North East Transport Strategy Unit (TSU) will launch and consult on the Transport Plan for the region. In November 2019 a vision of "Moving to a green, healthy, dynamic and thriving North East" was agreed alongside some accompanying principles and objectives, which will underpin the Transport Plan.

In March 2020, the JTC was notified that it had been awarded £198.483m funding from Transforming Cities Fund Tranche 2 following the submission of a bid earlier in the year. This will deliver the £95m Metro Flow project sponsored by Nexus as well as providing a devolved pot to fund a range of Transport projects across the region. The TSU will coordinate the programme, which will be delivered over the period 2020/21 to 2022/23.

An initial bid to the Emergency Active Travel Fund in June 2020 was also successful and grant funding of £2.262m will be available for schemes to encourage walking and cycling during the Covid-19 lockdown and recovery period. A larger Fund will be available to bid into during the summer and the submission will be coordinated by the TSU.

Work is underway in developing the 'Tyne Pass' project to introduce a fully automated payment system using Automatic Number Plate Recognition (ANPR) technology at the Tyne Tunnels, to replace the existing coin and permit systems.

The cross-partner North East Brexit Group continues to meet and provides a forum for sharing intelligence across sectors. This information and intelligence has informed

action such as the Brexit Toolkit on the Growth Hub, as well as the Work Programme. The focus of the group is now on opportunities post-Brexit and preparations in the light of potential trade deals with the EU and other nations/trading areas.

Activity continues to develop a proposal to government on the additional resources, powers and legislation needed to support the region.

Explanation of Accounting Statements included within the Accounts

The Accounts and Audit Regulations 2015 require the Authority to produce a Statement of Accounts for each financial year. These statements contain a number of different elements and are required to be prepared under the Code of Practice.

The Statement of Accounts is set out in the accompanying document, and are explained below:

Core Financial Statements

The Comprehensive Income & Expenditure Statement (CIES) (page 5) summarises the revenue costs of providing all services and the income and resources received in financing the expenditure.

The Movement in Reserves Statement (MIRS) (page 4) shows the movement from the start of the year to the end on the different reserves held by the Authority. This statement shows the movement in the year on the different reserves held by the Authority, analysed into Usable Reserves (i.e. those which can be applied to fund expenditure) and Unusable Reserves (which cannot). The surplus or deficit on the provision of services line shows the economic cost in accounting terms of providing NTCA's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for the purposes of setting the levy. The net increase or decrease before transfers to earmarked reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

The Balance Sheet (page 6) shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority are matched by the reserves held by the Authority. Reserves are reported in two categories, Usable and Unusable as described above. Unusable Reserves include those which hold unrealised gains and losses (e.g. the Revaluation Reserve) where amounts only become available to provide services if the assets are sold; and

reserves that hold timing differences shown in the MiRS line “adjustments between accounting basis and funding basis under regulations”.

The Cash Flow Statement (page 7) shows the changes in cash and cash equivalents of the Authority during the reporting period. The Statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority’s future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

Notes to the Accounts

The notes aim to assist in the understanding of the Statement of the Accounts. They are fundamentally important in the presentation of a true and fair view. They provide information on the basis of the preparation of the financial statements and disclose information not presented directly in the key financial statements which is relevant to the understanding of the information contained elsewhere within the Statement of Accounts.

Group Accounts and Associated Notes

The Authority is required by the Code to produce Group Accounts to include services paid to Council Taxpayers in the North of Tyne area by organisations other than the Authority itself in which the Authority has an interest.

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 the Authority 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.

These statements and accounts collectively provide a comprehensive view of the Authority’s financial position during the period to which they relate. The format of the accounts reflect the impact of the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority (Establishment and Functions) Order 2018 (the Order) which changed the boundaries of NECA on the 2 November 2018. As a result of these governance changes, the boundaries of NECA now cover the Local Authorities of Durham, Gateshead, South Tyneside and Sunderland. On the same date, the North of Tyne Combined Authority (NTCA) was established as well as the

North East Joint Transport Committee (JTC), which continue to exercise the Transport functions over the area covered by the two Combined Authorities.

Implementation of the Devolution order.

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:

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

Dividing Assets and Liabilities between NECA and NTCA in the accounts.

The new Orders require the Transport assets of the North East Joint Transport Committee to be accounted for separately in the accounts and balance sheets of the two Combined Authorities. As the Transport Assets and Liabilities are related to

Tyne and Wear activities, the transport accounting balances at the 2 November 2018 and at 31 March 2019 are divided between the two Combined Authorities on the basis of relative population for the year. For the 2018/19 accounts the mid-year estimated population published by the Office of National Statistics as at June 2017 is used, which is the basis on which the Transport Levy payments for the year are required to be calculated. The calculation of the proportion used to allocate the figures in the accounts for the year ended 31 March 2020 are shown below in Table 6.

Table 6 - Population used to allocate Transport Assets/Liabilities between NECA and NTCA

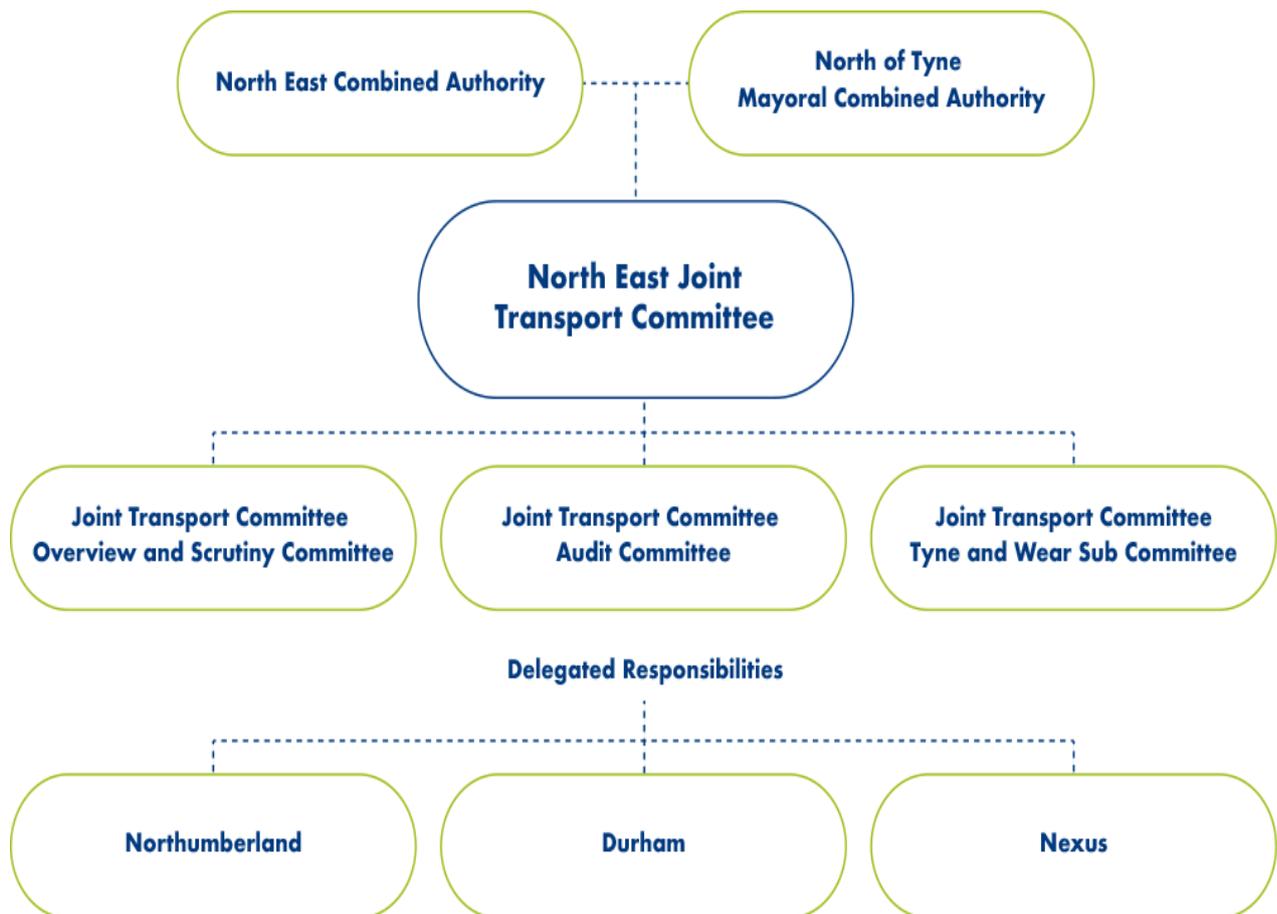
	Mid-Year 2017 Population	Proportion
	People	Proportion
NECA		
- Gateshead	202,419	
- South Tyneside	149,555	
- Sunderland	277,249	
	629,223	0.55706
NTCA		
- Newcastle	295,842	
- North Tyneside	204,473	
	500,315	0.44294
Tyne and Wear Total	1,129,538	1

The Joint Transport Committee

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

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

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



Transport

Tyne Tunnels, although owned by NECA, the accounting balances are reflected in the NTCA financial statements as part of the JTC. The Tyne Tunnels link the A19 under the River Tyne between Howdon and Jarrow. There are two tolled vehicle tunnels, and tunnels for both pedestrians and cyclists. The Tunnels are entirely self-financing from the toll's income raised, i.e. there is no call on the Authority's budget or local taxpayers to support them, and assets and liabilities associated with the tunnels are ringfenced to the Tyne and Wear constituent councils within the Authority. The Tyne Pedestrian and Cyclist Tunnels reopened to the public in August 2019 and have been well received and well used.

The following table of Traffic flows shows a small increase in traffic in 2019/20 until the end of March when the impact of the Covid-19 pandemic took effect. The increase was seen in all classes of vehicle except Class 1.

Table 7 – Tyne Tunnel Traffic Flow data

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

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

The tolls were increased in line with inflation on 13 May 2019 from £1.70 to £1.80 for class 2 vehicles without permits (now £1.62 with a pre-paid permit) and from £3.40 to £3.60 for class 3 vehicles (now £3.24 with a pre-paid permit).

Tyne and Wear Passenger Transport Executive – Nexus

The North East Joint Transport Committee sets public transport policy for the region, which in Tyne and Wear is delivered operationally by Nexus. The following performance indicators describe the general performance of public transport in Tyne and Wear during 2019/20.

- The number of passenger journeys across Tyne and Wear was estimated at 154.5million; a 3.0% decline when compared to 159.3million in the previous year.
- Bus patronage reduced to 119.4 million in 2019/20; a 0.9% decline when compared to 120.4 million in the previous year.
- Metro patronage reduced to 33.1 million in 2019/20; a 9.2% decline when compared to 36.4 million in the previous year.
- Ferry patronage reduced to 352,900 passengers in 2019/20; a 19% decline when compared to 436,600 journeys in the previous year.
- Rail patronage increased to 1.68 million journeys in 2019/20; a 5.3% uplift when compared to 1.60 million journeys in the previous year.
- Metro reliability (operated mileage) was 95.7% during 2019/20, a decrease on the 97.9% achieved in the previous year.
- Metro reliability (Charter punctuality) was 80.8% during 2019/20, an increase on the 79.6% achieved in the previous year.

Annual Governance Statement

To accompany the Narrative Report and Statement of Accounts, the leadership of the Authority prepares an Annual Governance Statement that sets out the principal

arrangements that operate to ensure proper governance of the Authority's affairs and the stewardship of resources at its disposal. It also outlines the principal arrangements that are in place to ensure that a sound system of internal control is maintained.

Strategic Risks

[Strategic risks of the NTCA are monitored by Audit and Standards Committee](#)

(agenda item 5). Lower level operational and project risks are 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.

A NTCA Staff Engagement Event was held in January 2019 where Officers were asked to identify the biggest threats and opportunities to the Combined Authority's aims and ambitions. This information along with comments from Members were used as the basis for identifying the biggest threats (risks) and potential opportunities.

Risk Title & Description

1. Risk - Devolution

Delivery of Devolution

Failure to deliver the Devolution agenda, and secure future negotiations with Government will restrict powers in future funding years.

Response

Activity on the Investment Fund Programme has increased significantly over recent months. Allocations to support key sectors, including clean growth, digital and culture and creative are progressing through the pipeline for consideration, with a commitment of £27.820m against 34 projects already achieved, which has attracted over £99.510m of private sector leverage.

Dialogue with NTCA adult education providers continues to ascertain the immediate impact of Covid-19 and their medium/long term mitigation strategies. Although it has already been recognised that income from other sources of funding is at risk for these providers and there is uncertainty about their financial resilience and longevity.

The North of Tyne Covid-19 Capacity Fund has pledged £5m to help businesses and communities respond to Covid-19, and work continues at pace on this.

2. Risk - Operational Capacity and Resources

The Combined Authority is unable to demonstrate to Government and partners that it has the necessary capacity, skills and expertise to successfully deliver all projects and schemes, within the constraints of approved funding streams, timeframes, conditions and performance criteria.

Response

A Covid-19 Contingency Plan is in place to support central government guidance, homeworking and officer deployment instructions. The Plan worked well and work is now underway on a return policy for the office and the 'new normal'.

Business Continuity Plan (BCP) – the formulation of a full BCP has begun with an information gathering exercise underway. Development has stalled due to the impact of Covid-19 with delays to the receipt of information sought from other organisations.

3. Opportunity - Partnerships

The establishment of the Combined Authority provides us with an opportunity to strengthen the existing partnership arrangements in the region and across the public and private sector to drive forward change to meet our ambitions and successfully deliver the North East Strategic Economic Plan.

Response

The NTCA, North East LEP, North East Combined Authority, Confederation of British Industry (CBI), and other partners in the region, are members of a North East Covid-19 Economic Response Group. The group has been launched to ensure the North East has strong and collaborative economic leadership, providing maximum support for businesses in the immediate term and to plan for long-term economic recovery following the Covid-19 outbreak.

The North East Combined Authority (NECA) was previously the accountable body for the North East LEP, however the role transferred to NTCA in April 2020. This has resulted in a new opportunity being added to the register to cover this position as follows:

“As the accountable body for the North East LEP there is greater opportunity to maximise partnership arrangements with NTCA through working together to coordinate and manage resources, embedding effective governance arrangements between the bodies, collectively responding to future opportunities and challenges.”

NTCA Staffing

NTCA continues to develop to meet the requirements and delivery of the NTCA vision, while keeping costs to a minimum. The NTCA team grew to 34 employees during 2019/20, the first full year of operation, this included the appointment of two new Directors, Director of Economic Growth and Director of Policy and Performance. Many services are provided through Service Level Agreements with constituent local authorities.

Table 8 – Change in Staffing numbers during 2019/20

	Total NTCA Employees at the year end
2019/20	34
2018/19	1

The Authority seeks to make the best possible use of resources available with regard to economy, efficiency and effectiveness. This is a responsibility shared by Members and Officers of the Authority, with the Chief Finance Officer having a specific role in ensuring the adequacy of resources and proper financial administration. Our budget proposals for 2020/21, available on the NTCA website [Cabinet 28 January NTCA Budget Proposals 2020-2024](#) sets out how we will do this looking forward. The Statement of Accounts accompanying this report looks back at our performance since establishment. Reviewed together they provide the reader with an understanding of the financial position of the Authority.

If you would like further information about these accounts, please contact Janice Gillespie, Chief Finance Officer, c/o North Tyneside Council, Quadrant, The Silverlink North, Cobalt Business Park, North Tyneside, NE27 0BY



Janice Gillespie
Chief Finance Officer
Date 27 November 2020